



THE NATIONAL
FOREST



National Forest Company

Annual Report & Accounts 2015 > 16

HC 3

National Forest Company Annual Report and Accounts 2015-16

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

Ordered by the House of Commons to be printed on 6 July 2016.

© National Forest Company copyright 2016

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as National Forest Company copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at National Forest Company, Bath Yard, Moira, Swadlincote, Derbyshire DE12 6BA
Email: enquiries@nationalforest.org.

This publication is available at
<https://www.gov.uk/government/publications>

Print ISBN 9781474128773

Web ISBN 9781474128780

ID 16021605 07/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office

Contents

> Performance Report

Status and principal purpose	02
Chief Executive's Statement	03
2015-16 Performance Analysis	06

> Accountability Report

Directors' Report	10
Statement of Directors' Responsibilities	12
Governance Statement	13
Remuneration and Staff Report	18
The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company	23

> Financial Statements

Statement of Comprehensive Net Expenditure	24
Statement of Financial Position	25
Statement of Cash Flows	26
Statement of Changes in Taxpayers' Equity	27
Notes to the Accounts	28

> Appendix A

Sustainability Report	36
-----------------------	----



Status and principal purpose

The National Forest Company (NFC) is a company limited by guarantee (registered number 2991970), established on 1 April 1995, and became a registered charity (registered number 1166563) in April 2016.

During 2015-16, the status of the NFC changed from that of a Non-Departmental Public Body (NDPB) to being a Non-Profit Institution within the Public Sector specifically within Central Government which receives grant funding from the Department for Environment, Food and Rural Affairs (Defra). Grant is paid to the NFC under Section 153 of the Environmental Protection Act 1990.

The principal purpose of the NFC is to oversee the implementation of the Forest Strategy for the creation of The National Forest covering approximately 200 square miles of central England. Linked with the application for charitable status, the NFC undertook a review of its objects as set out in its Articles of Association. These have been amended to read:

For the public benefit, the conservation, protection and improvement of the physical and natural environment so as to secure and enhance the enjoyment by the public of the same, in particular but without limitation to:

- (a) woodland creation and management generally, and in particular in the area of The National Forest, for the benefit of the general improvement of land or for the environment;
- (b) the promotion of urban and rural regeneration by the maintenance, improvement or provision of public amenities; the provision of recreational facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances, have need of such facilities; and the protection or conservation of the environment; and
- (c) the advancement of education in the environment and sustainable development through the promotion of training and education and the undertaking and publishing of research.

Chief Executive's Statement

This year has seen the NFC reach its 20th anniversary and The National Forest itself start to celebrate its 25th year. But it hasn't been a year of resting on our laurels; far from it. In challenging times, we have reshaped the NFC so that it is better placed to lead our vision for the Forest into the future. We want the Forest to continue to be an internationally important demonstration of how environmentally-led regeneration can transform the landscape as well as the economic and social prospects of an area. I hope this positive message is reflected in this report and that it inspires the reader to engage with us in the next stages of creating a new Forest for the nation.

It is fitting that in our 20th year we secured charitable status in April 2016 which followed our move to a new status of Non-Profit Institution within the Public Sector, specifically within Central Government. This change in governance has been accompanied by the recruitment of a new Chair, Sir William Worsley, and new Trustees to refresh the Board and governance arrangements.

Financially, the NFC continued to increase its own income generation whilst maintaining its grant support from Defra, recognising that it is providing both value for money and significant public benefit. The grant in aid allocation from Defra for 2015-16 was £2.531 million and indication has been given that there will be a similar level of funding available in 2016-17. This, together with income generated from other sources, has meant greater financial sustainability and resilience, helping to mitigate against future risks and enabling the investment that will be needed for the new charity.

We can be optimistic that the organisation is well placed to tackle the challenges ahead, ranging from the economic outlook and public sector reform to climate change and land use pressures. As we do so it is clear that the original purpose of The National Forest, to regenerate the landscape, economy and communities, is as important as ever and that our work continues to both provide innovation and inspiration for society as a whole.

Performance summary for 2015-16

Achievements for the year compared with objectives detailed in the 2015 Business Plan are shown on pages 6 to 9. Highlights include:

- **Forest Creation** – Forest cover across our 200 square mile area now exceeds 20%, around double the country's average. With another 110ha of Forest delivered this year, 39ha of biodiversity habitat and 72ha of public access land, we are demonstrating that there is still an appetite for forest creation despite competing demands for land use, and that economic development can be enhanced by a healthy natural environment.
- **Woodland Management** – The success of our woodland management programme with 457ha of mature woodlands and 1,054ha of young woodlands being brought into management is heartening at a time when our woodlands are at the first thinnings stage. The programme has been embraced by landowners and partners, and there is a real desire to work together to optimise the benefits of our woodlands, as well as share best practice and knowledge.
- **Tourism and Visitor Destination** – Considerable effort has gone into revamping The National Forest visit website, establishing the *Forestlife* brand and galvanising partners around a common agenda for tourism promotion and further development of The National Forest as a destination. This bodes well for growth in the visitor economy, and also for improving the understanding, use and accessibility of the Forest itself.
- **Community Engagement** – We are delighted to see an increase in community activities, including community management of woodlands and environmental education, buoyed by the additional capacity provided by the Heritage Lottery funded 'Black to Green' project on behalf of the Heart of the Forest Forum. This is enabling us to trial new approaches and engage new audiences which can be repeated more broadly across the wider Forest area.
- **Organisational Change** – Securing charitable status and recruiting a new Chair and Trustees represents a real milestone for the NFC. These changes provide the catalyst for the next stages of both the Forest and the NFC, but with a continued emphasis on working in partnership.

Chief Executive's Statement (continued)

Key issues and risks to delivery of objectives

The latest Forest Strategy covers the period 2014-2024 and sets out the priorities and shifts in key activities as reflected in the performance summary above and plans for the year ahead below.

Whilst further forest creation remains a priority, the latest Strategy acknowledges that this will be at a lower rate than in earlier years but with greater targeting of where new planting should occur, taking into consideration connectivity of sites and beneficial impact on the landscape. To achieve the headline target for new forest creation when landowners are faced with a range of land use options with differing financial considerations was hugely encouraging but securing further forest creation in the coming years will remain a challenge.

The Strategy acknowledged that over its ten year period, the financial commitment of central Government to the NFC would gradually diminish in real terms and as a proportion of total income. It was acknowledged that the NFC would need to raise more of its income and that securing charitable status would be a key factor in its ability to do so. Therefore now that the NFC has become a charity this has opened up new sources of funding and has mitigated some of the risks surrounding the Company's ability to raise funds.

In a year of a Government Comprehensive Spending Review, there were inevitably concerns regarding the level of future year grant from Defra. The NFC, therefore, welcomed the indicative settlement level of grant funding for 2016-17 and beyond which would see grant remain at the level allocated for 2015-16.

Further commentary of risks facing the NFC is provided in the section of the Governance Statement which covers risk management, including the NFC's risk register.

Contribution to the delivery of Defra Strategy

Grant funding from Defra contributed significantly towards the delivery of Forest Strategy objectives whilst simultaneously contributing to the delivery of the Defra Strategy.

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

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

The goals are focused on four impact objectives, which explain the ambitious, long term aims, and the positive differences the Defra group will make to the UK by 2020. There is one delivery objective, which describes the high levels of service and value for money for the taxpayer which is being strived for.

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

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

Chief Executive's Statement (continued)

The Year Ahead

With a new Board, charitable status and a busy programme of activities, the year ahead presents an exciting time for the organisation and the Forest. Key priorities include:

- Continued woodland creation, with targeted effort towards habitat connectivity and improving resilience.
- An increased emphasis on woodland management with a particular focus on promoting the woodland economy and business diversification.
- Additional investment in Destination Development activity through collaborative effort, marketing, and support.
- A major emphasis on health and recreation through the Outdoor Activity Partnership.
- Continued development of the National Forest Way as a destination and facility.
- Full operation of the Research & Innovation Hub, and development of new research programmes to tackle key challenges.
- Supporting the Charnwood Forest Regional Park's Landscape Partnership Scheme submission to the Heritage Lottery Fund.
- Further development of options for new facilities at the NFC owned Hanging Hill Farm.
- A major focus on community activities through the Heart of the Forest Forum's 'Black to Green' project, environmental education and community woodfuel work.
- Continued celebrations for the 25th anniversary of the Forest, including formally launching the new charity, brand development and further web development.
- Continuing the shift in income generation to provide greater financial sustainability for the NFC.

