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# Forest Enterprise England

## Annual Report and Accounts 2014-15

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

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

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## Foreword by Sir Harry Studholme, Chair

### For nature, for business, for people

Despite the challenging economic climate, England's public forests have never offered more to people, business and the environment.

Visitors to our forest centres were up by 14.9% over the course of 2014-15 compared to the previous year. Many of these visitors had never been to a forest before. Gruffalo Trails across the country attracted over 1.2 million visits. Working with partners such as the friends of Westonbirt and Bedgebury, last year we were able to invest £6.5 million in capital schemes to improve our visitors' enjoyment of the public forest estate. This included major upgrades to visitor facilities at Westonbirt, Alice Holt, Bedgebury and Dalby.

This was also a memorable year for the arts and for education. Our Forest Art Works programme with Arts Council England included the extraordinary and innovative Living Symphonies with Sound and Music and two prestigious Jerwood Open Forests Commissions. Our education programmes go from strength to strength. A combination of self-led resource packs and downloads, together with activities led by third party learning providers and FC staff, delivered over 350,000 learning experiences.

The forests provide an essential home for nature. Highlights of our work to protect endangered species last year included action to sustain and expand populations of the Ladybird Spider and the rare white faced darter dragonfly. We now have 10 osprey fledglings in the north of England. However, it is not just the rare that matters; our stewardship of the environment and all the native species in our woods remain central to our values.

All of this is only possible if it can be financed. Our sustainable forestry operations offer around 1.4 million cubic metres of timber to market every year. While the strength of sterling and the weakness of the rouble may undermine the good prices we received in 2014-15, we should recognize that this was a remarkable year.

It matters to us both that we support the local economies of the areas where we operate and diversify our income sources. We now work with more than 70 substantial business partners across the estate. These include Forest Holidays where Thorpe Woods' site was added to their portfolio during the year. They now have several hundred cabins, offering outstanding accommodation which we estimate contribute around £30,000 per cabin to local economies every year. Separately our Camping in the Forest sites can accommodate 32,000 people. The Bracelands campsite in the Forest of Dean enjoyed a surge in overnight stays following £600,000 of improvements.

None of this could have been done without the incredible dedication and professionalism of our staff, our volunteers and our partners; my sincerest thanks to them all.

## **Executive Summary by Simon Hodgson, Chief Executive**

### **Releasing our potential**

Our organisation needs to be in the best possible shape to deliver for people, nature and the economy. This is our first independently published annual report, and demonstrates how much we are already achieving across what the Independent Panel on Forestry called the 'triple bottom line'.

Over the last year, we have discovered more about the value of our forests' ecosystem services – from cleaner air and water to recreation and health, from carbon stores to cherished landscapes, from wildlife sanctuaries to renewable energy resources. Investing in our forests means investing in all these things, and everything they have to offer wildlife, visitors and businesses.

We have also re-shaped Forest Enterprise England's (FEE) National Office teams to help our organisation become more effective. We have put new governance arrangements in place, including a Board and Leadership Group that are better equipped to drive our organisation forward. Our non-executives are already helping to bring a wider perspective to our business and provide welcome challenge on a range of issues.

We have also been investing more in our staff. They need to have first class professional skills, not just in forestry but also in customer service, recreation, ecology, community engagement and a wealth of other disciplines. Their health and safety remains of paramount importance, so we have introduced new reporting tools as part of a culture change programme. We have also started a trainee forester recruitment programme, and have taken on a further 14 apprentices. I am delighted that many of the first cohort have now secured permanent roles in our organisation.

All of this is helping us to become fit for the future, and release our potential – to increase the value of our forests to society, nature and business.

# ANNUAL REPORT

## STRATEGIC REPORT

### Who we are

#### **About us**

Forest Enterprise England is the organisation responsible for managing the English Public Forest Estate. We aim to maintain our position as an international leader in delivering and demonstrating sustainable, integrated land management. Increasingly we work with others, nationally and locally, in looking after the estate for the good of everyone – today and for the future. We think long term and are open to innovation and change, achieving internationally recognised standards for our land and business management. In our work we embrace both a public service and business ethos and aim to maintain and enhance the overall financial viability of the estate. Our task is to realise the potential of each of the public's forests for sustainable business opportunities, wildlife and nature conservation, and the enjoyment and well-being of local people and visitors. The heart of our organisation is our staff – some 851 committed, responsive, talented and professional people - on whom all of our success depends.

#### **About the estate**

The Public Forest Estate is the largest single resource of woodlands and forests in England. Its size and distribution mean that it is able to provide a unique range of benefits to a great many people across the country. Spread from Northumberland to Cornwall, Shropshire to Norfolk, some 1,800 separate woodland and forest areas make up the Public Forest Estate in England. Some 60% of England's softwood production arises from the Public Forest Estate. This softwood production supports hundreds of small contracting businesses and several large sawmills that rely on a guaranteed supply of timber to attract capital investment. The broadleaved production from the estate is also now growing in importance with an ever increasing number of contractors and enterprises making use of the material and rekindling the contribution of native woodland to economic activity. The 40 million day visits per year support over 70 substantial business partners on the estate delivering most of our Forest Centre services, bike hire and other outdoor activities. And alongside all this economic and recreational activity, some 45% of the estate contributes to England's most precious National Park landscapes and Areas of Outstanding Natural Beauty. Additionally, 68,000 hectares are designated Sites of Special Scientific Interest in recognition of their value for nature, virtually all of which is in sound or recovering ecological condition and accessible to the public.

### Our Vision and Overall Goal

To secure and grow the economic, social and natural capital value of the Public Forest Estate for the people of England.

### Priorities

Our mission for the estate is to work with others to keep the Public Forest Estate as a special place for wildlife, people to enjoy and businesses to thrive- and achieve this by adopting a strategy that integrates all the three drivers of sustainable land management: Economy, Nature and People

### Priority 1: An Estate that delivers for Economic Growth

Aim: "To make a significant contribution to economic activity, rural employment and green growth across England using the assets and advantages of the Estate".

Economy Key Actions (Corporate Plan)	Commentary
Ensure that all of our forest estate continues to be certified to UK Woodland Assurance Standards (UKWAS).	<p><b>Achieved</b></p> <p>This year, as in the past, we maintained our UKWAS certification and also renewed our five year Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) certificates via UKWAS.</p>
Work in partnership with Forest Holidays to open a new cabin site at Thorpe Woods, Thetford and obtain planning consent for three new sites in England.	<p><b>Part Achieved</b></p> <p>The new 63 cabin site at Thorpe Wood in Norfolk was successfully opened in May 2014 and enjoyed 90% occupancy during the first 6 months of operation. The improvements at Braceland generated a 61% increase in income. Work is ongoing to obtain planning consents on three new sites in England which are currently in the planning process.</p>
<p>Support business on and off the estate by offering 1.4 million cubic metres of timber to market.</p> <p>(i) Timber sales</p>	<p><b>Exceeded</b></p> <p>Forest Enterprise England offered volume to the market through electronic tender sales and long term contracts. Six tender sales were held from February through to November and all hit their sales reserve comfortably. We also contributed timber to the private hardwood auction sale run by Newland Rennie in November. Five year, long term contracts started in April in East, West, South and Central Forest Districts. Long term contracts in North and Yorkshire Forest Districts were reviewed and continued.</p> <p>End of year volume for England was almost exactly 100% of Sales Plan target with standing sales slightly under and direct production slightly over. The achievement keeps us within the +/-5% limits required for certification. The profile was not pro rata with the final three months volume some 18% above the average for the previous nine.</p> <p>Due to strong unit prices, income stayed ahead of target for the whole year despite the monthly volume profile. The late surge in volume and the high unit prices contributed to the best ever income achievement at £37.4million.</p>

Economy Key Actions (Corporate Plan)	Commentary
(ii) Licensing: Grown in Britain	<p>The entire Public Forest Estate in England is now qualified to use the Grown in Britain Certification mark on any timber produced across its 1,800 sites. The licence has been granted after a rigorous audit assessment, which recognised the Forestry Commission’s successful woodland management programme and its production of home-grown timber.</p> <p>With 250,000 hectares of woodland across England now holding this prestigious licence, the entire forestry supply chain – from seed to store – as well as the public can rest assured that any timber or wood product sourced from these sites and marked with the Grown in Britain logo has been managed in accordance with the Government’s responsible Timber Procurement Policies.</p>
<p>Increase the range of species planted to help protect against disease and climate change. <i>(NB: This key action underpins the delivery of all benefits across the three priorities of Economy/Environment/People)</i></p>	<p><b>Ongoing</b></p> <p>5 years ago (2010-11), Forest Enterprise England planted only 10 conifer species, with ‘alternative’ productive conifers totalling less than 100k trees. During the current planting season (2014-15) that figure has increased to 25 conifer species, with alternative conifers totalling almost 700k trees. This represents an increase in alternative conifers from 1.8% of the conifer programme to over 12% in the space of 5 years and this trend is set to continue. Forest Enterprise England nurseries have worked hard to source seed for these alternative species and develop new production methods so they can supply Forest Districts with the required planting stock.</p> <p>These alternative conifers have replaced species under threat or damaged by major diseases such as Phytophthora and Dothistroma needle blight. They have also been planted in response to climate change projections that indicate changing species suitability and to diversify large areas currently dominated by a single species. The main challenge is in the upland forests where Sitka spruce remains clearly the most productive species and it is proving difficult to identify other suitable conifer species.</p> <p>The planting of a wider range of species has required changes to silvicultural methods – the standard clear fell and restock model is not appropriate for many of the more sensitive species. Underplanting of diseased pine stands has allowed new species to become established on sites where they would otherwise have failed and pioneering work at Thetford was recognised in 2014 by Royal Forestry Society’s National Excellence in Forestry award for climate change adaptation.</p>



<b>Economy Key Actions</b> (Corporate Plan)	<b>Commentary</b>
Sign a lease with Camping in the Forest for development of a new campsite at Sherwood and work in partnership to complete a £600,000 capital investment programme at Bracelands campsite in the Forest of Dean.	<b>Part Achieved</b>  The £600,000 investment at Bracelands campsite was completed and included refurbishing 2 amenity blocks, a new entrance barrier and additional roading hard standing and electrical hook ups. As a result of this investment the Bracelands campsite has enjoyed an excellent year. Work continues towards a lease agreement at Sherwood.

**Priority 2: An Estate that delivers for the Environment, Nature and History**

Aim: “To increase the environmental contribution made by the Estate to the range of ecosystem services delivered and to protect and enhance its overall biodiversity and heritage value at both the landscape and local level”.

Environment Key Actions (Corporate Plan)	Commentary
<p>Manage deer on the estate for the benefit of our forests and the wider environment, helping create local sustainable markets for over 68,000kg of fresh wild venison.</p>	<p><b>Part Achieved and Ongoing</b></p> <p>We continue to manage deer to the highest safety and welfare standards, ensuring this valuable component of our woodland ecosystems is not having an adverse effect on either timber production or biodiversity. Some 61,500 kilograms of venison and 4,000 kilograms of boar have been supplied into the food chain as a result. The district wildlife teams work hard to meet their cull targets under increasingly difficult conditions. Overall these have been met ensuring that the Sites of Special Scientific Interest (SSSI's) on the Public Forest Estate remain in the current high level categories</p>
<p>Continue to maintain our 68,000 Sites of Special Scientific Interest (SSSI) in 'Favourable' or 'Recovering' condition, with the area in 'Favourable' condition increasing year on year.</p>	<p><b>Ongoing</b></p> <p>We continue to retain our strong track record in the management and recovery of SSSI under our stewardship, with 99.5% by area in Favourable or Recovering condition and 32.4% by area in Favourable condition. Progress towards an increasing % in Favourable condition has slowed down considerably of late with available records indicating the condition having increased by only 0.3% by the end of the year. Though the trend remains positive, more work will need to be undertaken (and funded) in the coming years to ensure we meet the 50% target aimed at by the Bio2020 programme.</p>

Environment Key Actions (Corporate Plan)	Commentary
<p>Continue to restore Planted Ancient Woodland Sites (PAWS) to native woodland and plantations to open habitats in accordance with the Forestry Commission 'Keepers of Time' policy and the Forest Enterprise England's 'Open Habitat Strategy' delivering multiple environmental outcomes, where possible.</p>	<p><b>Ongoing</b></p> <p>This programme continues with work taking place across the Public Forest Estate on all PAWS sites throughout the working thinning cycle. A study undertaken early in the year showed that some 80% of the composition of PAWS across the Public Forest Estate in England will be comprised of native trees by c 2050, but that the extent of complete restoration to native woodland will vary greatly across and between sites. More work on understanding the nature of progress across the 30,000ha of PAWS on the Public Forest Estate will be pursued in the coming year</p>
<p>Continue to improve the condition, extent and connectivity of conservation-priority woodland habitats and the populations of conservation-priority species.</p>	<p><b>Ongoing</b></p> <p>Work on improving connectivity and condition continues, expedited through the Forest Plan and their regular revision, supported by input from key conservation stakeholders at their regular review and revision. Notable progress has been made in the year in the design of forests and heathland mosaics in both Dorset and Thetford Forest, with continued improvement to condition and design in other key forests such as the Forest of Dean, Keilder, Cannock Chase, North Yorkshire and the Wyre Forest. All such planning and design takes into account the nature of the conservation priority species of note within each forest.</p>
<p>Continue to conserve and improve the condition of the extensive range of heritage assets across the Public Forest Estate by taking action to reduce the number of sites recorded on the Heritage at Risk register.</p>	<p><b>Ongoing</b></p> <p>Less than 10% of designated heritage assets on the Public Forest Estate are recorded as Heritage at Risk.</p> <p>Survey, monitoring and management work has been undertaken at several sites focussing on features with structural issues. Repair and roofing works have been completed on the Warren Lodge at Mildenhall.</p> <p>Actions to improve the condition of many scheduled monuments have been agreed with English Heritage.</p>

Environment Key Actions (Corporate Plan)	Commentary
<p>Work with partners to optimise the delivery of multiple environmental benefits from the estate.</p>	<p><b>Ongoing</b></p> <p>We continue to work closely with a range of national organisations, notably Plantlife, Butterfly Conservation, The Royal Society for the Protection of Birds (RSPB) and the Vincent Wildlife Trust, alongside a host of more local environmental and landscape based organisations such as the county Wildlife Trusts, to deliver the best possible outcomes in specific localities across the Country tailored to the needs and opportunities that the Public Forest Estate presents.</p>
<p>Continue to improve the condition of conservation-priority woodland habitats and the populations of conservation-priority species.</p>	<p><b>Ongoing</b></p> <p>Work continues on improving both the condition of the woods themselves, through ongoing deer management, the removal of invasive exotics such as Rhododendron, and the enhancement of woodland structure, along with the development of an assessment and reporting system to identify areas requiring attention and to report on resource needs and progress.</p> <p>Species activities are identified and pursued by Forest District Ecologists who report on them directly to Natural England and other bodies collating information such as the British Trust for Ornithology (BTO). Notable species work in the year includes action to sustain and expand populations of the Ladybird Spider, the rare white faced darter dragonfly, continuing work on birds of prey notably ospreys in the north of England, and butterflies and rare plants across the country in close collaboration with the conservation organisations Butterfly Conservation and Plantlife.</p>

**Priority 3: An Estate that delivers for People**

Aim: "To extend access across the Estate and to expand opportunities for communities to become involved with the Estate and take part in activities that improve quality of life, health and learning".

