



THE NATIONAL
FOREST

National Forest Company

Annual Report & Accounts 2014 > 15

HC 122

National Forest Company Annual Report and Accounts 2014-15

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

Ordered by the House of Commons to be printed on 16 June 2015.



© National Forest Company (2015)

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

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

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

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

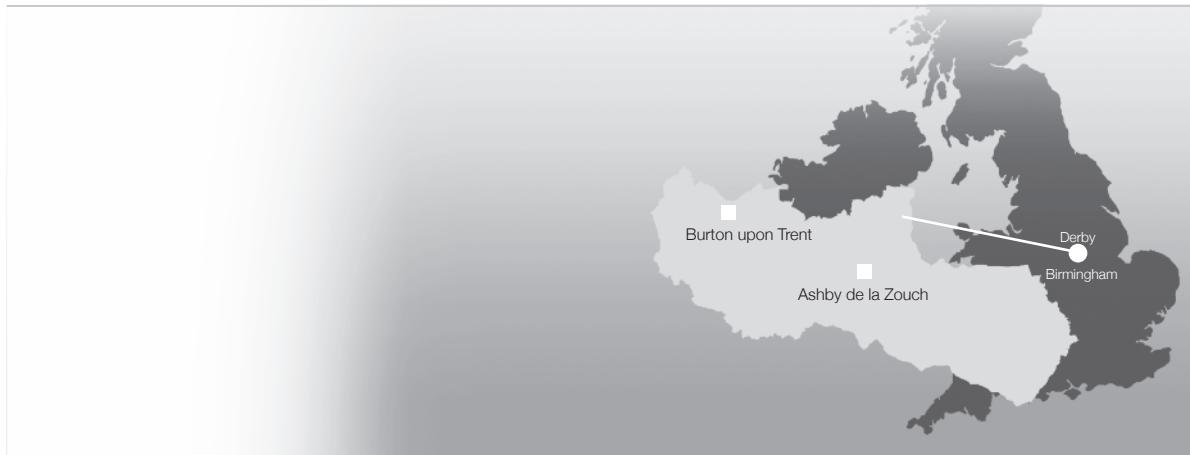
Print ISBN 9781474118316
Web ISBN 9781474118323

ID 01051502 06/15

Printed on paper containing 75% recycled fibre content minimum.

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

> Contents



| | |
|--|----|
| The Chair's Foreword | 02 |
| Chief Executive's Review of the Year | 03 |
| Directors' Report | 08 |
| Remuneration Report | 11 |
| Statement of Directors' Responsibilities | 15 |
| Governance Statement | 16 |
| The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company | 20 |
| Statement of Comprehensive Net Expenditure | 21 |
| Statement of Financial Position | 22 |
| Statement of Cash Flows | 23 |
| Statement of Changes in Taxpayers' Equity | 24 |
| Notes to the Accounts | 25 |
| Appendix A - Summary of Main Achievements | 32 |
| Appendix B - Sustainability Report | 33 |

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

> The Chair's Foreword

This year 'change' has been the dominant theme running right through our work as we take forward the Triennial Review recommendations highlighted last year. With a new National Forest Strategy published last summer, a new Chief Executive arriving for the start of 2015 and charitable status approved by Government in March, it has been a busy year and some of the building blocks are now in place for the next decade of success.

The Coming of Age Decade

We are delighted that the new National Forest Strategy 2014-2024 has been so well received, setting out our exciting plans for the Forest whilst developing a more entrepreneurial approach to the National Forest Company.

We believe we are now in an even stronger place to lead our partners to increase forest cover beyond 20%, develop new woodland management and business opportunities, extend the visitor and tourism offer, and engage local communities in the social benefits the Forest provides. This really is an exciting phase in the Forest's development, where the vision and dedication of the last 20 years is coming to fruition.

A new approach

I am pleased to see that whilst undergoing the changes, the National Forest Company continues to deliver impressive results. Our second round bid to the Heritage Lottery Fund for the £770k 'Black to Green' project has been successful with funding going to the Heart of the Forest, and we have also acquired Hanging Hill Farm, a strategic site that provides a real opportunity to demonstrate the benefits of the Forest. In challenging times, The National Forest stands out as a particular success story; the habitats are being reconnected, the woodland economy is growing and local communities are more engaged in the Forest. But this is only the beginning. The Strategy is proving a catalyst for change and setting the agenda for the next decade.

All this good work has only been possible as a result of the efforts of many people. I would like to thank the Defra team and our partner organisations for all their support through this period of change, and my fellow Directors for continuing to offer excellent guidance and advice, with particular thanks to David Nicholls who completed his term this year. As ever, I would also like to record my thanks to the dedicated staff team for their drive and commitment in carrying this vision forward into reality. I cannot complete this review without paying tribute to Sophie Churchill who stepped down this year after nine years as Chief Executive. Sophie embodied the spirit of the Forest and we sincerely thank her for her outstanding contribution. With John Everitt now taking up the reins, there is no slowing down in our ambitions, and I am confident that we will continue to go from strength to strength.



Catherine Graham-Harrison OBE
Chair

> Chief Executive's Review of the Year

Coming in new to the National Forest Company, I am struck by the professionalism of the organisation and its commitment to the vision for the Forest. I am particularly pleased to see that ambitious targets are consistently met and exceeded, and this approach positions us well to address the changing needs of the Forest and the National Forest Company itself.

Achievements of 2014-15

Achievements for the year compared with objectives detailed in the 2014 Business Plan approved by the NFC Board and Defra are shown on pages 4 to 7. Highlights include:

- Forest Creation – Forest cover has now reached 20%. 128ha of new woodland was achieved this year through grant schemes, land acquisition and green infrastructure from new development. We continue to achieve our target range despite the competing demands on land use, and land prices still rising. 36ha of non-wooded habitat were created, exceeding our target and providing additional benefits to wildlife. 130ha of public access land were also secured, exceeding our target and continuing our commitment to enable people to enjoy the Forest at first hand.
- Forest Management – 72 advisory visits to landowners and 22 new management plans were produced for sites, helping to exceed targets and bring 114ha of mature woodland and 433ha of young woodland into productive management. This represents a shift in effort towards active management of the Forest to secure it for the future, alongside efforts to deal with issues such as pests and diseases, collaboration around first thinnings and sharing of expertise.
- Tourism and Visitor Destination – A new Destination Development Plan was produced to underpin the next stage of development and investment in the visitor economy in the Forest. The launch, continued development and promotion of the National Forest Way was also undertaken, to provide a key asset for the area.
- Community engagement – The Heritage Lottery Fund 'Black to Green' project was secured, with £770k worth of investment coming into the Heart of the Forest for a three year programme. Nearly 22,000 people actively participated in forest-related programmes, and more than 38,000 children and adults were involved in environmental education, to increase understanding of woodlands.

- Organisational change – The new National Forest Strategy was completed and launched, together with a move to more sustainable income generation, and changes in governance to achieve charitable status.

The year ahead

As we look to the year ahead, there is an exciting programme of activity that reflects the ongoing changes required to deliver our Strategy, including the following headlines:

- Continued woodland creation underpinned by a more targeted approach towards achieving habitat connectivity.
- A major scheme for developing the woodland economy.
- Taking forward the Destination Development Plan.
- Further development of the National Forest Way and wider recreation opportunities.
- New campaigns around our community engagement work.
- The first year of the new HLF funded 'Black to Green' project.
- The adoption of full charitable status and governance changes.
- The development of a new research hub.
- A new fundraising strategy, launch of the new website and improved communications.

This report speaks for itself in demonstrating the continued delivery of the different elements of the Forest. However, it does not do justice to all the hard work of staff, Directors, partners, volunteers and supporters, for which we are really grateful. I look forward to working with you all in the future as we raise our aspirations again for the next phase in the Forest's creation.



