

# **Forestry Commission England/ Central Services**

## **Annual Report and Accounts 2017-18**

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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:

- Emily Ramsay, OBE. Former Head of Safety, Health and the Environment. For services to Improving Health and Safety in the Forestry and Arboriculture Industries.

Forest Enterprise England nominees who were successful in the Queen's Honour list are disclosed in the Forest Enterprise England Annual Report and Accounts 2017-18.

### Register of interests

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

# 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 Forestry Commission England's role both refined and reasserted. From April 2019, formal responsibility for Scotland's forests will transfer from the Forestry Commission to the Scottish Government.

Partnership and cross-border working, particularly on the control of plant pests and diseases, will continue to be a vital component of our work. In principle this means that we can strengthen our focus on doing what we do best: protecting, improving and expanding England's forests and woodlands.

During the year, as well as progressing this significant programme of structural change, we continued to deliver across our priority work areas.

Our survey and control work, and our expert advice and guidance, helped the sector to protect against diseases and pests such as *Phytophthora ramorum*, oak processionary moth and sweet chestnut blight. We continued to promote our 'Keep it Clean' campaign to help raise awareness of tree health, and the importance of undertaking simple biosecurity measures when visiting woodland. We made our tree health data more open and accessible to the sector by training our staff on new data gathering equipment, methods and management.

In delivering against our 'Improve' remit we continued to work with the sector to increase the proportion of woodlands and forests that are sustainably managed. With

the Rural Payments Agency we developed the Forestry Productivity capital grant scheme, which provides businesses with support to implement projects that will increase economic return through more efficient felling processes. Noting that information on the value of hardwood timber products from different species was scarce and could hold back owners from becoming involved in the supply chain, we ran a competitive tender to establish hardwood price/size curves, the results of which were published by Grown in Britain. We continued to provide forestry expertise to support the delivery of Countryside Stewardship grants for woodland management planning and improvement.

Not least, we made significant progress against our 'Expand' remit, supporting the Government towards realising its ambitions to plant 11 million trees by 2020. This year has seen the first trees planted in the first large scale productive woodland projects in England for 20 years. Planting at Doddington North Moor and Lowther Estate is being funded either through the Woodland Carbon Fund and/or Countryside Stewardship. We are also seeing increasing take up of our Woodland Creation offer, following a campaign to promote the benefits of woodland creation to landowners.

The UK's departure from the EU has implications for all of the above areas of work, of course. We have been engaging with colleagues across the Defra group to shape future policy and delivery, making the most of opportunities for forestry, and preparing for Day 1 readiness. We will continue to face other challenges too, such as those related to plant health and climate change.

There will be much to celebrate as the Forestry Commission approaches its 100th year in 2019, but much work to do besides; yet we will rise to these challenges as we have always done.

## 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

### Our future

On 7 November 2017 Ministers announced that the Forestry Commission would continue to operate in England after Scotland leaves the Commission on 1 April 2019. Plans for the future of the Forestry Commission after the completion of devolution were published in draft alongside the written ministerial statement. The Future Forestry Commission document approved by ministers, and published to staff at the same time, set out the new governance arrangements in more detail and stated that a new Board of Commissioners would

be established for the Public Forest Estate. The Commission will in future comprise Forestry England – the new name for Forest Enterprise England, Forest Services and Forest Research. Forest Research will operate across Great Britain by agreement with the UK and devolved administrations, and will have a new Board including members from the devolved administrations.

## **Delivery of our objectives in 2017-18**

This Annual Report summarises our performance against the activities set out in the Forestry Commission England Corporate Plan. 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 and surveys to manage the impact of *Phytophthora ramorum*, oak processionary moth (OPM), ash dieback, oriental chestnut gall wasp and sweet chestnut blight**

Sweet Chestnut Blight and Oriental Chestnut Gall Wasp - Surveys of sweet chestnut in the wider environment for *Cryphonectria parasitica* and *Dryocosmus kuriphilus*, including inspection for *Phytophthora ramorum* took place in the South and East of England. 82 sites were surveyed and Oriental Chestnut Gall Wasp was confirmed at 12 sites. *C. parasitica* was not confirmed at any of the survey locations and a number of reports of suspected *P. ramorum* were followed up but found to be negative.

*Hymenoscyphus fraxineus* (*Chalara*) - 2,045 hectares over 114 sites were surveyed between July and September 2017. This data was used to calculate severity and extent of infection at these sites and will form the basis for next year's survey planning.

Oak Processionary Moth (OPM) *Thaumetopoea processionea* - 1,532 trees at 71 sites were inspected across Reading, Slough, Hemel Hempstead, Brentwood, Basildon, Harlow, Andover, Oxford, Sevenoaks, and seven National Trust properties with one positive finding. There were no findings of OPM outside the known area of infestation.

As a result of the survey work, 495 Statutory Plant Health Notices were issued to all known infested areas outside the core area, 17,687 trees at 350 sites were sprayed in the control zone and 2,111 nests were removed from 84 sites. 946 sites were visually surveyed during summer 2017, 436 pheromone traps were deployed in London and South East England, along transects and in a randomised grid.