Whilst this report demonstrates the progress being made in continuing to develop The National Forest, it cannot adequately recognise the efforts of the staff team, Board members, partner organisations, volunteers, funders and supporters without whom none of this would be possible. Finally, I would like to pay tribute to our outgoing Chair, Catherine Graham-Harrison, whose leadership, commitment and support has steered the NFC through a period of change, successful delivery and renewed ambition, and leaves us well placed to embark on the next 25 years of The National Forest.



John Everitt
Chief Executive / Accounting Officer

2015-16 Performance Analysis

Creating and managing a forest for the nation:

to continue to establish new Forest sites, where they are cost-effective and clearly contribute to biodiversity, public access, landscape or other key strategic goals; to manage sites for maximum environmental, economic and social benefit.

Targets:	Progress:
Forest creation:	
110 – 130ha of new forest sites.	Achieved. 110ha secured.
20 - 30ha of biodiversity gains from non-wooded habitats.	Exceeded. 39ha secured. 14ha through forest creation schemes plus a further 25ha of minerals restoration open water and wet grassland habitats.
70ha of new/planned public access secured.	Achieved. 72ha secured through land acquisition, CLS and planning work.
Woodland management programme:	
70 landowners receive inspections (including pests and diseases) and advice.	Partially achieved: 62 visits undertaken, comprising 47 woodland management advisory visits and 15 CLS second stage inspections.
15 new management plans.	Exceeded: 20 new plans completed.
90ha of mature woodland and 250ha of young woodland brought into management.	Significantly exceeded: 456ha of mature woodland, including 207ha SSSI woodland, and 1,054ha of young woodland has been brought into management.
200+ landowners engaged in Woodland Owner's Club.	Achieved. More than 200 Woodland Owners Club members regularly engaged in information, advice and events (e.g. deer and squirrel management groups).
Identification of opportunities for collaborative woodland creation and management.	In progress: Pilot work completed to trial collaborative deer and grey squirrel management. Impact surveys undertaken to support the case for pest control.
Submission of Local Enterprise Partnership (LEP) investment programme to include woodland economy element by Summer 2015.	In progress: LEP bids submitted but unsuccessful. Woodland economy programme developed and further LEP investment being pursued.
Stronger Local Nature Partnerships (LNPs) with links to LEPs around natural environment. Best practice developed and shared with partners.	In progress: NFC is an active partner in the LNPs covering the Forest, advocating the role of the natural environment to economic growth.
Agreement of an evidence-based approach for targeting connectivity with partners.	In progress: The Stirling University-led Woodland Creation & Ecological Networks research has now produced initial results for publication to inform habitat connectivity modelling. Aerial photography has been analysed for Staffordshire and Derbyshire to identify uncounted woodland and update woodland cover. Land ownership mapping work has also been completed to target grants to priority owners.

2015-16 Performance Analysis (continued)

Creating the visitor destination and making the most of the asset for recreation and sport:

key to creating a multipurpose, economically vibrant, forest.

Activities:	Progress:
<p>Destination Development Plan for the next phase of the development of and investment in the Forest's visitor economy. Implementation of Year 1 Action Plan.</p>	<p>Partially achieved. Gap analysis document produced to inform destination development. Summary plan will be produced in 2016-17.</p>
<p>Develop a management plan for the National Forest Way (NFW), engage volunteers in its management and promote the route to wider audiences.</p>	<p>Achieved. National Forest Way management plan developed and volunteers successfully recruited for management and maintenance.</p>
<p>Scope the potential for recreation and sport development, including opportunities for new Forest trails and additional access routes for cyclists and horse riders.</p>	<p>Achieved. New Outdoors Activity Partnership established and funding programme developed for Sport England investment to support new infrastructure and outdoors activity.</p>
<p>11th National Forest Wood Fair to be held August 2015. Quantify number of exhibitors and attendees (2014: 110 exhibitors, 2,000 attendees).</p>	<p>Partially Achieved. Successful event organised but exhibitors and attendees below target of 100 exhibitors and 5,000 attendees as a result of bad weather. New plans for 2016 developed to shift event to a Countryside Show and explore a new National Forest Festival for 2017.</p>
<p>Delivery of National Forest & Beyond tourism programme with local authority partners, including launch and promotion of a refreshed visitor website.</p>	<p>Achieved. Tourism programme and publications developed with tourism partners, and fully responsive website launched.</p>
<p>Development work to take advantage of new opportunities and partnership initiatives.</p>	<p>Ongoing: Significant shift in tourism promotion work undertaken through collaborative brand development (<i>Forestlife</i>), destination marketing and visitor contribution model. Income targets exceeded for destination marketing.</p>

2015-16 Performance Analysis

The Forest for Everyone:

expanding the users of the Forest, demonstrating its inclusivity in this new decade, encouraging woodland culture and practical engagement.

Activities:	Progress:
Recruit 'Black to Green (B2G)' Heritage Lottery funded project team and establish programme in place.	Achieved. Project Manager and two project officers successfully recruited with partners. Delivery plans, steering group and Heart of the Forest Forum support structures in place.
Achieve year 1 targets for B2G for volunteering, Access & Interpretation masterplan and ecological recording programme.	Partially achieved as team only appointed in September 2015. Volunteering access and interpretation and ecological recording work on track, and access infrastructure project delivered.
Reach new audiences and communities of interest for B2G, engaging 8 new groups in the Heart of the Forest.	Achieved. 34 new groups engaged in project through communications, events and activities, including young people, disadvantaged groups and under-represented groups.
Undertake community woodfuel project for B2G with one new group established in the Heart of the Forest area.	Achieved. Existing woodfuel group developing well with potential to expand to form a new group. Bids submitted for longer term expansion of community woodfuel groups.
Support 42 community groups engaged in managing woodlands and encourage a further 4 sites with community management.	Achieved. New activity achieved at 43 sites with significant support provided to existing groups.
Support c100 groups engaged in managing woodland sites.	Achieved, 121 groups engaged in a variety of activities including volunteering, fun days, scouts activity and training to maximise opportunities.
c2,000 volunteer days by residents.	Exceeded, 2,656 volunteer days achieved through work undertaken by The Conservation Volunteers (TCV), community management of woods activity and through delivery of Annual Management Agreements.
20,000 people actively participating in forest-related programmes supported by NFC, with 16% of these from communities at risk of exclusion.	Exceeded, total of 21,579 participations. Varied programme of community engagement delivered including with TCV, Groundwork, Get Active in the Forest and North West Leicestershire District Council. The community management of woods programme and community projects funded through the PDF, CLS and development of our Ratby site also supported this.
38,000 children and adults involved in environmental education.	Exceeded, total of 38,483 achieved through education programmes at Conkers and Rosliston Forestry Centre, Forest School activity, school grounds projects and schools involvement through Woodland Discovery (WD) and development of our Ratby site.

2015-16 Performance Analysis

Governance, income generation and marketing:

Activities:	Progress:
Develop new governance arrangements and charitable status with Defra and Charity Commission.	Achieved. New Members, Chair and Trustees recruited, with two new Trustees meeting requirements for local representation. New governing documents agreed leading to securing of charitable status and new Non-Profit Institution status for NFC.
Develop National Forest Research Hub, including research seminar for partners and business model.	Achieved. Hub scoped with development of business model and seminar undertaken in November 2015. Grey squirrel risk mapping contract delivered and new research programmes now under development with Nottingham Trent University and Oxford University.
Continue to shift income generation towards core costs through corporate support, major donors, new programmes and contribution models.	Ongoing. New programmes including carbon scheme, research contracts, major donors and visitor contribution now operating alongside existing corporate support.
Develop a woodland and visitor economy investment plan for Hanging Hill Farm.	Ongoing. Feasibility study completed by Bidwells as first phase of planning for Hanging Hill Farm development. Further work in 2016-17 will analyse options to take forward development of the site.
Explore income earning potential on NFC sites and implement leasing pilot for Swannymote Woods site.	Partially achieved. Swannymote Woods lease negotiated as a pilot, and Farm Business Tenancy / grazing licences in place at several sites. Further work on the NFC land policy in 2016-17 will help identify opportunities to progress income earning potential of other sites.
Develop The National Forest and NFC brand and new campaigning activity.	Ongoing. Brand development work undertaken and statement produced. Will be finalised in 2016-17.
Develop and deliver the NFC 20th birthday celebrations. Plan activity for the 25th anniversary of The National Forest in 2016. To include new publication to promote 20th anniversary and charitable status.	Partially achieved. Good coverage secured for 20th anniversary celebrations and with national media for 25th anniversary plans which will continue into 2016-17. Delays in securing charitable status have meant the publication will be delivered in 2016-17.