<b>People Key Actions</b> (From Strategic Plan. CP n/a)	<b>Commentary</b>
Encouraging communities to become involved in the estate, its management and direction (i)	<p><b>Ongoing</b></p> <p><b>Forest Plans</b></p> <p>This project has been working to make the long term plans that are produced for all the woods and forests in England that are managed by Forest Enterprise England more readily accessible via the internet. Work has also been undertaken to make these plans easier for the public to understand. It has also been trailing the use of digital media for consultation on forest plans.</p>
Encouraging communities to become involved in the estate, its management and direction (ii)	<p><b>Ongoing</b></p> <p><b>Involving people through Digital Media</b></p> <p>This project has been exploring new way of engaging with people who have an interest in the Public Forest Estate, through the various forms of digital media. The successful methods are being mainstreamed into every day practice.</p>
Encouraging communities to become involved in the estate, its management and direction (iii)	<p><b>Part Achieved</b></p> <p><b>Community Involvement through Volunteering</b></p> <p>This project has sought to standardise Forest Enterprise England's approach to recruiting, managing and retaining the volunteers who do such valuable work across the estate. This is to ensure we make the most of volunteer skills, time and expertise.</p> <p>As a result new national guidance and systems have been developed and rolled out to Forest Districts through regional workshops on :-</p> <ul style="list-style-type: none"> <li>- Recruitment, retention and management of volunteers.</li> <li>- Forestry Commission England directed, permitted and partnership volunteering</li> <li>- Health and safety and Human Resources guidance specific to volunteers</li> <li>- Volunteer branding</li> <li>- Volunteer uniform</li> <li>- Software packages for volunteer management.</li> </ul>

People Key Actions (From Strategic Plan. CP n/a)	Commentary
<p>Encouraging communities to become involved in the estate, its management and direction (iv)</p>	<p><b>Ongoing</b></p> <p><b>Harnessing the Energy of the Community</b></p> <p>This pilot project was designed to increase ‘the community of interests’ involvement with Forest District strategic decision making. The project is based in East England Forest District and the Specific objectives include:</p> <ul style="list-style-type: none"> <li>- Develop a broader understanding between the Forestry Commission and stakeholders to increase transparency and accountability.</li> <li>- Explore different means and depths of involvement with stakeholders to identify what does and doesn’t work.</li> <li>- Bring stakeholders alongside the Forestry Commission to share in the responsibility for strategic decisions at a District level.</li> </ul> <p>As part of the pilot a new Stakeholder Engagement Framework is being tested in East England Forest District through 3 initiatives:</p> <p><b>Forest Resilience;</b> a three year, far reaching project considering the future silvicultural options to tackle Dothistroma Needle Blight, the demands of the Special Protection Area and Climate Change within Thetford Forest.</p> <p><b>Operational Site Assessments: Communicating about operations;</b> considering how we improve communication with the public through the OSA process.</p> <p><b>Open Habitats Plan;</b> developing a strategic approach to creating additional open space within the East England Forest District to achieve UKWAS and biodiversity targets.</p>
<p>Provide high quality woodland based recreational opportunities for people and business.</p>	<p><b>Ongoing</b></p> <p>Major investment has continued at visitor centres across England; High Lodge in Thetford Forest in Norfolk, Hamsterley in County Durham, Bedgebury in Kent, Dalby in North York Moors , Salcey in Northamptonshire and at Alice Holt in Hampshire. This investment continues to improve the visitor experience and has contributed to a record year in terms of visitors to Forest Enterprise England forest Centres. A number of events and initiatives have also been run on the Estate to deliver against this action and these are listed in the boxes below.</p>

People Key Actions (From Strategic Plan. CP n/a)	Commentary
(i) Gruffalo's 15th anniversary celebrations	<p><b>Exceeded</b></p> <p>Gruffalo Trails across the country have attracted over 1.2 million visits and have increased visitors to our forest centres by an estimated 14.9% in 2014-15 compared with the same sites in 2013-14. Gruffalo, alongside our other marketing campaigns, helped increase the number of visits to our forest centres in 2014-15 and this was evidenced by an increase in forest centre car park income of 23.3%, compared with 2013-14.</p>
(ii) The Forest Live Concerts Programme and other events	<p><b>Ongoing</b></p> <p>We hosted 25 Forest Live concerts in 2014-15. Audience numbers were down year on year, but almost 100,000 people attended. A range of other events included the successful Enchanted Forest at The National Arboretum at Westonbirt with 33,600 people attending the event.</p>
(iii) Active Forests	<p><b>Ongoing</b></p> <p>We have developed a new Active Forests partnership with Sport England to help increase levels of activity and have started to pilot a range of new activities in our East, Central and Yorkshire areas. Our focus will be on running and cycling and some new activities such as table tennis and volleyball as well as developing existing activities including family focussed orienteering.</p>
(iv) Forest Art Works 2014	<p><b>Exceeded</b></p> <p>Our Forest Art Works programme, with Arts Council England, has delivered new programmes to engage people with trees woods and Forests. Highlights include: the innovative Living Symphonies 'ecological composition' working with Sound and Music; Eden Arts Picnic Cinema events in forests across the country; two prestigious Jerwood Open Forests Commissions; the Forest Exhibition Award for Guardians of the Areng Valley as part of Atkens CIWEM Environmental Photographer of the Year 2015.</p>
Developing partnerships with private businesses and public bodies to expand and improve recreational opportunities across the estate.	<p><b>Ongoing</b></p> <p>Forest Enterprise England continues to tender opportunities for private business partners to become involved in delivering services on the Public Forest Estate. For example the opportunity to run the expanded café at Bedgebury Pinetum has been tendered. Adventure Forest has expanded their offer with new or enhanced high ropes courses at Grizedale, Dalby, Wyre and Delamere.</p>

<b>People Key Actions</b> (From Strategic Plan. CP n/a)	<b>Commentary</b>
<p>Providing opportunities for specialist outdoor activities to take place sustainably on the estate.</p>	<p><b>Ongoing</b></p> <p>Through national agreements and one off permission Forest Enterprise England continues to allow a wide range of sporting and recreational events on the estate. These include horse riding, cycling, orienteering, husky dog events, archery and motor sport.</p>
<p>Enable everybody, everywhere to connect with the nations' trees and forests so that they understand their importance and act positively to safeguard forests for the future.</p>	<p><b>Exceeded</b></p> <p>We have a strong self-led learning offer – nationally relevant downloadable activities and curriculum-linked lesson plans are provided on the website; our 'Ranger in a Bag' (RIAB) resources are available to hire at several sites; self-led learning trails are being used and promoted in forests which, in the past, would not have offered any learning opportunities.</p> <p>We engage more with learning providers, offering opportunities to develop businesses on the public forest estate. By working closely with these partners, we ensure that their learning offer is of a high standard.</p> <p>At the heart of all of the FC learning offer, is the learning message – the public forest estate is cared for by the Forestry Commission for timber, people and wildlife.</p> <p>During 2014, more than 350 000 people participated in a Forestry Commission learning opportunity.</p>



## Priority 4: Safety, Health & Environment

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

Our Health and Safety Strategy was published last year and since then teams from across the Forestry Commission have fed back their thoughts on how we could manage health and safety better. We have used this feedback to inform local and organisational Safety Action Plans. In early 2015 we offered all staff the opportunity to comment on our management of Health and Safety using the HSE's 'Safety Climate Tool', the results of which will help shape future actions in this important area.

We remain committed to the Forest Industry Safety Accord and have representatives on the Steering Group and the eight Working Groups; include Managing Safety, Electricity, Haulage and Forest Training.

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

### Accidents

Year	RIDDOR Accidents per 100 employees	
	Forestry Commission	Forest Enterprise England
2014-15	0.63	0.87
2013-14	0.44	0.46
2012-13	0.71	1.21

We will continue to monitor our Health and Safety performance and strive to make our Woodlands and Workplaces safer places.

### Lyme disease

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

### Sickness absence

Year	Working days lost per staff year	
	Forestry Commission	Forest Enterprise England
2014-15	6.9	6.1
2013-14	5.6	5.8
2012-13	4.7	4.8

## **Priority 5: Staff Development**

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

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

Work continues to support the front-line District teams in FC England carry out the Equality Analysis process through engagement and provision of services to diverse communities.

### Trainees

Forest Enterprise England has started a Trainee Forester recruitment programme, with three new appointments in north, central and east forest district. Over the two years of the training programme the recruits will gain a wide range of experience in all aspects of forest management on the public forest estate. During their training they will assist the district teams with key programmes and projects, learning in both a formal training environment and through working under the supervision of a range of experienced Forest Enterprise England staff. FC learning & development staff are working closely with each district to develop and deliver a training programme that will be tailored to the needs of the individual and the district.

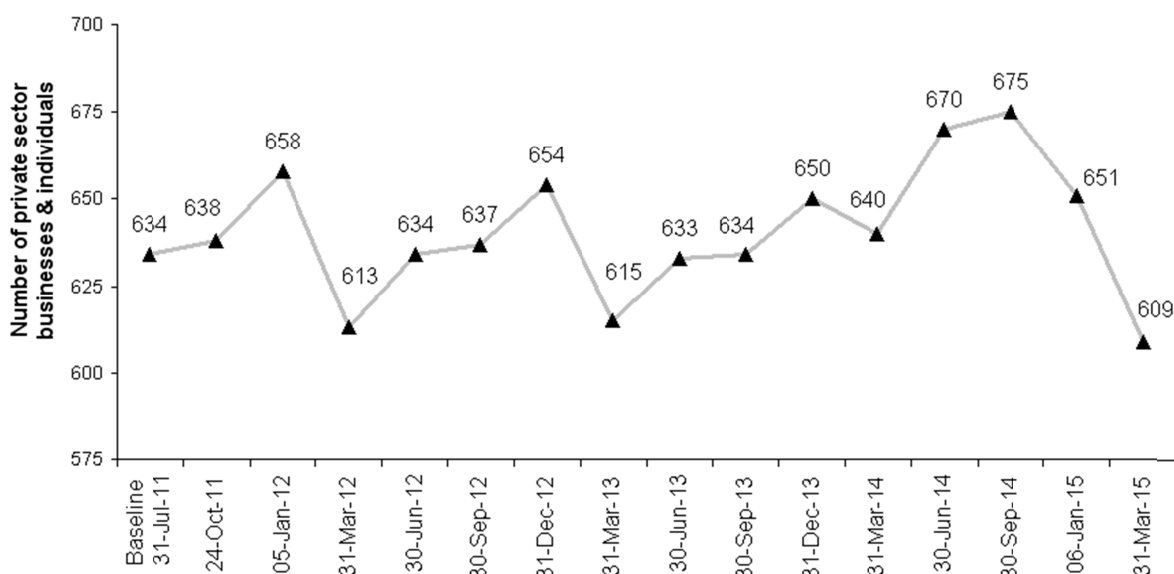
This trainee forester programme compliments the apprentice programme within Forest Enterprise England, which has recently taken on its second batch of apprentices. 20 apprentices were taken on in the first batch, and another 14 have been selected for the second programme. Most of the first batch of apprentices have now secured a range of permanent posts within Forest Enterprise England and it is hoped and expected that this programme will continue to provide well trained staff both for Forest Enterprise England and potentially the wider forestry sector.

**FOREST ENTERPRISE ENGLAND KEY PERFORMANCE INDICATORS 2011-15  
HEADLINE PERFORMANCE REPORT AT 31 MARCH 2015**

Forestry Commission England’s Corporate Plan 2011-15 set out the key performance indicators for Forest Enterprise, including two headline indicators for which reports are shown below. The Indicators are also covered in our recent [Corporate Plan 2014-15](#), and the [Indicators Report 2014](#) provided our third annual monitoring report on all the indicators.

This section provides the 2014-15 year-end position on our two headline performance indicators. It reflects our contribution to Government’s wider priorities of work with the sector to Protect, Improve and Expand England’s woodland, as set out in the [Government Forestry and Woodlands Policy Statement \(January 2013\)](#) and with the progress reported in the [Forestry and Woodlands Policy Statement Implementation Plan - One Year On \(January 2014\)](#).

