

Forestry Commission England/ Central Services

Annual Report and Accounts 2016-17

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Forestry Commission England is the government department responsible for protecting, improving and expanding England's woodlands and increasing their value for people, nature and the economy. This Annual Report and Accounts includes the core bodies **Forestry Commission England** and **Forestry Commission Central Services**, consolidated with **Forest Research**.

Forest Enterprise England, an executive agency of Forestry Commission England, manages the public forest estate in England. The Annual Report and Accounts of Forest Enterprise England are published separately.

Honours

The following Forestry Commission England/Central Services nominees were successful in the Queen's Honour List:

- Amy Chandler, BEM. Community Ranger, Forestry Commission England. For services to the community
- Alan Motion, MBE. Chair of the Institute of Chartered Foresters Examination Board. For Services to Sustainable Forestry and Arboriculture

Register of interests

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

Performance report

Overview

The performance report overview provides:

- Forestry Commission England/Central Services' chair's and director's views on performance over the year
- the purpose and activities of Forestry Commission England/Central Services
- the main issues and risks that could affect delivery of objectives
- a performance summary

Foreword by Sir Harry Studholme, Chair

This year has seen us take bold steps to adapt to a changing world, taking the long term view needed to create the conditions for the nation's woodlands to thrive for the future.

Increased global trade and the movement of goods between countries means an ever increasing risk of pests and diseases. Our tree health teams have been instrumental in intercepting affected timber and related imports and stopping tree health threats from entering our country. We have also worked closely with Defra on implementing new tree health regulations that will help us to achieve strong environmental protection without unnecessarily restricting UK trade.

Keeping our woodlands pest free is not just the responsibility of trade however, we all have a role to play in preventing the spread of diseases. That is why we have been working to expand our biosecurity campaign 'Keep it clean' to send targeted messages to landowners and members of the public on how they can help stop giving pests an easy ride into our woodlands.

As well as continuing to protect woodlands, we have been striving to deliver the government's commitment to plant 11 million trees this Parliament, launching this year a new funding opportunity. The Woodland Carbon Fund, with a budget of £19.2 million, will help the UK to meet future carbon budgets, increase the area of woodland in England and enhance our natural capital, providing recreation opportunities and helping businesses to

grow. This scheme will complement the established Countryside Stewardship mechanisms for supporting woodland creation. The launch of Defra's Forestry Innovation Fund has also provided £1 million to support the delivery of larger woodland creation schemes.

Forestry Commission England has also been championing business growth in the English forestry sector. For example, we have been working with the Coast to Capital Local Enterprise Partnership which has so far invested £0.7 million in West Sussex and East Surrey, one of the most wooded areas of the country. This has been matched by more than £1 million of private investment, developing six hardwood sawmills and a woodfuel hub. This investment is safe-guarding existing jobs, creating new ones and adding value to locally grown hardwood and helping businesses bring more woodland back into active management.

There has also been increased momentum on recognising and promoting just how valuable our 'urban forests' are. For example, Forestry Commission England and Forest Research have this year used aerial photography techniques to give a percentage canopy cover figure for more than 250 towns and cities. Furthermore, the Forestry Commission's Urban Forestry and Woodland Advisory Committee launched "Introducing England's Urban Forests" as part of their work to promote a resilient urban forest.

Finally, as the Forestry Commission approaches its 100th year in 2019, England has begun the significant programme of structural change that will determine how it will operate, following the announcement by Scottish ministers this year that Forestry in Scotland will go its separate way in that historic year subject to the will of the Scottish parliament.

All of these challenges will remain next year, but our hard work in 2016-17 has put us on a strong footing to rise to them and continue doing what we do best: protecting, improving and expanding England's forests and woodlands and

increasing their value to society and the environment.

Purpose and activities of the organisation

Who we are

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

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

Our priorities

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

Everything we do is focussed on achieving the following objectives:

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

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

- **resilience:** Protecting our woodland resource and increasing its resilience to pests, diseases and the impact of climate change so that our woodlands

continue to deliver a wide range of economic, social and environmental benefits

- **evidence:** Ensuring that there is a robust evidence base available to the forestry authorities across the UK to underpin their policies, decisions and advice
- **standards:** Setting the standards for sustainable forest management and woodland carbon projects in the UK and promoting it domestically and internationally

Our values

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

- **teamwork** – We work collaboratively with each other and our stakeholders, ensuring trees, woods and forests meet the needs of society
- **professionalism** – We enjoy and take pride in our work, acting with integrity and political impartiality to achieve high standards of health and safety, quality, efficiency and sustainability
- **respect** – We value each other and our stakeholders, recognising diverse perspectives and treating everyone with consideration
- **communication** – We are open, honest and objective with each other and our stakeholders. We are prepared to challenge and to be challenged
- **learning** – We are always learning, developing the skills, knowledge and behaviours to support organisational success
- **creativity** – We seek new ways of doing things, sharing ideas and embracing change

Defra Strategy

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

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

Further information on the strategy is available in Defra's Annual Report and Accounts 2016-17.

Delivery of our objectives in 2016-17

This Annual Report summarises our performance against the activities set out in the Forestry Commission England Corporate Plan and the Corporate Plan for Forestry Commission Cross Border activities. The annual reports of the executive agency Forest Enterprise England have been published separately since 2014-15. These can be found on the Forestry Commission's digital archive.

Protect

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

Ran programmes to manage the impact of Chalara dieback of ash, *Phytophthora ramorum* and oak processionary moth (*Thaumetopoea processionea*)

Hymenoscyphus fraxineus (Chalara): 204 hectads (10 km squares) were surveyed, resulting in 127 new hectads being confirmed positive.

Thaumetopoea processionea (Oak Processionary Moth) surveys took place during summer 2016, covering 4,703 sites/35,823 trees in Guildford, Croydon/Bromley, Greenwich, Tower Hamlets/Hackney, Barnet, North East London/Olympic Park, Watford, Beaverbrook and Pangbourne. This resulted in 437 Statutory Plant Health Notices being issued, 17,496 trees in 336 sites being sprayed and 11,154 nests being removed. Surveys were also carried out outside the known area of infection in Brentwood, Harlow, Oxford, Basildon,

Hemel Hempstead and Andover with no evidence to indicate new areas of infection.

Phytophthora ramorum surveys had covered 784,436 hectares of National Forest Inventory woodland, incorporating 33,822 hectares of larch on the private and public woodland estates by the end of December 2016. 329 suspect sites were identified and investigation of these resulted in the issue of 53 Statutory Plant Health Notices that identified 186.1 hectares of larch to be felled.

Carried out regular aerial survey of the country and land-based surveys of high risk sites

During the year surveys were undertaken for: *Xylella fastidiosa* (Bacterial Leaf Scorch), *Candidatus Phytoplasma ulmi* (Elm yellows phytoplasma), *Ceratocystis platani* (Plane Wilt), with secondary inspection for *Fomitiporia punctata* (Yellowpatch Crust) and *Splanchnonema platani* (Massaria). In all instances we detected no evidence to indicate these species were present.

In addition to the above we also surveyed for *Cryphonectria parasitica* (Chestnut Blight), *Dryocosmus kuriphilus* (Oriental Chestnut Gall Wasp) and for *Phytophthora ramorum* on Sweet Chestnut across the South and East of England. Oriental Chestnut Gall Wasp was confirmed at 29 sites. Chestnut Blight and *Phytophthora ramorum* were not confirmed at any of the survey locations. However in December 2016 a wider environment outbreak of Chestnut Blight was discovered in the South West and survey and control works continue in light of this finding across Southern and Central England. Our work continues to be well supported by Observatree.

Delivered biosecurity training and awareness raising for the sector

We have delivered biosecurity training for the Arboriculture Association's approved assessor's scheme and helped develop their position statement and biosecurity toolkit.

Regional tree health events have been organised in all Forestry Commission

England areas and included biosecurity on their agendas.

We have delivered biosecurity presentations and had stands at important industry events. Biosecurity training has also been delivered to learning providers and colleges.

We have delivered ongoing promotion of biosecurity via social media including a TweetChat with Grown in Britain.

Made our tree health data more open and accessible to the sector

Forest Services, part of Forestry Commission England, have identified, cleaned and published more than 30 tree health data sets in 2016-17 as part of Defra's Open Data Strategy, making them available and accessible to the sector. Ongoing work to identify and build new capacity in tree health systems to allow more data to be shared, quicker and more efficiently with the sector, including potential use of cloud based applications in 2017-18.

Further developed our biosecurity campaign – 'Keep it clean, don't give pests and diseases an easy ride: think kit, think transport, think trees'

Building on the existing Keep it Clean campaign aimed at industry, two new campaigns have been in development aimed at landowners and the public.

For the public campaign we began developing a toolkit for use by external partners including a tree health learning trail, a video and animations for dissemination via social media.

For land owners and managers, we began developing a biosecurity management plan enabling landowners to put in place measures to minimise biosecurity risks across their sites.

Woodland resilience – helping woodlands respond to existing and future threats

Developed a natural capital valuation approach to woodland creation and

woodland management investment decisions

We have set natural capital at the heart of the Woodland Carbon Fund, focussing on the recreational benefits that new peri-urban woodlands provide. We are also using the concept of maximising natural capital as we develop new approaches to investing in woodland management and creation following the decision to leave the European Union.

Supported the survey and valuation of urban tree canopy cover

Forestry Commission England collaborated with Forest Research to undertake a survey of more than 250 towns and cities across England. A percentage canopy cover figure was produced for each urban area. The i-Tree Canopy technique was used with aerial photography. The results were presented at the Institute of Chartered Foresters 'Trees, People and the Built Environment' Conference (April 2017) by Forest Research and are available at UrbanTreeCover.org. We also resourced, steered and authored the National Forest Inventory summary and statistical analysis reports on 'Tree cover outside woodland in Great Britain' which will be published by Forest Research in 2017. This will show national statistics on the tree cover of small woods, groups of trees, lone trees and hedgerows for all urban areas as a whole, for each region of England, Scotland and Wales.

Supported, with Natural England, the Deer Initiative Ltd and Deer Initiative Partnership

April 2016 was the start of a new contractual relationship between the Deer Initiative Ltd, Forestry Commission England and Natural England. This focusses on understanding and managing deer impacts in five priority areas based on clusters of Sites of Special Scientific Interest in unfavourable condition. A national project board and area steering groups have been established to manage delivery. Key performance indicators have been agreed and while improved woodland condition will take time to show, activity is being targeted at engaging landowners, establishing collaborative working,

increasing the levels of deer management and gathering evidence of impacts.

Coordinated the sector's implementation of the squirrel action plan of the UK Squirrel accord

Forestry Commission England is taking an active role on the UK squirrel accord executive committee, ensuring its work in England is helping to deliver the government's action plan. The Accord, with support from Forestry Commission England and Defra, has initiated a research proposal and is brigading potential funders for a project on fertility control, principally trying to solve the problem of oral delivery of a vaccine. We have produced a leaflet to help landowners identify squirrel damage in their woodland for use by Forestry Commission Woodland Officers and other land management advisers. We have started work on revising the Forest Research Practice Note on controlling grey squirrels to take account of the changes in legislation and to document good practice.

Took action on invasive species as required following implementation of new regulations

The European Union approved its list of species of concern in July 2016. These include Muntjac Deer and Grey Squirrel, both of which are subject to national policy and local management. No additional action has been required of Forestry Commission England to date as a result of the regulations. Asian Hornet was identified for the first time in the UK in September 2016, in Gloucestershire. Westonbirt Arboretum is part of the surveillance zone.

Worked with the partners that created the forestry sector's Climate Change Accord to develop a cross-industry action plan, and then played our part in delivering that plan

The sector's Forestry and Climate Change Working Group has been formally established and has commissioned Sylva to draft an outline Action Plan based partly on outcomes of the 2015 British Woodlands Resilience Survey, but also drawing on other resources and reflecting on current activities. The Action Plan is framed around

the UK Forestry Standard, and identifies current understanding of resilience issues; lists current activities that aim to enhance resilience; prioritises actions on the basis of importance and urgency; and provides a platform to attract support and fundraising for discreet projects in the future.

Contributed to the second UK Climate Change Risk Assessment, including through reviewing our first round Adaptation Reporting Power report

We published a review of first round Adaptation Reporting Power Report. The review identified three ongoing priority risks that need to be addressed as a matter of urgency: lack of action on species diversification; limited understanding of (and action on) biosecurity issues; and lack of management in England's woodlands. A number of new actions have been agreed through this review including a revised Climate Change Action Plan for the Public Forest Estate.

Completed the succession of the National Tree Safety Group to the private sector

We made progress in helping the National Tree Safety Group (NTSG) transition from under the auspices of Forestry Commission England into a fully independent organisation, with the NTSG launching their own website and contact address. Support for annual meetings is being provided by Defra until a secretariat is set up by the NTSG Management Committee. Access to copies of the NTSG's guidance is discontinued from the Forestry Commission publications pages by the end of March 2017. Publications will continue to be available from the NTSG's own website at www.ntsgroup.org.uk.

Supported our Urban Forestry and Woodland Advisory Committee Network to showcase its urban forestry vision

The urban network promoted their 'Vision for a resilient urban forest', including presentations at the National Forestry Forum and the National Tree Officer's Conference. They published 'Introducing England's Urban Forests', which defines

what an urban forest is, providing tools to understand their composition and value. These are available at www.forestry.gov.uk/england-policypractice. They contributed evidence to the Communities and Local Government Select Committee 'Future of public parks' enquiry and to the NICE consultation on air pollution: Outdoor air quality and health.

Regulating for sustainable growth

Used felling licences to promote sustainable forest management and protect the environment

Forestry Commission England issued:

- 1,517 conditional felling licences in 2016-17. These covered an area of 29,224 hectares
- 1,346 unconditional felling licences in 2016-17. These covered an area of 16,210 hectares

We received 284 reports of alleged illegal felling, the felling of trees without the required licence.

Following investigation, 46 reports were identified as breaches or possible breaches of the controls on tree felling.

- Ten investigations resulted in Forestry Commission England serving a notice to restock land with trees
- 14 investigations resulted in Forestry Commission England serving an initial restock notice, a precursor to a restock notice
- One investigation resulted in prosecution and four investigations have been referred to Defra Investigation Services for prosecution
- Five investigations resulted in formal warnings being issued
- Two investigations led to advisory letters being issued; this is where an offence could not be confirmed
- 14 investigations are either still pending a decision on the final action or are in the process of having a restocking notice issued
- One investigation resulted in no further action
- A further 11 restocking notices were issued in the year as a result of investigations into reports of illegal

felling that had taken place in previous years

- A further 19 cases involve investigations into reports of illegal felling that had taken place more than 18 months ago and are proposed for closure

Environmental Impact Assessment

During the year, we looked at 135 cases covering 1,469 hectares of afforestation and 182 hectares of deforestation. Of those requiring our consent one case led to a determination under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999 that the project required a full Environmental Statement.