*Xylella* (Bacterial Leaf Scorch) - 7,368 trees were surveyed across 298 sites in southern England for *Xylella fastidiosa* as part of ongoing Tree Health contract surveys, with no positive findings.

##### **Carried out regular aerial survey of the country and land-based follow-up surveys of potentially high risk sightings**

Survey activities in England, Wales and Northern Ireland have continued throughout 2017-18 with 25 flights undertaken, totalling 115 flying hours covering 15,352 miles. This has included:

- General woodland surveys totalling 976,123 ha, of which 659,454 hectares were in England
- Larch surveys totalling 54,111 hectares (30,062 hectares in England of which 15,888 hectares were of private woodland and 14,174 hectares of the Public Forest Estate)

##### **Delivered biosecurity training and awareness raising for the sector**

We developed and delivered specific guidance for industry professionals in partnership with external stakeholders. In partnership with Forest Enterprise England we have developed guidance aimed specifically to engage the public. We also started to develop specific guidance for



landowners and managers. We have continued to work to make our tree health data more open and accessible to the sector, including on mobile devices.

During 2017, Keep it Clean material has been promoted via a number of communication channels including events, presentations and workshops, publications and social media. The campaign targeted a variety of audiences to raise the general awareness of tree health and the importance of undertaking biosecurity measures, ultimately creating behavioural change.

### **Continued to deliver the Countryside Stewardship tree health grant**

We provided technical input to Natural England's administration of Countryside Stewardship Tree Health Grant applications. The grant supported woodland improvement through the removal of immature diseased larch trees and rhododendron infected with *Phytophthora spp.* and the restoration of woodland through restocking after a tree health issue. We extended support to include restocking after *Phytophthora* infection of Sweet Chestnut.

Since April 2017 11 applications were received covering 48.2 hectares of improvement work and 45 applications covering 190.77 hectares of restoration work.

### **Planned for continued protection against pests and diseases as we prepare to leave the EU**

We worked closely with Defra colleagues to ensure that tree health outcomes are considered as the future environmental land management scheme and other post Common Agricultural Policy proposals develop. We improved transparency and data sharing, strengthening industry capability and improving our outbreak response capability.

### **Woodland resilience – helping woodlands respond to existing and future threats**

#### **Integrated forestry with the government's longer term plans for the environment**

We worked closely with Defra and the Department for Business, Energy and Industrial Strategy to integrate forestry in the Clean Growth Strategy published on 12 October 2017 and in the 25 Year Environment Plan published on 11 January 2018.

#### **Reviewed, with Natural England, landscape-scale deer management contract outcomes to date and agree on future deliverables**

We have mapped Key Performance Indicators for the contract and agreed appropriate reporting metrics with Natural England.

Through this contract with the Deer Initiative, we delivered collaborative activities in all Priority Areas in 2017-18. 30 stakeholder events contributed to 33,000 hectares covered by collaborative deer management plans. Baseline deer impact assessments have been carried out on 154 woodlands, with 143 of these targeted for resurvey and an additional 95 woodlands for baseline survey in the 2017-18 winter season. Updates to the myForest online woodland management system, launched in October 2017, provided enhanced survey and cull return data.

#### **Continued implementation of the UK Squirrel Accord action plan**

We supported development of alternative methods of grey squirrel control both through our work on pine marten and through the UK Squirrel Accord project researching fertility control. Research shows that a thriving pine marten population dramatically reduces the local grey squirrel population. We are supporting a NERC Case studentship looking at the social and economic background to the return of martens as well as looking at the potential for pine marten reintroduction to the Forest of Dean and Wye Valley in partnership with Gloucestershire Wildlife

Trust and Vincent wildlife Trust. The feasibility study was completed in March 2018 and a decision on whether to release pine marten will be made later in 2018.

We are one of many project partners supporting the fertility control work. The project is developing an oral delivery mechanism for the vaccine and testing its efficacy in grey squirrels. We continue to work with Accord partners on sharing knowledge and engaging landowners in the need to manage the impacts of grey squirrel. We provided a grant in support of the Accord Annual conference in Nov 2017 to allow free attendance.

### **Provided training on new tools and guidance to the sector**

We provided guidance and training to the sector on a number of aspects, aiming at:

- supporting increased and improved woodland creation – we provided guidance and webinars on changes to the Environment Impact Assessment regulations and thresholds, produced and released a map of low sensitivity afforestation, and shared the Countryside Stewardship woodland creation guidance for 2018
- protecting England's woodlands – we delivered joint training events with the Institute of Chartered Foresters for our staff and the private sector on updates to the UK Forestry Standard and woodland management practices, and delivered internal and external events on updates to regulations, including those around European protected species

### **Supported the Urban Forestry and Woodlands Advisory Committees (FWAC) Network**

With the urban FWAC network we produced evidence on Tree Canopy Cover in 284 towns and cities, published in April 2017. We also supported the urban FWAC network to produce a short guide to using this data, launched in March 2018. Urban FWAC network members, with Defra, also investigated innovative funding approaches for community forests.