Directors' Report

Board of Directors

The directors of the National Forest Company (NFC) during 2015-16 and their initial appointment and termination dates are as follows:

Name	Role	Appointment date	End date
Catherine Graham-Harrison OBE	Chair Non-Executive Director	1 April 2011	31 March 2016
John Everitt	Chief Executive Executive Director	5 January 2015	Not fixed term appointment
Roger Clarke	Non-Executive Director	1 April 2011	31 March 2016
Tony Hams OBE	Non-Executive Director	1 April 2010	31 March 2016
Christopher Holmes	Non-Executive Director	1 April 2013	31 March 2016
Brian Mahony MBE	Non-Executive Director	1 April 2013	31 March 2016

Information on appointment and responsibilities of directors is contained in the Governance Statement. The Remuneration Report provides details on the remuneration and expenses paid to directors.

All directors are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2015-16 no issues arose as a result of any directors' conflicts of interest and no director had a material transaction with the NFC.

The terms of office of all Non-Executive Directors expired on 31 March 2016. At a General Meeting held in March 2016 a resolution was approved which saw John Everitt, Roger Clarke, Christopher Holmes and Brian Mahony become trustees of the National Forest Company from April 2016 when the NFC became a registered charity. The approved resolution also resulted in the appointment of Sir William Worsley, Anthony Balance, Jack Buckner and Suzanne Carr as trustees. Sir William was appointed Chair.

Status and principal activities

The National Forest Company (NFC) is a company limited by guarantee (registered number 2991970), established on 1 April 1995, and became a registered charity (registered number 1166563) in April 2016. During 2015-16, the status of the NFC changed from that of a Non-Departmental Public Body (NDPB) to being a Non-Profit Institution within the Public Sector specifically within Central Government which receives grant funding from the Department for Environment, Food and Rural Affairs (Defra). Grant is paid to the NFC under Section 153 of the Environmental Protection Act 1990.

The principal purpose of the NFC is to oversee the implementation of the Forest Strategy for the creation of The National Forest covering approximately 200 square miles of central England.

Directors' Report (continued)

Going concern

The Statement of Financial Position as at 31 March 2016 shows that the NFC has reserves of £5,063,948 (2015: £4,659,176). Looking ahead, grant from Defra over the next few years is expected to represent a high proportion of NFC income and confirmation has been received from the Department that grant in 2016-17 will remain at the same level as that allocated for 2015-16 i.e. £2,530,725. This level of funding, coupled with the expected benefits to the NFC's ability to secure income from other third party sources that should be derived from having secured charitable status, means that it is considered appropriate to adopt the going concern basis for the preparation of financial statements for 2015-16.

The directors are not aware of any significant risk which may impact on the ability of the NFC to continue to operate at the current level of activity.

Auditor's remuneration

The financial statements that follow were audited by the National Audit Office on behalf of the Comptroller and Auditor General who is the statutorily appointed auditor. The fee for the audit of the financial statements in 2015-16 was £14,000 (2014-15: £12,500). No non-audit work was conducted by the National Audit Office during 2015-16 (2014-15: Nil).

Pension liabilities

All NFC staff are members of the Principal Civil Service Pension Scheme (PCSPS). Information on the pension arrangements and accounting policy applied to pension liabilities is provided in note 1 of the financial statements. Pension arrangements are detailed in the Remuneration Report which also provides information on pension benefits to which the NFC Chief Executive qualifies. No other directors are members of the PCSPS.

Losses, special payments and gifts

The Company did not write off any losses or make any special payments or gifts during 2015-16. (2014-15: Nil).

Payment of Suppliers

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

undisputed invoices within 5 days and 61% have been paid within this timescale (2014-15: 68%); 89% were paid within 10 days (2014-15: 90%). No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Research and Development

During the year £28,596 was spent on research (2014-15: £99,818) with the main areas of activity being:

- consultancy support to advise on income generation opportunities;
- consultancy services to produce a Destination Development and Management Plan and supporting five year implementation plan for The National Forest;
- contribution to the Stirling University-led WrEN research to inform habitat connectivity modelling;
- annual statistical analysis of the economic impact of tourism on the Forest area; and
- survey of visitors to the National Forest Wood Fair.

Sustainability performance

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

Personal data related incidents

No personal data related incidents occurred during the year which needed to be reported to the Information Commissioner's office.

Post year end events and developments

As referred to above, the National Forest Company became a registered charitable company in April 2016. A new Board of Trustees is in place from 1 April 2016 with trustee appointments being effective from that date.



John Everitt
Chief Executive / Accounting Officer
21 June 2016

Statement of Directors' Responsibilities

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

Section 394 of the Companies Act 2006 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Secretary of State for Environment, Food and Rural Affairs has directed the National Forest Company to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Company and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Department for Environment, Food and Rural Affairs, 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer for the Department for Environment, Food and Rural Affairs has designated the Chief Executive of the National Forest Company as the Company's Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Forest Company's assets, are set out in Managing Public

Money published by the HM Treasury.

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

In so far as the directors are aware:

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

Governance Statement

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

Charitable status

The NFC became a charitable company (limited by guarantee) in April 2016 (charity registration no. 1166563). This was the culmination of a prolonged application process which commenced with the application to the Charity Commission in June 2015 and was followed by correspondence with the Commission to satisfy them as regards NFC charitable objects, proposed governance structure as reflected in the Articles of Association and the NFC's arm's-length relationship with Defra which needed to demonstrate that the Department was not able to control and unduly influence the policies and activities of the NFC as this is the responsibility of NFC Members and Trustees.

In accordance with the Articles of Association, the Secretary of State for Environment, Food and Rural Affairs and the Chair of the NFC shall be Members of the charity. In February 2016, they as existing Members, approved a resolution proposing the appointment of two further individuals as Members. This ensures that the Secretary of State is in a minority when voting on NFC business and therefore cannot exercise a controlling influence.

At a General Meeting held in March 2016, the four Members unanimously approved a resolution proposing revisions to the Company's Articles of Association. The most significant change being to NFC objects which had been redrafted to reflect wholly charitable activities and which met with Charity Commission approval. The amended Articles were filed with Companies House in April 2016.

As a consequence of becoming a charity and applying the governance provisions set out in its Articles of Association, the status of the NFC has changed from being an Executive Non-Departmental Public Body (NDPB) to being a Non-Profit Institution within the Public Sector specifically within Central Government.

The change in status and relationship with Defra is reflected in a Statement on Independence agreed

between NFC and Defra. This was seen as being an important document by the Charity Commission and summarises:

- (i) the responsibilities of the NFC in relation to overseeing the implementation of the National Forest Strategy, appointing its Board of Trustees and being responsible for its own governance arrangements;
- (ii) Defra requirements in relation to grant funding allocated to the NFC and the need for NFC to adhere to guidance set out in Managing Public Money; and
- (iii) responsibilities of NFC trustees.

Becoming a charity and the change in status has necessitated a review of the Framework Document which sets out the terms of the relationship between the NFC and Defra. Its provisions set out the conditions attached to grant funding from Defra to the NFC, describes the arrangements that exist to safeguard propriety and regularity and clarifies the roles and responsibilities of Defra, including those of the Secretary of State as a Member of the NFC, and of the NFC. The contents of the revised Framework Document, as agreed between Defra and the NFC, were agreed with Cabinet Office and HM Treasury. The Statement on Independence and revised Articles of Association are appended to the Framework Document. As at April 2016, the only outstanding matter for Defra and NFC to agree upon is revisions to the NFC's land acquisition, retention and disposal policy which is to be undertaken in early 2016-17. Once this is completed the policy will be appended to the Framework Document which will then be signed off.