John Everitt
Chief Executive / Accounting Officer

> Creating and managing a forest for the nation:

| Targets: | Progress: |
|---|---|
| Forest creation: | |
| 110 – 130ha of new forest sites. | Achieved. 128ha secured. |
| 20 – 30ha of biodiversity gains from non-wooded habitats. | Exceeded. 36ha secured. 3ha through Changing Landscape Scheme (CLS), plus a further 33ha of conservation grassland. |
| 120ha of new/planned public access secured. | Exceeded. 130ha secured. Comprises 20ha through CLS, 94ha at Robin Wood (purchased by Forestry Commission) and 16ha at Yoxall (NFC site developed and fully open). |
| Woodland management programme: | |
| 66 landowners receive inspections (including pests and diseases) and advice. | Exceeded. 79 visits undertaken, comprising 72 woodland management advisory visits and 7 CLS second stage inspections. |
| 15 new management plans. | Exceeded. 22 new plans completed and a further 13 in varying stages of progress. |
| 100ha of mature woodland and 400ha of young woodland brought into management. | Exceeded. 114ha of mature woodland and 433ha of young woodland has been brought into management. |
| Criteria for six demonstration sites agreed. | Achieved. Criteria agreed. Case studies are being produced for various woodland management sites. Subjects will include: thinning activity, grey squirrel management and habitat management. |
| 200+ landowners engaged in Woodland Owner's Club. | In progress. Five events held including: a joint meeting with the RFS in July at Battram Wood, Managing Small Woodlands, Pruning and Thinning Firewood production and Deer Best Practise. The events programme for 2015/16 planned, including a squirrel control workshop in May. |
| Identification of opportunities for collaborative woodland management and support provided for a trial. | In progress. Collaborative working being developed between three major landowners focusing on deer and grey squirrel management and broader woodland management issues. Impact surveys undertaken to support the case for pest control. |
| Engagement with and support of Local Nature Partnerships (LNPs), resulting in stronger links to LEPs around natural environment. | NFC is active partner in Leicestershire and Lowland Derbyshire/Nottinghamshire LNPs. Also a member of the emerging Staffordshire LNP and will be actively engaged in its development. |
| Work with partners/stakeholders by 2019 to develop a vision for achieving the ultimate forested landscape. | <p>Work undertaken to establish the baseline information that will underpin the vision. The Stirling University-led Woodland Creation and Ecological Networks research will inform the refinement of our habitat connectivity modelling.</p> <p>A contract was let to analyse aerial photography for Staffordshire and Derbyshire to identify uncounted woodland, providing the basis for assessing up-to-date woodland cover across the Forest (this had already been done for Leicestershire). Mapping and updating landowner information will help to target future forest creation and management work.</p> |

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

| Activities: | Progress: |
|---|--|
| <p>Draft Destination Development Plan for the next phase of the development of and investment in the Forest’s visitor economy.</p> | <p>Nearing completion. Destination Development Plan to be completed in April 2015. Meetings scheduled with key local authority partners to discuss ways to align available resources to implement the Plan’s recommendations.</p> |
| <p>Develop and promote the National Forest Way. Visitor numbers and economic impact measures of the trail from 2014 – 15 to be developed.</p> | <p>Achieved. National Forest Way successfully developed, launched and promoted, with promotion ongoing. Appointment made to new post of Recreation and Sports Development Officer which will be responsible for ensuring future management, promotion and monitoring of the route.</p> |
| <p>10th National Forest Wood Fair held August 2014. Quantify number of exhibitors and attendees (2013: 106 exhibitors, 5,050 attendees) and secure qualitative feedback.</p> | <p>Target for number of exhibitors exceeded at 110. Visitor numbers at 2,000 was below target, being adversely affected by bad weather.</p> |
| <p>Refresh the visitor website and make suitable for mobile and tablets. Includes refreshing cycling, horse-riding and access information.</p> | <p>Ongoing. Fully responsive website to be re-launched by June 2015 which is capable of being viewed on mobile and tablet devices.</p> |

> A woodland culture and practical engagement:

| Activities: | Progress: |
|---|---|
| Develop and submit stage 2 application for c£700k for the 3 year delivery phase of the HLF funded 'Black to Green' project. | Stage 2 application completed and successful. HLF funding of £770k secured towards 3 year project with total cost of £1.1 million. |
| Associated outcomes: | |
| Deliver an industrial heritage and biodiversity opportunity audit for the Heart of the Forest area. | Achieved. Both audits completed. |
| Deliver a programme of consultation activities, involving 100 volunteer days, to support engagement of communities. | Achieved. A wide ranging programme of pilot events delivered. 123 volunteer days providing detailed consultation evidence for the HLF funding application. |
| Secure partner buy-in to delivery of stage 2 of project. | Completed. Partnership agreements signed by the Forestry Commission and Leicestershire and Rutland Wildlife Trust. A wide range of supporting letters gained. |
| Secure 4 further sites with communities engaged in managing woodlands, 34 sites in total. | Exceeded. Activity at 7 new sites including footpaths group, Forest School and Young Rangers. 39 sites/groups supported through meetings, site visits, grants or training. Proposals prepared for new work with Derbyshire Wildlife Trust. |
| c100 groups engaged in managing woodland sites. | Achieved. 104 groups engaged. Wide variety of activities taken place including volunteering, fun days, scouts activity and training to maximise opportunities. |
| c2,000 volunteer days by residents. | Exceeded. c2,700 volunteer days. Target met through work undertaken by The Conservation Volunteers (TCV), community management of woods activity and through delivery of Annual Management Agreements. |
| 20,000 people actively participating in forest-related programmes supported by NFC, with 16% of these from communities at risk of exclusion. | Achieved. c21,800 participations. Varied programme of community engagement delivered with TCV, Groundwork, Get Active in the Forest and North West Leicestershire District Council. The community management of woods programme and community projects funded through the Programme Development Fund, CLS and development of the NFC owned site at Ratby also supported this. |
| 38,000 children and adults involved in environmental education. | Exceeded. c38,200 engaged through education programmes at Conkers and Rosliston Forestry Centre, Forest School activity, school grounds projects and schools involvement through Woodland Discovery and development of the Ratby site. |

> Fundraising and diversification of income:

| Activities: | Progress: |
|---|--|
| <p>Development of cross-LEP investment programme to include woodland economy element by end of 2014, for delivery from 2016.</p> | <p>Project ideas for a cross-Forest woodland economy/tourism bid have been developed and well received by partner organisations. Proposals have been discussed with the four LEPs covering the Forest and there is initial support. An 'Expression of Interest' document is being developed to meet the LEP call for projects under the 'low carbon' theme.</p> |
| <p>Development of network of decision makers and potential Forest supporters.</p> | <p>The two engagement events in autumn 2014 were well received. The mini strategy launch in November for the east of the Forest attracted a mixture of landowners and prospective donors (31). The House of Lords event in December attracted contacts from Westminster, Defra, partners and sponsors (34). The further event in March was well attended (40), with a range of individuals meeting the new CEO and engaged in future plans for the Forest.</p> <p>A new Fundraising and Development Officer was appointed to support future income generation.</p> |
| <p>50 potential individual supporters to be engaged.</p> | <p>Exceeded. The above events engaged more than 100 individuals.</p> |

> Directors' Report

Board of Directors

The directors of the National Forest Company (NFC) during 2014-15 and their initial appointment and termination dates are as follows:

| Name | Role | Appointment date | End date |
|--------------------------------------|---------------------------------------|------------------|-------------------------------|
| Catherine Graham-Harrison OBE | Chair Non-Executive Director | 1 April 2011 | 31 March 2016 |
| Sophie Churchill OBE | Chief Executive Executive Director | 1 February 2006 | 31 December 2014 |
| John Everitt | Chief Executive Executive Director | 5 January 2015 | Not fixed term appointment |
| Roger Clarke | Non-Executive Director | 1 April 2011 | 31 March 2016 |
| Tony Hams OBE | Non-Executive Director | 1 April 2010 | 31 March 2016 |
| Christopher Holmes | Non-Executive Director | 1 April 2013 | 31 March 2016 |
| Brian Mahony MBE | Non-Executive Director | 1 April 2013 | 31 March 2016 |
| David Nicholls | Non-Executive Director | 1 April 2010 | 31 March 2015 |

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

All directors are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2014-15 no issues arose as a result of any directors' conflicts of interest and no director had a material transaction with the NFC.