### **Led a review of evidence on resilience and nature conservation, to support the development of a cross sector position**

We commissioned jointly with Natural England and the Woodland Trust a review of evidence on the role of genetics in helping trees to adapt to the impacts of climate change. The interim findings of the report were presented to the England Woodland Biodiversity Group and Climate Change Accord Group in September and the final technical report was completed in February 2018.

### **Supported continued development of the Forest Education Network**

The revenue from our successful 'Putting the Forestry into Forest Education' conference in March 2017 funded another year of support for the network and allowed the network to create some education resource material for use in primary schools to include forestry across the curriculum.

### **Ran an annual incident management exercise**

We led a major tree health exercise, 'Exercise Elm' in January 2018 involving joint working with Animal and Plant Health Agency and Defra.

We shared our windblow contingency plan with the devolved administrations and the Republic of Ireland. At Defra's request we provided staff and resources to assist with the government's response to Storm Emma in March 2018. We refreshed training for our Incident Management team.

### **Regulating for sustainable growth**

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

We issued 1,488 conditional felling licences in 2017-18. These covered an area of 39,954 hectares. We issued 1,023 unconditional felling licences for thinning only in 2017-18. These covered an area of 27,215 hectares.



We received 303 reports of alleged illegal felling, the felling of trees without the required licence. Following investigation, 47 reports were identified as breaches or possible breaches of the controls on tree felling.

- 14 investigations resulted in Forestry Commission England serving a notice to restock land with trees
- 9 investigations resulted in Forestry Commission England serving an initial restock notice, a precursor to a restock notice (where the restock notice has yet to be served)
- 4 investigations resulted in formal warnings being issued
- 1 investigation 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 (9) or are being prepared for a referral for prosecution (5)
- 5 investigations led to no further action being taken
- 28 enforcement notices were issued in relation to non-compliance with restock notices (18) and felling licence conditions (10) issued in prior years
- 18 restocking notices were issued resulting from investigations into reports of illegal felling that had taken place in previous years

As a result of limited progress on woodland creation in 2016-17, we have raised the level at which we require compensatory planting for any open habitat restoration licenced through unconditional felling as set out in Government's Open Habitat Policy. We now require that any productive woodland lost from sites that are not designated (SSSI, SPA and SAC) require compensatory planting.

### **Environmental Impact Assessment**

During the year, we looked at 111 cases covering 1,372 hectares of afforestation and 813 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.

### **National roll out and training of service standards for management plan processes piloted in South England**

During the pilot between June 2016 and June 2017 we reduced the average number of days to approve plans from 121 to 81 days. From April 2018 our standard will be to review 80% of first draft woodland management plans and either approve in principle or return with comments within seven weeks.

We ran seven UKFS workshops jointly with the ICF to introduce the standard to the sector and ran area-led training sessions with customers in spring 2018.

### **Developed online felling licence application**

We continued to develop a new online system for felling licence applications. We ran workshops with internal and external stakeholders to capture and agree all essential business requirements, working closely with developers to design these requirements into the new system, and managed an intensive programme of user testing. Development was successfully completed in February 2018; testing and bug fixing by the end of March. Internal and external roll-out is planned for spring and summer 2018.

### **Implemented raised afforestation Environmental Impact Assessment thresholds**

Revised Forestry Environmental Impact Assessment regulations were implemented on 17 May 2017. The changes in thresholds for afforestation introduced a new category of regulatory assessment, a notification, designed to improve the time taken to make decisions on low risk afforestation projects. We have identified where the impact of afforestation projects in England should be low risk when assessed against other environmental, economic and social priorities.

The notification also covers small afforestation projects between two and five hectares to address concerns about small and unrecorded fragments of habitat or

other important environmental features being lost to small schemes.

### **Engaged with work on regulations relevant to forestry, following exit from the EU**

We worked with Defra regarding regulation changes that may impact England's woodlands ensuring that we understand and communicate any impacts, including contributing to work on Statutory instruments for habitats and birds directives.

### **Continued working with the planning system**

We have developed a new metric on woodland loss to development to monitor net changes in woodland cover, which will be published annually. We are working with the Ministry of Housing, Communities and Local Government, Defra and Natural England to secure appropriate protection, and support for trees, woodland and green infrastructure for ancient woodland through the planning system.

### **Continued joint working in Defra group – Area Integrated Plans**

We have worked closely with Natural England and the Environment Agency to ensure that we understand, plan and deliver our priorities in a coherent fashion at the local level through the joint integrated area plans for 2018-19. We have engaged in the early planning with Defra group and external stakeholder interests representing local planning on how these area integrated plans can inform the development of local natural capital plans in future.