Carried out our statutory and advisory roles for the Countryside and Rights of Way Act, European Protected Species, the planning system, timber and woodfuel procurement standards

We continued to carry out our statutory and advisory roles for the following:

- Countryside and Rights of Way Act, for instances where open access land needs to be closed to allow forestry operations
- European Protected Species, which during the year saw one case referred to police for investigation
- the planning system, in particular where woodland interests have overlapped with High Speed 2
- timber and woodfuel procurement standards, where we have approved woodland plans to support Renewable Heat Incentive customers

Participated in the cross-border light touch review of the UK Forestry Standard

First published in 2011, the UK Forestry Standard sets out the UK government's approach to sustainable forest management. It is based on a series of internationally agreed criteria and indicators designed to protect and improve woodland managed to produce timber and provide a wide range of services enjoyed by society. Throughout the year we have been working with colleagues in Scotland,

Wales and Northern Ireland to review the standard and update content. The new edition of the standard is due for publication in 2017.

Developed an online felling licence application and woodland management planning system

We are currently working on digital improvements to felling licence application procedures, covering the process from customer application to the issuing of a felling licence.

It includes functionality for customers to create a digitised portfolio of their woodland and to apply for a felling licence, including details of felling and restocking.

The new system will allow easier upload of existing data and facilitate the process of deemed approval.

Rolled out a fairer, simpler and faster way of approving woodland management plans developed through pilots on earned recognition and service standards

Building on previous work in the South West, we began a pilot in South East England to test new approaches to woodland management plan approval. In the pilot area forestry agents and Forestry Commission England officers are clear about what is required in a management plan. Providing plans are compliant with the UK Forestry Standard, Forestry Commission England will approve the plan in principle within 28 days of receipt. Emerging results from the pilot are encouraging and the pilot will continue into the following year.

Worked across the sector to further improve regulation of forestry to make it quicker and easier for land owners to manage and create woodland and protect the environment

Phase 2 of the Woodland Creation Planning Grant was launched this year. The grant provides support to scope, design and consult on large scale afforestation proposals.

We also supported Defra in developing a proposal to transpose the 2014 Environmental Impact Assessment Directive and increase the thresholds for woodland creation, with public consultation on the proposals running between December 2016 and the end of January 2017. Government's response to the consultation will be announced next financial year.

Improve

Worked with the sector to increase the proportion of woodlands and forests that are sustainably managed

Supported the process of delivering Countryside Stewardship grants for woodland planning, woodland management, woodland improvement and capital items

Support for both Woodland Creation and Woodland Improvement was available through Countryside Stewardship in 2016, with 213 initial applications received for woodland creation (totalling 1,500 hectares of new woodland) and 377 woodland improvement applications. Both of these figures were increases on the previous year. The woodland improvement support was targeted towards four main priorities – Plantations on Ancient Woodland Sites Restoration, Priority Habitats, Priority Species and transformation to Continuous Cover Forestry systems. We offered 160 creation schemes (1,200 hectares) and will offer 247 improvement schemes.

The administration of Countryside Stewardship Woodland management plan support moved from the Forestry Commission England's control to that of Natural England Technical Services on 20 December 2016. Online applications for Countryside Stewardship support of Woodland Management Plans became available on 1 March 2017.

Working with Local Enterprise Partnerships, the Rural Payments Agency and Defra, we assisted in the design and delivery of support mechanisms for investment in skills, equipment, and infrastructure to enable woodland based businesses to

expand and therefore bring more woodland into sustainable management

Forestry Commission England has championed the opportunities for business growth in the forestry sector and supported Leader Groups and Local Enterprise Partnerships in developing forestry in England. For example, Coast to Capital has so far invested £0.7 million in West Sussex and East Surrey, one of the most wooded areas of the country. This has been matched by more than £1 million of private investment developing six hardwood sawmills and a woodfuel hub. This investment is safe-guarding existing jobs, creating new ones and adding value to locally grown hardwood and helping businesses bring more woodland back into active management.

Supported sector partnerships for woodland improvement, primarily with expert advice, including the following.

- Timber Transport Forum: to create the management access necessary for growth. Softwood deliveries from privately owned woodland to market have doubled since 2009 and timber hauliers have played a vital part in this. We have continued to support the Timber Transport Forum throughout the year who, working with local authorities, have developed and mapped agreed road routes for hauliers moving timber from the forest to wood processors and other destinations. <http://timbertransportforum.org.uk/maps/agreed-routes>
- Grown in Britain: to promote demand and supply of home grown timber. Branded Grown in Britain timber products have been available from stores including Jewsons and Wickes, helping to increase demand for and awareness of British timber. We have continued to contribute to the work of the Grown in Britain executive board

Worked with forestry employers, trade bodies and other partners to further develop and deliver a 'forestry skills manifesto'

We made progress in developing the skills study that will provide the evidence base

for the 'forestry skills action plan' by working in partnership with forestry educators, membership organisations and other stakeholders. Based on current progress it is expected that the finished skills study report will be published by autumn 2017 and the resultant skills action plan will start to guide forestry skills development work by winter 2017.

Supported development of hardwood supply chains with better data and capacity building to deal with large scale supply contracts

We have worked with Grown in Britain on the 'Woodstock' research project funded by Innovate UK that has investigated how more hardwood timber products can be brought to market. This work was published in autumn 2016 <https://www.growninbritain.org/grown-in-britain-woodstock-project/>.

We have commissioned research into hardwood timber prices and the development of a hardwood timber price index that will be used to illustrate the market opportunity to woodland owners and businesses. This work commenced in autumn 2016 and is due for completion in 2017.

Continued to administer grant payments under our legacy grant scheme agreements

Forestry Commission England remains responsible for processing claims for almost 6,000 legacy woodland grant schemes, with a total value of around £9 million a year. In 2016-17 we started payment in late December and paid 96% by the end of March.

Administrative performance

Forestry Commission England is committed to Customer Charter targets of reaching decisions on 85% of applications within 11 weeks and payments within four weeks. Overall Customer Charter performance in 2016-17 was 81.9%. The detailed reports are: felling licence applications (82.6%); Title 1 revenue claims (78.6%); and Title 2 capital claims (96.4%).

Performance measures for Countryside Stewardship applications are under consideration by Forestry Commission England and Natural England.

Expand

Worked with the sector to create more woodland

Made progress against the government's manifesto commitment to plant 11 million trees this Parliament by funding the creation of at least 2,000 hectares of woodland targeted at improving biodiversity, safeguarding clean-water, and/or managing flood risk

To end of December 2016 we had planted 1,032 hectares through Countryside Stewardship (and legacy English Woodland Grant Scheme) which includes 1,386,000 trees.

Launched the Woodland Carbon Fund to help to achieve government's carbon budget with £19.2 million for planting large-scale woods over the next four years

We launched the Woodland Carbon Fund in November 2016, supporting large scale UK Forestry Standard compliant woodland creation. The objectives of the scheme are to contribute to future carbon budgets and to enhance natural capital, primarily through recreation in peri-urban woodland. The grant scheme is exchequer-funded, with simplicity at the core of its design and provides a complementary alternative to the Countryside Stewardship Woodland Creation Grant.

Through the Forestry Innovation Fund, provided £1 million to support innovation in forestry enterprises

We have re-opened the Forestry Innovation Fund's Woodland Creation Planning Grant to encourage landowners and investors to bring forward high quality proposals for large-scale woodland creation. In 2016-17, applications covering an area of 1,082 hectares were received, following the successful introduction of the grant in 2015-16, which attracted plans for 1,048 hectares of new woodland.

Through expert advice, promoted private investment, innovation and good practice by supporting woodland creation initiatives, including through the Woodland Carbon Task Force

Through the Durham Environmental Impact Assessments pilot project we have developed an approach to mapping low sensitivity areas for large-scale woodland creation with a significant productive element (subsequently extended to Northumbria and Cumbria). In turn, a national map of 'low risk areas for woodland creation' has been developed that has supported Defra's consultation on transposing the revised EU Environmental Impact Assessment Directive which includes a proposal to change the thresholds for Environmental Impact Assessment for afforestation in England, the outcome of which will be published in 2017.

A new woodland creation stakeholder group has been established, chaired by Forestry Commission Director England, which has taken over some of the remit of the Woodland Carbon Task Force, focusing on forestry sector activity on accelerating rates of woodland creation.

Continued to promote the Woodland Carbon Code (WCC) while developing a succession plan to move beyond government ownership

A total of 129 projects in England were registered under the WCC at 31 March 2017, covering an area of 2,309 hectares of woodland and projected to sequester 1.3 million tonnes of carbon dioxide over their life time of up to 100 years. Innovative finance initiatives such as the WCC can support the Woodland Carbon Fund and, to support this role and further encourage woodland expansion, the WCC is being actively promoted through internal Forestry Commission England and external woodland creation events.

With the Environment Agency, implemented the Woodlands for Water Action Plan and take part in a Natural Flood Management pilot in the North of England

Direct involvement in the Environment Agency/Defra 'Working with natural processes' research programme has led to a wider appreciation of the potential for woodland to improve water quality and reduce flood risk. Woodland measures feature in the Flood Action Plans for both Cumbria and Calderdale, and in the four emerging Natural Flood Management (NFM) pilots in Cumbria. Woodland projects are also strongly represented in the national NFM demonstration projects being developed by the Environment Agency in response to the new funding announced in the Autumn Statement.

Research, evidence, indicators and data

Worked to gain knowledge from the research programmes arising from the Science and Innovation Strategy for Forestry in Great Britain so that England's critical research questions are addressed

We continued to work to deliver the Science and Innovation Strategy for Forestry in Great Britain, in line with the seven programmes of work defined in April 2015.

We engaged actively in developing work on the future of forestry research via the Forest Research Oversight group, and supported the Forestry Governance Programme Board work to ensure that future forestry research arrangements do still meet England's critical needs.

Further integrated our research and knowledge exchange activities into the Defra group's evidence strategy

We agreed and provided key performance indicators to support of Defra strategy at the beginning of 2016-17, and worked closely with Defra's Evidence and Analysis Unit.

A new set of management information and reporting arrangements from the National Performance report

Forest Inventory are now in place to support the joint area plans between Environment Agency, Natural England and Forestry Commission England/Central Services.

Published agreed data sets as part of Defra's open data strategy

The Forestry Commission published around 250 additional datasets towards Defra's successful delivery of substantially more data in 2016-17. More than 100 of these were Forest Services datasets including the locations of woodland creation and managed woodland as well as tree health survey findings. We made the new Forestry Commission Open Data website map-based and more user-friendly. We evaluated ourselves on the 'Open Data Maturity Model' (Open Data Institute, 2015) and assessed ways to improve how we publish further useful open data in future.

Continued to support, develop and make available the National Forest Inventory and other important data sets for forestry, such as the Ecological Site Classification Support System for tree planting

We delivered evidence and analysis from the National Forest Inventory (NFI). As examples, we published 'Preliminary estimates of the changes in canopy cover in British woodlands between 2006 and 2015' (Forest Research, 2016). We developed a methodology for scoring the ecological condition of different woodland habitats across all three countries. We procured NFI summary statistical reports for the 14 Aligned Areas in support of Forestry Commission England's joint working with the Environment Agency and Natural England. We resourced, steered and authored the NFI publication on 'Tree cover outside woodland in Great Britain' (Forest Research, April 2017) that shows statistics on the area and number of small woods, groups of trees, lone trees and hedgerows in each region of the three countries and for urban and rural areas.

Cross-Border

Our cross-border priorities

Cross-border corporate and forestry support has four main priorities: resilience; evidence; standards; and corporate governance. The following section of the report is organised around these four themes.

Forest biosecurity

Provided expert input to Defra to enable the production of the UK Plant Biosecurity Strategy and the England Tree Health Management Plan

Support was provided to several Defra projects to evaluate how the strategy and the management plan were being delivered. Policy reviews were initiated for Oak Processionary Moth (OPM), Chalara dieback of ash and *Phytophthora ramorum*. Defra also commissioned an analysis of the means for improving system intelligence for plant biosecurity.

Managed tree health risks

The UK Plant Health Risk Register now has entries for more than 900 pests; a total of 76 new pests have been added since the beginning of 2016-17.

Monthly meetings were held with Defra risk analysts and these have been the focus for advice and comment on 26 risk register entries and on seven new Pest Risk Analyses (PRAs) for tree pests including an updated PRA on pine tree lappett moth. During 2016-17 we published plans for siberian coniferous silk moth, pine processionary moth, oriental chestnut gall wasp (subsequently withdrawn after a number of outbreaks were confirmed and eradication was not pursued), canker stain of plane, pitch canker of pine, oak wilt and spruce budworms (four species). We are continuing to work towards the publication of plans for *Dothistroma pini* and pine tree lappett moth in 2017-18.

We supported projects to evaluate the scope for controlling pests using unmanned aircraft and to determine the extent to which bark beetles were present in trap samples across Britain.

Co-ordinated cross-border outbreak management teams

We have continued to contribute to country stakeholder groups, incident management team meetings and project boards as well as the cross-border Advisory Council for the UK Wood Packaging Marking Scheme. Annual reports have been completed and submitted to the three countries and to the Forestry Commission Executive Board. The cross-border outbreak management team for *P.lateralis* has published management guidance for owners and managers of outbreak sites and similar guidance for *P.austrocedri* is in draft. The teams will continue to meet on at least an annual basis but will be referred to as 'management groups' in the future.

Made an expert contribution to the implementation of the new European Union Plant Health Regulation

A new European Union Plant Health Regulation has now been published and entered into force on 14 December 2016. Preparations to implement the new Regulation have begun and a series of workshops and meetings have been held to agree the UK priorities for negotiation over the three years after entry into force on 14 December 2019. Stakeholders have been kept informed of developments through the Great Britain and Northern Ireland Tree Health Advisory Group and through Defra's Plant Health Advisory Forum.

Supported the UK Chief Plant Health Officer in safeguarding the UK's biosecurity

The Plant Health Service has designed a system to capture more information from inspectors on compliant checks of wood packaging material and unregulated timber products. This system has been used as a pilot for routine business monitoring. The first use of this data has been to supply the Food and Veterinary Office with import inspection statistics in advance of a series of audits to Member States during 2017.