> Directors' Report (continued)

Principal activities

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

Funding

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

The grant in aid allocation for 2014-15 was £2.571 million, excluding a depreciation allowance, representing a 10% reduction compared with 2013-14. The grant in aid allocation for 2015-16 has been set at £2.531 million.

Auditor's remuneration

The financial statements that follow are audited by the National Audit Office on behalf of the Comptroller and Auditor General who is the statutorily appointed auditor. The fee for the audit of the financial statements in 2014-15 was £12,500 (2013-14: £12,500). No non-audit work was conducted by the National Audit Office during 2014-15 (2013-14: Nil).

Pension liabilities

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

Losses, special payments and gifts

The Company did not write off any losses or make any special payments or gifts during 2014-15. (2013-14: Nil).

Payment of Suppliers

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. However, the Company aims to pay undisputed invoices within 5 days and 68% have been paid within this timescale (2013-14: 64%); 90% were paid within 10 days (2013-14: 89%). No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Research and Development

During the year £99,818 was spent on research (2013-14: £119,558) with the main areas of activity being:

- consultancy support to provide advice and technical input to the NFC's bid writing for Local Enterprise Partnerships (LEPs) funding proposals;
- legal advice relating to securing charitable status for the NFC;
- consultancy services to produce a Destination Development and Management Plan and supporting five year implementation plan for The National Forest;
- strategy development support for the NFC Board relevant to the production of the Forest strategy for 2014-2024 and community perceptions research which informed the conclusions of the new strategy;
- researching opportunities for generating new income streams from NFC owned land;
- remote sensing of uncounted woodland in the Derbyshire and Staffordshire parts of The National Forest; and
- engagement in a woodland ecological networks research project.

Sustainability performance

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

> Directors' Report (continued)

Sickness absence

Staff absence due to sickness equated to an average of 3.4 days per employee during the year (2013-14: 3.7days).

Equal Opportunities

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

Employee engagement

The Company consults with all staff on operational matters and in the formulation of policy and objectives. This was evidenced by staff engagement in the development of the ten year strategy for the Forest.

Following his appointment, the new Chief Executive has involved all staff in consideration of organisation structures and brand values for the NFC and The National Forest.

In June 2014 a second annual staff survey was undertaken. This gave staff the opportunity to feedback thoughts on the ways of working at the NFC and on how they were coping during a year of transition with the recruitment of a new Chief Executive. On the whole the findings were positive. From comments received, the main areas of concern for staff were around the challenges of feeling under pressure and not always having adequate time to do their work to the highest standard, and the risk that work could be inhibited when colleagues were feeling pressured and unable to take on any further challenges. In response, the Company reiterated its duty of care and reminded the team about the procedures in place to offer support to anyone suffering with stress. It was agreed that further team training would be arranged on stress awareness and management.

Gender diversity

The gender split of directors and staff employed as at 31 March 2015 was as follows:

| | Male | Female | Total |
|--------------------------------------|------|--------|-------|
| Directors, including Chief Executive | 6 | 1 | 7 |
| Staff | 9 | 9 | 18 |
| Total | 15 | 10 | 25 |

Post year end events and developments

Following ministerial approval of the adoption of charitable objects for the NFC, the Company is now progressing its application for registration with the Charity Commission. Further information on future governance is provided on page 16 of the Governance Statement.



John Everitt
Chief Executive/Accounting Officer
19 May 2015

> Remuneration Report

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

The average number employed and remuneration of the Executives and Non-Executive Board Members in post during 2014-15 is detailed in Note 2.1 to the Accounts.

Remuneration of Non-Executive Board Members

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

Remuneration of Directors accords with senior civil service pay arrangements. Salaries are reviewed annually on 1 April, with any uplift being linked to the recommendations of the Senior Salaries Review Body and any directives and guidance issued by the Government. No increase was applied with effect from April 2014. The last increase was applied in 2009.

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

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

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

| Name | Contract Expiry Date | 2014-15 | | 2013-14 | |
|---------------------------|----------------------|--------------------|------------|--------------------|------------|
| | | £'000 Remuneration | £ Expenses | £'000 Remuneration | £ Expenses |
| Catherine Graham-Harrison | 31 March 2016 | 10 - 15 | 1,000 | 10 - 15 | 1,200 |

*Expenses are shown to the nearest £100.

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

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

| Name | Contract Expiry Date | 2014-15 | | 2013-14 | |
|--------------------|----------------------|--------------------|------------|--------------------|------------|
| | | £'000 Remuneration | £ Expenses | £'000 Remuneration | £ Expenses |
| Roger Clarke | 31 March 2016 | 0 - 5 | 400 | 0 - 5 | 400 |
| Tony Hams | 31 March 2016 | 0 - 5 | 1,000 | 0 - 5 | 400 |
| David Nicholls | 31 March 2015 | 0 - 5 | 300 | 0 - 5 | 300 |
| Christopher Holmes | 31 March 2016 | 0 - 5 | 600 | 0 - 5 | 400 |
| Brian Mahony | 31 March 2016 | 0 - 5 | 2,200 | 0 - 5 | 1,700 |
| Robin Pellew | 31 March 2014 | - | - | 0 - 5 | 1,100 |

*Expenses are shown to the nearest £100

> Remuneration Report (continued)

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

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

The Chief Executive, Sophie Churchill, was initially appointed for a term of five years commencing on 1 February 2006 and expiring on 31 January 2011. With the agreement of Defra, the contract was extended for a further five years to 31 January 2016. However, Sophie tendered her resignation and left the Company's employment on 31 December 2014.

Following a recruitment exercise, John Everitt was appointed as Chief Executive taking up the appointment on 5 January 2015. Defra has conferred Accounting Officer status on him. The salary for the post falls within the range for a Grade 5 within Defra's grading structure.

The salary payable to the Chief Executive is reviewed on 1 April each year. Sophie received a 1% salary increase with effect from 1 April 2014, the same increase as applied in 2013.

In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus paid to Sophie Churchill for 2014-15 relates to performance during the 9 months to 31 December 2014 and the comparative bonus reported for 2013-14 relates to performance during the 12 months to 31 March 2014. The level of bonus payable is determined by the Chair, after consultation with fellow Directors. The recommendation is agreed with Defra.

The NFC Chair has agreed with John Everitt that any performance-related bonus due in respect of the three months from January to March 2015 will be determined and paid together with the performance-related bonus falling due for the year 2015-16.

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

| Name | Age | Start Date | Left employment | |
|--------------------------------------|-----|-----------------|------------------|------------------|
| Sophie Churchill | 51 | 1 February 2006 | 31 December 2014 | |
| John Everitt | 48 | 5 January 2015 | | |
| Single total figure of remuneration: | | | 2014-15 £'000 | 2013-14 £'000 |
| Sophie Churchill: | | | | |
| Salary ¹ | | | 50 - 55 | 70 - 75 |
| Non-consolidated bonuses | | | 5 - 10 | 5 - 10 |
| Pension benefits | | | 29 | 19 |
| | | | <u>85 - 90</u> | <u>95 - 100</u> |
| John Everitt: | | | | |
| Salary ² | | | 10 - 15 | - |
| Non-consolidated bonuses | | | - | - |
| Pension benefits | | | 6 | - |
| | | | <u>20 - 25</u> | <u>-</u> |

¹ Sophie Churchill's full year equivalent salary for 2014-15 is in the range of £70 - 75k.

² John Everitt's full year equivalent salary for 2014-15 is in the range of £60 - 65k.

In December 2013 an interest free car loan of £4,000 was made to Sophie Churchill under the terms of the scheme for car loans to employees. As at 31 December 2014 when she left the NFC's employment, the outstanding loan amounted to £2,171 and this was repaid in full. Since the benefits in kind are disclosed to the nearest £100, the amount of benefit arising in 2014-15 from the loan is such that nothing needs to be included in the above analysis of her remuneration.

> Remuneration Report (continued)

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

Employee contributions are salary-related and range between 1.5% and 6.85% 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 NFC has not, to date, made any contributions to a partnership pension account.