## **Improve**

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

#### **Supported new investment to develop modern supply chains and improve market access**

Taking into account feedback from forestry businesses, we worked with the Rural Payments Agency to develop the Forestry Productivity capital grant scheme which opened in autumn 2017. This scheme provides businesses with up to 40% grant support to implement projects that will increase economic return through more efficient felling and extraction processes or adds value to timber by primary processing. To date the scheme has received 44 applications worth £7 million.

#### **Further developed and delivered the skills manifesto building on agreements and progress made with the sector**

We co-funded a Skills Study which provided the evidence to inform a skills action plan. The study assessed the profile of the forestry sector, current training provision, routes and barriers to employment and career progression, and made recommendations for the development of a future action plan that addresses the skills and training needs of the sector. Members of the Forestry Skills Forum are drafting the Skills Action Plan, expected June 2018.

#### **Enabled commercial outcomes in hardwood supply chains**

Information on the value of hardwood timber products from different species is particularly scarce and may hold back owners from becoming involved in the supply chain. We ran a competitive tender to establish hardwood price/size curves. The results of this work were published by Grown in Britain in June 2017. Working with Grown in Britain results were presented at the Confor Woodland Show and the Country Land and Business Association 'Adding Value to Woodland' conference in autumn 2017.

**Continued to provide forestry expertise to support the delivery of Countryside Stewardship grants for woodland management planning and woodland improvement**

We provided technical input to the Natural England administered Countryside Stewardship woodland management plan grant. We reviewed woodland management plans to award approval and any associated felling licences. Since 1 April 2017 541 woodland management plans, both funded and un-funded, were approved by Forestry Commission England with approval taking on average 124 days.

349 initial applications for Countryside Stewardship Woodland Improvement Grant were submitted by the deadline. These applications were initially screened to ensure all of the eligibility criteria were met, including a Forestry Commission England approved woodland management plan. 76 applications were initially either rejected due to ineligibility or withdrawn by the applicant.

273 applications covering 21,359 hectares of woodland were scored in October. At the end of the year 269 applications are still proceeding with 196 agreements offered to applicants.

**Engaged with work to shape future woodland improvement objectives, policy and delivery, following exit from the EU**

We established a stakeholder strategy and gathered research and opinion within and beyond Forestry Commission England on future incentives. We consolidated responses of internal feedback into a report that has helped inform our priorities. We attended meetings and provided policy/briefing documents to ministers to ensure the development of the Environmental Land Management scheme adequately incorporates forestry.

**Continued to administer grant payments under our legacy grant scheme agreements**

We remain responsible for processing claims for 5,409 legacy woodland grant agreements, with a total value of around

£6.8 million a year. In 2017-18 95% of payable claims were approved by 31 December 2017. This is an improvement from 63% approved in 2016-17.

**Administrative performance**

We are 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 2017-18 was 81%. For felling licences 76%; Title 1 revenue claims 80%; and Title 2 capital claims 97%.

In 2016 we agreed with Natural England internal performance measures for Natural England's processing of Countryside Stewardship woodland applications. These arrangements are currently under review following the centralisation of Countryside Stewardship administration into five Transactional Hubs in December 2017.

**Expand**

**Worked with the sector to create more woodland**

**Continued making progress towards the government's manifesto commitment to plant 11 million trees**

Government funding secured the planting of 1.6 million trees in 2017-18 including funding administered by Environment Agency, the National Forest Company and Natural England. We have developed a new indicator, to be published for the first time in June 2018, which reports this wider government support for tree planting, in addition to grant schemes administered by Forestry Commission England. This year has also seen Forestry Commission England give consent to the first large scale productive woodlands given consent under the EIA (Forestry) regulations for 20 years.

Planting at Doddington North Moor and Lowther Estate were funded through the Woodland Carbon Fund and Countryside Stewardship, respectively.

**Provided forestry expertise to support the delivery of Countryside Stewardship grants for woodland creation**

In the 2017 application window we received 194 applications for Countryside Stewardship Woodland Creation Grants. These covered around 1,571 hectares and included 2.3 million trees. Seven applications, covering 31 hectares and 45,000 trees, were rejected as ineligible. The remainder were reviewed with applicants and 155 agreements were in place or applications still in progress by 13 April 2018. These cover 1,139 hectares and 1.7 million trees. 90% of agreements had been issued to applicants by December 2017. This proportion was achieved three months earlier than in 2016 and five months earlier compared to 2015.

The guidance and application forms to apply for Countryside Stewardship Woodland Creation Grant in 2018 were published in September 2017 prior to the application window opening on 2 January 2018 to provide applicants with increased time to prepare.

By end of March 2018, 2,197,614 trees had been planted under Countryside Stewardship woodland creation agreements issued in 2015, 2016 and 2017.