Monitored and evaluated pest risk from new emerging trades

Where we have had concerns with new trades, like bark screening from China, we have alerted importers and other parts of the EU to these issues. We have good bilateral working relationships with EU countries, the United States of America, Canada and more recently with Brazil.

Ensured compliance with EU inspection targets for imports into the EU of wood, wood products and isolated bark, including an enhanced commodities inspection programme in high risk areas

Inspectors have performed the required level of checks where these apply to controlled timber and wood packaging. Additional checks have been performed where there was evidence of poor compliance including imports of sawn softwood from other parts of the EU and Russia. Strengthened import requirements for sawn ash from North America have led to some difficulties with compliance and it has been necessary to refuse landing in a small number of cases. We have been working closely with the EU Commission to agree a practicable solution for the regulation of imports which at the same time continues to afford protection against the entry of Emerald ash borer. A guidance note on the requirements for importing Christmas trees was added to our existing suite of import guidance and an e-learning module for inspection of goods at the border with associated wood packaging material is being prepared for launch in summer 2017.

Drafted tree health legislation as required and prepared submissions for ministers

The Plant Health Forestry Order was amended on 1 January 2017. It introduced a statutory notification scheme for firewood and various EU Decisions relating to a number of pests. This also offered the opportunity to consolidate and reduce the amount of existing legislation on *Phytophthora ramorum*. Over 40 importers of firewood have enrolled in the scheme and have readily adopted the notification process with nearly 500 notifications

received. A number of these have been followed by visits by inspectors to monitor compliance. This work will be continued in 2017-18.

Maintained a Forest Reproductive Materials register, ensured that industry is complying with requirements and started legal action for non-compliance as required

The forest nursery sector continues to face difficulty with fluctuating levels of demand despite a strong preference for stock grown in the UK. We have worked with the trade to produce new guidance on seed testing and to assist some of the larger buyers of stock to become registered as suppliers of forest reproductive material. There is good communication with the trade and compliance levels are high.

Climate change and economics

Introduced monitoring and verification procedures for the WCC to enable verified credits to be issued from 2016

As of 31 March 2017, 250 projects are registered with the WCC. Registered projects cover an area of 16,200 hectares and will sequester 6 million tonnes of CO₂ over their lifetime. The first three verifications were carried out in 2016, enabling the first verified credits to be issued. Validated projects reached a total of 140 by March 2017. The Soil Association has been added as a certification body, and the number of organisations involved as project developers is growing. The Code continues to attract widespread interest in the UK and overseas. We are collaborating with other initiatives in the UK and other countries, including the UK Peatland Carbon Code.

Built the evidence base on the value of woodlands in supporting natural capital and delivering forest ecosystem services

A review by a team from the University of Exeter (led by Professor Ian Bateman) of economic valuation evidence in forestry was published in early 2017, accompanied by a Forestry Commission Research Note which highlights the important findings of the report. An evaluation of the wider

social and environmental benefits delivered by the WCC was published in November 2016, showing CO₂ emissions abatement through planting new woodlands also delivers significant co-benefits. Working with Environment Agency consultants, JBA, we have worked to integrate woodland measures into analyses of flood alleviation schemes to assess the cost-effectiveness of woodland compared to other flood alleviation approaches. Our contribution to work for the Scottish government helped to estimate the CO₂ emissions abatement potential (and ecosystem service co-benefits) of woodland planting in Scotland. A new study has also been commissioned to develop a decision support framework to inform appropriate responses to tree pest or disease outbreaks. This will be completed in summer 2017.

Worked with experts in and beyond the forest sector to develop new nature-based business opportunities and funding models for woodlands

By developing and maintaining partnerships and collaborations with experts and stakeholders we are exploring new funding models for forestry. This work will support policy objectives across England, Scotland and Wales to create new woodlands and increase levels of woodland management. We have developed proposals in support of the development of a long term plan for the environment and have engaged with finance sector experts on the business case for new financial instruments to channel investment into natural capital.

Worked with partners to develop and improve natural capital accounts for forestry

Further improvements are being made to the evidence base underpinning natural capital accounts for forestry. Through collaboration with Defra, the Environment Agency and the Office for National Statistics we aim to provide a national value for the contribution of woodlands to flood alleviation and to estimate the value of woodlands in reducing air pollution. We are also supporting Forest Enterprise England in the production of natural capital accounts for 2016-17.

Evidence

Research

The research programmes to deliver the Science and Innovation Strategy for Forestry in Great Britain are now producing a wide range of outputs, some of which have been published in a series of Research Reports and Research Notes. Full details of each programme are available on the Forestry Commission website research pages: www.forestry.gov.uk/research.

Published a series of Research Reports and Research Notes, which provide accessible information on research outputs for policymakers and practitioners

During the year, seven publications were produced which provide accessible information on research outputs for policymakers and practitioners. These are listed below.

- Statistics - Forestry Facts & Figures 2016
- Research Report – Sustainable construction timber
- Research Note – The implications of upland conifer management for breeding birds
- Research Note - Converting planted non-native conifer to native woodlands: a review of the benefits, drawbacks and experience in Britain
- Research Note - Understanding the provision of conifer seed for woodland species
- Software – Forest Yield
- Handbook – Forest Yield: A handbook for forest growth and yield tables for British forestry

Released ForestYield software

A new version of ForestYield was launched at the 2016 Institute of Chartered Foresters conference. This combines all of the information formerly provided in Booklet 48 into an easily accessible digital version, and comes with a user manual and an updated Handbook on Forest Growth.

Publication archive

All of our past publications have now been digitised, and are being released in batches onto the online archive catalogue at www.forestry.gov.uk/publications. To date there are more than 400 past publications available.

Commissioned economic research studies

During the year, studies have been commissioned on the wider benefits of the WCC, and the value of natural capital. A commission for a feasibility study on financial mechanisms for natural capital investment is in progress. A study on regulating water flows is under way, and we are working with the Environment Agency on a national scale study in this area.

Standards and International

UK Forestry Standard (UKFS)

Work on the light touch review of the UKFS and Guidelines was completed at the year. We have updated the UKFS and produced it in a digital format. This has involved some rationalisation, particularly on contextual information, but otherwise the essential content remains the same. For this reason we have not consulted on the new edition but made good use of a reference group of wider sector representatives; all of whom were very supportive. The project has been steered jointly by Corporate and Forestry Support and Forest Research Publications working to the four country administrations through a steering group. The final e-publication will be launched in 2017.

Other work during the year included a revision of the UK Woodland Assurance Standard. We facilitated the process by coordinating views from government and acting both as a member of the steering group and administrative board. We also assisted the Department of Energy and Climate Change (now Department for Business, Energy & Industrial Strategy) with work on sustainability criteria for woody biomass and helped shape the UK approach. In particular, we steered the topic through the EU Standing Forestry

Committee and drafted an opinion which was influential in formulating a draft proposal for a revised version of the EU Renewal Energy Directive for the period 2020–2030.

International

On behalf of the UK, we supported Defra on international forestry policy and provided technical advice and expertise. This involved us taking the lead for a period to support Defra staff changes. We worked to develop and broker a common forestry view, informed by domestic practice, amongst the four countries, Defra and other Whitehall Departments. Examples include Forest Europe, the UN Food and Agriculture Organisation Committee on Forestry, the UN International Arrangement on Forests and the EU Standing Forestry Committee. As a partner in the New Generations Plantations initiative, facilitated by World Wildlife Fund International, we have encouraged the promotion of the best sustainable practice in planted forests globally. We will host events in both London and Edinburgh in June 2017 to mark 10 years of the initiative. This will showcase how it links to wider aims to combat illegal logging while promoting development and mitigating climate change.

Forestry and Woodland Advisory Committees

Our nine forestry and woodland advisory committees have worked on implementing priorities covering woods into management, woodland creation, water and resilience, local growth, public forest estate shared learning, historic landscape, training and skills, and the urban forest and woodland advisory committees network. The committees have used joint partnership working and the expertise of their members to help drive change. This includes bringing Natural England and Forestry Commission England managers together to develop grant delivery plans and championing forestry and the benefits of trees and woodlands to decision-makers in pan-regional sector development plans. More information on the work of the forestry and woodland advisory committees can be found in their annual report

([http://www.forestry.gov.uk/pdf/2016FWACAnnualReportFinal.pdf/\\$file/2016FWACAnnualReportFinal.pdf](http://www.forestry.gov.uk/pdf/2016FWACAnnualReportFinal.pdf/$file/2016FWACAnnualReportFinal.pdf)).

Issues and risks

The important issues and risks that could affect the entity in delivering its objectives are:

Structural reform

The Forestry Commission has already embarked on a significant programme of structural change in the light of the continuing process of devolution and as part of building the new Defra Group. Scottish ministers' commitment to legislation to take over the powers of the Forestry Commissioners in Scotland has further important consequences for the organisation, including the future of Forest Research and other cross-border functions, which we will continue to explore with the UK, Scottish and Welsh governments in the coming year.

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

Delivering government policy

Ministers continue to show strong interest in woodland improvement and creation, including potentially large scale initiatives. The potential significant implementation cost, including administration, will need to be factored into overall Defra business planning, and recognition given to competing priorities for land use.

Common Agricultural Policy delivery

Continuing challenges with delivering Countryside Stewardship functionality in the second year of the new Common Agricultural Policy required the Forestry Commission to deploy manual contingencies at additional cost and delays to agreements.

Tax

Ongoing HMRC tax audits are substantially complete for Forestry Commission England/Central Services, and therefore no provisions or contingent liabilities in respect of tax are included in these accounts.

Business continuity and cyber security

There continues to be a risk to business continuity from the further devolution of central corporate services and the establishment of new arrangements. There are also business continuity risks arising from the increased level of national and international cyber-attacks. These risks are being addressed by keeping our systems up to date and applying software patches promptly, and the disaster recovery portfolio of work is progressing well.

EU exit

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 starts a two-year negotiation process between the UK and the EU. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations. During this two year period, which includes the full duration of the next accounting period, the UK remains a full member of the EU with all the rights and obligations arising from membership. There are no significant impacts on the financial statements in the short term from making the formal notification.

Biosecurity

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

Performance summary

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

Funding for Forestry Commission England/Central Services in 2016-17 was subject to negotiations with Defra prior to the Spending Review 2015.

In addition to the expenditure shown in our accounts, Forestry Commission England manages grant schemes on behalf of Defra. These schemes total a further £23.8 million (2015-16 £24.4 million) of public funds that are administered by Forestry Commission England/Central Services staff.

Long-term expenditure trends

Defra have provided Forestry Commission England/Central Services with a relatively

flat indicative resource baseline for the remainder of Spending Review 2015 settlements timeframe, although this will be subject to re-evaluation as part of Defra's response to HM Treasury's 2019-20 Efficiency Review.

Forestry Commission England/Central Services has begun the significant programme of structural change that will determine how it will operate, following the announcement by Scottish ministers this year that Forestry in Scotland will go its separate way in 2019, subject to the will of the Scottish parliament. At present, the financial impacts of those changes are minimal, with the most significant change in 2016-17 being the transfer of the Inventory, Forecasting and Operational Support from Shared Services to Forest Research. The impact in future years is likely to be more significant, as the Scottish and English Forestry Commission bodies take over the provision of other services currently provided by Shared Services.

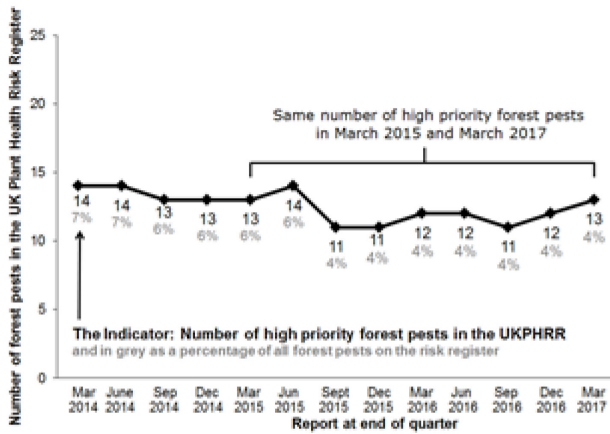
Performance analysis

Key performance indicators 2016-17

Forest Services

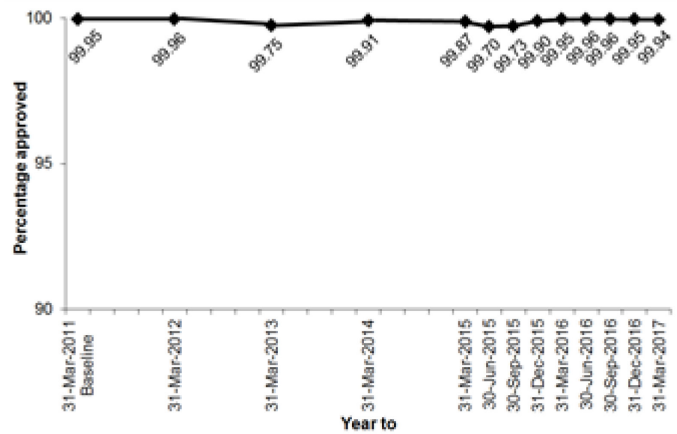
Protection

Number of high priority forest pests in the UK Tree Health Risk Register (UKPHRR)¹



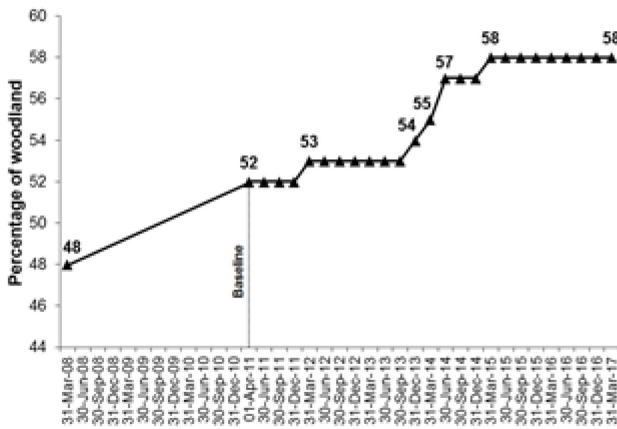
Protection

Percentage of known tree felling carried out with Forestry Commission approval²



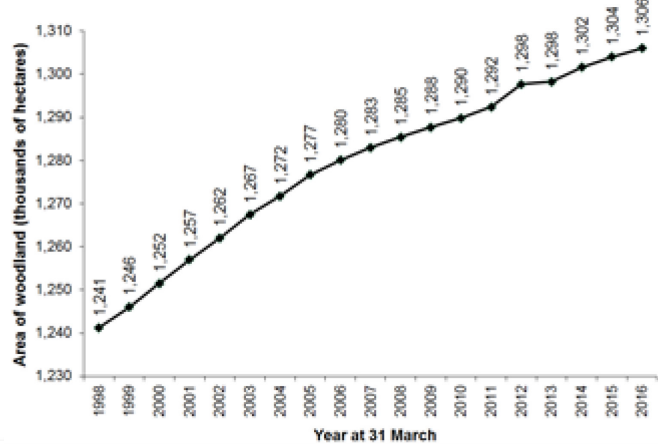
Improvement

Percentage of Woodland in Active Management²



Expansion

Area of Woodland in England³



1 Source: UK Plant Health Risk Register (UKPHRR)

2 Source: Forestry Commission administrative data

3 Source: Forestry Statistics including Forestry Commission administrative data and the National Forestry Inventory (Forest Research)

Our key performance indicators that show our contribution to enabling the protection, improvement and expansion of forestry and woodlands in England are set out in Forestry Commission England’s Corporate Plan 2016-17. The indicators reflect our commitment to deliver our part of Defra’s priorities as set out in its business plan to 2020; including tree planting, bringing more woodlands into management and helping to protect them against tree pests. The indicators are one of the ways we have

used management information as a part of our commitments to both evidence-based working and ensuring people are clear about important trends for the forestry sector. The latest reports for the headline indicators are graphed above and described below.