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

New Career Average pension arrangements will be introduced from 1 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

www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha

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

| 2014-15 | £ John Everitt | £ Sophie Churchill |
|--|-------------------|-----------------------|
| Salary, including performance pay (within the range) | 10,000 - 15,000 | 55,000 - 60,000 |
| Real increase in pension at age 60 (within the range) | 0 - 2,500 | 0 - 2,500 |
| Real increase in related lump sum at age 60 (within the range) | - | - |
| Total accrued pension at age 60 at 31/3/15 (within range) | 0 - 2,500 | 15,000 - 20,000 |
| Total accrued related lump sum at age 60 at 31/3/14 (within range) | - | - |
| Cash equivalent transfer value (CETV) at 31/3/14 (nearest £'000) | - | 227,000 |
| Cash equivalent transfer value (CETV) at 31/3/15 (nearest £'000) | 4,000 | 262,000 |
| Real increase in CETV after adjustment for inflation and market investment factors (nearest £'000) | 2,000 | 21,000 |

The real increase in pension is the increase in the value of the pension over the year after considering the effect of inflation. Sophie is a member of **premium** and John a member of **nuvos** neither of which automatically pay a lump sum on retirement and therefore no such disclosure is made.

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

> Remuneration Report (continued)

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Remuneration of staff

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

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

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

The remuneration as at 31 March 2015 of the Chief Executive, who is the highest paid Director in the NFC, was in the range of £60,000 - £65,000 (2013-14: £75,000 - £80,000 including performance related bonus). This was 1.92 times (2013-14: 2.44) the median remuneration of the workforce of £32,278 (2013-14: £31,600).

In 2014-15, no employees received remuneration in excess of the highest paid Director, as was the case in 2013-14.

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



John Everitt
Chief Executive/Accounting Officer

19 May 2015

> Statement of Directors' Responsibilities

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

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

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

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

- observe the Accounts Direction issued by the Department for Environment, Food and Rural Affairs, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable Accounting Standards as set out in the Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

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

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

In so far as the directors are aware:

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

By order of the Board



Angela Beech
Secretary

19 May 2015

> Governance Statement

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

Change of Accounting Officer from January 2015

I was appointed as Chief Executive and Accounting Officer of the NFC with effect from 5 January 2015. This followed a competitive recruitment process, led by the NFC, which followed public appointment good practice. The selection panel, chaired by the NFC Chair, comprised one other NFC Non-executive Director, a senior representative from Defra and two independent members.

My predecessor, Sophie Churchill, was the Accounting Officer until she left the NFC's employment on 31 December 2014. Prior to taking up the appointment, I met with Sophie on several occasions when she provided me with her views and assurances on the governance processes, the effectiveness of the control environment and the issues facing the NFC. I have taken her views and the assurance she provided into account when forming my opinion on the adequacy and effectiveness of the control environment the NFC operates and the issues faced by the Company.

As part of my induction, I attended a 'Public Accountability for new Accounting Officers' course run by the Civil Service College which gave a practical insight into the role and responsibilities of an Accounting Officer.

Future governance arrangements

The Triennial Review of the NFC undertaken in 2013 referred to the long term aim of independence of NFC from Government. To support this aim it was acknowledged that the Company would need to increase the use of wider funding sources as grant in aid received gradually reduces and that this would be aided by the NFC securing charitable status and the benefits that would deliver.

In March 2015, the Defra Minister signed a resolution agreeing to the adoption of new Articles for the NFC which include wholly charitable objects. Prior to the adoption of the new Articles, the Secretary of State was the sole Member of the NFC. Under the provisions of the new Articles the Secretary of State will remain a Member but there will be a minimum of two other Members. The Secretary of State will therefore be in the minority when voting on Company business. The new Articles have been registered with Companies House. Application is to be made to the Charity Commission to register the NFC as a charity.

Governance Framework

Throughout 2014-15, the NFC Board comprised seven Directors (six Non-executive Directors, including the Chair, and the Chief Executive). Directors are selected to enable the Board to have an appropriate balance of skills, experience, independence and knowledge to discharge its duties effectively. Defra is responsible for making appointments to the Board, consulting with the Company on requirements. The NFC Chair is a member of any selection panel. Appointments are made in accordance with regulations issued by the Commissioner for Public Appointments. Initial appointments are for a three year term of office.

The Board is responsible for determining the strategic direction of the organisation. It approved the new strategy for the Forest covering the period 2014 – 2024 which was published in June 2014. Linked with this it approves the annual Business Plan submitted to Defra which details activities, objectives and performance indicators for the coming year which are consistent with the delivery of high level strategy objectives.

The responsibilities of the Chair and Board are summarised in the Framework Document agreed between Defra and NFC which details governance, sponsorship and accountability arrangements, making reference to the controls that exist to safeguard propriety and regularity. The document will be reviewed and updated in 2015. Directors must also adhere to a Code of Conduct.

The NFC Chair has an annual meeting with the Minister at which her objectives for the coming year are agreed. Objectives for 2014-15 centred around the recruitment of a new Chief Executive, ensuring a smooth transition; making tangible progress on implementing the new 2014 – 2024 strategy; diversification of funding streams; and strategic partnership engagement.

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

The NFC Board annually reviews its performance and effectiveness. This was last done in July 2014. Consideration was given to Board structure and skills set; Director recruitment process; meetings and business conducted; quality of papers presented by the executive; and role of Directors. The conclusion was that the Board conducts its business effectively and fulfils its responsibilities. It was acknowledged that the Board lacks diversity and would benefit from greater local representation. This will be taken into consideration when governance structures are reviewed in 2015.

> Governance Statement (continued)

Board business during 2014-15 included: consideration of future governance arrangements; approval of the annual Business Plan and monitoring progress against agreed priorities; judging applications to the 2014 round of the Changing Landscapes Schemes; consideration of fundraising and other new income generation activities; destination development plan proposals; risk management and health and safety.

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

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

The ARC met four times during 2014-15. Its work included consideration of the financial statements for 2013-14 and the Audit Completion Report issued by the NAO prior to the accounts being certified by the Comptroller & Auditor General (C&AG); receiving the NAO's Audit Planning Report for 2014-15; considering reports issued by internal audit; reviewing the draft Governance Statement for 2014-15; scrutinising finance reports prior to them being considered by the Board; and fulfilling its responsibilities in respect of risk management (see below).

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

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

(i) **Board** – 4 ordinary meetings were held during 2014-15

| | Meetings attended |
|---|-------------------|
| Catherine Graham Harrison (Chair) | 4 |
| Sophie Churchill (Chief Executive until 31/12/2014) | 3 out of 3 |
| John Everitt (Chief Executive from 5/1/2015) | 1 out of 1 |
| Roger Clarke | 3 |
| Tony Hams | 4 |
| Chris Holmes | 4 |
| Brian Mahony | 4 |
| David Nicholls | 3 |

(ii) **Audit & Risk Committee** – 4 meetings held during 2014-15

| | Meetings attended |
|---|-------------------|
| David Nicholls (Chair) | 3 |
| Roger Clarke | 4 |
| Brian Mahony | 4 |
| Sophie Churchill (Chief Executive until 31/12/2014) | 3 out of 3 |
| John Everitt (Chief Executive from 5/1/2015) | 1 out of 1 |
| The NFC Chair, whilst not a member of ARC, attended two meetings. | |

(iii) **Land Policy Group** – 3 meetings held during 2014-15

| | Meetings attended |
|---|-------------------|
| Tony Hams (Chair) | 3 |
| Catherine Graham Harrison | 2 |
| Brian Mahony | 3 |
| Sophie Churchill (Chief Executive until 31/12/2014) | 2 out of 2 |
| John Everitt (Chief Executive from 5/1/2015) | 1 out of 1 |

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

> Governance Statement (continued)

Strategy and planning

The Forest Strategy for 2014 – 2024 produced after wide ranging consultation and agreed by the NFC Board and Defra was launched in June 2014 at an event attended by representatives from community and partner organisations. This sets out the key objectives for the next decade, highlighting indicators against which progress would be measured. It summarised the priorities and shifts in key activity to deliver The National Forest to 2024.