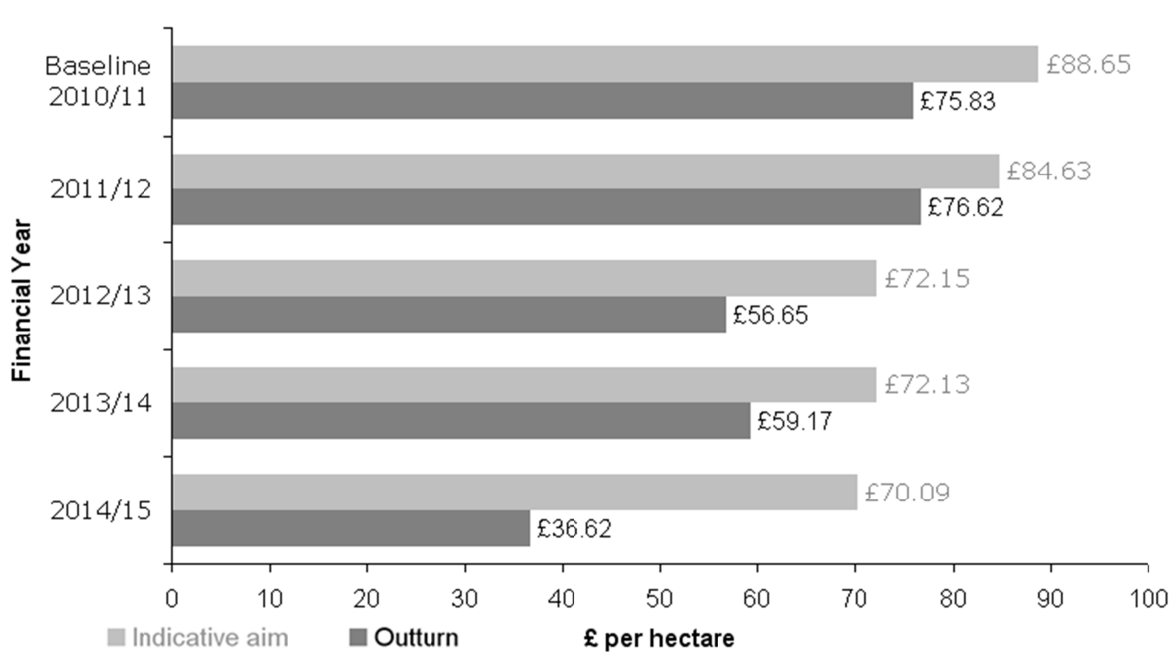
**Economy**                      *Number of private sector businesses operating on the Public Forest Estate*



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

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

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



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

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

The nature of Forest Enterprise England headline and other performance indicators have been revisited in 2014-15 with a view to making amendments suitable for the organization in 2015-16 and onwards.

Reports for our other Corporate Plan performance indicators are available from our website at [www.forestry.gov.uk](http://www.forestry.gov.uk) > [England](#) > [About us](#) > [Indicators](#)

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

*S Hodgson*  
 Accounting Officer  
 Forest Enterprise England  
 England National Office  
 620 Bristol Business Park  
 Coldharbour Lane  
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4 June 2015

# **Forest Enterprise England**

## **Annual Accounts 2014-15**

## DIRECTORS' REPORT

### Basis of accounts

The Forest Enterprise England (FEE) accounts have been prepared under a direction given by the Forestry Commission England/Central Services in accordance with the framework document between the Forestry Commission England and Forest Enterprise England.

### Status

Forest Enterprise England is designated as a public corporation for national accounting purposes, by the Office of National Statistics, in accordance with European System of Accounts (ESA) 95.

Forest Enterprise is part of Forestry Commission England which serves as the forestry department of the Westminster Parliament to advise on and implement forestry policies. Through the Public Corporation, it also manages the public forest estate to deliver public benefits. The Secretary of State for Environment, Food and Rural Affairs is answerable to the Westminster Parliament for Forestry Commission England/Central Services' overall policies and performance. Further information on Forestry Commission England/Central Services can be found in its Annual Report and Accounts.

### Financial review

#### *Operating performance*

Forest Enterprise England incurred a reported operating deficit, before financing, of £9.4 million before valuation movements (2013-14 £14.8 million deficit).

IAS 41 requires that changes in fair value, less costs to sell, of biological assets during a period are reported in net profit or loss. The valuation movements in 2014-15 have had a small impact on the results for the year.

The operating performance should be considered in the context of the impact of these valuation movements (non-distributable gains or losses) on timber holdings and felling. Removing the impact of IAS 41, the basis of calculating the operating surplus is adjusted as follows:

	<b>2014-15</b>	<b>2013-14</b>	<b>2012-13</b>	<b>2011-12</b>	<b>2010-11</b>
Operating surplus/(deficit)	(£5.3m)	(£8.6m)	(£60.5m)	£28.1m	(£19.7m)
Add back impact of valuations					
Loss / (Gain) on biological assets	(£24.2m)	(£25.9m)	£28.0m	(£67.0m)	(£16.7m)
Value of felled timber	£20.1m	£19.7m	£18.2m	£19.7m	£17.6m
<b>Deficit excluding valuation movements</b>	<b>(£9.4m)</b>	<b>(£14.8m)</b>	<b>(£14.3m)</b>	<b>(£19.2m)</b>	<b>(£18.8m)</b>
Funding	£8.8m	£19.9m	£26.1m	£14.6m	£7.9m
<b>Surplus/(deficit) after funding</b>	<b>(£0.6m)</b>	<b>£5.1m</b>	<b>£11.8m</b>	<b>(£4.6m)</b>	<b>(£10.9m)</b>

From the table above, the cumulative position from 2010-11 to 2014-15 shows that FEE delivered a cumulative surplus after funding of £0.9m.

This particular five year period covers the SR10 spending review period. It also fully reflects the cessation of woodland asset sales and the change in financial regime for FEE to an external financing basis.

The 'deficit excluding valuation movement' is used by the Forestry Commission in the net cost per hectare target measure, a key performance indicator for the Public Forest Estate.

Net cost performance for 2014-15 was:

	<b>Actual</b>	<b>Target</b>	<b>Variance</b>
<b>Net cost before funding</b>	(£9.3m)	(£17.8m)	£8.4m Favourable below target.

The net cost target reflects the spending review (SR10) target for FEE and is the sum of revenue less total cost.

As well as the cost incurred in generating income from sources such as timber, recreational activities and minerals; total cost includes the cost of provision to and on behalf of the public. Examples of this are managing and maintaining access, open habitats, ancient woodlands, community woodlands, learning, volunteering and community engagement.

Relative to the previous year our external income was higher at £66.7m (£64.2m 2013-14) and total cost was lower at £76.1m (£78.9m 2013-14). Income less total costs gives a net actual cost of £9.4m (£14.8m 2013-14).

2014-15 saw a large increase in visitor numbers to the Public Forest Estate. The increase in visitor numbers occurred from a combination of good weather and new experience offers such as the 'Gruffalo'. The average unit price for timber maintained a strong positive trend over the course of the year.

In 2015-16 the net cost target will be adjusted to take account of any agreed changes in the next spending review. An increase in the net cost target is anticipated, reflecting cost charges for services provided by Forestry Commission England to FEE.

The principal financial risk and uncertainty facing FEE is the long term market price and demand for forestry products.

### **Capital**

During the course of the year the Management Board approved capital schemes of £6.0m.

Major capital schemes were the extension of the café at Bedgebury; creation of the new welcome building at Westonbirt Arboretum; new toilet provision at Gisburn in East Lancashire and the renewal of sewage infrastructure at Wendover woods; and the capital purchase of vehicles including timber harvesting machines with any outstanding capital commitments as at 31 March 2015 are reported within note 14.

We are grateful to the Friends of Westonbirt Arboretum for their continued support in enabling the joint development project at the Arboretum. Funding has been derived from a variety of sources to enable this exciting development to take place.

Minor property and equipment sales raised £0.3m, external funding of £0.7m was obtained and capital expenditure on owned assets was £5.0m. In addition, new finance leases were entered into during the year for vehicles valued at £0.6m.

### **Other Disclosures**

#### **Pensions**

Information on pensions is contained in the Remuneration Report and accounting policy note 1.4.

**Supplier Payment Policy**

Forest Enterprise England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2014-15 indicates that 97.9% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

**Significant interests held by Board members**

Details of company directorships and other significant interests held by Board members are included within the register of interests maintained by the Forestry Commission and published on our website [www.forestry.gov.uk](http://www.forestry.gov.uk). Related party transactions are separately disclosed within note 20.

**Personal data related incidents**

There were no protected personal data related incidents reported for Forest Enterprise England in 2014-15 or previous financial years. Forest Enterprise England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

There were no protected personal data related incidents reported for Forest Enterprise England in 2014-15 or previous financial years. Forest Enterprise England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

**Auditors**

These accounts are audited by the Comptroller and Auditor General. The audit fee was £98,000 (2013-14: £100,000). No fees were charged for other services (2013-14: nil).

**Disclosure of audit information to the auditors**

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forest Enterprise England auditors are unaware. The Accounting Officer has taken all the necessary steps required to make himself aware of any relevant audit information and to establish that the Forest Enterprise England auditors are aware of that information.

*S Hodgson*  
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England National Office  
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4 June 2015



## REMUNERATION REPORT

### Remuneration policy

The Chief Executive was appointed on a full-time permanent basis through a fair and open external recruitment exercise under the terms of the Civil Service Commissioners Recruitment Code. The Chief Executive's salary is determined by the Forestry Commission's Senior Pay Committee which comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive Commissioner.

In reaching its recommendations, the Forestry Commission's Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).
- Reporting Officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid, and if so, whether low or high. The Senior Pay Committee considers the recommendations, determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded.

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

### Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commission Recruitment Principles, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Members of the Forest Enterprise Management Board hold appointments that are open-ended with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

The salary and pension entitlements of the members of the Forest Enterprise England Management Board were as follows:

Single total figure of remuneration										
	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension Benefits		Total	
	£'000	£'000	£'000	£'000	£	£	£'000	£'000	£'000	£'000
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Simon Hodgson	80-85	80-85	5-10	-	-	-	35	(3)	125-130	75-80
Mark Thornycroft	5-10 <sup>4</sup>	65-70	-	-	-	-	(2)	(27)	0-5	35-40
Mark Street	65-70 <sup>5</sup>	0	-	-	1,800	-	69	-	135-140	-
Jim Lyon	-	50-55 <sup>1</sup>	-	-	-	-	-	29	-	80-85
Kevin Stannard	65-70	10-15 <sup>2</sup>	-	-	-	-	10	(3)	75-80	5-10
Miranda Winram	50-55	0-5 <sup>3</sup>	-	-	-	-	20	(4)	75-80	0-5
John Tewson	50-55 <sup>6</sup>	60-65	-	-	-	-	9	1	60-65	65-70
Mike Seddon	40-45 <sup>7</sup>	0	-	-	-	-	33	-	75-80	-
David Williamson	60-65	60-65	-	-	-	-	9	-	70-75	60-65
David Hodson	60-65	55-60	-	-	-	-	23	22	80-85	75-80
Alan Corson	50-55	50-55	-	-	-	-	(49)	(37)	5-10	15-20
Paddy Harrop	55-60	45-50	-	-	-	-	12	9	70-75	55-60
Jonathan Spencer	30-35 <sup>8</sup>	45-50	-	-	-	-	8	-	35-40	45-50

<sup>1</sup> Figure quoted is for the period 1 April 2013 to 31 January 2014 whilst Forest Management Director. The full year equivalent is 65-70.

<sup>2</sup> Figure quoted is for the period 31 January 2014 to 31 March 2014 whilst Deputy Surveyor. The full year equivalent is 70-75.

<sup>3</sup> Figure quoted is for the period 5 March 2014 to 31 March 2014 whilst Head of Business Development. The full year equivalent is 50-55.

<sup>4</sup> Figure quoted is for the period 1 April 2014 to 30 April 2014 whilst Head of Estates. The full year equivalent is 65-70.

<sup>5</sup> Figure quoted is for the period 1 May 2014 to 31 March 2015 whilst Head of Estates. The full year equivalent is 70-75.

<sup>6</sup> Figure quoted is for the period 1 April 2014 to 2 December 2014 whilst in his role as a board member. The full year equivalent is 70-75.

<sup>7</sup> Figure quoted is for the period 1 September 2014 - 31 March 2015 following his appointment to the board as Director of Operations. The full year equivalent is 70-75.

<sup>8</sup> Figure quoted is for the period 1 April 2014 to 2 December 2014 whilst in his role as a board member. The full year equivalent is 45-50.

### Salary

'Salary' includes basic salary; overtime and any allowances subject to UK taxation. This report is based on payments made by Forest Enterprise England and thus recorded in these accounts.

### Benefits in kind

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

## Highest paid Director and median salary cost disclosure

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

The banded remuneration of the highest-paid director of Forest Enterprise England in the financial year 2014-15 was £90,000 - £95,000 (2013-14, £80,000 - £85,000). This was 3.78 times (2013-14, 3.40) the median remuneration of the workforce, which was £24,405 (2013-14, £24,053). In 2014-15, no (2013-14, nil) employees received remuneration in excess of the highest-paid director.