Protection

At the end of March 2017 there were 13 high priority forest pests in the UK Plant

Health Risk Register (UKPHRR) that require actions in addition to mitigations already implemented, to prevent them having a potentially substantial negative impact on England's woodland. These 13 (4%) of the 299 forest pests in the UKPHRR are high priority because their mitigated relative risk rating is 15 or more. This is a net increase of one high priority pest compared to the report at end March 2016. One pest, oriental chestnut gall wasp, was removed owing to a reduction in its mitigated impact rating. Two pests were added: Zigzag elm sawfly (*Aproceros leucopoda*) and shoot blight on cedar (also known as tip blight on eastern hemlocks) (*Sirococcus tsugae*) were each added due to an increase in the rating of their respective possible impacts in recent pest risk analyses. The sawfly is absent from the UK. *Sirococcus tsugae* is present in England, Scotland, Wales and Northern Ireland, and has potential for further geographical spread within the UK. Further information about this indicator can be viewed in our quarterly Headline Indicator Update.

The percentage of known tree felling that was carried out with Forestry Commission approval during 2016-17 was 99.94%. This is the percentage of felling that is licensable by the Forestry Commission that is not illegal felling, and excludes felling with development approval. The aim is to keep this indicator above 95%. The overall figure for the proportion of all felling that is not illegal felling remains at a very good level.

Improvement

As at 31 March 2017, 58% of English woodland, including the Public Forest Estate, is actively managed. The aspiration is that two thirds of woodland is in management by the end of 2018.

Expansion

As at 31 March 2016, the area of woodland in England is 1,306,000 hectares. This is 10.0% of the land area of England; the aspiration is to achieve 12% woodland cover by 2060, equating to 1,566,000 hectares. This indicator is reported on an annual basis. The next update to this statistic is due in Woodland Area, Planting and Restocking 2017. The figure for the area of woodland in England at 31 March 2016 is an increase of 1,000 hectares on the previous year. Over the last 10 years the area of woodland has increased by an average of 2,600 hectares per year. This indicator is based largely on all woodland identified in the most recent National Forest Inventory woodland map.

Since 31 March 2016 woodland creation schemes funded by Countryside Stewardship and the English Woodland Grant Scheme have delivered an additional 525 hectares of woodland creation, which corresponds to an estimated 802,000 trees. In total 1,444,000 trees have been planted with the support of these schemes since 1st April 2015.

Sustainability report

Forestry Commission England/Central Services carries out sustainability reporting in line with the Greening Government Commitments (GGC) and HM Treasury's Financial Reporting Manual reporting requirements. The environmental impacts of the organisation's forest management support activities on the built estate are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel-based

energy and reducing waste and our use of water. Our EMS meets the requirements of the internationally recognised standard for EMS, BS EN ISO 14001 2004. The EMS is independently assessed for certification by accredited 14001 assessors. All activity of Forestry Commission England/Central Services sustainable business is measured and managed through conformance to the UKFS, and is independently certified by United Kingdom Woodland Assurance Standard assessors.

Performance measurement (KPIs)		2013-14	2014-15	2015-16	2016-17
Business travel	Total miles	2,813,677	2,851,421	2,525,624	2,064,927
	tonnes CO ₂ e↑	1,122	1,175	1,031	733
	Expenditure (£000)	1,345	1,398	1,250	1,096
Electricity, gas and other heating fuels	Consumption (KwH)	4,776,197	4,560,644	4,656,032	4,608,614
	Expenditure (£000)	400	365	405	382
	tonnes CO ₂ e↑	2,008	1,932	1,957	1,820
(Renewable energy is recorded by Forest Enterprise England)	% Renewable	N/A	N/A	N/A	N/A
Total energy (Scopes 1, 2 and 3) estate and travel	tonnes CO ₂ e↑	1,785	1,769	1,625	1,423
	Expenditure (£000)	1,744	1,763	1,656	1,478
Estate and office waste	Amount (Tonnes/m ³)	253	243	1,409	282
	Expenditure (£000)	18	25	42	34
Estate and office water	Quantity (m ³)	14,340	19,200	20,013	34,680
	Expenditure (£000)	18	18	27	16

Overview

Forestry Commission England/Central Services works with others to enable sustainable forest and land management and to manage its own environmental impacts, whether as a tenant or landlord. Future focus is on:

- continuing certification to BS EN ISO 14001-2004 for all of Forestry Commission England
- co-operating with others to reduce their environmental impacts
- overseeing and advising on the WCC
- administering grants and delivering support, enabling an increase in sustainably managed forests providing

quality public benefits from natural capital

- reducing energy needs from fossil fuel-derived sources and supporting sustainable wood fuel and renewable energy in the rural sector
- reporting sustainable timber use in accordance with policy commitments

Summary of future strategy

The England Executive Board has approved a set of key performance indicators, which combined with our improving data monitoring capabilities form the basis of our future internal performance monitoring. The Executive Board uses existing baseline data, agrees indicators to

monitor our business sustainability performance of the built estate and to establish realistic but challenging renewable energy targets for cost centre managers. Central information will be processed to inform local managers of their KPI details to guide local agreement and decision making, prioritising according to business risk and resource allocation. Early 2016-17 an energy audit commenced to clearly determine where energy is being used. This forms the basis of energy reduction measures and inform future energy generation options. The business case for investment in renewables will be formulated based on short, medium and long-term business need using the current energy requirements of the organisation. Forestry Commission England/Central Services will cooperate with Forest Enterprise England to enable them to meet their sustainability performance targets.

During 2016-17 our main priorities have consisted of:

- processing collected data, providing managers with information to plan business performance improvement and to inform GGC reporting to Defra
- providing system support to local managers – resumption requirements, audits and data input
- reviewing and improving the management system so that it adds value to the operational objectives
- reviewing the effectiveness of our operational guidance booklet that outlines our EMS (OGB43 Ver 3.1)
- progressing the WCC and advising others on its use
- continuing to meet our regulatory role on tree health, bio-security and other roles

Cooperation

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

Sustainable procurement

Forest Commission England/Central Services has worked to ensure that sustainable solutions are part of goods, services and works we purchase.

We have focused on our timber policy and specifications. Only timber and timber products originating either from independently verified legal and sustainable sources (such as Grown in Britain, PEFC/FSC certified timber or woodland products) or from a licensed Forest Law Enforcement Governance and Trade (FLEGT) partner can be used. We have also encouraged the use of sweet chestnut in fencing operations as alternative to treated softwood materials.

Sustainable construction

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

Environmental Management System (EMS)

As part of business management, the Forestry Commission operates an integrated EMS which is independently certified to BS EN ISO 14001-2004, the internationally recognised standard for EMS. Our management system has already provided both cost savings and environmental benefits in terms of improved management procedures, changed behaviours and improved awareness of environmental impacts and legal compliance with regards waste, procurement and emissions. The implementation of the EMS has established baseline data against fossil fuel-derived energy, travel CO₂, water use and waste reduction and includes sustainable procurement requirements as part of the improvement targets following the government buying standards. The maintenance of certification represents a significant investment in time and effort reflecting an improvement in the way we work, maintaining strong public support by demonstrating our care of the environment across all our activities. The focus for this year is to make sustainable business

'business as usual' driving further performance improvement in a challenging operating environment. The most recent round of internal environmental audits confirms that conformance and policy delivery are increasingly embedded in the normal business planning process and not seen as a separate consideration in decision taking. Legal compliance around EMS issues has improved and risk has reduced significantly.

Governance

Business Sustainability is overseen by the Head of Estates and the Head of Business Sustainability from Forest Enterprise England. They are responsible for formulating and championing the Forestry Commission's Environmental Policy and delivery through our integrated management system, ISO14001 EMS. Agreed terms of reference are as follows:

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

The team establishes agreed corporate level performance targets in accordance

with government's and its own business requirements for the organisation and receives an annual report of performance from the programme manager.

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

I. Gambles
6 July 2017
Additional Accounting Officer
Forestry Commission
620 Bristol Business Park
Coldharbour Lane

Accountability report

Corporate governance report

The corporate governance report describes Forestry Commission England/Central Services governance structures. It comprises the directors' report, the statement of Accounting Officer's responsibilities and the governance statement. This meets accountability requirements to Parliament as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410 and amended by HM Treasury's Financial Reporting Manual.

Directors' report

Relationship with Defra and the wider Defra group

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

- Elizabeth Truss MP, Secretary of State until 14 July 2016
- Andrea Leadsom MP, Secretary of State from 14 July 2016
- George Eustice MP, Minister of State from 11 May 2015
- Rory Stewart MP, Parliamentary Under Secretary of State until 14 July 2016
- Thérèse Coffey MP, Parliamentary Under Secretary of State from 14 July 2016

Various meetings were held with the Secretary of State and other ministers by the Forestry Commission chair, and other Forestry Commission senior staff throughout 2016-17.

Chair and Chief Executive

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

Composition of the Management Board

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

The membership of the National Committee for England during 2016-17 was:

- Sir Harry Studholme, chair Forestry Commission
- Mary Barkham, non-executive commissioner
- Julia Grant, non-executive commissioner from 1 November 2016
- Clive Tucker, non-executive board member
- Mark Pountain, non-executive board member
- Shirley Trundle, Defra director Environment and Rural
- Ian Gambles, Director England
- Simon Hodgson, Chief Executive Forest Enterprise England
- Richard Greenhous, Director Forest Services
- Steve Meeks, Finance Director Forestry Commission England

Significant interests held by Board members

A register of interests of all Board Members is maintained by the Forestry Commission and published on our website, www.forestry.gov.uk.

Personal data related incidents

There were no protected data related incidents reported for Forestry Commission England/Central Services in 2016-17.

Supplier payment policy

Forestry Commission England/Central Services complies with the government's better payment practice code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a

The notes on pages 51 to 69 form part of these accounts

valid invoice, whichever is the later. A sample analysis for 2016-17 indicates that 99.4% (2015-16: 99.3%) of invoices paid by core Forestry Commission England/Central Services and 99.6% (2015-16: 99.4%) of invoices paid by all of Forestry Commission England/Central Services were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Auditors

The accounts of Forestry Commission England/Central Services are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £42,500 (2015-16: £46,000). In addition, the notional fee for the audit of the Forest Research Agency was £35,000 (2015-16: £35,000). No fees were charged for other services (2015-16: nil).

Disclosure of audit information to the auditors

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

Statement of Accounting Officer's responsibilities

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

expenditure, changes in taxpayers' equity, and cash flows of the department for the financial year.

A Framework Document (to be signed off) exists between Defra and the Forestry Commission.

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

In preparing the accounts, Forestry Commission England/Central Services is required to comply with the requirements of the government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis and prepare the annual report and accounts so that they are fair, balanced and reasonable
- state whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts

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- prepare the accounts on a going concern basis

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

The Accounting Officer confirms that all requirements have been met.

Governance statement

Introduction and scope of responsibility

Ian Gambles was appointed by the Principal Accounting Officer of Defra as Additional Accounting Officer for Forestry Commission England/Central Services. The Additional Accounting Officer's financial responsibilities mirror those of the Principal Accounting Officer. He has responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

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

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Forestry Commission is directed, controlled and led. It enables Forestry Commission England/Central Services to monitor the achievement of its strategic objectives and to consider

whether those objectives have led to the delivery of appropriate, cost effective outcomes which are also compliant with the law and with policy.

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

The governance framework has been in place at Forestry Commission England/Central Services throughout 2016-17 up to the date of the production of the annual report and accounts, and accords with HM Treasury guidance.

The governance framework

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

The Forestry Commission is a non-ministerial government department and has a Royal Charter, dated 25 March 1920. It is headed by a board of commissioners. Forestry is devolved and commissioners are accountable separately to the secretary of state for Environment, Food and Rural Affairs and Scottish ministers. Defra is responsible for forestry policy in England.