Annually, the NFC produces a Business Plan which details activity and objectives for the coming year and high level priorities for the following two years. It also provides information on how NFC activity contributes to national forestry and Defra departmental objectives. The plan is agreed by the NFC Board and approved by the Minister. It was agreed with Defra that production of the 2014 Business Plan would be delayed to coincide with the unveiling of the new ten year strategy to ensure that the objectives and work programmes detailed in the plan were consistent with delivering the priorities of the strategy.

Internal controls and the work of internal audit

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

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

The NFC seeks assurance on its systems of control from the work of its appointed internal auditors, Mazars LLP, which operates in accordance with Public Sector Internal Audit Standards. During 2014-15 Mazars undertook the programme of work agreed with management and the ARC which equated to 17 days' work. It covered core financial systems, woodland creation and management grants, a high level review of the ten year strategy, fundraising and an ICT health check. For each area audited a substantial assurance was given on the effectiveness of internal controls. Arising from the audits were two significant and three housekeeping recommendations, all of which have been accepted by management. Action taken in relation to nine recommendations made in previous audit reports was also reviewed. It was confirmed that five had been implemented, three were in progress and one was no longer to be actioned by management. Work undertaken during the year

informed the opinion expressed in the Annual Internal Audit Report for 2014-15 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

Following a procurement exercise, Mazars LLP has been reappointed to provide internal audit services to the NFC for the three years commencing 2015-16, subject to an annual review of performance.

Data handling

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

No incidents of loss of data arose during 2014-15.

Risk Management

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

In 2014, the NFC Board agreed to continue the practice of allocating a governance role to individual Directors in respect of the highest scored risks which is seen as enhancing controls. For risks allocated to them, Directors liaise with the designated lead officer and seek assurance that the risk in question is being effectively managed and that the plan of action identified to mitigate the risk is being implemented. Their conclusions are fed back to the full Board.

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

The senior management team identifies the main risks faced in achieving corporate objectives and targets as detailed in the Business Plan together with actions and controls needed to mitigate these risks. In 2014-15 two changes were made to the presentation of the Risk Register. The first saw inclusion of separate risk scores for inherent and residual risks (i.e. pre and post mitigation) whilst the second was a change in scoring of severity and probability from a numeric range to a high/medium/low value with a matrix being used to determine the overall risk score.

Risk management features on the agenda of two of the four Board meetings held each year. In July 2014, the Board

> Governance Statement (continued)

agreed that the Risk Policy remained an accurate reflection of the NFC's approach to risk. The highest scored risks and associated action plans as detailed in the 2014-15 Risk Register were reviewed. In addition, the Board reviewed risks relating to governance arrangements and the HLF-funded 'Black to Green' project which was seen as having a high public profile.

The 2014-15 Risk Register highlighted the high risk relating to land acquisition as a means of contributing to the headline target for new forest creation with little suitable land coming onto the market thereby presenting a serious threat to the achievement of the overall target. Other high scored risks were similar to those that featured in the 2013-14 register and included the ability of traditional public sector partners and not for profit organisations to support Forest initiatives; the threat of losing a significant number of trees through disease, pests and pressures relating to climate change; and risks linked to landowners and partners failing to maintain and deliver quality and engage in forest and woodland management programmes. Risks relating to the resignation of the Chief Executive and appointment of a successor also featured in the register.

When reviewing the register in February 2015, the Board was advised that, subject to completing a single large land acquisition, the headline target for new forest creation would be achieved. Commentary received from Directors on the management of high scored risks allocated to them indicated that all were being effectively managed with no risk scores being judged to have increased. No significant new areas of risk were identified.

The NFC received no ministerial directions during the year.

Local engagement through the grant regime

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

In 2013-14 a new woodland management grant programme was successfully piloted and has been retained. To be eligible, a project must contribute to at least two National

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

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

Performance management

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

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2015, 19 complaints were received (compared with 29 in 2013-14). All complaints were responded to within the specified timescale.

Conclusion

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



John Everitt
Chief Executive/Accounting Officer

19 May 2015

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

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the directors and the auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its net expenditure after interest and taxation for the year then ended; and
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

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

9 June 2015

> Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

| | Note | 2014-15 £ | 2013-14 £ |
|---|------|------------------|------------------|
| Expenditure | | | |
| Staff costs | 2 | 827,269 | 809,589 |
| Depreciation | 3 | 20,200 | 17,619 |
| Other Expenditure | 3 | 1,479,008 | 1,880,090 |
| | | <u>2,326,477</u> | <u>2,707,298</u> |
| Income | 4 | (340,687) | (367,237) |
| Net Expenditure | | 1,985,790 | 2,340,061 |
| Interest receivable | 4 | (9,340) | (4,938) |
| Net Expenditure after interest and before taxation | | 1,976,450 | 2,335,123 |
| Tax on interest receivable | 5 | 1,868 | 988 |
| Net Expenditure after interest and tax | | 1,978,318 | 2,336,111 |
| Other Comprehensive Expenditure | | | |
| Net gain on revaluation of land through Revaluation Reserve | 6 | (73,558) | (14,910) |
| Total Comprehensive Net Expenditure | | <u>1,904,760</u> | <u>2,321,201</u> |

> Statement of Financial Position

| | Note | as at 31 March 2015 | | as at 31 March 2014 | |
|--|------|------------------------|------------------|------------------------|------------------|
| | | £ | £ | £ | £ |
| Non-current assets: | | | | | |
| Property, plant and equipment | 6 | 3,219,551 | | 2,511,215 | |
| Trade and other receivables: | | | | | |
| Amounts falling due after more than one year | 7 | 4,561 | | 7,298 | |
| Total non-current assets | | | 3,224,112 | | 2,518,513 |
| Current assets: | | | | | |
| Trade and other receivables: | | | | | |
| Amounts falling due within one year | 7 | 134,150 | | 54,259 | |
| Cash and cash equivalents | 8 | 1,360,952 | | 1,466,544 | |
| Total current assets | | | 1,495,102 | | 1,520,803 |
| Total assets | | | 4,719,214 | | 4,039,316 |
| Current liabilities: | | | | | |
| Trade and other payables: | | | | | |
| Amounts falling due within one year | 9 | (60,038) | | (46,200) | |
| Total current liabilities | | | (60,038) | | (46,200) |
| Assets less liabilities | | | 4,659,176 | | 3,993,116 |
| Reserves | | | | | |
| Capital Reserve | | | 3,072,837 | | 2,419,910 |
| Revaluation Reserve | | | 122,718 | | 49,160 |
| General Reserve | | | 1,463,621 | | 1,524,046 |
| | | | 4,659,176 | | 3,993,116 |

The notes on pages 25 to 31 form part of the accounts.

The financial statements were approved by the Board on 19 May 2015 and signed on its behalf by:



Catherine Graham-Harrison OBE
Chair



John Everitt
Chief Executive/Accounting Officer

> Statement of Cash Flows

for the 12 months ended 31 March 2015

| | Note | 2014-15 £ | 2013-14 £ |
|---|------|--------------------|--------------------|
| Operating Activities | | | |
| Net expenditure before interest and tax | | (1,985,790) | (2,340,061) |
| Adjustments for non-cash items | | | |
| Gain on disposal of land | | (2,729) | - |
| Impairment of land | | 176,294 | 39,316 |
| Reversal of prior years' impairment | | (45,188) | (52,065) |
| (Increase) in trade and other receivables | | (77,154) | (20,553) |
| Increase/(Decrease) in trade payables | | 12,958 | (48,380) |
| Depreciation | | 20,200 | 17,619 |
| Cash flows from operations | | (1,901,409) | (2,404,124) |
| Interest received | | 9,340 | 4,938 |
| Corporation Tax paid | | (988) | (2,009) |
| Net cash from operating activities | | (1,893,057) | (2,401,195) |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | | (787,355) | (325,154) |
| Proceeds from disposal of property, plant and equipment | | 4,000 | - |
| Net cash flows from investing activities | | (783,355) | (325,154) |
| Cash flows from financing activities | | | |
| Grant in aid | | 2,570,820 | 2,855,000 |
| Net cash flows from financing activities | | 2,570,820 | 2,855,000 |
| Net (decrease)/increase in cash and cash equivalents | 8 | (105,592) | 128,651 |
| Cash and cash equivalents at beginning of year | | 1,466,544 | 1,337,893 |
| Cash and cash equivalents at end of year | | 1,360,952 | 1,466,544 |
| Net change in cash and cash equivalent balances | 8 | (105,592) | 128,651 |

> Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

| | Capital Reserve £ | Revaluation Reserve £ | General Reserve £ | Total Reserves £ |
|--|-------------------------|-----------------------------|-------------------------|------------------------|
| Balance at 1 April 2013 | 2,097,110 | 34,250 | 1,327,957 | 3,459,317 |
| Changes in reserves 2013-14 | | | | |
| Grant in Aid from Defra | 310,051 | - | 2,544,949 | 2,855,000 |
| Transfers between reserves | 12,749 | - | (12,749) | - |
| Net gain on revaluation of land | - | 14,910 | - | 14,910 |
| Comprehensive expenditure for the year | - | - | (2,336,111) | (2,336,111) |
| Balance at 31 March 2014 | 2,419,910 | 49,160 | 1,524,046 | 3,993,116 |
| Changes in reserves to 2014-15 | | | | |
| Grant in Aid from Defra | 585,304 | - | 1,985,516 | 2,570,820 |
| Transfers between reserves | 67,623 | - | (67,623) | - |
| Net gain on revaluation of land | - | 73,558 | - | 73,558 |
| Comprehensive expenditure for the year | - | - | (1,978,318) | (1,978,318) |
| Balance as at 31 March 2015 | 3,072,837 | 122,718 | 1,463,621 | 4,659,176 |

> Notes to the Accounts

Note 1

1.1 Statement of accounting policies

These financial statements have been prepared in compliance with the Companies Act 2006. They also take into consideration the accounting and disclosure requirements of the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury, where not inconsistent with the Companies Act 2006, and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

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

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

1.2 Significant judgements and accounting estimates

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

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

Judgements

- Useful economic lives of property, plant and equipment (see note 1.4 below).
- Revenue recognition (see notes 1.5 to 1.8 below).

Estimations

- Annual land valuations undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see note 1.4 below).

1.3 IFRSs, IFRIC Interpretations and Amendments

Effective in these Financial Statements

All IFRSs, IFRIC Interpretations and Amendments to published standards, effective at 31 March 2015, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM.

Effective for future financial years

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

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

> Notes to the Accounts (continued)

1.4 Accounting convention

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

Property, plant and equipment

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

Landholdings are stated at fair value. This is determined through an annual valuation undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC landholdings as at 28th February 2015 by Fisher German, Chartered Surveyors. Landholdings in the Statement of Financial Position are shown at the valuations provided, Fisher German having confirmed that there has been no material change in those valuations as at 31 March 2015.

The NFC completed an acquisition of land and buildings in March 2015 and Fisher German has provided a valuation as at 31 March 2015. The valuation provided has been used when determining the value of land and buildings in the Statement of Financial Position.

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

Depreciation

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

1.5 Grant in aid and other income

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

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

1.6 Woodland creation grants received

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

1.7 Heritage Lottery Fund income – 'Black to Green' project

2014-15 has seen the completion of the development year for the HLF funded 'Black to Green' project which focuses on community engagement around industrial and natural heritage in the Heart of The National Forest. Income from the HLF is received in stage payments which are recognised at the time they become receivable.

Income received in 2013-14 (£49,400) represented 50% of grant funding which was received at the outset of the project. In 2014-15 the remaining 50% (£49,400) was received from the HLF in two stage payments. A contribution to the project of £3,000 was also received from Leicestershire County Council.

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

HLF has confirmed funding for the delivery phase of the project. £770,000 has been awarded for the three year project which commences in 2015-16.

> Notes to the Accounts (continued)

1.8 Section 106 income

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

1.9 Capital Reserve

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

1.10 Cash and cash equivalents

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

1.11 Income and expenditure

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

1.12 Leases

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

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

1.13 Non-controlling party grants

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

1.14 Related party transactions

Defra is regarded as a related party. During the year, the NFC received £2,570,820 (2013-14: £2,855,000) grant in aid from the Department.

During the year, none of the Directors, staff or other related parties has undertaken any material transactions with the NFC, other than those disclosed in Note 13.

1.15 Financial Instruments

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

1.16 Staff costs and pensions

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

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

> Notes to the Accounts (continued)

Note 2 Staff costs and Pensions

| 2.1 Staff numbers and related costs | 2014-15 | 2013-14 |
|---|----------------|----------------|
| | £ | £ |
| <hr/> | | |
| Costs of permanently employed staff, including Directors: | | |
| Salaries | 647,327 | 630,185 |
| Social security costs | 50,364 | 49,783 |
| Pension costs | 110,771 | 111,300 |
| | <hr/> | <hr/> |
| | 808,462 | 791,268 |
| Early retirement and redundancy costs | 18,807 | 18,321 |
| | <hr/> | <hr/> |
| | <u>827,269</u> | <u>809,589</u> |

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

| Average number of persons employed | 2014-15 | 2013-14 |
|---|-----------|-----------|
| Directors (including Chief Executive) | 7 | 8 |
| Staff (full time equivalent) | 16 | 15 |
| | <hr/> | <hr/> |
| | <u>23</u> | <u>23</u> |

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

There were no redundancies or other early departures in 2014-15. Expenditure in 2014-15 relates to approved early retirements in previous years where the employer is liable to meet the costs until the former employee(s) attain the age of 60.

Note 3

| Other Expenditure | 2014-15 | 2013-14 |
|---|------------------|------------------|
| | £ | £ |
| <hr/> | | |
| Programme Expenditure: | | |
| Changing Landscapes Scheme | 373,996 | 861,788 |
| Woodland Management and Site Development | 208,143 | 165,312 |
| Programme Development Fund | 156,057 | 283,793 |
| Tourism and Promotion | 73,896 | 61,655 |
| Freewoods and Parkland (small scale woodland grants) | 70,103 | 63,667 |
| The National Forest Way (long distance trail) | 39,534 | 66,118 |
| HLF 'Black to Green' project | 35,976 | 9,286 |
| Fundraising | 20,266 | 22,745 |
| Administrative Expenditure: | | |
| Running costs | 231,402 | 201,405 |
| Research expenditure | 99,818 | 119,558 |
| Rentals under operating leases | 26,211 | 25,012 |
| Fees payable to the Company's auditors for the audit of the Annual Accounts | 12,500 | 12,500 |
| | <hr/> | <hr/> |
| | 1,347,902 | 1,892,839 |
| Impairment of land | 176,294 | 39,316 |
| Reversal of prior years' impairment | (45,188) | (52,065) |
| | <hr/> | <hr/> |
| | 1,479,008 | 1,880,090 |
| Depreciation | 20,200 | 17,619 |
| | <hr/> | <hr/> |
| | <u>1,499,208</u> | <u>1,897,709</u> |

Notes to the Accounts (continued)

| Note 4 | 2014-15 | 2013-14 |
|--|----------------|----------------|
| Other Income | £ | £ |
| Donations and sponsorship | 147,020 | 189,714 |
| Section 106 agreement | 57,298 | - |
| HLF 'Black to Green' project | 52,400 | 49,400 |
| Tourism programme: local authority contributions and advertising revenue | 54,614 | 46,333 |
| Woodland creation grants | 17,232 | 35,900 |
| Sundry income | 9,394 | 45,890 |
| | <u>337,958</u> | <u>367,237</u> |
| Gain on land disposal | 2,729 | - |
| | <u>340,687</u> | <u>367,237</u> |
| Bank interest receivable | 9,340 | 4,938 |
| | <u>1,868</u> | <u>988</u> |

Grant income and donations received by the Company are not subject to Corporation Tax. Interest received of £9,340 (2013-14: £4,938) is, however, taxable at the rate of 20% (2013-14: 20%), resulting in the above tax charge.