Governance structure

The terms of office of the Chair and four other Non-executive Directors who were in office throughout 2015-16 expired at the end of March 2016. Applying the new governance arrangements, the NFC became responsible for recruiting a new Chair and Board of Trustees to serve from April 2016. The existing Chair, Catherine Graham-Harrison and one Director, Tony Hams, confirmed that they did not wish to be considered as potential trustees to join the new Board whilst the three other Directors, Roger Clarke, Christopher Holmes and Brian Mahony confirmed that they would. It was agreed that the NFC would benefit from continuity of their engagement with NFC during a period of change and so the proposal was for all three

Governance Statement (continued)

to become trustees of the charity from April 2016. Their appointment was subsequently approved by Members, They are joined on the Board by a new Chair, Sir William Worsley, and three other new trustees who were identified through a recruitment process undertaken by the NFC. Appointments made took into consideration the requirement for the Board to have an appropriate balance of skills, experience, independence and knowledge to discharge its duties effectively. Selection panels for the Chair and trustee roles comprised existing NFC Directors, independent members and Defra was represented on the panel to select a new Chair. Members approved the resolution to make these appointments at the General Meeting held in March 2016. The expectation is that the new Chair and three trustees will each serve for an initial three year period and will then be eligible for reappointment, subject to the NFC adhering to the provisions on the retirement of directors as set out in the Articles of Association. The approved resolution also proposed that the Chief Executive, John Everitt, should be appointed a trustee.

In accordance with the Articles of Association and charity normal practice, no individual will receive a remuneration for being a trustee although reasonable out of pocket expenses necessarily incurred in fulfilling their duties will be reimbursed.

For most of 2015-16 the NFC was an Executive NDPB and the terms of the Framework Document agreed in 2012 applied. This allowed for an annual meeting between the Minister and NFC Chair at which the Chair's objectives for the year were agreed. Objectives for 2015-16 centred around securing charitable status for the NFC and ensuring a smooth transition to this new status; making tangible progress on delivering the objectives of the 2014 – 2024 National Forest Strategy; diversification of funding streams, and strategic partnership engagement.

It has in recent years become standard practice for the NFC Board to annually review its performance and effectiveness. However, no such review was undertaken during 2015-16 as the Board reviewed governance arrangements and moved towards charitable status with a new Board of trustees. A priority for 2016-17 will be for the new Board to agree its role and responsibilities, taking into consideration the requirements arising from the terms of the Framework Document and charity good practice as issued by the Charity Commission. Linked to this will be consideration of how the Board assesses its effectiveness in fulfilling its responsibilities.

Board business during 2015-16 included: consideration of progress towards securing charitable status and agreeing policies that would be relevant to that new status; approval of the annual Business Plan and monitoring progress against agreed priorities; judging applications to the 2015 round of the Changing Landscapes Schemes; consideration of new income generation activities; marketing and brand development; risk management and health and safety.

Whilst an NDPB, the NFC complied with good governance practice principles for such a body published by the Cabinet Office as they apply to the Company. A variation from specified good practice is that the NFC does not have a Remuneration Committee to make recommendations on the remuneration of senior executives. The Board agreed that it is not necessary to establish such a committee. The salaries and terms of conditions of NFC staff are analogous to those of staff employed in core Defra and this will remain the case in 2016-17. The only NFC employee who is graded at Senior Civil Service level is the Chief Executive. The NFC Chair, after consulting fellow Non-executive Directors, determines the level of the annual non-consolidated performance related bonus payable to the Chief Executive.

A key committee of the Board is the **Audit and Risk Committee (ARC)** which normally comprises three Non-executive Directors. However, throughout 2015-16 it operated with only two but is expected to be restored to three in 2016-17. The Chief Executive, in his capacity as Accounting Officer, attends these meetings. Minutes of meetings are circulated to all Directors, oral reports are given to the Board on business conducted and the Committee presents an annual report on its activities to the Board.

The ARC met three times during 2015-16. Its work included consideration of the financial statements for 2014-15 and the Audit Completion Report issued by the NAO prior to the accounts being certified by the Comptroller & Auditor General (C&AG); receiving the NAO's Audit Planning Report for 2015-16; considering reports issued by internal audit; scrutinising finance reports prior to them being considered by the Board; and fulfilling its responsibilities in respect of risk management (see below).

Importantly during 2015-16, the Committee considered updates on progress towards securing charitable status and debated issues relevant to this significant change in governance. Linked to this, consideration was given to the rolling Change Management Plan and the

Governance Statement (continued)

Committee agreed Financial Reserves and Ethical Policies relevant to becoming a charity prior to their submission to the Board for approval. A Value for Money Statement was also considered which incorporated performance indicators relevant to governance, management, income generation and other programme activity and had a clear focus on efficiency, economy and effectiveness.

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

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

- (i) **Board** – 4 ordinary meetings were held during 2015-16

	Meetings attended
Catherine Graham-Harrison (Chair)	4
John Everitt (Chief Executive)	4
Roger Clarke	4
Tony Hams	4
Chris Holmes	4
Brian Mahony	4

- (ii) **Audit & Risk Committee** – 3 meetings held during 2015-16

	Meetings attended
Roger Clarke (Chair)	3
Brian Mahony	3
John Everitt (Chief Executive)	3

- (iii) **Land Policy Group** – 3 meetings held during 2015-16

	Meetings attended
Tony Hams (Chair)	3
Catherine Graham-Harrison	1
Brian Mahony	3
John Everitt (Chief Executive)	2

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

Strategy and planning

The Board is responsible for determining the strategic direction of the organisation. It approved the latest strategy for the forest covering the period 2014 – 2024 which was published in June 2014 and sets out the key objectives and indicators against which progress will be measured over the ten year period. Annually, the NFC produces a Business Plan which is approved by the NFC Board, which details activity and objectives for the coming year and high level priorities for the following two years with planned activity contributing to the delivery of the overall Forest Strategy. The Plan also includes reference to how the Company utilises grant funding from Defra to contribute to the delivery of national forestry and departmental strategic objectives.

In early 2016, the NFC engaged in the process led by Defra to produce a business plan 'Creating a great place for living' for the period to 2020 which sets out a shared vision for the whole of the Defra group. In addition, Defra is drafting a 25 year Environment Plan Framework upon which all parts of the Defra group has also been consulted.

Internal controls and the work of internal audit

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

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

Mazars LLP were reappointed to provide internal audit services to the NFC for the 3 years from 2015-16, subject to an annual review of performance.

Governance Statement (continued)

The refreshed approach to internal audit as reflected in the plan produced sees work to be undertaken be divided between strategic, focusing on planned changes in NFC governance and related activities as detailed in the Change Management Plan, and the more traditional compliance audits. Undertaken during the year was a compliance review of financial systems, a review of the newly introduced project development protocol, an audit of the procedures established in relation to the Heritage Lottery Fund funded 'Black to Green' project; and a review of actions taken on outstanding recommendations arising from previous audits. For each area audited a substantial assurance was given on the effectiveness of internal controls and work undertaken informed the opinion expressed in the Annual Internal Audit Report for 2015-16 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

Data handling

All staff sign copies of the Company's data handling policy, confirming that they will comply with its terms and complete mandatory courses.

No incidents of loss of data arose during 2015-16.

Whistleblowing

The NFC has a whistleblowing policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2015-16, as was the case in 2014-15. The NFC's Audit and Risk Committee periodically reviews the procedure to ensure that it remains effective. The next such review will take place in 2016-17.

Risk Management

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

The ARC has responsibility for reviewing the risk management process and the full draft Risk Register before the highest scored risks are presented to the Board. The Committee is responsible for overseeing and reviewing the effectiveness of the systems of internal control and corporate governance within the Company with its assessment being informed by senior management and the work of the appointed auditors. Risk management is a standing agenda item for ARC meetings.

The Senior Management Team (SMT) identifies the main risks faced in achieving corporate objectives and targets as detailed in the Business Plan together with actions and controls needed to mitigate these risks and is responsible for maintaining the Risk Register.

The risks allocated a high score in the 2015-16 Risk Register were broadly similar to those allocated a similar score in the previous year's register and included the ability to achieve the headline target for new forest creation via the various means available; uncertainty as regards the amount of future grant in aid receivable in a year when there was a spending review (SR15); the ability of traditional public sector partners and not for profit organisations to support Forest initiatives; the threat of losing a significant number of trees through disease, pests and pressures relating to climate change; and risks linked to landowners and partners failing to maintain and deliver quality and engage in forest and woodland management programmes.

Other risks allocated a high score in the 2015-16 register related to the NFC's pursuit of charitable status and implications that could arise from the loss of its NDPB status. It was acknowledged that the changing nature of the organisation meant that the NFC needed to become more entrepreneurial and as a consequence take more calculated risks. For this year, the key calculated risks were around income generation for new ventures including the centre of excellence and the woodland economy work. These areas of activity became a particular focus for ARC.