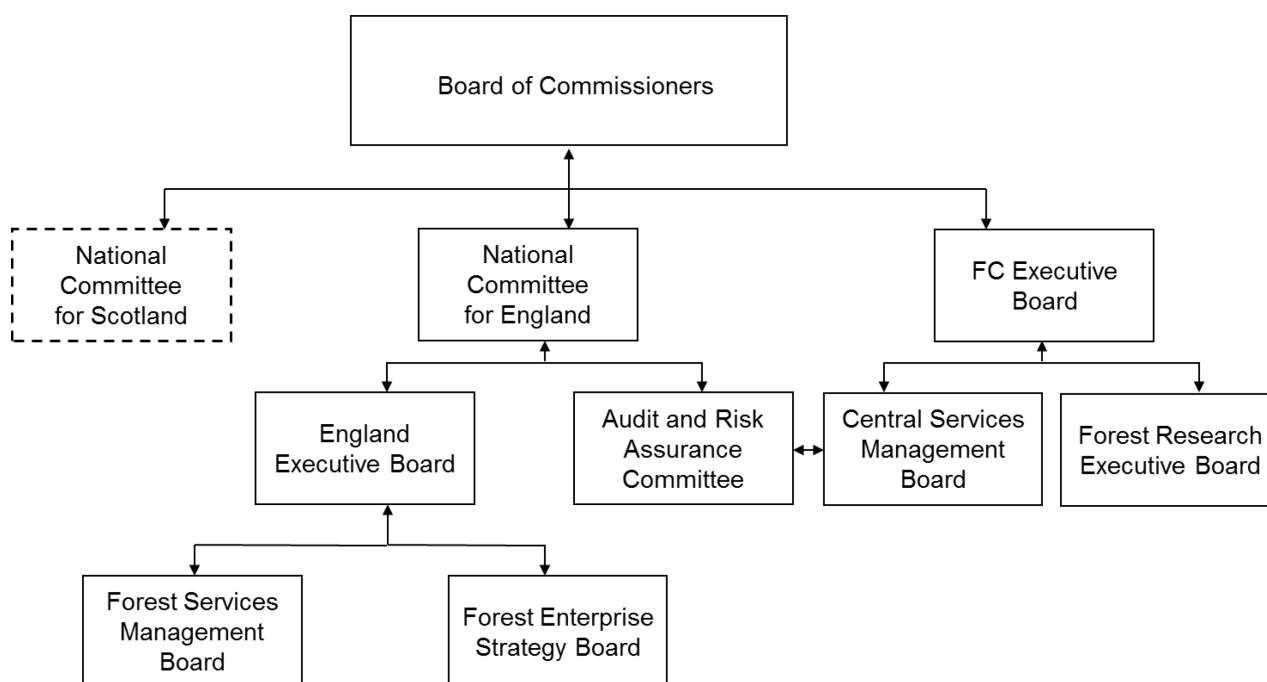
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Under section 2(3) of the Forestry Act 1967, the Commissioners have delegated their responsibilities in each country to the National Committees. National Committees are comprised of non-executive and executive members and they oversee the work of each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

Background to the Forest Research Executive Board and the Forest Enterprise Strategy Board can be found in their respective Annual Report & Accounts.

How we operate

The governance structure is outlined below and shows the most numerous interactions between the groups.



Forestry Commissioners

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

The Board of Commissioners is responsible for:

- ensuring that Commissioners' statutory duties are fulfilled
- oversight of any changes to the role or governance structure of the Forestry Commission
- delegating to the England National Committee such functions as are required to support the government forestry and woodlands policy in England
- delegating to the Scotland national committee such functions as are required to support the national committee's role in ensuring that the ministers policies are delivered efficiently and effectively
- oversight of the central services (central services comprise: Human Resources; Finance and Accounting Services; Internal Audit; Information Systems; Corporate and Forestry Support; and Forest Research)
- recommending the corporate plan for cross border activities and the Forest Research corporate plan to secretary of state Defra

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- maintaining an overview of corporate risk

The board of commissioners met in June, September and December 2016, and March 2017.

Papers for these meetings and further information on the Board of Commissioners are available on our website www.forestry.gov.uk

The Forestry Commission Executive Board

The Forestry Commission Executive Board is responsible for the following.

- Taking decisions, on the advice of the Director Central Services, on shared matters which affect the Forestry Commission as a whole and have not been fully devolved to England and Scotland. For the time being, this includes:
 - pay, terms and conditions of employment, and Human Resources policy
 - strategy and policy in health and safety, and equality and diversity
 - any other matters within the remit of the Central Services Management Board which Director Central Services determines should be referred to Executive Board for decision
- Coordinating the process of organisational change. For the time being, this includes:
 - discussing and identifying interdependencies and cross-cutting issues associated with change programmes in the constituent parts of the Forestry Commission
 - working collaboratively to ensure that individual programmes enable the realisation of programme objectives across the constituent parts of the Forestry Commission to avoid unnecessary costs or adverse

- impacts on staff, and to maintain business continuity during change
- acting as programme board in support of the senior responsible officer for the Legal and Corporate Project, advising the Forestry Commissioners and overseeing the implementation of their decisions

Papers for these meetings and further information about the Forestry Commission Executive Board, including membership and attendance, are available on our website, www.forestry.gov.uk.

National Committee for England

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

The National Committee for England is responsible for:

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

Papers for these meetings and further information on the National Committee, including membership and attendance, are available on our website, www.forestry.gov.uk.

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England Executive Board

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

Further information on the England Executive Board, including membership and attendance, is available on our website, www.forestry.gov.uk.

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

Central Services Management Board

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

Further information on the Central Services Management Board, including membership and attendance, is available on our website, www.forestry.gov.uk.

Audit and Risk Assurance Committee

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

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

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

The Committee met in May (twice) and November 2016, and March 2017 and discussed a wide range of issues including:

- risk management
- the Annual Report and Accounts 2015-16
- external and internal audit strategy and reports
- information security
- HMRC compliance audits
- the Governance Statement 2016-17
- a review of the committee's structure and effectiveness

Further information on the England Plus ARAC, including membership and attendance, is available on our website, www.forestry.gov.uk.

Performance

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

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the other committees and the non-executives play an active part in agreeing and selecting items for inclusion in agendas.

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

The England Plus ARAC has been assessed as being in line with requirements for public sector bodies as per HM Treasury guidance.

Internal audit carried out a review of the effectiveness of the Board of Commissioners and the National Committee in 2015. The review included seeking feedback from members on the structure and functioning of the Board and Committee and the responses received were positive. Five recommendations relating to procedural improvements were accepted and implemented. The Forestry Commission's Executive and Management Boards were reviewed in 2016, with a draft report issued in January 2017.

Review of effectiveness

The Additional Accounting Officer has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. The review is informed by the work of internal audit, the Agency Accounting Officers and the executive managers across Forestry Commission England/Central Services who have responsibility for the development and maintenance of the governance and control framework, and comments made by the external auditors in their management letter and other reports.

Annual Assurance Statements are provided by the executive managers across Forestry

Commission England/Central Services and have been advised on the implications of the result of the review of effectiveness by the various Boards and the ARAC.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements which include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity.

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

Forestry Commission England/Central Services has continued to apply the principles of HM Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances as a non-ministerial department, which encourage the adoption of practices set out, where relevant and practical.

The ARAC reviews its effectiveness in line with best practice as set out in HM Treasury's Audit Committee Handbook.

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

Whistleblowing

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

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objective with each other and our stakeholders).

Director Central Services has overall responsibility for whistleblowing policy and practice and works with Director England to ensure its effectiveness. Throughout the year cases were managed centrally by the Head of Internal Audit. In April 2017, internal audit was devolved to the countries. Mechanisms have been established through our policy whereby all cases for England are now managed through our nominated officer. All cases are investigated thoroughly ensuring that any lessons learnt and recommendations are embedded into how we operate as an organisation. During October 2016, as part of the Civil Service Whistleblowing Awareness Week, we re-enforced the importance of whistleblowing through a communication which reminded staff what whistleblowing is, why it is important and what we should do if we think something is not right. The whistleblowing policy is reviewed regularly and was last updated in May 2015 to take account of the changes made by Civil Service Employee Policy to reflect the Public Accounts Committee recommendations.

Risk management

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

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

Ministerial direction

No ministerial directions were given during the year.

Significant governance and risk issues

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

Other governance and risk issues are as follows.

- **Financial Review**

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

- **Tax**

Current continuing HMRC tax audits have highlighted areas of non-compliance which, as well as leading to the payment of tax liabilities and potential penalties will require substantive, and potentially substantial, improvements to our policies, procedures and systems. A formal cross-Forestry Commission working group has been set up to work at pace to ensure full compliance, as soon as practicable, for the future. Notes 10 and 14 to the accounts provide additional information.

- **Information Communication Technology (ICT) infrastructure**

The ICT infrastructure modernisation programme continues with further migration of important business applications to the new platform. This programme continues to make positive inroads into the business risk posed by ICT infrastructure failure. Disaster recovery facilities are now operational and have the capacity to restore major corporate systems within five working days. Risks arising from the increased level of national

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and international cyber-attacks are being addressed by keeping our systems up to date and software patches applied promptly. Whilst some risk to the business still remains as disaster recovery work continues, and because the facilities have not been fully tested, the overall risk position has substantially improved.

- Information Risk Management

We continue to make steady progress to identify and address information risks. Our approach continues to take account of the fact that we do not handle as much sensitive information as most other departments and our information holdings are relatively small, but increasing. Three levels of 'Responsible for Information' training are now online and has been undertaken by all staff where required at the appropriate level for their role.

Progress continues to be made in the designation of local Information Asset Owners, identifying and recording local information assets, including personal information and improving the procedures for reporting losses. This work is continuing to help our understanding of the value of the information we hold and reinforce an improved information security culture across the organisation.

- Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across Forestry Commission England/Central Services in terms of business critical models and the associated risks are being managed properly.

Wider circumstances and future challenges

The main challenges for Forestry Commission England/Central Services during 2017-18 and beyond are:

- managing Forestry Commission structural reform as part of building the new Defra Group, as well as completing the process of devolution, subject to decisions by ministers

- delivering government policy, including continued progress in woodland improvement and creation within a constrained resourcing environment and competing priorities for land use
- handling the impact and consequences to Forestry Commission England of the introduction of new Rural Development Programme for England grant schemes and Common Agricultural Policy delivery systems
- managing the one-off and continuing financial implications arising from HMRC tax audits and ensuring future compliance
- developing an appropriate response to the increasing threat of cyber security attacks
- completing plans for devolving central services and establishing new corporate service provision, whilst maintaining business continuity
- engaging with the further devolution of cross-border activities, including potential trisection of funds in future years and the handling of associated residual costs
- develop forward planning to achieve success in a post-EU exit environment
- handling the continued biosecurity threat and the potential substantial cost of counter-measures

Throughout 2017-18 Forestry Commission England/Central Services will remain focussed on managing these challenges either directly, or in partnership with other bodies across the Defra group and wider government, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations in line with the Corporate Plan.

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Remuneration and staff report

The remuneration and staff report sets out Forestry Commission England/Central Services remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors. It also provides details on remuneration and staff that Parliament and others see as important to accountability, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981 and amended by HM Treasury's Financial Reporting Manual.

Employment contracts

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

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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

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

	Date of current contract / letter	Unexpired term (months*)
Ian Gambles	09/12/2015	23
Sir Harry Studholme	10/02/2017	34
Amanda Bryan	31/07/2015	16
Julia Grant	01/11/2016	31
Mary Barkham	01/11/2014	7
George McRobbie	01/04/2015	12
Clive Tucker	08/07/2016	27
Mark Pountain	04/02/2015	10
Shirley Trundle	N/A	N/A**

* months remaining from 31 March 2017.

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

Remuneration policy

Fees for non-executive commissioners and National Committee members who are not Forestry Commission or Defra employees are determined in accordance with guidelines prescribed by the Cabinet Office.

The Forestry Commission's Senior Pay Committee comprises the Chairman, Director England, Director Central Services and the Chair of the National Committee for Scotland.

In reaching its decisions on an individual's salary and bonus, the Senior Pay

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Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at www.ome.uk.com
- Reporting officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid. The Senior Pay Committee consider the recommendations, determines the

allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded in line with Cabinet Office guidance

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

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

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

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Single total figure of remuneration						
		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Ian Gambles	2016-17	110-115	-	-	32	140-145
Director England	2015-16	110-115	5-10	-	31	145-150
Jean Lindsay	2016-17	95-100	5-10	-	22	125-130
Director Central Services	2015-16	95-100	5-10	-	30	130-135
Simon Hodgson	2016-17	80-85	5-10	4,000	17	110-115
Chief Executive Forest Enterprise England	2015-16	80-85	-	1,700	(1)	80-85
James Pendlebury	2016-17	75-80	5-10	4,300	16	100-105
Chief Executive Forest Research	2015-16	70-75	-	4,100	18	95-100
Steve Meeks	2016-17	70-75	-	-	11	85-90
Finance Director	2015-16	70-75	-	-	36	110-115
Richard Greenhous	2016-17	65-70	-	-	28	95-100
Director Forest Services	2015-16	65-70	-	-	31	95-100
Jo Ridgway	2016-17	65-70	-	-	26	90-95
Head of Human Resources	2015-16	-	-	-	-	-
Colin Morton	2016-17	45-50 ¹	-	-	41	85-90
Head of Communications (Acting)	2015-16	15-20 ²	-	-	9	25-30
Stephanie Rhodes	2016-17	35-40 ³	-	-	33	65-70
Head of Policy and Strategy Forest Services	2015-16	-	-	-	-	-
Joe Watts	2016-17	30-35 ⁴	-	-	37	65-70
Head of Sustainable Forest Management	2015-16	-	-	-	-	-
PK Khaira-Creswell	2016-17	30-35 ⁵	-	-	20	50-55
Head of Executive Office	2015-16	35-40 ⁶	-	-	17	55-60
Wilma Harper	2016-17	0-5 ⁷	-	-	(9)	(5-10)
Director Corporate and Forestry Support	2015-16	70-75	-	-	28	100-105
Richard Britton	2016-17	-	-	-	-	-
Head of Forest Services Delivery	2015-16	65-70	-	-	28	90-95
Sarah England	2016-17	-	-	-	-	-
HR Business Partner	2015-16	60-65	-	3,100	60	125-130
Mark Funnell	2016-17	-	-	-	-	-
Head of Communications	2015-16	30-35 ⁸	-	-	12	40-45
Richard Barker	2016-17	-	-	-	-	-
Head of Executive Office (Acting)	2015-16	10-15 ⁹	-	-	22	30-35
Louisa Aveyard	2016-17	-	-	-	-	-
Head of Communications (Acting)	2015-16	10-15 ¹⁰	-	-	4	15-20

1. Figure quoted is for the period 1 April 2016 to 31 December 2016 when the member retired.
2. Figure quoted is for the periods 7 December 2015 to 11 March 2016 and 28 March 2016 to 31 March 2016 covering the secondment of Mark Funnell to Defra. The full year equivalent is 60-65.
3. Figure quoted is for the period 1 September 2016 to 31 March 2017. The full year equivalent is 60-65.
4. Figure quoted is for the period 1 April 2016 to 30 September 2016. The full year equivalent is 60-65.
5. Figure quoted is for the period 1 April 2016 to 5 December 2016. The full year equivalent is 45-50.
6. Figure quoted is for the full year. A period of maternity leave ended 6 July 2015.
7. Figure quoted is for the period 1 April 2016 to 5 April 2016 when the member retired.
8. Figure quoted is for the periods 1 April 2015 to 25 September 2015, and 14 March 2016 to 25 March 2016. The full year equivalent is 60-65.
9. Figure quoted is for the period 1 April 2015 to 4 July 2015, whilst covering a period of maternity leave for PK Khaira-Creswell. The full year equivalent is 50-55.
10. Figure quoted is for the period 28 September 2015 to 4 December 2015 covering the secondment of Mark Funnell to Defra. The full year equivalent is 55-60.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due

to inflation or any increase or decrease due to a transfer of pension rights.