| Note 6 | | | | |
|---|--------------------------|------------------------------|--------------------------------|------------------|
| Property, plant and equipment | Land & Buildings £ | Furniture & Fittings £ | Information Technology £ | Total £ |
| Cost or valuation | | | | |
| At 1 April 2014 | 2,469,070 | 157,689 | 67,501 | 2,694,260 |
| Additions during the year | 785,304 | 739 | 1,312 | 787,355 |
| Disposals/transfers during the year | (1,271) | (701) | (5,663) | (7,635) |
| Impairment | (176,294) | - | - | (176,294) |
| Reversal of prior years' impairment | 45,188 | - | - | 45,188 |
| Revaluation gain to Revaluation Reserve | 73,558 | - | - | 73,558 |
| At 31 March 2015 | <u>3,195,555</u> | <u>157,727</u> | <u>63,150</u> | <u>3,416,432</u> |
| Depreciation | | | | |
| At 1 April 2014 | | 141,077 | 41,968 | 183,045 |
| Charges in the period: | | | | |
| Depreciation | | 11,107 | 9,093 | 20,200 |
| Depreciation charged on disposals | | (701) | (5,663) | (6,364) |
| At 31 March 2015 | | <u>151,483</u> | <u>45,398</u> | <u>196,881</u> |
| Net Book Value 31 March 2015 | <u>3,195,555</u> | <u>6,244</u> | <u>17,752</u> | <u>3,219,551</u> |
| Cost or valuation | | | | |
| At 1 April 2013 | 2,131,360 | 158,924 | 54,390 | 2,344,674 |
| Additions during the year | 310,051 | 600 | 14,503 | 325,154 |
| Disposals/transfers during the year | - | (1,835) | (1,392) | (3,227) |
| Impairment | (39,316) | - | - | (39,316) |
| Reversal of prior years' impairment | 52,065 | - | - | 52,065 |
| Revaluation gain to Revaluation Reserve | 14,910 | - | - | 14,910 |
| At 31 March 2014 | <u>2,469,070</u> | <u>157,689</u> | <u>67,501</u> | <u>2,694,260</u> |
| Depreciation | | | | |
| At 1 April 2013 | | 131,597 | 37,056 | 168,653 |
| Charges in the period: | | | | |
| Depreciation | | 11,315 | 6,304 | 17,619 |
| Depreciation charged on disposals | | (1,835) | (1,392) | (3,227) |
| At 31 March 2014 | | <u>141,077</u> | <u>41,968</u> | <u>183,045</u> |
| Net Book Value 31 March 2014 | <u>2,469,070</u> | <u>16,612</u> | <u>25,533</u> | <u>2,511,215</u> |

If the cost model had been used, then the carrying amount of landholdings as at 31 March 2015 would be £4,419,402 (31 March 2014: £3,637,391).

> Notes to the Accounts (continued)

| Note 7 | 31 March 2015 | 31 March 2015 |
|---|------------------|------------------|
| Trade receivables and other current assets | £ | £ |
| Amounts falling due within one year: | | |
| VAT | 15,379 | 6,388 |
| Prepayments and accrued income | 112,907 | 41,367 |
| Other receivables | 5,864 | 6,504 |
| | <u>134,150</u> | <u>54,259</u> |
| Amounts falling due after more than one year: | | |
| Other receivables | 4,561 | 7,298 |
| | <u>4,561</u> | <u>7,298</u> |
| Total trade and other receivables | <u>138,711</u> | <u>61,557</u> |

| Note 8 | 31 March 2015 | 31 March 2014 |
|--|------------------|------------------|
| Cash and cash equivalents | £ | £ |
| Balance at 1 April | 1,466,544 | 1,337,893 |
| Net change in cash and cash equivalent balances | (105,592) | 128,651 |
| Balance at 31 March | <u>1,360,952</u> | <u>1,466,544</u> |
| The following balances at 31 March were held at: | | |
| Commercial banks and cash in hand | 1,336,029 | 1,381,843 |
| Government Banking Service | 24,923 | 84,701 |
| | <u>1,360,952</u> | <u>1,466,544</u> |

| Note 9 | 31 March 2015 | 31 March 2014 |
|---|------------------|------------------|
| Trade payables and other current liabilities | £ | £ |
| Amounts falling due within one year: | | |
| Corporation tax payable | 1,868 | 988 |
| Accruals and deferred income | 58,170 | 45,212 |
| | <u>60,038</u> | <u>46,200</u> |

Note 10

Commitments under operating leases

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

| | 31 March 2015 | 31 March 2014 |
|---|------------------|------------------|
| Obligations under operating leases comprise: | £ | £ |
| Buildings, office accommodation lease | | |
| Expiring within one year | 26,450 | 4,169 |
| Expiring later than one year and within five years | 30,858 | - |
| Expiring later than five years | - | - |
| | <u>57,308</u> | <u>4,169</u> |

> Notes to the Accounts (continued)

Note 11

Other financial commitments

Forest creation schemes

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

| | 31 March 2015 | 31 March 2014 restated |
|---|------------------|------------------------------|
| | £ | £ |
| Not later than one year | 163,314 | 195,152 |
| Later than one year and not later than five years | 587,141 | 659,589 |
| Later than five years | 176,214 | 200,591 |
| | <u>926,669</u> | <u>1,055,332</u> |

Commitments as at 31 March 2014 have been restated because previously they did not include future year income foregone payments falling due to recipients of CLS grants. Commitments as at 31 March 2014 incorrectly stated in the corresponding note to the 2013-14 accounts were stated as being: Not later than one year £170,775; Later than one year and not later than five years £562,082; Later than five years Nil.

Note 12

Financial Instruments

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

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

Credit Risk

Credit risk is the possibility that other parties might fail to pay amounts due to the NFC. Credit risk arises from deposits with banks as well as credit exposures to the NFC's trade debtors. The NFC's policy is to invest its surplus operating cash with banks that are rated independently with a minimum rating of A1, P1, F1 or A+. Whilst a small amount of NFC cash assets are held with the Government Banking Service, a high percentage is held with the Co-operative Bank which at 31 March 2015 had a 'B' Fitch rating and a 'Caa2' Moody's rating. In light of this rating, the NFC will undertake a review of its banking arrangements in 2015-16.

Fair Values

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

Note 13

Related party transactions

The NFC is a Non-Departmental Public Body (NDPB) sponsored by Defra which is regarded as the Company's controlling related party. During the year, the Company received £2,570,820 (2013-14: £2,855,000) grant in aid from Defra.

The NFC received £17,232 (2013-14: £35,900) woodland grants from the Forestry Commission and £675 (2013-14: £540) from Forest Enterprise England in respect of an advertisement placed in the National Forest visitor and attractions guides.

A payment of £5,000 (2013-14: £20,000) was made to Forest Research in relation to a joint woodland creation and ecological networks research project. A further payment of £3,000 was made to them in respect of a tree survival/growth assessment study undertaken at a National Forest site (2013-14: £1,000 paid in respect of tree provenance trials).

Sophie Churchill is a Trustee of the Royal Forestry Society. During 2014-15, the Society received woodland management and community engagement grants totalling £17,333 (2013-14: £6,344) from the NFC. In 2014-15 the NFC also paid an annual membership subscription to the Society of £167 (2013-14: £167).

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

Note 14

Events after the reporting period

There have been no adjusting or non-adjusting events after the reporting period date.

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

Appendix A (This information is not subject to audit)

> National Forest - Summary of main achievements during the five years 2010-11 to 2014-15

| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|-------------|-------------|-------------|-------------|-------------|
| New forest creation | | | | | |
| Target | 195 – 245ha | 140 – 160ha | 180 – 200ha | 135 – 150ha | 110 – 130ha |
| Outturn | 195ha | 154ha | 204ha | 149ha | 128ha |
| Public access | | | | | |
| New full open access sites | | | | | |
| Target | 125 – 150ha | 110ha | 140 – 160ha | 180ha | 120ha |
| Outturn | 137ha | 129ha | 154ha | 243ha | 130ha |
| Nature conservation and cultural heritage habitat created or brought into management | | | | | |
| Target | 35 – 50ha | 30 – 40ha | 60 – 75ha | 45ha | 20 – 30ha |
| Outturn | 57ha | 34ha | 63ha | 60ha | 36ha |
| Number of people involved in Forest related activities | | | | | |
| Target | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Outturn | 20,000 | 20,232 | 21,300 | 21,900 | 21,800 |
| Number of children and adults involved in environmental education activities | | | | | |
| Target | 40,000 | 38,000 | 38,000 | 38,000 | 38,000 |
| Outturn | 37,000 | 44,110 | 41,700 | 38,200 | 38,200 |

Appendix B (This information is not subject to audit)

> Sustainability Report

Introduction

This report gives an annual update on our sustainability performance, taking into account the National Forest Company's (NFC) operating environment, and enables comparisons to be made year on year.