**Provided advice to High Speed Two (HS2) Ltd on new woodland design and manage the HS2 Ancient Woodland Fund**

We advised HS2 Ltd on identifying, mitigating and compensating for HS2's environmental impacts. We supported HS2 Ltd and its contractors in tree and woodland survey methodology and climate change resilient plant procurement. We designed a grant scheme for the initial £1 million of HS2 woodland fund which opened January 2018. This provides grants for restoring plantations on ancient woodland sites and creating new native woodland within 25 miles of the London to Birmingham route. We have received applications for more than the value of the fund. The first 11 applications were approved in March 2018. Of the applications approved or in progress it is

expected that 78 hectares of new woodland will be funded and 57 hectares of restoration of Plantations on Ancient Woodland Sites (of which 47 hectares is restocking activity).

**Continued administration of the Woodland Creation Planning Grant (WCPG) as part of the Forestry Innovation Fund (FIF), and invited proposals for other ways the FIF can support the forestry sector**

30 applications to WCPG have been received in 2017-18, associated with 1,427 hectares of proposed new woodland which would result in the planting of 2.5 million trees. Since its opening in 2015, plans for 790 hectares of new woodland (1.39 million trees) have been completed through WCPG funding, including the Doddington North Moor and Lowther Estates projects. At the end of 2017-18 we had 29 applications in progress, for 3.9 million trees in total. All six applications that completed stage 2 during 2017-18 have now entered into the grants pipeline, and three were allocated funding for tree planting in 2017-18.

**Continued administration of the Woodland Carbon Fund**

We have made a number of improvements to the Woodland Carbon Fund during 2017-18 to make it more attractive to landowners which have resulted in three applications being received for an area of 156 hectares of new woodland, with £657,000 of funding allocated to two eligible projects totalling 135 hectares. Both successful projects are associated with completed WCPG cases.

**Supported woodland creation initiatives through expert advice, data and information sharing, promoted private investment, innovation and good practice**

We instigated a woodland creation campaign to promote the benefits of woodland creation to landowners. We have published templates and exemplar woodland creation plans to help the sector produce good woodland design plans, while the low risk mapping associated with the revised EIA (forestry) regulations helps



landowners to identify land where there are fewer constraints to planting. Our Area teams and the new Woodland Creation Unit supported landowners and we have worked closely with Woodland Trust, English Community Forests, Country Land Owners and Business Associated and Confederation of Forest Industries to align communications on the benefits of woodland creation

**Ensured woodland creation priorities are reflected in the 14 local integrated area plans by working with Natural England and the Environment Agency**

We introduced progressive woodland creation outcome statements in the joint priorities maps as part of area integrated plans. We explored opportunities for natural flood risk measures such as woodland planting in river headwaters to improve water quality and biodiversity condition, and reduce flood risk.

Through the Woodlands for Water programme, we guided woodland creation to maximise benefits for the water environment and promoted Natural Flood Management for improved land management to reduce flooding risk by woodland creation and management to slow the flow of water into watercourses. In Yorkshire and NE England, our joint Woodlands for Water project with Environment Agency led to woodland creation applications totalling 162 hectares.

**Continued to promote the Woodland Carbon Code (WCC) and contributed to its future governance arrangements as a cross border service**

86 projects in England were registered under the WCC at 31 March 2018, covering an area of 1,542 hectares of woodland and projected to sequester 853 thousand tonnes of carbon dioxide over their life time of up to 100 years.

We streamlined the documentation processes and carbon sequestration calculations which project managers undertake under the WCC. In addition to validating projects at the outset, both certification bodies (Acoura and the Soil Association) have been accredited this year

by the UK Accreditation Service to verify projects as they develop. We engaged with forestry colleagues, land managers and agents, carbon resellers and investors to strengthen awareness of the code.

The WCC underpinned the initial development of the stronger Domestic Carbon Offset market and Forest Carbon Guarantee Scheme, announced in the Clean Growth strategy and 25 Year Environment Plan, respectively.

**Supported the implementation of woodland and tree planting elements of the Environment Agency's £15 million fund to promote natural flood measures**

We sat on the National Natural Flood Measures awards panel and Area teams provided technical input to a number of the successful projects, including the Southeast and London team working closely with Forest Enterprise to establish a programme of works at Pipp Brook and Bedgebury. Countryside Stewardship-funded forestry grants targeted woodland creation in locations that will contribute to flood alleviation. We supported the installation of leaky woody dams for existing and new woodlands.

**Invested in additional frontline capacity to facilitate larger scale woodland creation**

We established an Incentives Development team to develop and implement grants to complement Rural Development Programme grants. This team supports predominantly large scale, productive afforestation through providing expert advice and grants including the Woodland Creation Planning Grant, the Woodland Carbon Fund and the HS2 woodland fund.

**Research, evidence, indicators and data**

**Further developed and used management information to inform and monitor the development and implementation of 14 local area integrated plans**

We helped produce thumbprints of key performance indicators, and delivered

management information reports, each adapted to the 14 aligned areas. These were used internally with the Environment Agency and Natural England as a contribution towards future local area monitoring. We published National Forest Inventory statistics for England and aligned areas, providing in one place summaries of nearly all NFI reports to-date that supported implementation of local integrated plans.