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The salary and pension entitlements of Jo O'Hara, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2016-17 as she is Head of Forestry Commission Scotland.

The salary and pension entitlements of Simon Hodge, Chief Executive of Forest Enterprise Scotland and a member of the Forestry Commission Executive Board, are borne and disclosed in the Forest Enterprise Scotland Annual Report and Accounts.

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

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Strategy Board are borne and disclosed in each of the agencies Annual Report and Accounts 2016-17.

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2016-17 relate to performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to performance in 2014-15.

Fair pay disclosure – subject to audit

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

The banded remuneration of the highest-paid director of Forestry Commission England/Central Services in the financial year 2016-17 was £110-115,000 (2015-16: £115-120,000). This was 3.47 times (2015-16: 3.74) the median remuneration of the workforce, which was £32,423 (2015-16: £31,437).

In 2016-17, no (2015-16: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 to £112,000 (2015-16: £17,000 to £119,000).

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

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Disclosure of salary, pension and compensation information for 2016-17 – subject to audit

	Accrued pension at pension age at 31 March 2017 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2017*	CETV at 31 March 2016	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	to nearest £100
Ian Gambles	10-15	2.5-5	253	202	25	-
Jean Lindsay	40-45 plus a lump sum of 120-125	0-2.5 plus a lump sum of 2.5-5	859	803	20	-
Simon Hodgson	25-30 plus a lump sum of 75-80	0-2.5 plus a lump sum of 2.5-5	665	635	18	-
James Pendlebury	15-20 plus a lump sum of 45-50	0-2.5 plus a lump sum of 2.5-5	324	294	14	-
Steve Meeks	30-35 plus a lump sum of 100-105	0-2.5 plus a lump sum of 0-2.5	721	681	10	-
Richard Greenhous	15-20 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	213	192	9	-
Jo Ridgway	0-5	0-2.5	23	4	13	-
Colin Morton	10-15 plus a lump sum of 30-35	0-2.5 plus a lump sum of 5-7.5	262	209	42	-
Stephanie Rhodes	10-15	0-2.5	122	104	16	-
Joe Watts	20-25 plus a lump sum of 55-60	0-2.5 plus a lump sum of 2.5-5	414	375	28	-
PK Khaira-Creswell	5-10 plus a lump sum of 20-25	0-2.5 plus a lump sum of 0-2.5	124	110	7	-
Wilma Harper	40-45	0	871	879	(9)	-

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year.

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

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stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

benefit cover (death in service and ill health retirement).

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

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

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

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additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension

due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Remuneration of non-executives – subject to audit

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2017.

	2016-17		2015-16	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir Harry Studholme	27	5	24	6
Amanda Bryan	15	3	15	3
Dr Mary Barkham	12	2	11	2
George McRobbie	11	-	11	-
Julia Grant	5	1	-	-
Clive Tucker	5	1	5	1
Mark Pountain	5	1	5	1
Keith Oates	-	-	11	1
Shirley Trundle*	N/A	N/A	N/A	N/A

*Shirley Trundle, Director Defra, a member of the National Committee for England during 2016-17, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

The expenses disclosed above include all expenses, whether taxable or non-taxable, incurred and reclaimed while travelling on Forestry Commission business.

Julia Grant replaced Keith Oates as non-executive Forestry Commissioner.

Staff report

Number of Senior Civil Servants by band

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

The notes on pages 51 to 69 form part of these accounts

Average number of persons employed – subject to audit

	2016-17			2015-16
	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number
Forestry Commission England/Central Services	294	61	355	452
Forest Research	198	29	227	177
Total	492	90	582	629

Staff costs – subject to audit

	2016-17			2015-16
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
England/Central Services Core				
Wages and salaries	11,885	-	11,885	14,506
Social security costs	1,267	-	1,267	1,136
Other pension costs	2,298	-	2,298	2,955
Agency staff	-	1,230	1,230	1,349
Inward secondments	-	141	141	138
Total costs	15,450	1,371	16,821	20,084
Less recoveries in respect of outward secondments	(71)	-	(71)	(54)
Total net costs	15,379	1,371	16,750	20,030
Forest Research				
Wages and salaries	7,043	588	7,631	6,028
Social security costs	756	57	813	479
Other pension costs	1,369	121	1,490	1,228
Agency staff	-	180	180	-
Total net costs	9,168	946	10,114	7,735
Forestry Commission England/Central Services Consolidated Department				
Total costs per SoCNE	24,618	2,317	26,935	27,819
Less recoveries in respect of outward secondments	(71)	-	(71)	(54)
Total net costs	24,547	2,317	26,864	27,765

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as **alpha** are unfunded multi-employer defined benefit schemes but Forestry Commission England/Central Services is unable to identify its share of the underlying assets and liabilities. The

scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2016-17, employers' contributions of £3,905,000 were payable to the PCSPS (2015-16: £4,229,000) at one of four rates in the range 20.0% to 24.5% (2015-16: 20.0% to 24.5%) of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates

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are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £32,000 (2015-16: £35,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable earnings (2015-16 to 30 September 2015: 3% to 12.5%, 2015-16 from 1 October 2015: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer

contributions of £1,400, 0.5% of pensionable pay (2015-16 to 30 September 2015: £1,400, 0.8%, 2015-16 from 1 October 2015: 0.5%), were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

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

Ill-health retirement

One person (2015-16: nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,700 (2015-16: £nil).

Staff composition – subject to audit

				2016-17	2015-16
	Directors and senior civil servants	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number	Number
Core					
Male	4	177	26	207	249
Female	1	112	35	148	203
Total	5	289	61	355	452
Forest Research					
Male	2	120	18	140	107
Female	-	76	11	87	70
Total	2	196	29	227	177
Consolidated	7	485	90	582	629

Sickness absence data

Year	Working days lost per staff year	
	Forestry Commission	Forestry Commission England/Central Services
2016-17	10.1	9.5
2015-16	10.5	10.9
2014-15	6.9	6.0

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

Accidents and reportable incidents

There were no reportable accidents (those causing incapacity for more than 7 days) in 2016-17 and the preceding years.

Compensation for loss of office – subject to audit

10 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2017 (2015-16: 7). They received compensation payments of £282,789 (2015-16: £137,779).

Nil staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2017 (2015-16: nil).

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil - (2015-16: nil)	2 - (2015-16: 1)	2 - (2015-16: 1)
£10,000 - £25,000	Nil - (2015-16: nil)	3 - (2015-16: 5)	3 - (2015-16: 5)
£25,000 - £50,000	Nil - (2015-16: nil)	4 - (2015-16: nil)	4 - (2015-16: nil)
£50,000 - £100,000	Nil - (2015-16: nil)	1 - (2015-16: 1)	1 - (2015-16: 1)
Total number of exit packages	Nil - (2015-16: nil)	10 - (2015-16: 7)	10 - (2015-16: 7)
Total resource cost / £	£Nil (2015-16: £Nil)	£282,789 (2015-16: £137,779)	£282,789 (2015-16: £137,779)

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

Staff policies

People

The Forestry Commission's People Strategy sets out the strategic direction in relation to our people. This year we published our third people strategy 'Supporting You through Change' which builds upon our previous strategies and recognises that the organisation is facing unprecedented change. The new strategy continues to focus on our commitment to high levels of employee engagement, motivation, flexibility and one that openly encourages participation, personal development and valuing our staff. The main themes of the strategy are:

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- employee health, safety and wellbeing
- engagement through change
- the right people in the right place
- employee knowledge and skills
- equality and diversity
- recognition and reward

The strategy is being delivered primarily through specific action plans that have been agreed at Country/Forest Research board level.

We have:

- continued our work on establishing new corporate service arrangements in each country and Forest Research. To date HR services, equality and diversity, procurement services and safety, health and environment have been established. Learning and development Services were established on 1 April 2017 and at the same time our internal audit services for Forest Commission England/Central Services will transfer to the government Internal Audit Agency
- agreed a new partnership agreement with the Forestry Commission trade unions which outlines how we will work together to promote effective partnership working
- developed a new loans and secondments policy and procedure to support efficient movement of employees across the Civil Service and external organisations. This will facilitate knowledge sharing and the development of employees through the acquisition of new transferable skills and expertise which on their return can be of benefit to the Forestry Commission
- refreshed the Travel and Expenses, Homeworking, and Relocation Policies and Procedures to take account of HMRC tax rules and ensure that Forestry Commission remains compliant in relation to employee income tax
- refreshed the email, internet and social media policy to include greater clarity on Forestry Commission monitoring; information on cyber-bullying; strengthening existing information on activities requiring caution and those

that are prohibited; and extending guidance on identifying your employer on social media, including the risks of doing so, what activity is supported and the importance of complying with the Civil Service Code and Forestry Commission values

- changed our supplier of childcare vouchers to Edenred who provide the central government benefits framework

Learning and development

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

We have:

- launched the annual training delivery programme which included new business specific e-learning courses
- delivered a specific programme of change workshops
- continued to deliver training on behalf of the Health and Safety Executive – including H&S Inspector Training, and Safety, Health and Awareness training for the Forestry sector
- continued to use Civil Service Learning for core/mandatory eLearning programmes such as Unconscious Bias, SSG 360 tool and to access externally purchased training where this is not available in house. We have also seen a significant increase in the number of registered users

Equality, diversity and inclusion

At the Forestry Commission we continue to strive towards building a diverse and inclusive environment for all staff and visitors to our sites. During 2016-17, equality, diversity and inclusion has been devolved to England, Scotland, Forest Research and Shared Services.

We have published our annual monitoring report which reports on the year to 31 March 2016. This report highlights some progress being made in diversifying our workforce. However, it also emphasises that there is still a lot more

The notes on pages 51 to 69 form part of these accounts

work to be done. The report demonstrates a number of positive case studies on work being done across the Forestry Commission.

Pay and recognition

We have implemented a pay award in line with the Westminster government pay policy. All staff received a modest consolidated increase. We have also started work on our equal pay audit to ensure compliance with the revised legislation coming into force in April 2018.

Expenditure on consultancy

During the year Forestry Commission England/Central Services incurred costs of

£2,000 for consultancy services (2015-16: £47,000).

Costs incurred on agency and temporary staff during the year total £1,410,000 (2015-16: £1,349,000).

Off-payroll engagements

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

Table 1: For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months.

31 March 2017	4
Of which...	
No. that have existed for less than one year at time of reporting.	1
No. that have existed for between one and two years at time of reporting.	-
No. that have existed for between two and three years at time of reporting.	-
No. that have existed for between three and four years at time of reporting.	1
No. that have existed for four or more years at time of reporting.	2

Table 2: For all new off-payroll engagements between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months.

No. of new engagements between 1 April 2016 and 31 March 2017	2
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	2
No. for whom assurance has been requested.	2
Of which...	
No. for whom assurance has been received.	2
No. for whom assurance has not been received.	-
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	-

The notes on pages 51 to 69 form part of these accounts

Parliamentary Accountability and Audit Report

The parliamentary accountability and audit report brings together the main parliamentary accountability documents within the annual report and accounts. It reports the summary of outturn, a comparison of outturn against the Supply Estimate voted by Parliament, and explanations of any variances between the Estimate and outturn.

Losses and special payments – subject to audit

Total losses and special payments for Forestry Commission England/Central Services are below £300,000.

Significant variances against Budget

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

	Net Budget total	Gross Expenditure	Income	Net Total	2016-17 Outturn comparison to budget
	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	50,440	72,181	(21,944)	50,237	(203)
Resource Annually Managed Expenditure (AME)	(350)	(175)	-	(175)	175
Total resource outturn	50,090	72,006	(21,944)	50,062	(28)
Capital Department Expenditure Limit (CDEL)	6,410	6,217	-	6,217	(193)
Total capital outturn	6,410	6,217	-	6,217	(193)

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

The RDEL underspend is the product of a number of minor variances across the organisation.

I. Gambles
6 July 2017
Additional Accounting Officer
Forestry Commission
620 Bristol Business Park
Coldharbour Lane
Bristol BS16 1EJ

Fees and charges – subject to audit

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

Remote contingent liabilities – subject to audit

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

The CDEL underspend reflects asset disposals which have arisen through organisational change.

The variance on AME is related to an under-utilisation of provisions linked to a reducing profile of Annual Compensation Payments for pre-SR10 early retirees.

The notes on pages 51 to 69 form part of these accounts

The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of Forestry Commission England/Central Services for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and Parliamentary Accountability Report that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Forestry Commission England/Central Services' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made

by Forestry Commission England/Central Services; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Forestry Commission England/Central Services' affairs as at 31 March 2017 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability and Audit Report to be

audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report and Parliamentary Accountability and Audit 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 10 July 2017
Comptroller and Auditor General

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

Financial statements

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2017

	Note	Core £000	2016-17 Consolidated £000	Core £000	2015-16 Consolidated £000
Operating income	3	(15,143)	(21,944)	(19,528)	(24,446)
Total operating income		(15,143)	(21,944)	(19,528)	(24,446)
Staff costs	2	16,821	26,935	20,084	27,819
Other operating expenditure	2	43,348	48,991	39,940	44,299
Total operating expenditure		60,169	75,926	60,024	72,118
Net operating expenditure		45,026	53,982	40,496	47,672
Other comprehensive net expenditure					
Items which will not be reclassified to net operating costs:					
Net (gain)/loss on revaluation of property, plant and equipment		(52)	333	(54)	(301)
Net (gain) on revaluation of intangible assets		-	(2)	-	(1)
Comprehensive net expenditure for the year		44,974	54,313	40,442	47,370

All income and expenditure is derived from continuing operations.