## Pension benefits (information subject to audit)

	Accrued pension at pension age at 31 March 2015 and related lump sum £'000	Real increase/(decrease) in pension and related lump sum at pension age £'000	CETV at 31 March 2015 £'000	CETV at 31 March 2014* £'000	Real increase/(decrease) in CETV £'000	Employer contribution to partnership pension account to nearest £100
Simon Hodgson	25-30 plus 80-85 LS	0-2.5 plus 5-7.5 LS	604	541	34	-
Mark Thornycroft	25-30 plus 75-80 LS	0-2.5 plus 0-2.5 LS	542	545	(2)	-
Mark Street	10-15 plus 40-45 LS	2.5-5 plus 7.5-10 LS	204	151	42	-
Kevin Stannard	15-20 plus 55-60 LS	0-2.5 plus 0-2.5 LS	281	261	5	-
Miranda Winram	10-15 plus (0-5) LS	0-2.5 plus (0-2.5) LS	125	107	7	-
John Tewson	25-30 plus 85-90 LS	0-2.5 plus 0-2.5 LS	627	586	7	-
Mike Seddon	20-25 plus 65-70 LS	0-2.5 plus 2.5-5 LS	356	319	22	-
David Williamson	25-30 plus 75-80 LS	0-2.5 plus 0-2.5 LS	581	544	8	-
David Hodson	5-10 plus (0-5) LS	0-2.5 plus (0-2.5) LS	74	54	12	-
Alan Corson	20-25 plus 70-75 LS	(0-2.5) plus (5-7.5) LS	508	527	(45)	-
Paddy Harrop	15-20 plus 50-55 LS	0-2.5 plus 0-2.5 LS	276	255	7	-
Jonathan Spencer	20-25 plus 65-70 LS	0-2.5 plus 0-2.5 LS	498	466	7	-

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

## Civil Service Pensions

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

For 2014-15 employee contributions are set as follows:

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

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

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

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

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

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

### Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**Real increase in CETV**

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

*S. Hodgson*  
Accounting Officer

4 June 2015

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Forestry Commission England/Central Services has directed Forest Enterprise England 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 Forest Enterprise England and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, Forest Enterprise England is required to comply with the requirements of the accounts direction issued by the Forestry Commission which states that the accounts should be prepared in compliance with:

- International Financial Reporting Standards as adopted by the European Union;
- the accounting and disclosure requirements of companies legislation currently in force;
- the accounts disclosure requirements of the Financial Services Authority listing rules sections 9.8.6 and 9.8.8; and
- any additional disclosure or accounting requirements that the Treasury may issue from time to time in respect of public corporations' accounts.

Director, Forestry Commission England as the additional Accounting Officer for Forestry Commission England has designated the Chief Executive as the Accounting Officer for Forest Enterprise England. 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 Forest Enterprise England's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Managing Public Money*.

## GOVERNANCE STATEMENT

### 1. Introduction and Scope of Responsibility

As Agency Accounting Officer for Forest Enterprise England (the Agency), I have responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

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

This statement covers Forest Enterprise England and fully complies with the Corporate Governance Code.

### 2. The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Agency for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Forestry Commission guidance.

### 3. The Governance Framework

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

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

Forestry is devolved and Commissioners are accountable separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. From April 2013, the duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. Defra are responsible for forestry policy in England.

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

Forest Enterprise England is an executive agency of the Forestry Commission. The Agency's framework document sets out my responsibilities as Agency Accounting Officer. I am accountable to Parliament through the Additional Accounting Officer for the Forestry Commission. I am responsible to the National Committee for

England for the management of the Agency. I have a right of direct access to the Forestry Commissioners and to the relevant Minister.

How the Forestry Commission and Forest Enterprise England operates

Forest Enterprise England Strategy Board

In January 2015 we put in place a new governance and leadership structure within Forest Enterprise England (FEE). As part of the new arrangements, two non-executive director posts were included in the revised management board arrangements.

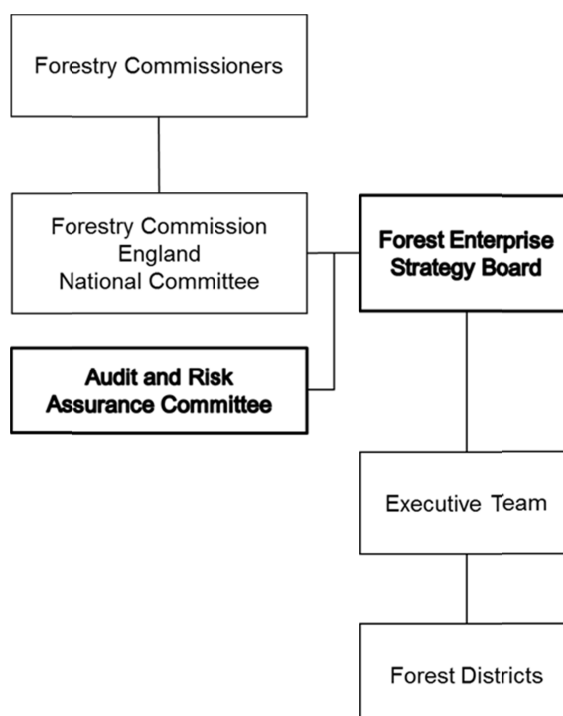
The FEE Strategy Board, consisting of executive and non-executive members, was established to agree the strategic direction of the Agency, within the policy framework set by Ministers and the National Committee for England, under the overall direction of the England Executive Board.

The Chief Executive and executive team manage the day-to day operations and performance of the Agency.

Performance

The FEE Strategy Board has links through shared membership of other Forestry Commission governance committees. The Chief Executive Forest Enterprise is a member of the England National Committee and Executive Board, and attends the Audit & Risk Committee. The non-executive directors are members of the England National Committee and the Audit & Risk Committee. This ensures a breadth of knowledge and understanding of the organisation and forestry issues which enhances the effectiveness of all the committees.

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



During the year the Forest Enterprise England Strategy Board and its predecessor the Forest Enterprise England Management Board discussed a wide range of forestry and recreation issues, including:

- Climate change;
- Health and Safety;



- Sickness and absence;
- Open habitats;
- Biodiversity; and,
- Production forecasts.
- Plant Health
- The Woodland Policy Enabling Programme and the Business Case for the long term future of the Public Forest Estate
- Developments at Westonbirt, Alice Holt and Delamere
- Land acquisition at Wendover
- Governance and management arrangements

At each meeting, the Board also discussed the Chair's Report, and Finance and Risk Management reports. They also reviewed reports on Sustainable Forest and Land Management, Recreation and Public Affairs, and Estates.

Further information on the Forest Enterprise Strategy Board and its predecessor the Forest Enterprise England Management Board, including membership and attendance, are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

#### Audit and Risk Assurance Committee

The ARAC has been established by the National Committee for England to support it in its responsibilities for the effective management of risk, control and governance. The Agency maintains its own risk register which is overseen by the ARAC.

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

The Committee met four times during the year and discussed a wide range of issues related to Forest Enterprise including:

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

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

#### Register of interests

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

#### 4. Review of Effectiveness

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

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

The Head of Internal Audit has prepared an annual report and assurance statements to me as Agency Accounting Officer. The report includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forest Enterprise.

The overall opinion is that internal control within Forest Enterprise continues to provide moderate (formerly substantial) assurance. Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

Plans to address weaknesses and ensure continuous improvement of the system are in place.

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

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

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

#### 5. Risk Management

The Forest Enterprise England Strategy Board ensures the risk management policy is implemented and that they strategically review key risks. Each risk that is identified in the risk register has a corresponding Senior Risk Owner who is a management board level officer with the authority to take effective action. The England Executive Board and the National Committee for England receives regular updates on key risks.

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

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

The Agency has identified the following principal areas of risk in achieving its aims and objectives:

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

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

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

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

By adopting its Risk Management Policy, the Agency recognises Risk Management as a key function in helping to ensure it achieves its aims and objectives.

## 6. Significant Governance and Risk Issues

### Bio security

Forest Enterprise have recognised the risk associated with the bio security threat, and the consequences of which are loss of revenue from crop damage, together with the cost of control and containing the spread of disease. Action plans and control measures are in place, including clearing and felling programmes.

### Organisational Change

The government's response to the Independent Panel on Forestry included the establishment in the longer term of a new body to hold the Public Forest Estate in trust for the nation. Establishing such a new body with greater independence from government, and greater freedom to manage its own resources, will require further significant structural reform and demand long term resourcing to manage the transition.

### Forest Enterprise Non-Forestry Development Projects

Forest Enterprise's long term financial plan is in part dependent on releasing the commercial potential from non-forestry developments on the public forest estate. This includes a range of opportunities including renewable energy, mineral extraction, green burials and built commercial development. In order for these opportunities to come to fruition, the Agency will need to have the assurance that they will be acceptable to Government, and to be able to sustain the confidence of the Forestry Commission, business partners and stakeholders. Forest Enterprise has endeavoured to maintain a range of development prospects during a period of major uncertainty, but their further progression will need careful management and consultation.

### Information Communication Technology (ICT) infrastructure

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

### Business continuity management

Within Forest Enterprise England, business continuity plans are embedded within each management unit.

The uncertainty generated by the Woodland Policy Enabling change Programme and, in particular, the expectation that central shared services will be devolved to countries has led to an increase in the loss of key staff from central services which, together with difficulties encountered in recruiting talent, has increased the

risk of disruption to business continuity. Additional controls and actions, including implementation of actions enabled under our recruitment and retention policy, have been introduced to mitigate the risk.

### Tax

Current HMRC tax audits on the Forestry Commission, including Forest Enterprise England, have highlighted areas of non-compliance which, as well as leading to the retrospective payment of tax liabilities and potential penalties, will require substantive improvements to Forestry Commission policies, procedures and systems. A formal cross-FC working group has been set up to work at pace to ensure full compliance, as soon as practicable, for the future. Notes 6 and 18 to the accounts provide additional information.

### Information risk management

We continue to make steady progress to identify and address information risks. Our approach continues to take account of the fact that our information holdings, including personal data are relatively small, but increasing.

The Forestry Commission Information Security Management Forum has agreed that Privacy Impact Assessments will be required for all projects that involve the handling of personal information.

Three levels of 'Responsible for Information' training are now online and has been undertaken by all staff where required at the appropriate level for their role.

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

No lapses of data security were reported during 2014-15.

### Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across the Agency in terms of business critical models and the associated risks are being managed properly.

### Communications

Forestry issues remain high profile, particularly tree health threats and organisational change. Through e-consultation, social media and innovative digital communications we have continued to build stronger relationships with stakeholders through change and inform the public and land managers about emerging biosecurity issues.

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

The main challenges for Forest Enterprise England for 2015-16 and beyond are:

- managing the delivery of new commitments in line with the Government response to the Independent Panel on Forestry, including setting up the new Public Estate Management organisation,
- agreement on funding for delivery of public services and growth of commercial revenue streams;
- handling the continued and increasing bio security threat;
- ensuring business continuity and maintenance of UKWAS certification;
- continuing to deliver agreed performance targets within a constrained financial environment;
- staff motivation and retention within a time of organisational change and pay restraint;
- successfully resolving the various tax issues arising from HMRC compliance audits, and ensuring full compliance going forward.

In 2015-16 the Agency will remain focussed on managing these challenges, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations in line with the Forestry Commission Corporate Plan.

*S. Hodgson*  
*Accounting Officer*

4 June 2015

## INDEPENDENT AUDITOR'S REPORT TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of Forest Enterprise England for the year ended 31 March 2015. The financial statements comprise: the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. 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 Forest Enterprise England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Forest Enterprise England; 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 Forest Enterprise England's affairs as at 31 March 2015 and of the operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the directions issued by the Forestry Commission

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance and directions made by the Forestry Commission; and
- the information given in the Strategic Report, Directors' Report and Annex 1 for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

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

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

**Report**

I have no observations to make on these financial statements.

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

**5 June 2015**

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

**STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 March 2015

		<b>2014-15</b>	<b>2013-14</b>
	Note	<u>£000</u>	<u>£000</u>
<b>Income</b>	4	66,735	64,195
<b>Staff Costs</b>	5	(27,910)	(26,712)
<b>Other Costs</b>	6	(48,206)	(52,215)
<b>Value of Felled Timber</b>	7/9	(20,089)	(19,734)
<b>Operating (deficit) before gain on revaluation of biological assets</b>		<u>(29,470)</u>	<u>(34,466)</u>
Gain on revaluation of biological assets	9	24,132	25,901
<b>Operating (deficit) after gain on revaluation of biological assets</b>		<u>(5,338)</u>	<u>(8,565)</u>
Funding received from Forestry Commission England/Central Services		8,800	19,850
Interest on Forest Holiday investment		178	124
Impairment on Property, Plant and Equipment		(397)	-
Surplus on sale of properties		4	136
<b>Surplus for the year</b>		<u>3,247</u>	<u>11,545</u>
Transferred to general fund		<u>3,247</u>	<u>11,545</u>
<b>Other comprehensive income</b>			
Net gain on revaluation of Property Plant and Equipment		86,237	71,656
Net gain on revaluation of available for sale financial assets		140	1,344
<b>Total other comprehensive income for the year</b>		<u>86,377</u>	<u>73,000</u>
<b>Total comprehensive income</b>		<u>89,624</u>	<u>84,545</u>

There have been no acquisitions during the year.

All income and expenditure is derived from continuing operations.

*The notes on pages 42 to 69 form part of these accounts.*



**STATEMENT OF FINANCIAL POSITION**

as at 31 March 2015

		31 March 2015	31 March 2014
		£000	£000
<b>Non current assets</b>	<b>Note</b>		
Property, plant and equipment	7	1,452,496	1,378,866
Financial assets	8	9,570	9,430
Biological assets	9	152,663	134,225
Trade and other receivables	10	5,730	5,581
<b>Total non current assets</b>		<b>1,620,459</b>	<b>1,528,102</b>
<b>Current assets</b>			
Non-current assets held for sale		1,057	-
Inventories		1,577	1,077
Trade and other receivables	10	13,248	12,370
Cash and cash equivalents	11	20,984	25,999
<b>Total current assets</b>		<b>36,866</b>	<b>39,446</b>
<b>Total assets</b>		<b>1,657,325</b>	<b>1,567,548</b>
<b>Current liabilities</b>			
Trade and other payables	12	(14,095)	(14,510)
Provisions		(1,091)	(327)
<b>Total current liabilities</b>		<b>(15,186)</b>	<b>(14,837)</b>
<b>Non current assets plus net current assets</b>		<b>1,642,139</b>	<b>1,552,711</b>
<b>Non current liabilities</b>			
Trade and other payables	12	(16,442)	(16,657)
Provisions		(147)	(139)
<b>Total non-current liabilities</b>		<b>(16,589)</b>	<b>(16,796)</b>
<b>Assets less liabilities</b>		<b>1,625,550</b>	<b>1,535,915</b>
<b>Taxpayers' equity</b>			
General fund		350,578	346,496
Revaluation reserve		1,274,972	1,189,419
<b>Total taxpayers' equity</b>		<b>1,625,550</b>	<b>1,535,915</b>

S. Hodgson  
Accounting Officer

4 June 2015

The notes on pages 42 to 69 form part of these accounts.