The outturn for the year of actuals compared with targets and budgets was very positive with almost all headline targets being met which reflects well on the effectiveness of the mitigating actions taken to counter identified risks detailed in the Risk Register. The exception was income generation where failure to secure charitable status in 2015-16 meant that the NFC was unable to pursue grants from Trusts and Foundations which only give grants to charities and this was a significant factor in outturn for private sector income secured being only 55% of the target set for the year.

Introduced during 2015-16, was a new format quarterly report from the Chief Executive to each Board meeting. This reports at a strategic level on successes, challenges, risks and opportunities and provides a succinct summary of activity. The report provides a summary of risks per the Risk Register as at each quarter end and also provides commentary on progress against the range of Business Plan KPI's and targets. This new style report has been well received by directors.

The NFC received no ministerial directions during the year.

Governance Statement (continued)

Local engagement through the grant regime

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

The woodland management grant programme, introduced in 2013-14, continues to attract a high level of interest. To be eligible, a project must contribute to at least two National Forest objectives which include forestry, woodland economy; wildlife conservation; landscape enhancement; recreation, including public access; community use and/or engagement, and heritage protection. In 2015-16, qualifying projects were eligible for a grant of up to 75% of the total costs (60% agreed for 2016-17), subject to a maximum of £15,000 in any one year.

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

Performance management

As Accounting Officer, I have overall responsibility for the achievement of corporate objectives as detailed in the Business Plan. However, responsibility for delivery of many of these is delegated to other staff in the organisation. Responsibilities and objectives are detailed in annual job plans for each employee and performance against these is assessed through the staff review system. This includes a mid-year and end of the year assessment of how the individual has performed which determines any entitlement to a performance related

bonus. The job plans also detail training and development needs identified to equip the individual to perform effectively.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2016, seven complaints were received (compared with 19 in 2014-15), six of which related to sites not owned by the NFC. All complaints were responded to within the specified timescale.

Conclusion

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



John Everitt
Chief Executive / Accounting Officer
21 June 2016

Remuneration and Staff Report

(a) Remuneration Report

Remuneration Policy

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

Remuneration of Non-Executive Board Members

Non-Executive Directors in office during 2015-16 were appointed by Defra following approval of their appointment by the Minister responsible for the Company. Appointments were made in line with the Code of Practice issued by the Commissioner for Public Appointments. Directors were appointed for an initial three year term of office which could be extended.

Remuneration of Directors accorded with senior civil service pay arrangements. Salaries were reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salaries Review Body and any directives and guidance issued by the Government. No increase was applied with effect from April 2015. The last increase was applied in 2009.

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

The NFC became a charitable company with effect from April 2016. From that date, in accordance with its Articles of Association, trustees give their time on a voluntary basis and receive no remuneration. Reasonable expenses necessarily incurred in fulfilling their responsibilities will be reimbursed.

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

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

Name	Contract Expiry Date	2015-16		2014-15	
		£'000 Remuneration	£ Expenses	£'000 Remuneration	£ Expenses
Catherine Graham-Harrison	31 March 2016	10 - 15	900	10 - 15	1,000

*Expenses are shown to the nearest £100.

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

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

Name	Contract Expiry Date	2015-16		2014-15	
		£'000 Remuneration	£ Expenses	£'000 Remuneration	£ Expenses
Roger Clarke	31 March 2016	0 - 5	500	0 - 5	400
Tony Hams	31 March 2016	0 - 5	900	0 - 5	1,000
Christopher Holmes	31 March 2016	0 - 5	2,000	0 - 5	600
Brian Mahony	31 March 2016	0 - 5	1,900	0 - 5	2,200
David Nicholls	31 March 2015	-	-	0 - 5	300

*Expenses are shown to the nearest £100.

Remuneration and Staff Report (continued)

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

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

John Everitt was appointed Chief Executive with effect from 5 January 2015. He succeeded Sophie Churchill in the role. She left the Company's employment on 31 December 2014.

Defra has conferred Accounting Officer status on the NFC Chief Executive. The salary for the post falls within the range for a Grade 5 within Defra's grading structure.

The salary payable to the Chief Executive is reviewed on 1 April each year. No increase in salary was awarded to John Everitt with effect from 1 April 2015.

In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The NFC Chair agreed with John Everitt that any performance-related bonus due in respect of the three months from January to March 2015 would be determined and paid with the performance-related bonus falling due for the year 2015-16. The non-consolidated bonus shown in the table below, therefore, relates to performance during the period 5 January 2015 to 31 March 2016.

The bonus paid to Sophie Churchill for 2014-15 relates to performance during the 9 months to 31 December 2014.

The level of bonus payable to the Chief Executive is determined by the Chair, after consultation with fellow Directors.

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

Name	Age	Start date	Left employment
John Everitt	49	5 January 2015	
Sophie Churchill	52	1 February 2006	31 December 2014
Single total figure of remuneration:		2015-16	2014-15
		£'000	£'000
John Everitt:			
Salary ¹		60 - 65	10 - 15
Non-consolidated bonuses		5 - 10	-
Pension benefits		20 - 25	5 - 10
		<u>90 - 95</u>	<u>20 - 25</u>
Sophie Churchill:			
Salary ²		-	50 - 55
Non-consolidated bonuses		-	5 - 10
Pension benefits		-	25 - 30
		<u>-</u>	<u>85 - 90</u>

¹ John Everitt's full year equivalent salary for 2014-15 was in the range of £60 – 65k.

² Sophie Churchill's full year equivalent salary for 2014-15 was in the range of £70 – 75k.

Remuneration and Staff Report (continued)

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefit met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** some time between 1 June 2015 and 1 February 2022. All members who switched to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** - as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th 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 updated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The NFC has not, to date, made any contributions to a partnership pension account.

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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Remuneration and Staff Report (continued)

Benefits to which the Chief Executive qualifies under the PCSPS (this information is subject to audit):

2015-16	£
	John Everitt
Accrued pension at pension age as at 31/3/16 and related lump sum	0 - 2,500
Real increase in pension and related lump sum at pension age	0 - 2,500
Cash equivalent transfer value (CETV) at 31/3/16 (nearest £'000)	20,000
Cash equivalent transfer value (CETV) at 31/03/15 (nearest £'000)	4,000
Real increase in CETV	11,000

Cash Equivalent Transfer Values

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

(b) Staff Report

Staff employed

Average number of persons employed:	2015-16	2014-15
Directors (including Chief Executive)	6	7
Staff (full time equivalent)	18	16
	<u>24</u>	<u>23</u>

All staff are employed on a permanent basis, apart from three staff, two of whom are engaged on the Heritage Lottery funded 'Black to Green' project, who are employed on fixed term contracts.

The salary and related costs arising from the employment of the above is detailed in Note 2.1 to the accounts.

Remuneration and Staff Report (continued)

Remuneration of staff

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are normally applied to staff employed by the NFC. However, in 2014 and 2015 Defra participated in a pilot pay remit which did not extend to NDPBs. The NFC therefore applied the terms of the 2013 pay review to its staff.

All staff are members of the PCSPS.

Sickness absence

Staff absence due to sickness equated to an average of 3.4 days per employee during the year (2014-15: 3.4 days).

Equal Opportunities

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

Staff engagement

As the Company has moved towards charitable status, all staff have been kept fully informed throughout the process in terms of governance changes to the organisation. The team have been consulted and have engaged positively in the development and implementation of a comprehensive change management programme.

During 2015-16 the Company embarked upon a team development programme, the main objective of which was to create the conditions for the team to understand, be part of and adapt to the changing nature and needs of the organisation. The three main strands of the programme centred around: values and vision, ensuring alignment at individual, team and organisation levels; reviewing key procedures to fit the changing needs of the organisation, and developing new skills and techniques to facilitate change.

Gender diversity

The gender split of Directors and staff employed as at 31 March 2016 was as follows:

	Male	Female	Total
Directors, including			
Chief Executive	5	1	6
Staff	9	12	21
Total	14	13	27

Remuneration of the highest paid Director and the ratio between this and the median remuneration of the NFC's staff

(this information is subject to audit):

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce.

The remuneration as at 31 March 2016 of the Chief Executive, who is the highest paid Director in the NFC, was in the range of £65,000 - £70,000 (2015: £60,000 - £65,000). This was 2.06 times (2015: 1.92) the median remuneration of the workforce of £32,412 (2015: £32,278).

In 2015-16, no employees received remuneration in excess of the highest paid Director, as was the case in 2014-15. Remuneration ranged from £20,000 - £57,000 (2014-15: £20,000 - £56,000).