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

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

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

The NFC operates from serviced accommodation leased from a private landlord and this report focuses primarily on performance related to our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions).

About the data

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

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

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

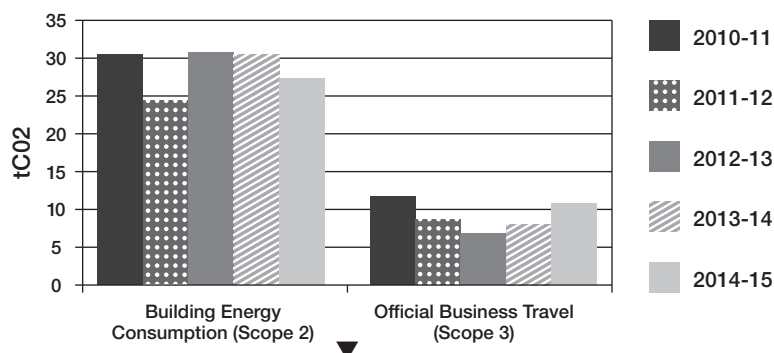
Water data has not been included in this report; water consumption is included within the landlord's service charge and accurate data is not available.

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

Appendix B (This information is not subject to audit)

> Sustainability Report (continued)

Summary of Total Greenhouse Gas Emissions



Summary of Total Greenhouse Gas Emissions tCO2

| | 2010-11 tCO2 | 2011-12 tCO2 | 2012-13 tCO2 | 2013-14 tCO2 | 2014-15 tCO2 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Building Energy Consumption (Scope 2) | 30.43 | 24.31 | 30.71 | 30.45 | 27.36 |
| Official Business Travel (Scope 3) | 11.74 | 8.68 | 6.82 | 8.15 | 10.83 |
| Total emissions | 42.17 | 32.99 | 37.53 | 38.60 | 38.19 |

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

The summary chart above shows a 1% decrease in total emissions for 2014-15 compared with 2013-14. Building energy consumption was 10% lower compared to 2013-14, however emissions from business travel increased from 8.15tCO2 in 2013-14 to 10.83tCO2 in 2014-15, ie c25%.

Building Energy Consumption (Scope 2)

The purchase of electricity for our offices is the major contributor to our carbon emissions and in 2014-15 accounted for c72% of our total emissions. The heating system is electric and is the main component of our electricity expenditure. Our offices are mainly open plan and therefore the further increase in staff complement (by one full time equivalent in 2014-15) has not impacted on electricity consumption during the year. During 2014-15, total electricity consumption decreased by c10% compared with 2013-14; per head it decreased by c15%.

| Building Energy Consumption (Scope 2) | Unit | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-5 |
|--|-------------|--------------|--------------|--------------|--------------|--------------|
| Total emissions | tCO2 | 30.43 | 24.31 | 30.71 | 30.45 | 27.36 |
| Building energy consumption per head (FTE) | tCO2 | 1.6 | 1.52 | 2.05 | 1.9 | 1.61 |
| Building energy consumption | kw/h | 55,819 | 46,346 | 58,539 | 58,047 | 52,153 |
| Energy consumption per head (FTE) | kw/h | 2,938 | 2,897 | 3,659 | 3,628 | 3,068 |
| Average number of staff (FTE) | | 19 | 16 | 15 | 16 | 17 |
| Total energy expenditure | £ | 9,168 | 7,732 | 10,111 | 10,222 | 9,087 |
| Expenditure per head (FTE) | £ | 483 | 483 | 674 | 639 | 535 |

Appendix B (This information is not subject to audit)

> Sustainability Report (continued)

Official Business Travel

Staff often have to travel to fulfil their duties and due to the rural location of the Forest, this usually means using their own vehicles. Travel is only undertaken where there is no other practical alternative and wherever possible staff use public transport and car share. Telephone conferencing is used whenever appropriate.

Compared with 2013-14, total emissions from official business travel (scope 3) during 2014-15 increased by almost 25%. This is mainly attributed to higher staff mileage related to the increased number of monitoring visits needed for the woodland management programme. In addition, one member of staff visited Japan for a symposium where the return flight accounted for 1.6tCO₂. The cost of this trip was sponsored by Toyota.

| Official Business Travel (Scope 3) | Unit | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-5 |
|-------------------------------------|------------------|---------|---------|---------|---------|----------------|
| Total emissions | tCO ₂ | 11.74 | 8.68 | 6.82 | 8.15 | 10.83 |
| Staff mileage (inc Chief Executive) | miles | 22,449 | 20,185 | 16,136 | 17,913 | 20,614 |
| Average number of staff (FTE) | | 19 | 16 | 15 | 16 | 17 |
| Staff mileage per head | miles | 1,182 | 1,262 | 1,076 | 1,120 | 1,213 |
| Staff Rail travel | miles | 9,791 | 4,817 | 3,859 | 6,232 | Not available* |
| Staff Air travel | miles | 457 | 582 | - | - | 5,863 |
| Directors' mileage | miles | 7,133 | 4,368 | 3,070 | 5,113 | 6,873 |
| Directors' Rail travel | miles | 8,922 | 4,695 | 5,042 | 4,538 | Not available* |
| Directors' Taxi | miles | 747 | 476 | 414 | 287 | Not available* |
| Total miles travelled | miles | 49,499 | 35,123 | 28,521 | 34,083 | 33,350 |
| Business travel costs | £ | 21,471 | 16,088 | 15,502 | 16,268 | 19,075 |

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

Procurement

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

Where possible we will procure IT and stationery items via the Crown Commercial Services. In addition to securing value for money, these framework agreements, where applicable, will meet criteria in terms of sustainability.

Paper Use

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

| Office paper usage | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|-------|---------|---------|---------|---------------|---------------|
| | | | | | (Closed Loop) | (Closed Loop) |
| A4 paper | reams | 130 | 130 | 125 | 100 | 125 |
| Average number of staff (FTE) | | 19 | 16 | 15 | 16 | 17 |
| Paper used per head | reams | 7 | 8 | 8 | 6 | 7 |

Appendix B (This information is not subject to audit)

> Sustainability Report (continued)

Office Waste

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

We continue to use North West Leicestershire's recycling services for the collection of cardboard which cannot be collected via Closed Loop. The service has now been extended to include collection of all other recyclables such as plastics, glass and tin. No data is available in respect of quantities.

Publications and Communications

Digital communication methods are widely used in our tourism campaigns and in 2014-15 c40,000 communications were sent compared with c37,000 in 2013-14. Some hard copy publications continue to be produced where there is a business case to do so, such as the National Forest Visitor Guide and the attractions leaflet. Quantities are carefully reviewed each year. The print run for the 2015 Visitor Guide was lower at 30,000 compared with 50,000 in 2013-14. The page size, previously A4, was also reduced to a smaller format. Due to the success of the 2014 visitor campaign, the number of attractions leaflets produced in 2015 was increased to 175,000, compared with 150,000 in 2014.

Forest Scene, our biennial corporate newsletter, continues to be printed. An electronic version is available and we continue to encourage subscribers to switch, although many still choose to receive a hard copy.

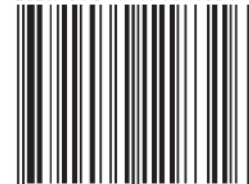
Our major publication during the year was the Strategy 2014-24 which was a brief document with a restricted print-run and where extensive supporting evidence was only made available online. This year the decision was also taken to publish the 2014-15 Annual Report and Accounts in a simpler black and white format, without images.



THE NATIONAL
FOREST

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

ISBN 978-1-4741-1831-6



9 781474 118316