**STATEMENT OF CASH FLOWS**

as at 31 March 2015

		<b>2014-15</b>	<b>2013-14</b>
	Notes	<u>£000</u>	<u>£000</u>
<b>Cash flows from operating activities</b>			
Net surplus for the year		3,247	11,545
Adjustments for non-cash transactions:			
(Profit) on disposal of property		(74)	(250)
Depreciation	7	4,970	4,748
Property, plant and equipment written off	7	-	119
(Gain) on revaluation of biological assets	9	(24,132)	(25,901)
Value of fellings	7 / 9	20,089	19,734
(Increase) / Decrease in plant and seed (biological assets)	9	(2,738)	762
(Increase) / Decrease in inventories		(500)	2
(Increase) in trade and other receivables	10	(1,027)	(2,208)
Increase in trade and other payables	12	6	983
Movements in provisions		1,371	195
Use of provisions		(599)	(457)
Non-cash inter-country transfers		2	187
Losses on disposal of other property, plant and equipment		-	6
Impairment of property, plant and equipment and write off of revaluation reserve		405	57
Finance lease additions		(649)	(1,580)
Deferred income released		(637)	(278)
<b>Net cash (outflow) / inflow from operating activities</b>		<b><u>(266)</u></b>	<b><u>7,664</u></b>
<b>Cash flows from investing activities</b>			
Proceeds of disposal of properties		279	434
Purchase of property, plant and equipment	7	(5,028)	(2,738)
<b>Net cash (inflow) from investing activities</b>		<b><u>(4,749)</u></b>	<b><u>(2,304)</u></b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>		<b><u>(5,015)</u></b>	<b><u>5,360</u></b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>25,999</b>	<b>20,639</b>
<b>Cash and cash equivalents at the end of the period</b>		<b><u>20,984</u></b>	<b><u>25,999</u></b>

*The notes on pages 42 to 69 form part of these accounts.*

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

as at 31 March 2015

	General Fund	Revaluation Reserve	Total
	£000	£000	£000
<b>Balance at 1 April 2013</b>	334,559	1,116,568	1,451,127
<b>Changes in taxpayers' equity for 2013-14</b>			
Net gain on revaluation of property, plant and equipment	-	72,999	72,999
Non-cash charges - intercountry transfers	187	-	187
Realised element of revaluation reserve	197	(197)	-
Realised element of government grant reserve	8	(8)	-
Release of reserves to the statement of comprehensive income	-	57	57
Net deficit for the year	11,545	-	11,545
<b>Total recognised income and expense for 2013-14</b>	<b>11,937</b>	<b>72,851</b>	<b>84,788</b>
<b>Balance at 31 March 2014</b>	<b>346,496</b>	<b>1,189,419</b>	<b>1,535,915</b>
<b>Balance at 1 April 2014</b>	<b>346,496</b>	<b>1,189,419</b>	<b>1,535,915</b>
<b>Changes in taxpayers' equity for 2014-15</b>			
Net gain on revaluation of property, plant and equipment	-	86,377	86,377
Non-cash charges - intercountry transfers	2	-	2
Realised element of revaluation reserve	835	(835)	-
Transfer of property, plant and equipment from/to other forestry bodies	(2)	2	-
Release of reserves to the statement of comprehensive income	-	9	9
Net surplus for the year	3,247	-	3,247
<b>Total recognised income and expense for 2014-15</b>	<b>4,082</b>	<b>85,553</b>	<b>89,635</b>
<b>Balance at 31 March 2015</b>	<b>350,578</b>	<b>1,274,972</b>	<b>1,625,550</b>

*The notes on pages 42 to 69 form part of these accounts.*

## NOTES TO THE ACCOUNTS

### NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis and in accordance with the accounts direction issued by Forestry Commission Great Britain / England. The accounts have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Forest Enterprise England accounting policies have been selected based on a judgement of the most appropriate treatment to the particular circumstances of the entity to ensure a true and fair view. The particular policies selected by Forest Enterprise England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

#### 1.1 Accounting convention

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

#### 1.2 Funding

Forest Enterprise England receives funding from Forestry Commission England/Central Services. Funding is equal to the agreed annual subsidy limit and is accounted for through the Statement of Comprehensive Income.

#### 1.3 Public corporation dividend

Forest Enterprise England pays a dividend to Forestry Commission England/Central Services, reflecting the expected rate of return on funding provided. This is disclosed in the Statement of Comprehensive Income. The dividend rate has been agreed with HM Treasury and is set at 0% whilst Forest Enterprise England is loss-making. If Forest Enterprise England makes a surplus before revaluation gains on biological assets, HM Treasury's real rate of 3.5% will apply.

#### 1.4 Employee benefits

##### Pensions

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

##### Performance pay

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

##### Short-term employee benefits

Liabilities and expenses are recognised for holiday entitlements earned to 31 March but not yet taken.

### 1.5 Contingent liabilities

Forest Enterprise England discloses contingent liabilities in accordance with IAS 37. Where applicable, it also discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts. Where applicable, amounts reported to Parliament are separately noted.

### 1.6 Property, plant and equipment

Legal ownership of all land and buildings is vested in the Secretary of State together with the legal ownership of the timber and other tangible fixed assets. Where Forest Enterprise England is the principal beneficial user of assets owned by the Secretary of State or Forestry Commissioners these are treated as Property, Plant and Equipment assets of the agency. Property, plant and equipment are revalued annually as at 31 March.

See also 'Land and Buildings Leased to Customers' at 1.8 below, and 'Leases' at 1.14 below.

#### Forest Estate

The Forest Estate comprises freehold afforested land (including land improvements) and the value of trees that have not been apportioned to Biological Assets under IAS 41 (Agriculture). Valuation of the Forest Estate is complex and relies on judgements and estimation techniques. Details of these are set out in Note 2 Critical Accounting Estimates and Judgements.

#### Forest Estate Land

Forest Estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the Forest Estate Land at five-yearly intervals. Following a public procurement exercise in 2012, Smiths Gore, Chartered Surveyors were appointed as the Forestry Commission's valuers as from the full valuation as at 31 March 2013. In accordance with Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate land is valued at fair value using market value for existing use. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

#### Trees Not Apportioned to Biological Assets

Trees falling out with the definition of Biological Assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Smiths Gore, Chartered Surveyors, in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate tree values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

#### Other Land

Non-Forest Land is shown at fair value. Professionally qualified staff members employed by Forest Enterprise England undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the Forest Estate (31 March 2013). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. The work of internal Chartered Surveyors is reviewed by Smiths Gore. A full valuation took place on 31 March 2013.

Other Land has been categorised into its component parts and during intervening years between the five yearly full valuations, the most appropriate indices are applied to the relevant components to reflect their fair value as detailed below.

- Open land - Custom indices provided by Smiths Gore, Chartered Surveyors
- Agricultural land - Farmland Market Index provided by the RICS Rural Land Survey
- Telecom masts - Indices provided by Strutt and Parker, Chartered Surveyors
- Wayleaves - Index provided by the Energy Networks Association
- Quarries and mineral workings - Internal Chartered Surveyors undertook full valuations based on the capitalisation of the future cash inflows taking into account the reserve levels in the individual quarries.

- Car parks, trails and picnic areas - Indices provided by the Office for National Statistics (ONS) using the relevant Producer Price Index.
- Community Woodlands - Internal Chartered Surveyors assessed the components of the woodlands and determined that the woodlands consist of three key components which are listed below together with the associated valuation methodology.
  - (i) Land - internal Chartered Surveyors determined that the land is agricultural in nature, and therefore, the Farmland Market Index provided by the RICS Rural Land Survey is the most appropriate valuation method.
  - (ii) Landscaping and planting - custom indices provided by Smiths Gore, Chartered Surveyors
  - (iii) Infrastructure - consists mainly of paths and determined by internal Chartered Surveyors that ONS indices applied to car parks, trails and picnic areas above is the most appropriate valuation method.

#### Dwellings and other buildings

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

Professionally qualified staff employed by Forest Enterprise England undertake a full revaluation of dwellings and other buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land (31 March 2013). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 31 March 2013 and Smiths Gore, Chartered Surveyors, reviewed this.

During intervening years between the five yearly full valuations, indices provided by Smiths Gore are used to reflect the fair value of Dwellings and other buildings. The indices provided are Forest District specific and are based on Smiths Gore's knowledge of the market to support properties valued at market value. Additional indices are provided for DRC valued properties based on the Building Cost Information Service (BCIS) All-in Tender Price Index.

#### Expenditure on Infrastructure

To maximise the environmental, social and economic benefits of the Forest Estate, Other Land, Biological Asset Timber and Other Timber, Forest Enterprise England improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed as they occur. Forest Enterprise England takes the view that the professional valuations of its land and timber properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation by indexation reflects improvements made through new infrastructure.

#### Subsequent expenditure

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

#### Non-current assets held for sale

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

#### Vehicles, machinery and equipment

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

Office, machinery and equipment

Office, machinery and equipment is shown at fair value less subsequent depreciation. Values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of assets is £2,000.

Assets under construction

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

Revaluation reserve

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

**1.7 Depreciation**

Land (forest estate and non-forest land), together with the value of trees not apportioned to Biological assets, are not depreciated.

Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management.

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

**1.8 Land and buildings leased to customers**

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

**1.9 Government grants receivable**

Capital grants from the government are recognised at their fair value and treated in accordance with IAS 20. Amounts are credited to deferred income and released to the Statement of Comprehensive Income to equal the depreciation charge over the life of the asset.

Where the grant contributes to only part of the cost of the asset, only that proportion is released from deferred income.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

### 1.10 Subsidiaries, associates and joint ventures

Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.21).

The investments in Forest Holidays LLP and Camping in the Forest (CiTF) LLP are accounted for under the requirements of IAS 39 and are treated as financial assets. Further details of the investments are included within the Financial Commentary section. The investments and associated balances are included in the following areas of the financial statements:

Investment	- Investments within note 8
Partnership loan	- Trade and other receivables within note 10
Partnership lease	- Trade and other receivables within note 10

### 1.11 Biological Assets

Trees growing on Forest Estate Land are apportioned to Biological Assets or the Forest Estate. Apportionment is determined by a strategic assessment that identifies the primary Ministerial objective that the land is held to meet. Trees growing on areas that are primarily held in support of the Government's objective of making a positive contribution to the economy (generate income) are apportioned to Biological Assets under IAS 41 (Agriculture). The remaining trees are apportioned to the Forest Estate and are out with the scope of IAS 41.

Biological assets are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Smiths Gore, Chartered Surveyors in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income in the year of revaluation.

Holdings of plants and seed are accounted for as biological assets under IAS 41. They are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

### 1.12 Inventories

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

### 1.13 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Forest Enterprise England recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

### 1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a Finance Lease) are borne by Forest Enterprise England, the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5%.



Assets held under Finance Leases are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in Forest Enterprise England. The policies and procedures for carrying out revaluations are those set out in 1.6 above.

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

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

#### **1.15 Grants payable**

Grants payable to individuals and bodies by Forest Enterprise England in accordance with its statutory powers and duties are accounted for as they are approved for payment.

#### **1.16 Provisions**

Forest Enterprise England provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. The increase in the provision due to passage of time is recognised in the Statement of Comprehensive Income.

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

Forest Enterprise England is not registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Income is net of VAT. Forest Enterprise England accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in Forestry Commission England/Central Services accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Income in the year in which it is incurred.

#### **1.18 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Forest Enterprise England Management Board.

#### **1.19 Foreign currency translation**

##### **(a) Functional and presentation currency**

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

##### **(b) Transactions and balances**

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

### 1.20 Impairment of non-financial assets

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

### 1.21 Financial assets

#### Classification

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

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

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. Forest Enterprise does not trade in derivatives and does not apply hedge accounting.

#### (b) Loans and receivables

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

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

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

#### Recognition and measurement

Financial assets are recognised when Forest Enterprise England becomes party to the contractual provisions of the financial instrument.

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

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

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

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

#### (b) Loans and receivables

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

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

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Income when Forest Enterprise England's right to receive payments is established.

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

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

### 1.22 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Government Banking Service and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are transferred to Forestry Commission England / Central Services and shown in its accounts within borrowings in current liabilities on the Statement of Financial Position.

### 1.23 Financial liabilities

#### Classification

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

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

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

(b) Other financial liabilities

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

Recognition and measurement

Financial liabilities are recognised when Forest Enterprise England becomes party to the contractual provisions of the financial instrument.

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

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

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

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

(b) Other financial liabilities

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

**1.24 Effective in these Financial Statements**

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2015 have been adopted in these statements.

**1.25 Effective for future Financial Years**

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

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income);
- IAS 19 Post-Employment Benefits (Pensions);
- IAS 27 Separate Financial Statements;
- IFRS 9 Financial Instruments, Classification and Measurement;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

These standards have not been adopted by Forest Enterprise England ahead of their implementation date. The future impact of IFRS 10, 11 and 12 is not considered to be significant. Forest Enterprise England is reviewing the likely impact of the adoption of IFRS 9 and 13.