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



John Everitt
Chief Executive / Accounting Officer
21 June 2016

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

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its net expenditure after interest and taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Annual Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse Comptroller and Auditor General

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

29 June 2016

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 £	2014-15 £
Expenditure			
Staff costs	2	916,208	827,269
Depreciation	3	79,360	20,200
Other Expenditure	3	1,551,949	1,479,008
		<u>2,547,517</u>	<u>2,326,477</u>
Income	4	(470,364)	(340,687)
Net Expenditure		2,077,153	1,985,790
Interest receivable	4	(12,098)	(9,340)
Net Expenditure after interest and before taxation		2,065,055	1,976,450
Tax on interest receivable	5	2,420	1,868
Net Expenditure after interest and taxation		2,067,475	1,978,318
Other Comprehensive Expenditure			
Net loss/(gain) on revaluation of land through Revaluation Reserve	6	58,478	(73,558)
Total Comprehensive Net Expenditure		<u><u>2,125,953</u></u>	<u><u>1,904,760</u></u>

Statement of Financial Position

for the year ended 31 March 2016

	Note	As at 31 March 2016		As at 31 March 2015	
		£	£	£	£
Non-current assets:					
Property, plant and equipment	6	3,334,033		3,219,551	
Trade and other receivables:					
Amounts falling due after more than one year	7	3,630		4,561	
Total non-current assets			3,337,663		3,224,112
Current assets:					
Trade and other receivables:					
Amounts falling due within one year	7	263,107		134,150	
Cash and cash equivalents	8	420,483		1,360,952	
Investments	9	1,100,000		-	
Total current assets			1,783,590		1,495,102
Total assets			5,121,253		4,719,214
Current liabilities:					
Trade and other payables:					
Amounts falling due within one year	10	(57,305)		(60,038)	
Total current liabilities			(57,305)		(60,038)
Assets less liabilities			5,063,948		4,659,176
Taxpayers' equity and other reserves:					
Capital Reserve			3,237,835		3,072,837
Revaluation Reserve			64,240		122,718
General Reserve			1,761,873		1,463,621
Total equity			5,063,948		4,659,176

The notes on pages 28 to 35 form part of the accounts.

The National Forest Company is exempt under the provisions of Section 475 of the Companies Act 2006 from making the disclosure requirements of Part 16 under Section 482 (non-profit-making companies subject to public sector audit) of that Act.

The financial statements were approved by the Board on 11 May 2016 and signed on its behalf by:



John Everitt
Chief Executive/Accounting Officer/Director
21 June 2016

Statement of Cash Flows

for the 12 months ended 31 March 2016

	Note	2015-16 £	2014-15 £
Operating Activities			
Net expenditure before interest and tax		(2,077,153)	(1,985,790)
Adjustments for non-cash items			
Gain on disposal of land		-	(2,729)
Impairment of land		215,072	176,294
Reversal of prior years' impairment		(65,400)	(45,188)
(Increase) in trade and other receivables		(128,026)	(77,154)
(Decrease)/increase in trade payables		(3,285)	12,958
Depreciation		79,360	20,200
Cash flows from operations		(1,979,432)	(1,901,409)
Interest received		12,098	9,340
Corporation Tax paid		(1,868)	(988)
Net cash from operating activities		(1,969,202)	(1,893,057)
Cash flows from investing activities			
Purchase of property, plant and equipment		(401,992)	(787,355)
Proceeds from disposal of property, plant and equipment		-	4,000
Investments made in 6 and 12 month fixed rate accounts		(1,100,000)	-
Net cash flows from investing activities		(1,501,992)	(783,355)
Cash flows from financing activities			
Grant in aid		2,530,725	2,570,820
Net cash flows from financing activities		2,530,725	2,570,820
Net financing	8	(940,469)	(105,592)
Cash and cash equivalents at the beginning of the year		1,360,952	1,466,544
Cash and cash equivalents at the end of the year		420,483	1,360,952
Net (decrease) in cash and cash equivalent balances	8	(940,469)	(105,592)

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Capital Reserve	Revaluation Reserve	General Reserve	Total Reserves
	£	£	£	£
Balance at 1 April 2014	2,419,910	49,160	1,524,046	3,993,116
Changes in reserves 2014-15				
Grant in Aid from Defra	585,304	-	1,985,516	2,570,820
Transfers between reserves	67,623	-	(67,623)	-
Net gain on revaluation of land	-	73,558	-	73,558
Comprehensive net expenditure for the year	-	-	(1,978,318)	(1,978,318)
Balance as at 31 March 2015	3,072,837	122,718	1,463,621	4,659,176
Changes in reserves 2015-16				
Grant in Aid from Defra	383,470	-	2,147,255	2,530,725
Transfers between reserves	(218,472)	-	218,472	-
Net loss on revaluation of land	-	(58,478)	-	(58,478)
Comprehensive net expenditure for the year	-	-	(2,067,475)	(2,067,475)
Balance as at 31 March 2016	3,237,835	64,240	1,761,873	5,063,948

Notes to the Accounts

Note 1

1.1 Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006. They also take into consideration the accounting and disclosure requirements of the 2015-16 Government Financial Reporting Manual (FRoM) issued by HM Treasury, where not inconsistent with the Companies Act 2006, and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

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

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

The NFC became a registered charity in April 2016. As both a registered company and charity, the financial statements prepared for 2016-17 will need to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP) Accounting by Charities issued by the Charity Commission.

1.2 Going concern

These financial statements have been prepared on the basis of the NFC being a going concern. This judgement takes into consideration the level of reserves held by the Company; indication received from Defra that grant in aid to the NFC in each of the next four years is likely to be at a similar level to that allocated for 2015-16; and that becoming a charity should impact positively on the NFC's ability to secure income from other sources such as Trusts and Foundations which are only permitted by their regulations to award grants to registered charities.

1.3 Significant judgements and accounting estimates

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

In the process of applying the NFC's accounting policies, the following judgements, and estimations, have been made which have the most significant impact on the amounts recognised in the financial statements:

Judgements

- Useful economic lives of property, plant and equipment (see note 1.5 below).
- Revenue recognition (see note 1.6 to 1.9 below).

Estimations

- Annual land valuations undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see note 1.5 below).

1.4 IFRSs, IFRIC Interpretations and Amendments

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2016, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FRoM.

Notes to the Accounts (continued)

1.5 Accounting convention

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

Property, plant and equipment

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

Land and buildings, in accordance with IAS 16 are shown separately in the analysis of tangible fixed assets (Note 6) even when purchased together and are stated at fair value. This is determined through an annual valuation undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 29th February 2016 by Fisher German, Chartered Surveyors. Land and buildings in the Statement of Financial Position are shown at the valuations provided, Fisher German having confirmed that there has been no material change in those valuations as at 31 March 2016.

Where the valuation is higher than the purchase price paid, the excess over purchase price is credited to a Revaluation Reserve. Where land is revalued due to a change in market values but remains at below the purchase price, the loss on revaluation is charged to the Statement of Comprehensive Net Expenditure in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land, the loss on impairment is charged to the Statement of Comprehensive Net Expenditure in the year of the impairment. Where land is acquired and retained, the cost of the land is credited to a Capital Reserve. Changes in the value of landholdings arising from revaluation or impairment are reflected in the balance held in the Capital Reserve and Revaluation Reserve.

Depreciation

NFC owned buildings are at Hanging Hill Farm which was acquired in March 2015. These comprise a farmhouse and outbuildings. The previous owners of the property continue to reside there under the terms of a Farm Business Tenancy (FBT) agreement which expires in September 2016 but which is expected to be extended for a further period of up to two years. During this period the NFC will agree proposals for the development and future use of the site. It is expected that implementation of plans, to be approved by the NFC Board, will involve the demolition of the existing buildings. Allowing for the terms of the FBT agreement, the time needed to develop and agree a business model for the site, consult with interested parties and to secure the necessary planning consents, it is considered prudent to assume that it will take up to five years before the NFC is in a position to demolish the buildings and commence new developments. It is therefore considered appropriate to fully depreciate the buildings over a five year period. In line with our accounting policy for other assets, no depreciation was charged in 2014-15, the year of acquisition. The first year's depreciation charge has therefore been made in 2015-16 with the final charge falling due in 2019-20, the year when the buildings are expected to be demolished.