The notes on pages 51 to 69 form part of these accounts

Consolidated statement of financial position

as at 31 March 2017

	Note	31 March 2017		31 March 2016	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Non-current assets					
Property, plant and equipment	4	1,245	12,499	1,343	11,794
Intangible assets	5	454	522	595	630
Financial assets		-	25	-	25
Trade and other receivables	7	98	117	64	85
Total non-current assets		1,797	13,163	2,002	12,534
Current assets					
Inventories		-	136	140	140
Trade and other receivables	7	1,488	3,208	2,117	3,797
Cash and cash equivalents	8	2,913	4,020	7,157	7,425
Total current assets		4,401	7,364	9,414	11,362
Total assets		6,198	20,527	11,416	23,896
Current liabilities					
Trade and other payables	9	(6,266)	(8,075)	(10,586)	(11,861)
Provisions	10	(274)	(306)	(181)	(264)
Total current liabilities		(6,540)	(8,381)	(10,767)	(12,125)
Total assets less current liabilities		(342)	12,146	649	11,771
Non-current liabilities					
Trade and other payables	9	(212)	(212)	(240)	(240)
Provisions	10	(63)	(99)	(263)	(316)
Total non-current liabilities		(275)	(311)	(503)	(556)
Total assets less total liabilities		(617)	11,835	146	11,215
Taxpayers' equity					
General fund		(1,122)	4,309	(381)	3,284
Revaluation reserve		505	7,526	527	7,931
Total taxpayers' equity		(617)	11,835	146	11,215

I. Gambles
Additional Accounting Officer

6 July 2017

The notes on pages 51 to 69 form part of these accounts

Consolidated statement of cash flows

for the year ended 31 March 2017

		2016-17	2015-16
	Note	£000	£000
Cash flows from operating activities			
Net operating cost		(53,982)	(47,672)
Adjustments for non cash transactions	2	1,958	2,663
Decrease in inventories		4	4
Decrease in trade and other receivables	7	557	2,656
(Decrease) in trade and other payables	9	(3,814)	(1,787)
Movements in trade payables relating to Defra	9	3,405	301
Use of provisions	10	(572)	(1,293)
Non-cash inter-country transfers		-	97
		(52,444)	(45,031)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(2,220)	(569)
Purchase of intangible assets	5	(267)	(14)
Proceeds of disposal of non-current assets		112	-
		(2,375)	(583)
Cash flows from financing activities			
Defra Funding		58,839	53,039
		58,839	53,039
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		4,020	7,425
Payment of amount due to Defra		(7,425)	(7,726)
Net (decrease) in cash and cash equivalents in the period		(3,405)	(301)
Cash and cash equivalents at the beginning of the period		7,425	7,726
Cash and cash equivalents at the end of the period		4,020	7,425

The notes on pages 51 to 69 form part of these accounts

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2017

	Note	Core			Consolidated		
		General Fund £000	Revaluation Reserve £000	Total £000	General Fund £000	Revaluation Reserve £000	Total £000
Balance at 31 March 2015		1,557	512	2,069	5,120	7,673	12,793
Net Defra funding		45,615	-	45,615	45,615	-	45,615
Comprehensive net expenditure for the year		(40,496)	-	(40,496)	(47,672)	-	(47,672)
Internal charges adjustment		(7,239)	-	(7,239)	-	-	-
Net gain on revaluation of property, plant and equipment	4	-	54	54	-	301	301
Transfer from revaluation reserve		39	(39)	-	43	(43)	-
Non-cash charges - inter-country transfers		97	-	97	97	-	97
Non-cash charges - auditors remuneration	2	46	-	46	81	-	81
Balance at 31 March 2016		(381)	527	146	3,284	7,931	11,215
Net Defra funding		52,626	-	52,626	54,819	-	54,819
Comprehensive net expenditure for the year		(45,026)	-	(45,026)	(53,982)	-	(53,982)
Internal charges adjustment		(8,494)	-	(8,494)	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment	4	-	52	52	-	(333)	(333)
Net gain on revaluation of intangible assets	5	-	-	-	-	2	2
Transfer from revaluation reserve		74	(74)	-	74	(74)	-
Non-cash charges - auditors remuneration	2	43	-	43	78	-	78
Non-cash charges - Defra fees	2	36	-	36	36	-	36
Balance at 31 March 2017		(1,122)	505	(617)	4,309	7,526	11,835

The notes on pages 51 to 69 form part of these accounts

Notes to the accounts

NOTE 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016–17 government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the 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.

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 Forestry Commission England/Central Services, for the purpose of giving a true and fair view. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts..

1.1 Significant judgements and estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

IAS 19, Employee Benefits, requires us to recognise a liability when an employee has provided service in exchange for benefits to be paid in the future. This includes holiday accrued during the financial year, but not taken by the 31 March. The holiday pay accrual is calculated based on a sample of employees.

Management have made significant judgements in respect of Forest Research's development activities, where they have judged that the development activities undertaken by Forest Research have not met the conditions outlined in IAS 38, Intangible Assets, and therefore no assets have been recognised by Forest Research, or consolidated within these accounts. The activities are reviewed on an on-going basis against the criteria of IAS 38.

1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

1.3 Going concern

In common with other government bodies, the future financing of Forestry Commission England/Central Services' liabilities is to be met by future grants of supply and the application of future income approved annually by Parliament. Approval for amounts required for 2017–18 has been provided and there is no reason to believe that future approvals will not be made. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.4 Basis of consolidation

These accounts comprise a consolidation of Forestry Commission England and our Central Services function in Edinburgh as the Core, and Forest Research, an executive agency of Forestry Commission England. The Central Services function provides services to all organisations within the Forestry Commission family, including Forestry Commission Scotland, Forest Enterprise Scotland, Forest Enterprise England and Forest Research. Transactions between entities within the consolidation boundary have been eliminated. Grants that include an element of co-financing from the European Union are accounted for by Defra.

The Public Forest Estate in England is managed by Forest Enterprise England, an executive agency of Forestry Commission England, which has been classified by the Office for National Statistics as a public corporation. As a public corporation, the assets (including the Public Forest Estate), liabilities, income and expenditure of Forest Enterprise England are not consolidated in the accounts of Forestry Commission England/Central Services, or Defra. Forest Enterprise England produces its own Annual Report and Accounts, which can be found on the Forestry Commission website.

1.5 Funding to, and public corporation dividend from, Forest Enterprise England

Forestry Commission England makes an annual funding payment, equal to the agreed annual subsidy limit, to Forest Enterprise England, which is accounted for as expenditure in the Forestry Commission England/Central Services accounts. Forestry Commission England receives a dividend from Forest Enterprise England reflecting the expected rate of return on funding provided. The dividend rate has been agreed with HM Treasury and is currently set at zero per cent whilst Forest Enterprise England is loss-making. If Forest Enterprise England makes a surplus before revaluation gains on biological assets in the future, HM Treasury's real rate of 3.5 per cent will apply.

1.6 Administrative and programme expenditure

The classification of expenditure and income as administration or programme follows the definition set by HM Treasury. Administration costs and income reflect agreements reached with HM Treasury and Defra regarding classification of the activity as non-frontline services. Where an activity has been classified as a front line service, the associated income and expenditure is recognised as programme.

1.7 Property, plant and equipment

Legal ownership of all land and buildings is vested in ministers. Legal ownership of the timber, including uncut trees, is vested in

the Forestry Commissioners and accounted for by Forest Enterprise England. Legal ownership of other tangible assets is vested in the Forestry Commissioners and accounted for in Forestry Commission England/Central Services, Forest Research Agency and Forest Enterprise England as appropriate.

1.7.1 Recognition and valuation

Freehold land and buildings are subject to professional valuation at no more than five yearly intervals. These valuations are carried out by professionally qualified staff members, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors (RICS) Red Book. The most recent valuation was carried out on 31 March 2013 and was reviewed by Smiths Gore, Chartered Surveyors.

Land is stated at fair value, which in practice is open market value. Buildings are stated at depreciated replacement cost, i.e. fair value less accumulated depreciation. Between full valuations, all land and buildings are revalued annual as at 31 March using specialist indices.

In accordance with IFRS 13, Fair Value Measurement, all non-property tangible assets are carried at fair value. Valuations on non-property tangible assets are carried out as follows:

- Assets in the course of construction – valued at purchase cost as a proxy for fair value, and subject to full valuation on being brought into use
- Plant and machinery – carried at fair value less accumulated depreciation, subject to a full revaluation every five years by professionally qualified staff and subject to annual revaluation using indices provided by the Office for National Statistics
- Office machinery and equipment – carried at fair value less accumulated depreciation, with purchase cost used as an approximation for initial fair value, and subject to an annual revaluation using indices provided by the Office for National Statistics

Capitalisation of assets is subject to a minimum threshold, or threshold range, as follows:

- Freehold land – nil
- Buildings - £10,000
- Plant and machinery – £3,000
- Office machinery and equipment – £2,000

1.7.2 Subsequent expenditure

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

1.7.3 Valuation movements

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

1.7.4 Depreciation

Land, assets under construction, and assets held for sale are not depreciated.

All other owned property, plant and equipment are depreciated, less estimated residual values, over the following timescales:

- Buildings – 1 to 60 years
- Vehicles, machinery and equipment – 4 to 20 years

- Office machinery and equipment – 3 to 20 years

Leased assets are depreciated over the unexpired term of the lease, other than buildings held under a finance lease, which are depreciated over the lesser of the unexpired term and 60 years. Lease premiums on freehold buildings are depreciated over the unexpired term.

All assets residual values and useful lives are reviewed, and adjusted if appropriate, at 31 March.

1.8 Intangible non-current assets

Intangible non-current assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed information technology software, including assets under construction.

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

Forestry Commission England/Central Services' expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred.

Capitalisation of internally developed software is contingent on fulfilment of the criteria noted in IAS 38 (Intangible Assets), and includes capitalisation of internal IT employee costs on projects. Internally developed software assets are valued at depreciated replacement cost and amortised over an estimated useful economic life of seven years.

1.9 Income

Operating income relates directly to the operating activities of Forestry Commission England/Central Services. Income is recognised on an accruals basis and the amounts are recorded at fair value. The

method adopted for measuring the stage of completion is as described in IAS 18, Revenue.

1.10 Government grants receivable

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

1.11 Directly funded grants payable

Grants payable to individuals and bodies by Forestry Commission England/Central Services in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified in note 13.

1.12 Co-funded grants payable

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

1.13 Foreign currency transactions

The function and presentational currency of Forestry Commission England/Central Services is sterling.

Transactions in foreign currencies, mainly related to the work of Forest Research, are translated into sterling using the rate at the date of the transactions. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the SoFP.

Exchange differences are recognised in the Statement of Comprehensive Net Expenditure in the period in which they arise.

1.14 Financial instruments

1.14.1 Financial assets

Forestry Commission England/Central Services holds receivables and other financial assets with a positive fair value in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Forestry Commission England/Central Services does not trade in derivatives and does not apply hedge accounting.

1.14.2 Financial liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost.

1.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand and current balances held with banks and other financial institutions, and other short-term investments.

1.16 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found in the Remuneration and Staff Report and in note 2.

Although the Principal Civil Service Pension Scheme (PCSPS) is an unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the schemes as if they were defined contribution plans. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability

for payment of future benefits is a charge on the schemes. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the government actuary at four-yearly intervals.

1.17 Contingent liabilities

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

1.18 Provisions

Forestry Commission England/Central Services provides for obligations arising from past events where there is an obligation at the Statement of Financial Position date, it is probable that settlement of the obligation will be required, and a reliable estimate of the obligation can be made. Where material, the estimated future cash flows are discounted using the real discount rate set by HM Treasury.

1.19 Subsidiaries, associates and joint ventures

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

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

1.20 Value Added Tax

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

1.21 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Forestry Commission Executive Board. In applying IFRS 8, management has determined that the Forestry Commission operates as one operating segment.

1.22 Impending application of newly issued Accounting Standards not yet effective

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to Forestry Commission England/Central Services are outlined below. None have been adopted early.

- IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces

all existing IFRS guidance on revenue recognition.

- IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting.
- IFRS 16 – Leases. This standard is effective from 1 January 2019. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

Forestry Commission England/Central Services will apply the standards upon formal adoption in the FReM.

For IFRS 9 and IFRS 15, it is not anticipated that material adjustments to the financial statements will be required following the introduction of these standards. IFRS 16 is expected to have some impact in financial reporting terms. This impact will be assessed when further guidance is forthcoming from HM Treasury.

NOTE 2 Staff and other costs

	Core	2016-17 Consolidated	Core	2015-16 Consolidated
	£000	£000	£000	£000
Staff costs: ¹				
Wages and salaries	11,885	19,516	14,506	20,534
Social security costs	1,267	2,080	1,136	1,615
Other pension costs	2,298	3,788	2,955	4,183
Other	1,371	1,551	1,487	1,487
	16,821	26,935	20,084	27,819
Other costs:				
Staff transfers	44	52	79	107
Computer costs	3,177	3,907	3,942	3,982
Travel and subsistence	978	1,497	1,101	1,614
Accommodation	1,330	2,152	1,643	2,383
Communication	1,288	1,336	1,413	1,455
Training	342	440	419	454
Premature retirement costs	-	-	1	5
Losses and compensation	6	44	22	19
Legal expenses	70	76	143	145
Partnership and publicity	2,935	5,339	3,812	5,469
Private woodland grants	204	204	633	633
Forest Enterprise England funding	28,037	28,037	20,519	20,519
Other	1,018	1,155	1,765	1,987
	39,429	44,239	35,492	38,772
Rentals under operating leases:				
Hire of plant and machinery	183	183	167	167
Other operating leases	2,012	2,012	1,974	1,974
	2,195	2,195	2,141	2,141
Research and development expenditure	599	599	723	723
Non cash items:				
Notional audit fees - audit work	43	78	46	81
Notional Defra fees	36	36	-	-
Depreciation of property, plant and equipment	442	1,146	512	1,196
Amortisation of intangible assets	144	223	446	457
Loss on disposal of property, plant and equipment	78	78	16	33
Provisions				
Provided in year	414	428	613	931
Provisions not required written back	(33)	(33)	(58)	(62)
Unwinding of discount	1	2	9	27
	1,125	1,958	1,584	2,663
Total	60,169	75,926	60,024	72,118

1. Further analysis of staff costs is located in the Staff Report on page 39.

NOTE 3 Income

	Core	2016-17 Consolidated	Core	2015-16 Consolidated
	£000	£000	£000	£000
Project and partnership income	467	467	481	481
Other income	1,540	3,927	2,099	6,604
EU receipts	-	326	-	413
Income from Scotland	6,001	8,484	7,483	7,483
Income from Wales	1,309	1,693	2,175	2,175
Income from Forest Enterprise England	5,826	7,047	7,290	7,290
Total	15,143	21,944	19,528	24,446

Internal income of £12,918,000 (2015-16: £13,142,000) was removed on consolidation.