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

The preparation of financial statements requires Forest Enterprise England to make estimates.

**Critical accounting judgements and key sources of estimation uncertainty**

In the application of Forest Enterprise England's accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgements in applying the accounting policies**

The following are the critical judgements and estimates that have been made in the process of applying Forest Enterprise England's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

### **Classification of the Forest Estate and Biological Assets**

Forest Enterprise England retains and manages its woodlands and forests to meet agreed Ministerial objectives, primarily for Social, Environmental and Economic reasons (set out in "A Strategy for England's Trees, Woods and Forests").

Social and Environmental areas generate a significant proportion of the agency's annual timber income. However, the planned felling of this timber (and resulting sales income) is to maintain and enhance the areas' contribution to Social and Environmental objectives. Where land is classed as a specific Social and Environmental category such as 'Special Protection Area', 'Area of Outstanding Natural Beauty' or as a 'National Park' it is deemed appropriate that such woodland fall out with the scope of IAS 41.

Woodland retained and managed to meet Economic objectives will primarily generate benefit to Forest Enterprise England from timber sales. Consequently, these areas are regarded as within the scope of IAS 41.

The agency's electronic land management records for each forest district were analysed to identify all afforested or woodland areas subject to a social or environmental designation. Trees growing on these areas were deemed to fall out with the scope of IAS 41. The balance of each forest district's afforested or woodland areas were deemed to fall within the Standard. Management considers that the administrative costs of accounting and valuing each individual area of land are prohibitive. It considers that reliable accounting and valuation estimates can be obtained by expressing the land areas in percentage terms. For example, if a district comprised 100 Ha and 70 Ha was designated for Social and Environmental purposes then reasonable information can be derived from estimating that 70% (70 Ha / 100 Ha) of the district's trees were out with IAS 41. The remaining 30% of trees would fall within IAS 41.

Land designations are not subject to frequent change. Management therefore considers that a detailed review of the designations will take place periodically. Accounts from 2014-15 are based on the analysis of the agency's land records as at 31 March 2013. The next formal review will take place during 2018-19 following the full professional valuation of the Forest Estate as at 31 March 2018.

Management recognises that land use and designations may change over time. It shall therefore carry out an annual review to consider whether changes such as major sales or acquisitions of land may materially affect the analysis and its accounting and valuation estimates. Where material changes have occurred, the analysis shall be updated for that year. Retrospective adjustments shall not be made prior to the current year.

### **Valuation of the Forest Estate and Biological Assets**

There is a high degree of estimation uncertainty inherent in the valuation of the Forest Estate and Biological Assets. The external valuers considered that reasonably accurate valuations of biological assets could only be obtained by extensive analysis of crops. This would be costly and time consuming.

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the forest estate took place on 31 March 2013. As the valuation basis (Existing Use Value) would be the same as Fair Value, it is reasonable to assume that this can form the basis of the IFRS valuation, provided that forest and woodland could be componentised between land, biological assets out with IAS 41, and biological assets under IAS 41.

It was determined that the estimate of the biological assets' worth could be obtained by deducting a land valuation from the value of the whole in order to estimate the timber value. As part of the professional valuation, an average land value per hectare for the forest estate was determined in each forest district. This was applied to the total estate to give a land valuation which was deducted from the total woodland values to derive a value for trees in each forest district.

Once the timber value was ascertained the Forest Estate was componentised into land and biological assets falling within the scope of IAS 41 and those falling out with its scope. Land and biological assets falling out with the scope of IAS 41 have been treated in accordance with IAS 16 and remain classed as Forest Estate, with the impact that the large majority of Land and Timber still fall within this classification.

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2014-15 woodland disposals, the cost of sales percentage was calculated as 4.5% of the Fair Value. Management considers that the incorporation of any ad hoc actual disposal costs in the cost of sales percentage, post November 2012, would distort the true cost of sales figure for the period when Forest Enterprise England was acquiring and disposing of woodlands.

The agency shall monitor and review costs of sales annually and update its estimated point-of-sale costs where material.

### **Other Land**

Other Land primarily includes specialist land holdings for which there are no or limited external markets. Management considers that Forest Enterprise England's internal professionally qualified staff members are best placed to value this land. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

In order to achieve greater independence to the Other Land valuation process during intervening years between formal professional valuations, management reviewed the components of Other Land and obtained external professional input into the valuations of the key components of Other Land. The Other Land valuation now includes valuations that are based on indices provided by external Chartered Surveyors. These indices are reviewed by internal Chartered Surveyors to ensure that they are reasonable and consistent with internal valuation knowledge. Accounting Policy note 1.6 details the key components of Other Land together with the source of the valuation.

### **Dwellings and Other Buildings**

Other Buildings primarily includes specialist buildings held for operational activities and for which there are no active external markets. Management considers that Forest Enterprise England's internal professionally qualified staff members are best placed to value these buildings. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of Dwellings and Other Buildings are obtained where active markets operate.

In order to achieve greater independence to the Other Buildings valuation process during intervening years between formal professional valuations, management reviewed the components of Other Buildings and obtained external professional input into the valuation process. The Other Buildings valuation now includes valuations that are based on indices provided by external Chartered Surveyors. These indices are reviewed by internal Chartered Surveyors to ensure that they are reasonable and consistent with internal valuation knowledge. Accounting Policy note 1.6 details the components of Other Buildings together with the source of the valuation.

**NOTE 3 SEGMENTAL INFORMATION**

Management has determined that Forest Enterprise England operates as one operating segment, with results reviewed by the chief operating decision maker for Forest Enterprise England as a whole.

**NOTE 4 INCOME**

	<b>2014-15</b>	<b>2013-14</b>
	<u>£000</u>	<u>£000</u>
<b>Sale of Goods</b>		
Timber	37,276	35,506
Retail and other goods	5,083	4,679
	<u><b>42,359</b></u>	<u><b>40,185</b></u>
<b>Services Rendered</b>		
Sustainable forest management	2,859	4,280
Forest estate	4,072	4,118
Recreation and public affairs	16,387	14,369
	<u><b>23,318</b></u>	<u><b>22,767</b></u>
<b>Royalties</b>		
Mineral Income	1,058	1,243
	<u><b>1,058</b></u>	<u><b>1,243</b></u>
Total Income	<u><b>66,735</b></u>	<u><b>64,195</b></u>

**NOTE 5 STAFF NUMBERS AND RELATED COSTS****5 (a) Employee benefit expense**

			2014-15	2013-14
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Salaries	21,534	-	21,534	20,636
Social security costs	1,510	-	1,510	1,461
Other pension costs	3,799	-	3,799	3,599
Agency/temporary staff	-	1,067	1,067	1,016
	<b>26,843</b>	<b>1,067</b>	<b>27,910</b>	<b>26,712</b>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Forest Enterprise England is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2014-15, employers' contributions of £3,570,000 were payable to the PCSPS (2013-14: £3,543,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £61,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,100 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

1 individual retired early on ill health grounds (2013-14: £nil); the total additional accrued pension liabilities in the year amounted to £200.

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

Average number of whole-time equivalent persons employed:

			2014-15	2013-14
	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number
Directly employed	738	61	799	778
Other	-	52	52	46
<b>Total</b>	<b>738</b>	<b>113</b>	<b>851</b>	<b>824</b>
<b>Split by gender</b>				
Male	527	81	608	587
Female	211	32	243	237
<b>Total</b>	<b>738</b>	<b>113</b>	<b>851</b>	<b>824</b>



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

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

Each scheme is subject to conditions and financial limits.

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

<b>Exit package cost band</b>	<b>Number of compulsory</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by</b>
<£10,000	Nil - (2013-14: 1)	Nil - (2013-14: nil)	Nil - (2013-14: 1)
£10,000 - £25,000	Nil - (2013-14: nil)	Nil - (2013-14: 1)	Nil - (2013-14: 1)
£25,000 - £50,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
£50,000 - £100,000	Nil - (2013-14: nil)	Nil - (2013-14: 1)	Nil - (2013-14: 1)
£100,000- £150,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
£150,000- £200,000	Nil - (2013-14: nil)	Nil - (2013-14: nil)	Nil - (2013-14: nil)
<b>Total number of exit packages</b>	<b>Nil - (2013-14: 1)</b>	<b>Nil - (2013-14: 2)</b>	<b>Nil - (2013-14: 3)</b>
<b>Total resource cost / £</b>	<b>£0</b> (2013-14: £4,899)	<b>£0</b> (2013-14: £101,528)	<b>£0</b> (2013-14: £106,427)

**NOTE 6 OTHER COSTS**

	<b>2014-15</b>	<b>2013-14</b>
	<u>£000</u>	<u>£000</u>
Staff Transfers	198	272
Computer Costs	70	32
Travel and Subsistence	707	686
Accommodation	727	816
Communication	136	185
Training	147	175
Losses and Compensation	158	88
Legal Expenses	404	331
Auditors' remuneration - audit work	98	100
Shared Central Services	4,824	4,766
Sustainable Forest Management	19,323	22,000
Forest Estate	1,661	2,592
Recreation and Public Affairs	12,390	13,672
	<b><u>40,843</u></b>	<b><u>45,715</u></b>
<b>Rentals Under Operating Leases:</b>		
Hire of plant and equipment	823	1,300
Operating lease rentals:		
Land and buildings	70	66
Plant and machinery	129	85
	<b><u>1,022</u></b>	<b><u>1,451</u></b>
<b>Non-cash costs:</b>		
Depreciation of property, plant and equipment	4,970	4,748
Provisions –		
Provided in year	1,415	372
Provisions not required written back	(44)	(71)
	<b><u>6,341</u></b>	<b><u>5,049</u></b>
<b>Total</b>	<b><u>48,206</u></b>	<b><u>52,215</u></b>

An HMRC audit of Forest Enterprise England's treatment of VAT and Income Tax is underway. Provisions for HMRC liabilities have been raised during the year to address areas of non-compliance. All liabilities identified by HMRC were subsequently settled by 31 March 2015. The values are included within the provided in year provisions figure above and amounted to £357,000 for 2014-15. The HMRC audit is continuing into 2015-16 and an unquantifiable contingent liability is disclosed within note 18 to recognise the possibility of future non-compliance liabilities arising from the audit.

**NOTE 7 PROPERTY PLANT AND EQUIPMENT**

	Forest Estate	Other Land	CITF and Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>								
At 31 March 2014	1,079,192	207,805	5,021	89,402	16,612	72	2,482	1,400,586
Additions	-	625	-	274	1,788	-	2,990	5,677
Transfers	-	-	-	3,379	-	-	(3,379)	-
Transfer to NCAHFS	(992)	(32)	-	-	-	-	-	(1,024)
Disposals	-	-	-	(219)	(4,499)	(27)	-	(4,745)
Fellings	(11,690)	-	-	-	-	-	-	(11,690)
Revaluation	71,749	7,517	-	7,462	378	-	-	87,106
Impairment	-	-	-	(397)	-	-	-	(397)
<b>At 31 March 2015</b>	<b>1,138,259</b>	<b>215,915</b>	<b>5,021</b>	<b>99,901</b>	<b>14,279</b>	<b>45</b>	<b>2,093</b>	<b>1,475,513</b>
<b>Depreciation :</b>								
At 31 March 2014	-	-	-	11,734	9,949	37	-	21,720
Provided during year	-	-	-	2,904	2,057	9	-	4,970
Disposals	-	-	-	(162)	(4,353)	(27)	-	(4,542)
Revaluation	-	-	-	757	112	-	-	869
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,233</b>	<b>7,765</b>	<b>19</b>	<b>-</b>	<b>23,017</b>
<b>Net Book Value :</b>								
At 31 March 2015	<b>1,138,259</b>	<b>215,915</b>	<b>5,021</b>	<b>84,668</b>	<b>6,514</b>	<b>26</b>	<b>2,093</b>	<b>1,452,496</b>
At 31 March 2014	1,079,192	207,805	5,021	77,668	6,663	35	2,482	1,378,866
Owned	1,081,043	215,915	5,021	84,668	3,417	26	2,093	1,392,183
Finance Leased	57,216	-	-	-	3,097	-	-	60,313
<b>Total</b>	<b>1,138,259</b>	<b>215,915</b>	<b>5,021</b>	<b>84,668</b>	<b>6,514</b>	<b>26</b>	<b>2,093</b>	<b>1,452,496</b>

	Forest Estate	Other Land	CITF and Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>								
At 31 March 2013	1,031,822	199,537	3,151	87,373	14,979	121	1,279	1,338,262
Additions	44	-	-	-	2,601	-	1,673	4,318
Transfers	-	-	-	339	-	12	(351)	-
Transfer to NCAHFS	(63)	(1)	-	-	-	-	-	(64)
Disposals	-	-	-	(47)	(2,139)	(58)	-	(2,244)
Fellings	(11,659)	-	-	-	-	-	-	(11,659)
Write-off	-	-	-	-	-	-	(119)	(119)
Revaluation	59,048	8,269	1,870	1,737	1,171	(3)	-	72,092
Impairment	-	-	-	-	-	-	-	-
<b>At 31 March 2014</b>	<b>1,079,192</b>	<b>207,805</b>	<b>5,021</b>	<b>89,402</b>	<b>16,612</b>	<b>72</b>	<b>2,482</b>	<b>1,400,586</b>
<b>Depreciation :</b>								
At 31 March 2013	-	-	-	9,102	9,472	81	-	18,655
Provided during year	-	-	-	2,582	2,151	15	-	4,748
Disposals	-	-	-	(47)	(2,014)	(58)	-	(2,119)
Revaluation	-	-	-	97	340	(1)	-	436
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,734</b>	<b>9,949</b>	<b>37</b>	<b>-</b>	<b>21,720</b>
<b>Net Book Value :</b>								
At 31 March 2014	<b>1,079,192</b>	<b>207,805</b>	<b>5,021</b>	<b>77,668</b>	<b>6,663</b>	<b>35</b>	<b>2,482</b>	<b>1,378,866</b>
At 31 March 2013	1,031,822	199,537	3,151	78,271	5,507	40	1,279	1,319,607
Owned	1,014,080	207,805	5,021	77,668	2,685	35	2,482	1,309,776
Finance Leased	65,112	-	-	-	3,978	-	-	69,090
<b>Total</b>	<b>1,079,192</b>	<b>207,805</b>	<b>5,021</b>	<b>77,668</b>	<b>6,663</b>	<b>35</b>	<b>2,482</b>	<b>1,378,866</b>

Smiths Gore, Chartered Surveyors carried out a professional valuation of the Forest Estate and Biological Assets as at 31 March 2013. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using specialist forestry indices developed and provided by Smiths Gore.