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

1.6 Grant in aid and other income

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

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

1.7 Woodland creation grants received

The NFC receives England Woodland Grants Scheme (EWGS) payments from the Rural Payments Agency in respect of woodland creation and management works undertaken on land owned by the Company. Income is recognised in the year that works are undertaken and for which grants become receivable.

Notes to the Accounts (continued)

1.8 HLF 'Black to Green' project

2014-15 saw the completion of the development year for the HLF funded 'Black to Green' project which focuses on community engagement around industrial and natural heritage in the Heart of The National Forest. The HLF subsequently awarded funding of £770,000 for the three year delivery phase of the project which commenced in 2015-16. Income from the HLF is received in stage payments which are recognised at the time they become receivable.

The costs of staff employed on the project are included in staff costs. Other costs incurred are included in 'Other Expenditure'.

1.9 Section 106 income

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

1.10 Capital Reserve

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

1.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and cash balances held by the Government Banking Service.

1.12 Investments

Investments comprise balances held in six and twelve months' fixed rate savings accounts with the Nationwide Building Society.

1.13 Income and expenditure

A de minimis threshold of £300 has been adopted when determining receivables and payables at the end of March.

1.14 Leases

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

Where the total of future minimum lease payments are known, the expense is recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the length of the lease. Otherwise, payments are charged to the Statement of Comprehensive Net Expenditure as they are incurred.

1.15 Non-controlling party grants

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

1.16 Related party transactions

Defra is regarded as a related party. During the year, the NFC received £2,530,725 (2014-15: £2,570,820) grant in aid from the Department.

During the year, none of the Directors, staff or other related parties has undertaken any material transactions with the NFC, other than those disclosed in Note 14.

1.17 Financial Instruments

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

1.18 Staff costs and pensions

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

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

Notes to the Accounts (continued)

Note 2.1 Staff costs and pensions

Staff costs	2015-16 £	2014-15 £
Costs of employed staff, including Directors:		
Salaries	715,716	647,327
Social security costs	55,342	50,364
Pension costs	139,814	110,771
	910,872	808,462
Early retirement and redundancy costs	5,336	18,807
	916,208	827,269

Note 2.2 Reporting of Civil Service and other compensation schemes – exit packages

There were no redundancies or other early departures in 2015-16. Expenditure in 2015-16 relates to approved early retirements in previous years where the employer is liable to meet the costs until the former employee(s) attain the age of 60.

Note 3 Other Expenditure

	2015-16 £	2014-15 £
Programme Expenditure:		
Changing Landscapes Scheme	463,216	373,996
Woodland Management and Site Development	227,515	208,143
Programme Development Fund	132,650	156,057
HLF 'Black to Green' project	89,450	35,976
Tourism and Promotion	72,605	73,896
Freewoods and Parkland (small scale woodland grants)	68,494	70,103
Hanging Hill Farm development - feasibility study	43,010	-
Fundraising	15,855	20,266
The National Forest Way (long distance trail)	4,090	39,534
Administrative Expenditure:		
Running costs	216,346	231,402
Research expenditure	28,596	99,818
Rentals under operating leases	26,450	26,211
Fees payable to the Company's auditors for the audit of the Annual Accounts	14,000	12,500
	1,402,277	1,347,902
Impairment of land	215,072	176,294
Reversal of prior years' impairment	(65,400)	(45,188)
	1,551,949	1,479,008
Depreciation	79,360	20,200
	1,631,309	1,499,208

Notes to the Accounts (continued)

Note 4 Other Income

	2015-16 £	2014-15 £
Donations and sponsorship	147,681	147,020
HLF 'Black to Green' project	104,394	52,400
Section 106 agreement	58,550	57,298
Tourism programme: local authority contributions and advertising revenue	54,187	54,614
Woodland creation grants	74,405	17,232
Sundry income	31,147	9,394
	<u>470,364</u>	<u>337,958</u>
Gain on land disposal	-	2,729
	<u>470,364</u>	<u>340,687</u>
Bank interest receivable	<u>12,098</u>	<u>9,340</u>

Note 5

Corporation Tax payable	<u>2,420</u>	<u>1,868</u>
--------------------------------	--------------	--------------

Grant income and donations received by the Company are not subject to Corporation Tax. Interest received of £12,098 (2014-15: £9,340) is, however, taxable at the rate of 20% (2014-15: 20%), resulting in the above tax charge.

Notes to the Accounts (continued)

Note 6 Property, plant and equipment

2014-15 figures have been re-presented to allow for separate disclosure of land and buildings which had previously been combined.

	Land £	Buildings £	Furniture & Fittings £	Information Technology £	Total £
Cost or valuation					
At 1 April 2015	2,851,555	344,000	157,727	63,150	3,416,432
Additions during the year	383,470		-	18,522	401,992
Disposals/transfers during the year	-		(8,249)	(8,501)	(16,750)
Impairment	(215,072)		-	-	(215,072)
Reversal of prior years' impairment	5,600		-	-	5,600
Revaluation loss to Revaluation Reserve	(58,478)		-	-	(58,478)
At 31 March 2016	<u>2,967,075</u>	<u>344,000</u>	<u>149,478</u>	<u>73,171</u>	<u>3,533,724</u>
Depreciation					
At 1 April 2015			151,483	45,398	196,881
Charges in the period:					
Depreciation		68,800	2,565	7,995	79,360
Revaluation		(59,800)	-	-	(59,800)
Depreciation charged on disposals			(8,249)	(8,501)	(16,750)
At 31 March 2016		<u>9,000</u>	<u>145,799</u>	<u>44,892</u>	<u>199,691</u>
Net Book Value 31 March 2016	<u>2,967,075</u>	<u>335,000</u>	<u>3,679</u>	<u>28,279</u>	<u>3,334,033</u>
Cost or valuation					
At 1 April 2014	2,469,070		157,689	67,501	2,694,260
Additions during the year	345,534	439,770	739	1,312	787,355
Disposals/transfers during the year	(1,271)		(701)	(5,663)	(7,635)
Impairment	(80,524)	(95,770)	-	-	(176,294)
Reversal of prior years' impairment	45,188		-	-	45,188
Revaluation gain to Revaluation Reserve	73,558		-	-	73,558
At 31 March 2015	<u>2,851,555</u>	<u>344,000</u>	<u>157,727</u>	<u>63,150</u>	<u>3,416,432</u>
Depreciation					
At 1 April 2014			141,077	41,968	183,045
Charges in the period:					
Depreciation			11,107	9,093	20,200
Depreciation charged on disposals			(701)	(5,663)	(6,364)
At 31 March 2015			<u>151,483</u>	<u>45,398</u>	<u>196,881</u>
Net Book Value 31 March 2015	<u>2,851,555</u>	<u>344,000</u>	<u>6,244</u>	<u>17,752</u>	<u>3,219,551</u>

The historic cost of land held by NFC at 31 March 2016 was £4,363,102 (31 March 2015: £3,979,632). If the cost model had been used, the carrying amount of buildings as at 31 March 2016 would be £275,200 (31 March 2015: £344,000).

Notes to the Accounts (continued)

Note 7 Trade receivables and other current assets	31 March 2016 £	31 March 2015 £
Amounts falling due within one year:		
VAT	3,702	15,379
Prepayments and accrued income	254,554	112,907
Other receivables	4,851	5,864
	<u>263,107</u>	<u>134,150</u>
Amounts falling due after more than one year:		
Other receivables	3,630	4,561
	<u>3,630</u>	<u>4,561</u>
Total trade and other receivables	<u>266,737</u>	<u>138,711</u>

Note 8 Cash and cash equivalents	31 March 2016 £	31 March 2015 £
Balance at 1 April	1,360,952	1,466,544
Net (decrease) in cash and cash equivalent balances	(940,469)	(105,592)
Balance at 31 March	<u>420,483</u>	<u>1,360,952</u>
The following balances at 31 March were held at:		
Commercial banks and cash in hand	401,091	1,336,029
Government Banking Service	19,392	24,923
	<u>420,483</u>	<u>1,360,952</u>

Note 9 Investments

	£	£
Investments held with the Nationwide Building Society in 6 and 12 month fixed rate interest accounts as at 31 March	<u>1,100,000</u>	<u>-</u>

Note 10 Trade payables and other current liabilities	31 March 2016 £	31 March 2015 £
Amounts falling due within one year:		
Corporation tax payable	2,420	1,868
Accruals and deferred income	54,885	58,170
	<u>57,305</u>	<u>60,038</u>

Note 11 Commitments under operating leases

The future minimum lease payments under operating leases which the NFC is committed to make under operating leases are as follows:

	31 March 2016 £	31 March 2015 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Not later than one year	26,450	26,450
Later than one year and within five years	4,408	30,858
Later than five years	-	-
	<u>30,858</u>	<u>57,308</u>

Notes to the Accounts (continued)

Note 12 Other financial commitments

Forest creation schemes

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

	31 March 2016 £	31 March 2015 £
Not later than one year	223,459	163,314
Later than one year and not later than five years	464,998	587,141
Later than five years	147,166	176,214
	<u>835,623</u>	<u>926,669</u>

Note 13 Financial Instruments

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

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

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the NFC. Credit risk arises from deposits with banks as well as credit exposures to the NFC's trade debtors. The NFC's policy is to invest its surplus operating cash with banks that are rated independently with a minimum rating of A1, P1, F1 or A+. Whilst a small amount of NFC cash assets are held with the Government Banking Service, a high percentage is held with the Co-operative Bank and Nationwide Building Society. At 31 March 2016 the Co-operative Bank had a 'B' Fitch rating and a 'Caa2' Moody's rating whilst the Nationwide Building Society had an 'A' Fitch rating an 'A1' Moody's rating. The NFC is to undertake a review of its banking arrangements in 2016-17.