### **Published further data sets as part of Defra's open data strategy**

We published on our Forestry Commission Open Data website updated spatial data underlying our headline indicators on woodland creation and managed woodland, and on *Chalara* dieback of ash. We improved metadata and data formats. We published several thousand tables from National Forest Inventory reports on Tree cover outside woodland in Great Britain, and National Forest Inventory statistics for England and aligned areas; plus those related to National Statistics such as Forestry Statistics 2017.

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

We published NFI reports on tree cover outside woodland in Great Britain and NFI statistics for England and aligned areas. We advised on the development of NFI-based woodland condition assessments, and use of earth observation data. We supported publication of statistics on tree nurseries, softwood removals and deliveries, wood production and trade, timber prices, wood energy, the Woodland Carbon Code, the European Forest Accounts, plus Forestry Statistics 2017 (National Statistics).

### **Published quarterly and annual reports of our indicators**

We published quarterly reports displaying progress on our four headline indicators, plus a summary in this Annual Report. We also published our annual Indicators Report 2017 showing trends over time in a wider

suit of nearly 50 indicators covering our key aims to protect, improve and expand the woodland resource in England. The reports were successfully assured by the Government Internal Audit Agency.

## **Cross-Border**

### **Forest biosecurity**

2017-18 was a year of challenges to biosecurity both at the border and inland. New measures were introduced to prevent the entry of tree pests and to gather intelligence on high risk trades whilst there continued to be significant interceptions at the border and findings of new tree pests inland.

### **Analysed plant health risks, treatment costs and strategies which have been undertaken for containment and/or eradication, including new pathways such as emerging trades**

The number of pests entered onto the UK Plant Health Risk Register has increased by 51 since the beginning of the 2017-18 financial year. This brings the total number of pest to 994 of which 320 are considered to be potential pests of trees.

### **Provided advice to underpin the UK Plant Health Risk Register and drafted new shared contingency plans on priority tree pests**

We reviewed and updated the contingency plans for emerald ash borer and pine wood nematode and published on our web pages. We have drafted the contingency plan for *Dothistroma pini* and the response actions were agreed with stakeholders. An updated pest risk analysis on pine tree lappet moth has been produced.

### **Updated the advice and guidance on managing *Chalara* ash dieback and *Phytophthora ramorum* and produced guidance on the ecological implications of *Chalara* ash dieback**

We provided assistance to the projects to review various pest-response strategies during the year including oak processionary moth, ash dieback, *Phytophthora ramorum*, and oriental chestnut gall wasp and sweet chestnut



blight. We published a Research Note summarising recent research on the ecological value of ash, potential alternative species, and the interpretation of this information for woodland management. We also provided good practice guidance for those working in woodlands as part of our keep it clean campaign.

### **Coordinated cross-border outbreak management teams**

We 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. The cross-border outbreak management teams for *P.lateralis* and *P.austrocedri* published management guidance for owners and managers of outbreak sites.

### **Made an expert contribution to the implementation of the new EU Plant Health Regulation and the official controls**

New EU Regulations for plant health and official controls were published and we have planned for full implementation of these by 14 December 2019. We continued to inform stakeholders about developments through country stakeholder groups, the Great Britain and Northern Ireland Tree Health Advisory Group and through Defra's Plant Health Advisory Forum. We have participated in a Defra facilitated new stakeholder group on timber passporting as a sub-group to its advisory forum. An analysis of the options for implementation of timber passporting has been completed and an investigation into options to mitigate business impacts is underway.

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

The plant health service supported the UK's Chief Plant Health Officer in writing to certain third countries over infringements of EU/UK landing requirements. The most serious infringement involved the export of a consignment of ash lumber from the USA without the appropriate documentation for

landing. The team agreed with the US Department of Agriculture officials that the consignment should be sent back to the US.

Our operations manager accompanied a visit of the Food and Veterinary Office to the US in January to audit the system of controls for the export of ash to the EU.

### **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. There have been 3,280 inspections of 375,569m<sup>3</sup> of controlled timber of which 15 were found to be non-compliant and remedial action was taken. 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. Inspection of packaging with steel and stone consignments from China continues with 1,387 inspections taking place. There were 32 inspections of non-compliant wood packaging consignments associated with these imports from China. This year we made a rare interception of Asian longhorn beetle from dunnage associated with a bulk shipment of steel.

A statutory notification scheme for non-controlled firewood was introduced on 1 January 2017. We have been notified of 2,335 consignments comprising 67,450 tonnes during the year with 145 importers enrolled in the scheme. There were 35 cases where either the conifer wood packaging material associated with the firewood consignments or the firewood itself was non-compliant.

Our inspectors served notices for the destruction of material where it was found to be non-compliant. Importers are encouraged to acquaint themselves with the relevant guide and to specify to suppliers that compliant wood packaging is used with consignments.