NOTE 4 Property, plant and equipment

	Land	Buildings	Plant & machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
Valuation :						
At 1 April 2016	1,960	14,982	4,599	1,072	5	22,618
Additions	-	-	658	133	1,429	2,220
Disposals	-	-	(75)	(608)	-	(683)
Transfers / reclassifications	-	1,434	-	-	(1,434)	-
Revaluations	51	(558)	236	33	-	(238)
At 31 March 2017	2,011	15,858	5,418	630	-	23,917
Depreciation :						
At 1 April 2016	-	7,499	2,555	770	-	10,824
Charged in year	-	415	554	177	-	1,146
Disposals	-	-	(67)	(580)	-	(647)
Revaluations	-	(3)	84	14	-	95
At 31 March 2017	-	7,911	3,126	381	-	11,418
Net Book Value :						
At 31 March 2017	2,011	7,947	2,292	249	-	12,499
At 31 March 2016	1,960	7,483	2,044	302	5	11,794
Asset financing :						
Owned	2,011	7,947	1,756	249	-	11,963
Finance leased	-	-	536	-	-	536
Net Book Value at 31 March 2017	2,011	7,947	2,292	249	-	12,499

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

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

Office machinery and equipment (OME) assets were restated to a current value of £249,000 as at 31 March 2017 using an index provided by the ONS.

Depreciation expense of £1,146,000 (2015-16: £1,196,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure. Assets under construction (AUC) are not depreciated.

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

Analysis of property, plant and equipment:

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

	Land	Buildings	Plant & machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
Core at 31 March 2017	-	388	608	249	-	1,245
Agency at 31 March 2017	2,011	7,559	1,684	-	-	11,254
Core at 31 March 2016	-	407	634	302	-	1,343
Agency at 31 March 2016	1,960	7,076	1,410	-	5	10,451

NOTE 5 Intangible assets

				2016-17
	Software licenses	Information technology	Development expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2016	1,887	10,876	42	12,805
Additions	34	77	156	267
Disposals	(140)	(318)	(42)	(500)
Transfers	-	156	(156)	-
Revaluation to current prices	4	-	-	4
At 31 March 2017	1,785	10,791	-	12,576
Amortisation:				
At 1 April 2016	1,777	10,398	-	12,175
Provided during year	47	176	-	223
Disposals	(105)	(241)	-	(346)
Revaluation to current prices	2	-	-	2
At 31 March 2017	1,721	10,333	-	12,054
Net book value :				
At 31 March 2017	64	458	-	522
At 31 March 2016	110	478	42	630
				2015-16
	Software licenses	Information technology	Development expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2015	1,886	10,862	42	12,790
Additions	-	14	-	14
Revaluation to current prices	1	-	-	1
At 31 March 2016	1,887	10,876	42	12,805
Amortisation:				
At 1 April 2015	1,730	9,989	-	11,719
Provided during year	47	409	-	456
At 31 March 2016	1,777	10,398	-	12,175
Net book value :				
At 31 March 2016	110	478	42	630
At 31 March 2015	156	873	42	1,071

The net book value of intangible assets comprises:

	Software licenses	Information technology	Development expenditure	Total
	£000	£000	£000	£000
Core at 31 March 2017	24	430	-	454
Agency at 31 March 2017	40	28	-	68
Core at 31 March 2016	75	478	42	595
Agency at 31 March 2016	35	-	-	35

Amortisation of £223,000 (2015-16: £456,000) is included in other programme costs in the statement of Comprehensive Net Expenditure.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Information Technology asset class. The carrying amount at 31 March 2017 is £94,000 and is being amortised over four more years.

Intangible assets are all owned, rather than leased.

NOTE 6 Financial instruments

Financial instruments by category

	31 March 2017			31 March 2016		
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000	£000	£000
Assets as per the Statement of Financial Position						
Available for sale financial assets	-	25	25	-	25	25
Trade and other receivables	1,491	-	1,491	1,914	-	1,914
Cash and cash equivalents	4,020	-	4,020	7,425	-	7,425
Total	5,511	25	5,536	9,339	25	9,364

	31 March 2017		31 March 2016	
	Other financial liabilities	Total	Other financial liabilities	Total
	£000	£000	£000	£000
Liabilities as per the Statement of Financial Position				
Finance lease liabilities	402	402	402	402
Trade and other payables excluding statutory liabilities	3,227	3,227	3,528	3,528
Total	3,629	3,629	3,930	3,930

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

NOTE 7 Trade receivables, financial and other assets

	31 March 2017		31 March 2016	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Amounts expected to be received within one year:				
Trade receivables	272	1,342	672	1,553
Less: provision for impairment of trade receivables	(1)	(1)	(13)	(13)
Trade receivables - net	271	1,341	659	1,540
VAT	16	16	317	317
Other receivables	8	16	259	272
House purchase loans to employees	15	17	15	17
Prepayments and accrued income	1,178	1,818	867	1,651
Total current receivables	1,488	3,208	2,117	3,797
Amounts expected to be received after more than one year:				
House purchase loans to employees	52	65	43	58
Prepayments and other accrued income	46	52	21	27
Total non-current receivables	98	117	64	85
Total receivables	1,586	3,325	2,181	3,882

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

Trade receivables of £650,000 (2015-16: £580,000) were past due but not impaired as of 31 March 2017. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	2016-17		2015-16	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Balance at 1 April	7,157	7,425	7,590	7,726
Net change in cash and cash equivalent balances	(4,244)	(3,405)	(433)	(301)
Balance at 31 March	2,913	4,020	7,157	7,425

	31 March 2017		31 March 2016	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
The following balances are held at:				
Balance with the Government Banking	2,913	2,913	7,157	7,420
Cash at commercial banks and cash in hand	-	1,107	-	5
Total	2,913	4,020	7,157	7,425
The balance at 31 March comprises:				
Amounts issued from the consolidated fund for supply but not spent at the year end	2,913	4,020	7,157	7,425

NOTE 9 Trade payables and other current liabilities

	31 March 2017		31 March 2016	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts expected to be paid within one year:				
Trade payables	796	1,088	594	761
VAT	-	68	-	82
Other payables	-	33	25	40
Accruals and deferred income	1,260	1,883	2,380	2,981
Current part of finance leases	190	190	162	162
Payments received on account	-	793	-	410
Amounts issued from Defra vote but not spent at year end	4,020	4,020	7,425	7,425
Total current payables	6,266	8,075	10,586	11,861
Amounts expected to be paid after more than one year:				
Finance leases	212	212	240	240
Total non-current payables	212	212	240	240
Total payables	6,478	8,287	10,826	12,101

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

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

	31 March 2017 £000	31 March 2016 £000
GBP Sterling	7,811	11,791
Euro	476	310
Total	8,287	12,101

NOTE 10 Provisions for liabilities and charges

	Core			Consolidated		
	Early departure costs £000	Other provisions £000	Total £000	Early departure costs £000	Other provisions £000	Total £000
At 1 April 2015	711	-	711	899	78	977
Provided in year	102	511	613	104	827	931
Provisions not required written back	(17)	(41)	(58)	(17)	(45)	(62)
Utilised in year	(367)	(464)	(831)	(484)	(809)	(1,293)
Unwinding of discount	9	-	9	27	-	27
At 1 April 2016	438	6	444	529	51	580
Provided in year	234	180	414	247	181	428
Provisions not required written back	(13)	(20)	(33)	(13)	(20)	(33)
Utilised in year	(323)	(166)	(489)	(365)	(207)	(572)
Unwinding of discount	1	-	1	2	-	2
At 31 March 2017	337	-	337	400	5	405

Analysis of expected timing of discounted cash flows:

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	274	-	274	301	5	306
Later than one year and not later than five years	63	-	63	99	-	99
At 31 March 2017	337	-	337	400	5	405

Early departure costs

Forestry Commission England/Central Services meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission England/Central Services provides for this in full when the early retirement programme becomes binding on Forestry Commission England/Central Services by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of 0.24%.

Other provisions

An HMRC audit of the Forestry Commission's treatment of VAT and income tax is under way. Provisions for HMRC liabilities were raised during the year to address areas of non-compliance. For Forestry Commission England/Central Services, these liabilities amounted to £167,000 and were subsequently settled by 31 March 2017.

NOTE 11 Commitments under leases**Operating leases**

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

	31 March 2017		31 March 2016	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Obligations under operating leases for the following periods comprise:				
Land				
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	15	-	21
Total	-	22	-	28
Buildings				
Not later than one year	2,074	2,074	2,073	2,073
Later than one year and not later than five years	8,143	8,143	7,988	7,988
More than five years	-	-	3,994	3,994
Total	10,217	10,217	14,055	14,055
Other leases				
Not later than one year	96	96	132	132
Later than one year and not later than five years	41	41	83	83
Total	137	137	215	215

Building lease rentals include irrecoverable VAT.

Finance leases

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

	31 March 2017		31 March 2016	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Obligations under finance leases for the following periods comprise:				
Plant and machinery				
Not later than one year	199	199	175	175
Later than one year and not later than five years	221	221	252	252
	420	420	427	427
Less: interest element	(18)	(18)	(25)	(25)
Present value of obligations	402	402	402	402

NOTE 12 Capital commitments

There were no contracted capital commitments at 31 March 2017 (2015-16: £nil).

NOTE 13 Other financial commitments**Existing woodlands**

Forestry Commission England's commitments under signed contracts for grants which support existing woodlands are reducing as the scheme has closed. Commitments of £342,000 at 31 March 2017 (2015-16: £687,000) all relate to the Core department.

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

	2016-17	2015-16
	Consolidated	Consolidated
	<u>£000</u>	<u>£000</u>
Not later than one year	249	394
Later than one year and not later than five years	93	293
	<u>342</u>	<u>687</u>

NOTE 14 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities for Forestry Commission England/Central Services at 31 March 2017.

NOTE 15 Operating lease receivables

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

	31 March 2017		31 March 2016	
	Core	Consolidated	Core	Consolidated
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Not later than one year	1,179	1,179	973	973
Later than one year and not later than five years	2,133	2,133	3,891	3,891
More than five years	-	-	1,945	1,945
	<u>3,312</u>	<u>3,312</u>	<u>6,809</u>	<u>6,809</u>

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

NOTE 16 Consolidated related-party transactions

Forestry Commission England's Public Corporation Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England provided an annual subsidy limit of £28,037,000 to Forest Enterprise England.

In addition, Forestry Commission England/Central Services has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forestry Commission England/Central Services has had dealings are HM Revenue and Customs, the Cabinet Office, the Department for the Environment, Food and Rural Affairs, local government, the Government Banking Service and the Natural Environment Research Council.

Other than transactions with Tilhill Forestry, there were no other material related party transactions in year. The following information is provided for completeness: all transactions were carried out at arm's length.

England Woodland Improvement and other grants

Forestry Commission England administers England Woodland Improvement Grants and other England grant schemes. The following payments were made in relation to these schemes:

Recipient	2016-17	2015-16
	£000	£000
Sir Harry Studholme, Forestry Commissioner (chair)	47	22
The William Robinson Gravetye Charity, of which Sir Harry Studholme is chair	-	29
Mr J Studholme, who is the brother of Sir Harry Studholme	-	2
The Earth Trust, of which Dr Mary Barkham, Forestry Commissioner, is a trustee	14	11
Tilhill Forestry clients, of which George McRobbie, Forestry Commissioner, is a director	82	280
Clive Tucker, non-executive member of the National Committee for England	-	3

Tilhill Forestry

George McRobbie, Forestry Commissioner Scotland, is a Director of Tilhill Forestry. Transactions in year and balances at 31 March with Tilhill Forestry were as follows:

	2016-17		2015-16	
	Forestry Commission England/ Central Services	Forest Enterprise England	Forestry Commission England/ Central Services	Forest Enterprise England
	£000	£000	£000	£000
Sales	4	1,661	2	3,801
Receivables	-	209	1	137
Purchases	-	193	4	213
Payable	-	9	-	42

Further transactions between Tilhill Forestry and Forestry Commission Scotland are reported in their Annual Report and Accounts.

Forest Industry Safety Accord

Simon Hodgson, Chief Executive of Forest Enterprise England, and George McRobbie, Forestry Commissioner Scotland, are director and steering group member respectively of Forest Industry Safety Accord (FISA). During the year Forestry Commission England/Central Services received £6,000 from FISA for HSE awareness days. Forest Enterprise England paid FISA £11,400 for training, FISA membership and a grant towards FISA safety working group. There were no transactions outstanding at 31 March 2017.

C-Cure Solutions Ltd

James Pendlebury, Chief Executive, Forest Research, is a director of C-Cure Solutions Ltd, a technology company that was formed following eight years of joint research between the University of Surrey and Forest Research. Transactions in year are as follows:

	2016-17	2015-16
	£000	£000
Sales	21	12

There was no outstanding balance at 31 March 2017 (31 March 2016: £3,500).

Inverness College, University of the Highlands and Islands

Amanda Bryan, Forestry Commissioner, worked as a supply lecturer at the Scottish School of Forestry, Inverness College, University of the Highlands and Islands. A transaction of £10,000 was paid to Inverness College for student funding for the Pine Tree Lappitt project during 2016-17. No amounts were outstanding at 31 March 2017.

James Hutton Institute

Ian Gambles, Director England, is director of the James Hutton Institute, a charitable company limited by guarantee, which delivers fundamental and applied science to drive the sustainable use of land and natural resources. Transactions in year are as follows:

	2016-17	2015-16
	£000	£000
Sales	19	-
Purchases	9	11

James Hutton Institute received a payment of £9,000 from Forest Research for scientific services relating to the impact of fungicides (2015-16: £11,000). As a sub-contractor on the Scottish government's 'Risks of Phytophthora Species to the Scottish Environment and Rural Economy' project, we raised a sales invoice for £18,700 plus VAT. The full amount was outstanding as at 31 March 2017, but has subsequently been paid in full.

Grown in Britain

Simon Hodgson, Chief Executive of Forest Enterprise England, is a director of Grown in Britain. Transactions in year with Grown in Britain are as follows:

	2016-17		2015-16	
	Forestry Commission England/Central Services £000	Forest Enterprise England £000	Forestry Commission England/Central Services £000	Forest Enterprise England £000
Purchases	54	4	-	13

There were no outstanding transactions at 31 March 2017.

University of Southampton

Peter Freer-Smith, Research Director at Forest Research, holds a visiting professorship at the University of Southampton.

	2016-17	2015-16
	£000	£000
Sales	23	8
Purchases	70	103

The outstanding sales balance at 31 March 2017 was £3,500 (2015-16: £4,700); there was no outstanding purchase balance (2015-16: £11,000).

Key management compensation

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

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

NOTE 17 Events after 31 March 2017

In accordance with the requirements of IAS 10, events after 31 March 2017 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

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