Fair Values

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

Note 14 Related party transactions

The NFC receives grant in aid from Defra which is regarded as the Company's controlling related party. During the year, the NFC received £2,530,725 (2014-15: £2,570,820).

The NFC adopted revised Articles of Association in April 2015. Applying the provisions of these, the Secretary of State is no longer the sole Member of the NFC. The NFC Chair and two other individuals became Members during 2015-16, increasing the number to four, thereby resulting in the Secretary of State no longer having a controlling influence over the Company. Further information on changes made to governance arrangements is provided in the Governance Statement.

The NFC received £68,405 from Rural Payments Agency (2014-15: £17,232 from Forestry Commission) for woodland grants.

The NFC received £11,809 from the Forestry Commission for a research programme on risk mapping for grey squirrels covering the Forest area and also the whole of England.

John Everitt has been a member of the Heritage Lottery Fund (HLF) East Midlands Committee since January 2015. The Committee's decision to award grant support to the 'Black to Green' heritage project was taken prior to him joining the Committee. During 2015-16, the NFC received £104,394 (includes accrued income as at 31 March 2016) from the HLF (2014-15: £52,400) in respect of the project.

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

Note 15 Events after the reporting period

A non-adjusting event is that the NFC became a registered charitable company in April 2016 with a new Board of Trustees.

The Annual Report and Accounts have been authorised for issue by the National Forest Company's Chief Executive and Directors. The authorised to issue date is the date of the Comptroller and Auditor General's audit certificate.

Sustainability Report (this information is not subject to audit)

Introduction

This report provides an annual assessment of the National Forest Company's sustainability performance against a series of measures which are consistent, as far as possible, with HM Treasury sustainability reporting guidance 2016.

The information contained within this report has not been subject to audit and does not form part of the auditor's opinion on the financial statements.

The NFC is committed to developing more sustainable ways of carrying out its day to day business and by minimising the impacts of our own activities aims to contribute to the Greening Government Commitments. Given its scale and current operating environment, the NFC is constrained in terms of meeting specific targets for ongoing carbon emission reduction and fluctuations occur in relation to operational business needs during any given year. During the coming year, we will move to a more ambitious sustainability statement to set out our aspirations, projections and performance measures.

Information about the National Forest's contribution to national sustainability indicators can be found on our website at www.nationalforest.org/forest/grow

The NFC operates from serviced accommodation leased from a private landlord and this report focuses primarily on performance related to our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions). Water data has not been included in this report; water consumption is included within the landlord's service charge and accurate data is not available.

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

Summary of Performance

Summary of Greenhouse Gas Emissions tCO2	2015-16 tCO2	2014-15 tCO2	2013-14 tCO2	2012-13 tCO2	2011-12 tCO2
Building Energy Consumption (Scope 2)	23.06	24.10	26.83	27.01	21.42
Official Business Travel (Scope 3)	7.76	10.83	8.15	6.82	8.68
Total emissions	30.82	34.93	34.98	33.83	30.10

The summary chart above shows steady performance for the year with a 12% decrease in total emissions for 2015-16 compared with 2014-15. Building energy consumption remained consistent with the previous year and emissions from business travel decreased by 28% compared with the previous year.

Sustainability Report (this information is not subject to audit) (continued)

Building Energy Consumption (Scope 2)

Electricity is the only utility which is paid for directly and accounted for c72% of our total emissions during 2015-16. Our main energy consumption is for heating our offices which are mainly open plan; the appointment of two further full time equivalent members of staff has not impacted on our electricity consumption for the year.

(Historic tCO2 data for electricity has been updated in line with the changes to the conversion factor.)

Building Energy Consumption (Scope 2)

	Unit	2015-16	2014-15	2013-14	2012-13	2011-12
Total emissions	tCO2	23.06	24.10	26.83	27.01	21.42
Building energy consumption per head (FTE)	tCO2	1.21	1.42	1.68	1.80	1.34
Building energy consumption	kw/h	49,898	52,153	58,047	58,539	46,346
Energy consumption per head (FTE)	kw/h	2,626	3,068	3,628	3,659	2,897
Total energy expenditure	£	8,093	9,087	10,222	10,111	7,732
Expenditure per head (FTE)	£	426	535	639	674	483
Average number of staff (FTE)		19	17	16	15	16

Official Business Travel (Scope 3)

Opportunities to minimise travel are taken whenever possible with staff now using teleconferencing as a routine way of doing day to day business rather than travelling for meetings. Journeys are only undertaken where there is no other practical alternative and staff regularly use public transport and car share where practical. Due to the rural location of the Forest and operational requirements staff often have no alternative but to travel to fulfil their duties, using their own vehicles.

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

Official Business Travel (Scope 3)

	Unit	2015-16	2014-15	2013-14	2012-13	2011-12
Total emissions	tCO2	7.76	10.83	8.15	6.82	8.68
Staff mileage (inc Chief Executive)	miles	21,331	20,614	17,913	16,136	20,185
Average number of staff (FTE)		19	17	16	15	16
Staff mileage per head	miles	1,123	1,213	1,120	1,076	1,262
Staff Rail travel	miles	Not available*	Not available*	6,232	3,859	4,817
Staff Air travel	miles	-	5,863	-	-	582
Directors' mileage	miles	4,523	6,873	5,113	3,070	4,368
Directors' Rail travel	miles	Not available*	Not available*	4,538	5,042	4,695
Directors' Taxi	miles	Not available*	Not available*	287	414	476
Total miles travelled	miles	25,854	33,350	34,083	28,521	35,123
Business travel costs	£	20,690	19,075	16,268	15,502	16,088

*Mileage relating to rail and taxi journeys were obtained in previous years via on-line journey calculators which are not currently available.

Sustainability Report (this information is not subject to audit) (continued)

Office Waste

The majority of our waste is office paper and cardboard, all of which is recycled. All other recyclable materials are recycled via the local authority recycling services; no data is currently available for this. All our IT equipment is recycled for refurbishment and re-use.

Procurement

We aim to ensure that sustainability is considered as part of our procurement processes. Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services. In the coming year we will develop our procedures to ensure that sustainability is fully integrated throughout the procurement process.

Publications and Communications

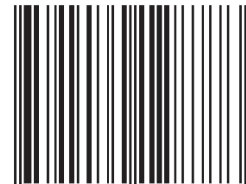
In 2015-16 the NFC developed a new destination marketing strategy, which placed a greater emphasis on using digital communications throughout the whole visitor journey. The new strategy recommended the introduction of a new brand proposition called #forestlife, which is used to promote the Forest across social media platforms, and as part of partners' marketing communications. In 2015-16, the NFC also reviewed its tourism publications. Two existing publications, the National Forest & Beyond Visitor Guide and Attractions Guide were combined to create a new, A5, Destination Guide. Overall, the print run for the new combined publication (200,000) was reduced by 5,000 compared to the previous print runs for the Visitor Guide (30,000) and Attractions Guide (175,000).



THE NATIONAL
FOREST

The National Forest Company
Bath Yard, Moira, Swadlincote,
Derbyshire DE12 6BA
T: 01283 551211
E: enquiries@nationalforest.org
W: www.nationalforest.org

ISBN 978-1-4741-2877-3



9 781474 128773