**Continued protection against pests and diseases in preparation of exiting the EU, and supported the UK government in preparations for the EU (Withdrawal) Bill to ensure important tree health regulations continue to have effect after we leave the EU**

We supported the government's plans by planning for all outcomes of the EU exit negotiations and assessing what this might mean for plant health and associated industries. As most plant health legislation is derived from EU law the government is seeking corrective powers under the EU (Withdrawal) Bill to introduce legislation to ensure that existing tree health regulations continue to operate effectively and proportionately.

**Drafted plant health legislation as required and prepared submissions for ministers**

The Plant Health Forestry Order was amended in order to implement new measures to further protect trees against pests with effect from 1 January 2018. Protected zone status was updated to apply to pine processionary moth and elm yellows phytoplasma.

We strengthened measures against plane wilt and controls on timber to prevent the entry of the round-headed apple tree borer. A legal gateway was introduced to allow our inspectors to have access to certain HM Customs data for the purpose of targeting plant health checks on material which has been assessed as high risk.

**Maintained the Forest Reproductive Materials register and ensured that the industry was complying with requirements, and initiated legal action for non-compliance as required**

There continues to be a strong preference for forest nursery stock which is grown in the UK. We worked with the trade to produce new guidance on seed testing and introduce new species under the voluntary controls for forest reproductive material. We continued to maintain strong communication links with the trade and compliance levels are high.

**Climate change**

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

We commissioned JBA Consultants to incorporate woodland planting into hydrological models used for flood defence scheme appraisals. The report, which examined woodland creation at Southwell in Nottinghamshire, showed that planting has an important impact on water flows from the upper catchment and that woodland creation is a cost-effective approach to reducing flood risk. We presented the results at the annual Defra/Office for National Statistics Natural Capital conference in December 2017.

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

We commissioned Numbers for Good consultants to assess the feasibility of new financial mechanisms for investing in forestry. Their report, informed by a stakeholder workshop, examined the potential for natural capital benefits to underpin such mechanisms. We also worked with colleagues in Defra, Department of Business, Energy and Industrial Strategy and other government agencies to develop proposals for the government's Clean Growth Plan, Green Finance Task Force and the 25 Year Environment Plan.

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

We supported Forest Enterprise England in publishing their 2016-17 natural capital accounts, and in assessing whether additional benefits can be included in future accounts. With regard to national natural capital accounts, we participated in an Office for National Statistics led study to develop air pollution accounts and estimated the flood alleviation value of the existing forest estate across Britain.

## Evidence

Nine publications were released, including a number of Research Reports and Notes and Plant Health Pest Alerts. An independent quinquennial review of Forest Research science quality concluded that Forest Research science is of high quality and fit for purpose.

### **Published a series of research reports and research notes, which provided accessible information on research outputs for policymakers and practitioners**

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

- Forestry Commission Research Note: Ecological impacts of ash dieback and mitigation methods
- Forestry Commission Research Note: Implications of lowland broadleaved woodland management for the conservation of target bird species
- Forestry Commission Technical Note: Assessing the stem straightness of trees
- Forestry Commission Research Note: Choice of silver birch planting stock for productive woodlands
- Forestry Commission Research Note: Assessing the investment returns from timber and carbon in woodland creation projects
- Forestry Commission Statistics: Forestry Facts and Figures 2017 – A summary of statistics about woodland and forestry in the UK
- Forestry Commission Research Report: Timber, carbon and wind risk: towards an integrated model of optimal rotation length
- Forestry Commission Plant Health Guide: Importing wood, wood products and bark (3<sup>rd</sup> edition)
- Forestry Commission Plant Health: Pitch pine canker (Pest Alert)

### **Managed the seven Science and Innovation Strategy programmes to ensure quality outputs and targeted dissemination**

Programme steering groups oversaw the outputs from the research programmes, and discussed changes to adapt to emerging issues and to ensure the quality of our research. A quality assurance exercise was completed for the Forest Research modelling programme. This work provided the basis for a new modelling strategy, approved by the Research Management Strategy Board, which will be implemented over the next five to ten years. The independent Expert Committee on Forest Science undertook an independent review of science quality across Forest Research. The Committee has provided us with highly cost-effective expert advice across our research programmes, and has also fulfilled an important role in mentoring forest scientists.

### **Strengthened the evidence base to underpin the protection, management and expansion of woodlands in England, Scotland and Wales**

The current WoodWisdom project, an international initiative, concluded with a conference which we organised in Edinburgh in May 2017. Attended by over 60 delegates, 28 presentations from funded projects provided a wide range of opportunities for adding value to wood and timber. We have signed up as a partner for the next round of this project.

We continued work to examine new methods of silviculture to develop more resilient forests, including the use of alternative species. The Tree Health and Plant Biosecurity Initiative was completed this year. We helped develop a National Tree Improvement Strategy which will complement our own resources in this research area by coordinating activity across the UK forestry sector. We used new funding for emerging species and provenance trials to support existing resilience work. This work aims to reduce the reliance of UK forestry on a small number of tree species and associated risks from pests and diseases. We have also undertaken further work on forest soils. Soil samples were taken across

England and Scotland before and after afforestation in order to assess changes under woodland expansion and harvesting scenarios. An analysis of the results is underway, and the conclusions of that are expected in summer 2018.