Other Land, Dwellings and Other Buildings were valued as at 31 March 2013 by professionally qualified staff employed by Forest Enterprise England and approved by Mr Mark Thornycroft, FRICS who was Head of Estates. The results of this valuation were also subject to professional review by Smiths Gore. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using the indices detailed in note 1.6.

Vehicles, machinery and equipment are valued at five-year intervals. A professional valuation took place on 31 March 2011. Professionally qualified staff employed by the Forestry Commission undertook the valuation which was approved by Jeffrey Livingston, CEng., Head of Mechanical Engineering Services. In the intervening years, revaluations are on the basis of indices provided by the Office of National Statistics or internal professional staff as appropriate.

Office machinery and equipment (OME) was restated to a current value of £26,000 at 31 March 2015 using an index provided by the ONS.

Depreciation expense of £4,970,000 (2013-14: £4,748,000) has been charged in the Statement of Comprehensive Income.

Transfers to Non Current Assets Held For Sale (NCAHFS) relate to surplus properties that have been subsequently disposed following appropriate approval.

## NOTE 8 FINANCIAL ASSETS

	<b>CITF and Forest Holidays Investment</b>	
	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
At 1 April	9,430	8,086
Revaluation to current prices	140	1,344
<b>At 31 March 2015</b>	<b>9,570</b>	<b>9,430</b>

The investments represent Forest Enterprise England's share in the limited liability partnerships between the Forestry Commissioners, the Camping and Caravanning Club and Forest Holidays to operate holiday facilities within the Forestry Commission's land holdings.

On 21 September 2012, Forest Holidays LLP restructured its business and created two new Limited Liability Partnerships (LLP's). The two new LLP's are the Camping in the Forest (CITF) LLP and Forest Holidays (LLP). The fair value of Forest Enterprise England's investments in CITF LLP and Forest Holidays LLP were £3,330,000 and £6,240,000 respectively at 31 March 2015. The fair values were determined by Barrs & Co, specialist leisure consultants and chartered surveyors.

## NOTE 9 BIOLOGICAL ASSETS

Non-current biological assets comprise of plant and seed and timber.

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Other trees are classed as Other Timber and are out-with the scope of IAS 41.

The approximate area of the land on Forest Estate where the timber growing is within the scope of IAS 41 is as follows:

<b>Forest District</b>	<b>Area</b>
	<b>Ha</b>
North	34,389
Yorkshire	585
Central	2,733
East	1,973
West	5,269
South	2,336
<b>At 31 March 2015</b>	<b>47,285</b>

The carrying value of total biological assets was £152,663,000 at 31 March 2015 (2013-14: £134,225,000) comprising:

- Plant and seed £4,842,000 (2013-14: £2,104,000).
- Timber £147,821,000 (2013-14: £132,121,000).

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2014	134,225	117,163
Fellings	(8,399)	(8,075)
Movement on plant and seed	2,738	(762)
Transferred to NCAHFS	(33)	(2)
Gains and losses arising from changes in fair values	24,132	25,901
<b>Balance at 31 March 2015</b>	<b><u>152,663</u></b>	<b><u>134,225</u></b>

Smiths Gore Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 31 March 2018. Apportionment of biological assets was carried out by Forest Enterprise England staff using the judgements and estimates outlined at Note 2.

The fair value of biological assets is driven by the open market value of woodlands and forests. These values are determined by a number of factors all of which are subject to considerable volatility. Forest Enterprise England has little control over these factors and consequently cannot materially affect the amounts recognised in the Statement of Comprehensive Net Income as gains or losses on revaluation of biological assets. To mitigate this, Forest Enterprise England maintains regular dialogue with its valuers to gauge market movements during the year.

**NOTE 10 TRADE AND OTHER RECEIVABLES****10a) Analysis by type**

	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000	£000
<b>Current</b>		
Trade receivables	9,687	8,733
less provision for impairment of trade receivables	(29)	-
Trade receivables - net	<u>9,658</u>	<u>8,733</u>
VAT	-	394
Other receivables	7	-
House purchase loans to employees	13	16
Partnership lease	367	365
Prepayments and accrued income	3,203	2,862
	<u>13,248</u>	<u>12,370</u>
<b>Non current</b>		
Partnership loan	1,855	1,677
Partnership Lease	3,812	3,816
House purchase loans to employees	59	80
Prepayments and accrued income	4	8
	<u>5,730</u>	<u>5,581</u>
<b>Total receivables</b>	<u>18,978</u>	<u>17,951</u>

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

As at 31 March 2015, trade receivables of £8,758,000 (2013-14: £7,372,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

From 2013-14, VAT receivables are included within Forest Enterprise England's receivables balance, as opposed to nominally allocating through non cash transfers from FC Central Services via the General Fund.

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more to 7 members of staff at 31 March 2015 (2013-14: £2,500 or more, relating to 12 employees). The total outstanding value of all loans was £72,000 (2013-14: £96,000). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

**10(b) Intra-Government Balances**

	<b>31 March 2015</b>	<b>Current 31 March 2014</b>	<b>31 March 2015</b>	<b>Non-current 31 March 2014</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	294	-	-	-
Balances with local authorities	54	57	-	-
<b>Intra-government balances</b>	<b>348</b>	<b>57</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	12,900	12,313	5,730	5,581
<b>Total receivables</b>	<b>13,248</b>	<b>12,370</b>	<b>5,730</b>	<b>5,581</b>

**NOTE 11 CASH AND CASH EQUIVALENTS**

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2014	25,999	20,639
Net change in balances	(5,015)	5,360
<b>Balance at 31 March 2015</b>	<b>20,984</b>	<b>25,999</b>

The following balances were held at:-

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<u>£000</u>	<u>£000</u>
Government Banking Service	20,984	25,999
<b>Total</b>	<b>20,984</b>	<b>25,999</b>

**NOTE 12 TRADE AND OTHER PAYABLES****12(a) Analysis by type**

	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000	£000
<b>Current</b>		
Trade payables	4,762	5,526
Other payables	15	83
Taxation and social security costs	230	203
VAT	31	-
Accruals and deferred income	8,194	7,515
Current part of finance leases	840	1,131
Payments received on account	23	52
	<u>14,095</u>	<u>14,510</u>
<b>Non current</b>		
Accruals and deferred Income	13,214	13,242
Payments received on account	34	-
Finance leases	3,194	3,415
	<u>16,442</u>	<u>16,657</u>
<b>Total payables</b>	<u>30,537</u>	<u>31,167</u>

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

**12(b) Intra-Government Balances**

	<b>Current</b>		<b>Non-current</b>	
	<u>31 March 2015</u>	<u>31 March 2014</u>	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000	£000	£000	£000
Balances with other central government bodies	12	42	-	-
Balances with local authorities	76	66	-	-
<b>Intra-government balances</b>	<u>88</u>	<u>108</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	14,007	14,402	16,442	16,657
<b>Total payables</b>	<u>14,095</u>	<u>14,510</u>	<u>16,442</u>	<u>16,657</u>



**NOTE 13 FINANCIAL INSTRUMENTS****13(a) Investments in non-public sector bodies (Available for sale financial assets)**

	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000	£000
Balance at 1 April	9,430	8,086
Net gain transfer to equity	140	1,344
<b>Balance at 31 March 2015</b>	<b>9,570</b>	<b>9,430</b>

Available for sale financial assets comprises Forest Enterprise England's partnership share of Forest Holidays LLP and Camping in the Forest LLP, unlisted investments denominated in GB pounds sterling.

**13(b) Financial Instruments by category**

	31 March 2015			31 March 2014		
	Loans and receivables	Available for Sale	Total	Loans and receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
<b>Assets as per SFP</b>						
Available-for-sale financial assets	-	9,570	9,570	-	9,430	9,430
Trade and other receivables (excluding prepayments)	16,954	-	16,954	16,230	-	16,230
Cash and cash equivalents	20,984	-	20,984	25,999	-	25,999
<b>Total</b>	<b>37,938</b>	<b>9,570</b>	<b>47,508</b>	<b>42,229</b>	<b>9,430</b>	<b>51,659</b>

	31 March 2015			31 March 2014		
	Liabilities at fair value through the profit and loss	Other financial liabilities	Total	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	£000	£000	£000	£000	£000	£000
<b>Liabilities as per the SFP</b>						
Finance lease liabilities	-	4,034	4,034	-	4,546	4,546
Trade and other payables excluding statutory liabilities	-	24,571	24,571	-	24,826	24,826
<b>Total</b>	<b>-</b>	<b>28,605</b>	<b>28,605</b>	<b>-</b>	<b>29,372</b>	<b>29,372</b>

**13 (c) Exposure to risk**

Forest Enterprise England's activities expose it to a variety of financial risks.

- Credit risk: the possibility that other parties might fail to pay amounts due;
- Liquidity risk: the possibility that Forest Enterprise England might not have funds available to meet its commitments to make payments; and
- Market risk: the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Due to the way in which government departments are financed, Forest Enterprise England is not exposed to the degree of financial risk faced by business entities.

(i) Credit risk

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

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by Forest Enterprise England.

Refer to Note 10 for further analysis of credit risk.

(ii) Liquidity risk

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

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

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>31 March 2015</b>			
Finance lease liabilities	840	1,727	3,347
Trade and other payables excluding statutory liabilities	11,323	13,248	-
<b>Total</b>	<b><u>12,163</u></b>	<b><u>14,975</u></b>	<b><u>3,347</u></b>
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>31 March 2014</b>			
Finance lease liabilities	1,131	1,990	3,229
Trade and other payables excluding statutory liabilities	11,583	13,243	-
<b>Total</b>	<b><u>12,714</u></b>	<b><u>15,233</u></b>	<b><u>3,229</u></b>

(iii) Market risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities. However, under the Regulatory Reform (Forestry) Order 2006, with Treasury approval, the Agency may form or participate in the forming of a body corporate, invest in a body corporate and provide loans.

(1) Cash flow and fair value interest rate risk

Forest Enterprise England has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

**(2) Foreign Currency Risk**

Forest Enterprise England does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

**13 (d) Capital risk management**

Forest Enterprise England's objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

**13 (e) Fair Value Estimation**

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

**NOTE 14 CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the accounts amounted to £2,158,000 and relate to the Westonbirt Project and commitments to purchase plant and machinery (31 March 2014: £544,000).

	<u>31 March 2015</u>	<u>31 March 2014</u>
	£000	£000
Property, plant & equipment	2,158	544

**NOTE 15 COMMITMENTS UNDER LEASES****15(a) Operating leases**

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

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<u>£000</u>	<u>£000</u>
<b>Land</b>		
Not later than one year	2	2
Later than one year and not later than five years	7	7
More than five years	124	126
<b>Total</b>	<b>133</b>	<b>135</b>
<b>Buildings</b>		
Not later than one year	68	66
Later than one year and not later than five years	158	161
More than five years	280	314
<b>Total</b>	<b>506</b>	<b>541</b>
<b>Plant and Machinery</b>		
Not later than one year	129	85
Later than one year and not later than five years	75	48
More than five years		
<b>Total</b>	<b>204</b>	<b>133</b>

**15(b) Finance leases**

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

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<u>£000</u>	<u>£000</u>
<b>Land</b>		
Not later than one year	148	142
Later than one year and not later than five years	541	519
More than five years	3,347	3,229
	<b>4,036</b>	<b>3,890</b>
Less: interest element	(1,954)	(1,875)
<b>Present value of obligations</b>	<b>2,082</b>	<b>2,015</b>
<b>Plant and Machinery</b>		
Not later than one year	821	1,182
Later than one year and not later than five years	1,234	1,546
More than five years	-	-
	<b>2,055</b>	<b>2,728</b>
Less: interest element	(104)	(196)
<b>Present value of obligations</b>	<b>1,951</b>	<b>2,532</b>

**NOTE 16 OTHER FINANCIAL COMMITMENTS**

Forest Enterprise England has entered into non-cancellable contracts for artist fees and stage rental for the 'Forest Concert Tour 2015' at various venues throughout England. The payments to which the agency is committed are analysed by the period during which the commitment expires are as follows:

	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
Not later than one year	3,332	3,080
	<b>3,332</b>	<b>3,080</b>

**NOTE 17 LEASE RECEIVABLES****17(a) Operating leases**

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

	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
Not later than one year	3,980	3,953
Later than one year and not later than five years	12,959	12,357
More than five years	80,478	77,243
	<b>97,417</b>	<b>93,553</b>

Forest Enterprise England leases land and buildings under agreements that terminate between April 2015 and May 2175.

**17(b) Finance leases**

Total future minimum lease receivables under the Forest Holidays partnership buildings lease are given in the table below for each of the following periods:

	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
Not later than one year	367	365
Later than one year and not later than five years	1,466	1,458
More than five years	25,658	25,516
	<b>27,491</b>	<b>27,339</b>
Less: interest element	(23,312)	(23,158)
<b>Present value of receivables</b>	<b>4,179</b>	<b>4,181</b>

**NOTE 18 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37**

In 2001 Forest Enterprise England acquired 51 hectares of land at Sefton Meadows from Sefton Council. On 27 August 2009 FEE was served a notice by the Environment Agency that the site had been classified as a contaminated Special Site under Part 2A of the EPA 1990. This is as a result of the industrial development and other operational practices undertaken on the land prior to its acquisition by FEE.

Forest Enterprise England is working actively and positively with the Environment Agency and Forest Research, and other associated local land owners, to identify a sustainable woodland based solution to address the water quality issues affecting the land.

This has been classified as a contingent liability in line with IAS 37 due to the uncertainty regarding Forest Enterprise England's legal liability and due to the absence of a sufficiently reliable estimate of the amount of the possible obligation.

An HMRC audit of Forest Enterprise England's treatment of VAT and Income Tax is underway. Provisions for HMRC liabilities have been raised during the year to address areas of non-compliance. These liabilities are included within note 6 and were subsequently settled by 31 March 2015. The HMRC audit is continuing into 2015-16 and in accordance with IAS 37, an unquantifiable contingent liability is disclosed to recognise the possibility of future non-compliance liabilities arising from the audit.

**NOTE 19 LOSSES AND SPECIAL PAYMENTS**

	Number	2014-15 £000	Number	2013-14 £000
Losses total	24	73	22	25
Special payments total	203	344	84	318
	<b>227</b>	<b>417</b>	<b>106</b>	<b>343</b>

**NOTE 20 RELATED PARTY TRANSACTIONS**

Forestry Commission England/Central Services is regarded as a related party. During the year, Forest Enterprise England received annual subsidy funding of £8,800,000 from Forestry Commission England/Central Services.

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

The following additional transactions were carried out with related parties:

	<b>Services Rendered to related party</b>	<b>Purchases from related party</b>	<b>Amounts owed (to) by related party</b>
<b>2014-15</b>	£000	£000	£000
Entities Sponsored by Defra	48	34	-
Forest Holidays / CITF	1,022	50	40
Entities with directors in common:			
BSW Timber PLC	3,116	-	710
Howie Forest Products	-	-	-
	<b>4,186</b>	<b>84</b>	<b>750</b>
	<b>Services Rendered to related party</b>	<b>Purchases from related party</b>	<b>Amounts owed (to) by related party</b>
<b>2013-14</b>	£000	£000	£000
Entities Sponsored by Defra	965	42	1
Forest Holidays	1,400	636	453
Entities with directors in common:			
BSW Timber PLC	2,239	-	513
Howie Forest Products	-	-	-
	<b>4,604</b>	<b>678</b>	<b>967</b>

All balances are unsecured and were incurred on an arm's length basis.

The above transactions for timber sale with BSW Timber PLC and Howie Forest Products occurred on an arm's length basis and are disclosed because Hamish Macleod, a non-executive Forestry Commissioner, is Joint Managing Director of Howie Forest Products Ltd. BSW acquired Howie Forest Products Ltd in November 2009, therefore transactions with BSW have also been disclosed from this date.

## **NOTE 21    EVENTS AFTER 31 March 2015**

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

**Annex: Sustainability Report**



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

Forest Enterprise England carries out sustainability reporting in line with the Greening Government Commitments and the FReM reporting requirements (HMT). The environmental impacts of the organisation's forest management activities are managed through the Forestry Commission Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel-based energy and reducing waste and our use of water. Our EMS meets the requirements of the internationally recognised standard for EMS, BS EN ISO 14001 2004. The EMS is independently assessed for certification by accredited 14001 assessors.

Sustainable forest management is achieved through conformance to the United Kingdom Forestry Standard (UKFS) and is independently certified under the United Kingdom Woodland Assurance Standard (UKWAS) under the Forestry Stewardship Council's (FSC) internationally recognised criteria for sustainable forest management by accredited UKWAS certification assessors.

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

Performance Measurement (KPI's)		2012-13	2013-14	2014-15 (3)
<b>Business Travel</b>	Total miles	4,276,911	5,879,032	5,821,226
	tonnes CO <sub>2</sub> e↑	1,602	1,602	1,528
	<b>Expenditure (£)</b>	<b>2,838,831</b>	<b>2,933,375</b>	<b>2,943,156</b>
<b>Electricity, Gas and other heating fuels</b>	Consumption (KwH)	5,199,880	5,819,423	5,001,279
	<b>Expenditure (£)</b>	<b>328,843</b>	<b>370,223</b>	<b>550,141 (5)</b>
	tonnes CO <sub>2</sub> e↑	1,208	1,493	2418
	% Renewable (1)	31	32	30
<b>Total Energy (Scopes 1, 2 &amp; 3) Estate and Travel</b>	tonnes CO <sub>2</sub> e↑	2,810	3,095	3,946
	<b>Expenditure (£)</b>	<b>3,167,674</b>	<b>3,303,598</b>	<b>3,493,297</b>
<b>F-Gas – CO<sub>2</sub>(e) Δ</b>	(Kg)	62.7	25	16
<b>Fugitive emissions F-Gasses (GWP) (6)</b>	CO <sub>2</sub> e↑ (T)(GWP)	739,454	3 456 344	1 823 774
Refrigerants Maintenance	<b>Expenditure (2)</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Sewerage/Waste water</b>	<b>Expenditure (£)</b>	<b>34,899</b>	<b>45,444</b>	<b>26,649</b>
<b>Estate and office Waste</b>	Amount (Tonnes/m <sup>3</sup> )	1,846	2,401	2,152
	<b>Expenditure (£)</b>	<b>295,437 (4)</b>	<b>102,266</b>	<b>182,920</b>
<b>Estate and Office Water</b>	Quantity (m <sup>3</sup> )	70,442	35,896	65,771
	<b>Expenditure (£)</b>	<b>112,706</b>	<b>56,943</b>	<b>45,960.0</b>

1. Percentage renewable includes sustainably sourced wood fuel and other renewable technologies

2. Estimated from Accumulated maintenance costs pertaining to compliance and breakdowns

3. Data inconsistencies have been extrapolated with previous years data to produce the best estimate where errors and missing input have occurred in the data sets.

4. waste figure for 2012-13 includes some capital works around waste storage compounds for compliance requirements

5. The "mix" of heating fuels used reflects an increase in fossil fuel energy due in part to failing wood fuel systems

6 Fugitive emissions (F-Gas) GWP stands for global warming potential (converted to CO<sub>2</sub> equivalent for the Gas.

**Overview:**

A number of on-going initiatives on the estate have continued to contribute towards our environmental performance and policy aims during the year ensuring that the EMS adds value to the organisation.

- Continuing certification to BS EN ISO 14001-2004 for all of England's built estate.
- "Mapping" the operational guidance relevant to the estate to the standard in the same way that forest management guidance is mapped to the UK Forest Standard and UKWAS requirements and the needs of the business.
- Planning an "energy strategy" to meet the on-going energy needs of the business.
- Looking at options for reducing water use across the estate and automating data capture.
- Assets such as septic tanks and soak-aways are being monitored more effectively through the resumption system to ensure legal compliance. Automatic real time data monitoring is being considered to ensure legal compliance and reduce staff time in waste water management
- F-Gas monitoring has been improved through better asset management and records ensuring legal compliance and the capture of required data for reporting. CO2-based refrigerant systems are being investigated to determine savings from switching to these systems to save on-going costs of replacement and monitoring.

**Summary of Future Strategy**

As part of the Forestry Commission a set of key performance indicators, which combined with our improving data monitoring capabilities, form the basis of our future internal performance monitoring through the EMS elements contained within business plans. From 2012-13 the Forestry Commission including Forest Enterprise is using the existing baseline data, and agreed indicators to monitor our business sustainability performance and to establish realistic but challenging targets for cost centre managers for 2015-16 and beyond. Central information will be processed to inform local managers of their Performance Indicator details to guide local agreement and decision making, prioritising according to business risk and resource allocation. Early next year an energy audit will be carried out to clearly determine where energy is being used. This will form the basis of energy reduction measures and inform future energy generation options. The business case for investment in renewables will be formulated based on short, medium and long-term business need using the current energy requirements of the Public Forest Estate to see where value in economic, environmental and social terms can be created and maintained.

During 2014-15 our main priorities have consisted of:

- Processing and improving collected data, providing managers with information to plan business performance improvement.
- Providing system support to local managers – Resumption requirements and data input
- Reviewing and improving the management system so that it adds value to the operational objectives. Reviewing the effectiveness of our operational guidance booklet that outlines our EMS (Internal guidance)
- Scoping out improvement programmes and record projects for future funding and implementation; create a small number of "implementation ready" projects that can take advantage of new funding opportunities. For example, individual cost centres are looking at conversion to LED lighting.
- Reviewing energy needs and options for further improvements through renewables across the estate including generation opportunities working with others.
- Review of the fossil fuel types used to see if further alternatives for renewable energy options are feasible in light of projected future energy cost increases. (Carbon Planning – Promoting sustainable wood fuel)
- Review refrigerants to plan phased replacement gas requirements in a planned and cost-effective way.
- Explore the feasibility of transitioning to a low carbon (or electric/fuel cell) vehicle fleet that continues to meet our operational needs over the next 20 years as the technology develops and improves

## **GHG Emissions**

Forest Enterprise England consists of 6 Districts delivering public benefits through sustainable land management and management of the natural capital of the public forest estate. The built estate is actively managed to optimise occupancy and minimise CO<sub>2</sub> emissions from fossil fuel energy use. Many districts have installed (early) wood fuel boiler technologies and other green technology measures to reduce energy use. CO<sub>2</sub> emissions from business travel are managed through ongoing support for use of remote working arrangements, the provision of audio-conferencing facilities to reduce the need to travel for meetings and the procurement of low emission vehicles for which there are also tax incentives. A few electric vehicles are being trialled to determine their possible current use and future potential as the technology and infrastructure advances over the next few years to address range anxiety and better battery life.

A fugitive emission figure from equipment that contains harmful refrigerant gasses (HFCs/CFCs) was included in the report to DEFRA at their request to provide a 2012 baseline figure (Scope One emissions). Emissions from the maintenance of cold stores, deer larders and fridges as well as the maintenance of air-conditioning units in vehicles and buildings are reported. The phase out of different gases over the next 10 years which started with R22 gas will mean that the gasses used in this equipment will have to be changed as the different types of refrigerant gas are no longer allowed under international agreements. The move to CO<sub>2</sub> refrigerant equipment is being monitored as options to change become available that meet our business needs.

## **Waste**

Significant reductions in operational waste to landfill have already been achieved across most of the estate and all locations have recycling in place. A number of material storage facilities have been modernised over the past two years to meet legal waste storage and segregation requirements. Forest Enterprise office waste has a good recycling rate of around 62%.

The number of waste service suppliers licensed to receive this waste stream has reduced from 4 to 3 since the last report. Some sites still don't have a local waste service supplier able to accept treated timber, which is classified as hazardous waste. Work will continue to resolve this issue.

Sewage and waste water is a significant product from our activities at visitor centres and discharge consents are now being monitored and recorded to ensure legal compliance across the estate. Water use will be reduced where practical, even though visitor numbers continue to increase. Use of reed bed systems is being considered at a number of sites. This is expected to significantly reduce the cost of disposal of waste water. The solid fraction may, in time, be used as a feedstock to local anaerobic digestion plants.

## **Use of Resources (Water and Timber)**

The uses of natural resources for FE activity is being monitored. Water use and sustainable timber procurement are recorded and reported.. Our water use base line was established with DEFRA in 2012-13. Most paid for water use is being monitored through manually read meters and invoice payments in the FAS data base. Local initiatives, such as rainwater harvesting and Micro-irrigation at nurseries are being explored. Water use also has embedded CO<sub>2</sub> considerations from the energy used to pump it. Tree nurseries are looking at their long-term water needs in the same way as other similar plant suppliers, ensuring capacity for dealing with possible drought conditions is managed.

All timber used by the organisation is certified as coming from legal and sustainable sources, including all construction projects and temporary works. Forest Enterprise is supporting Grown in Britain in their efforts to promote sustainable UK timber. Treated timber used is specified with non-hazardous treatment processes with the aim of reducing the cost of disposal of this waste stream at end of life, subject to future changes to of the current regulations.

## **Climate Change Adaptation and Mitigation**

Information on climate change and the issues the organisation is addressing can be found on the relevant web pages.

## **Biodiversity and Natural Environment**

99% of SSSI on the Public Forest Estate remains in Favourable or Favourable recovering condition. This exceeded the initial programme target of 95% and remains ahead of the current policy intent to maintain 95% of all SSSI in target condition

## **Sustainable Procurement including Food**

We have continued to promote sustainable standards for goods, services and works procured for Forest Enterprise England. Our suite of procurement policies and tools guide staff on how to include sustainability within their contracts. These include using relevant sustainability objectives in tender specifications and award criteria. Specific examples include seeking environmental protection proposals from a timber harvesting contractor and seeking waste management services to help us improve recycling and reducing fly-tipping rates.

In England food outlets providing a catering service to the general public and leased to third party providers are encouraged to follow sustainable food sourcing principles. Guidelines are provided to them at the Lease tender stage and a system of assessing success in meeting these guidelines is used during the Lease term.

## **Sustainable Construction**

Works on the Public Forest Estate will continue to aim to meet the highest environmental standards in new construction projects. Whilst achieving BREEAM compliance is current government policy, achieving even bespoke BREEAM compliance in a rural setting is challenging for us. We will continue to employ sustainable building elements as far as possible in all our refurbishments and new build projects

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

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

## **Governance**

Business Sustainability has, during the year, been fully devolved from Central Services support and moved towards being managed by Forest Enterprise with a support service provided back to the Forestry Commission in England. The final step was taken at the end of the year when full responsibility for the Business Sustainability delivery team was placed into Forest Enterprise England. The England National Committee considered the business sustainability programme at their October 2014 meeting and endorsed the plan to embed business sustainability into Forest Enterprise as the England lead following the ending of support from central services.

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