We provided economic analysis on pest and disease control, investment returns to woodland planting and new mechanisms for woodland creation. We funded a consortium led by Fera to develop a rapid response model to assess strategies to manage pest and disease outbreaks. We have worked with Defra to identify how this model can be deployed in Forestry Commission and Defra plant health teams. In summer 2017, we published as a Research Note, in-house analysis on the impact of carbon credit sales on commercial timber investment returns.

## **Standards and International**

### **UK Forestry Standard (UKFS)**

The UK Forestry Standard, 4th edition, was published on 4 July 2017, as well as the UK Forestry Standard – summary checklist (2<sup>nd</sup> edition). As a light touch review the main message was 'business as usual' to provide continuity for the sector. We assisted the countries and Institute of Chartered Foresters in running several seminars that promoted the launch of the 4th edition of the UKFS. These emphasised the fundamental role of the UKFS, particularly in the context of forest planning. We promoted the UKFS in forestry fora, such as UK Woodland Assurance Scheme, to the interested parties.

We contributed to securing the final agreement of the new UKWAS standard by the certification schemes despite delay from Forestry Stewardship Council International. We chaired a committee to address partnership funding and suggested a sustainable funding model which was accepted by all interested parties at the September steering group.

### **International**

We developed EU Lines and presented an EU Submission to the twelfth session of United Nations Forum on Forests. We

promoted the UK position and realised our ambitions for a global framework to improve coherence, synergies and political commitment across the UN wide system to promote action to achieve sustainable forest management.

We led for the UK on the Forest Europe Review and our views were adopted and fully reflected in recommendations going forward for improved working modalities of the process. We managed the UK's participation in a number of working groups to push forward priority areas for the UK. We integrated and harmonised data collection and reporting and supported efforts to ensure the continued elaboration and publication of the Forest Europe flagship publication The State of Europe's Forests 2020 Report.

We hosted a major international event in June to mark ten years of progress of the New Generations Plantation initiative. Over 200 prominent people were involved including the All Party Parliamentary Group on Forestry and the Scottish Forestry Minister.

We attended meetings of the EU Standing Forestry Committee and were instrumental in securing a risk based approach to evidence sustainability for forest biomass, building on existing mechanisms at national levels, in the EU recast of the Renewable Energy Directive. We agreed new rules of procedure and changes to the legal status of the Standing Forestry Committee and set out future priority areas to deliver on the EU Forest Strategy and adopted a new Multi Annual Plan for 2017-18. We worked with other Member States to revise the EU Standing Forestry Committee EU Bio-economy Strategy, which was adopted in September 2017.

We provided Defra with comprehensive briefing on the function and value of key international organisations and fora relevant to international forest policy where the UK is actively engaged, including assessing the future role for the UK in international fora.

## **Forestry and Woodland Advisory Committees**

Our nine expert Forestry and Woodland Advisory Committees (FWACs) have supported, influenced and provided valuable challenge on our work to deliver our key priorities for protecting, improving and expanding woodlands. Highlights include regulatory casework advice on forest design in North East England, advice on the London Environment Strategy, supporting the planning and partnership working on proposals for a Northern Forest across City Regions, and advising on woodland management objectives for part of the Public Forest Estate in the West Midlands. FWACs have also remained focused on the need for heightened awareness and actions to tackle resilience, pest and disease threats to woodlands. The Committees produced a co-authored third annual report showing the full range of work done which, alongside information on the role of the Committees, can be found on our website.

## **Issues and risks**

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

### **Structural reform**

We have 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. The expected departure of Scotland from the Commission in April 2019, following the passage of the Forestry and Land (Scotland) Bill, will result in the Forestry Commission's work being primarily undertaken in England. Forest Research will continue to operate across the UK and plans are being made with the Scottish and Welsh governments on the future delivery of other cross-border functions.

The timing of structural change may also lead to significant additional costs arising 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**

The third year of the new Common Agricultural Policy included improvements on the early publication of the woodland creation offer and the issuing of woodland creation agreements. However continuing challenges with administration of Countryside Stewardship meant delays in issuing woodland improvement agreements.

### **Cyber security**

There is a risk to our technology, data and networks from the growing level of national and international cyber-attacks.



## Business continuity

There continues to be a risk to business continuity from the further devolution of central corporate services and the establishment of new arrangements in both Forestry Commission England and Forest Research. A formal programme with associated governance is in place and 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 started a two-year negotiation process between the UK and the EU. Forestry Commission England/Central Services is working with Defra to prepare for any subsequent changes in legislation, regulation and funding arrangements subject to the outcome of the negotiations.

## Data protection

The General Data Protection Regulation (GDPR) is directly applicable and will automatically become part of UK law in May 2018. The Data Protection Bill was introduced on 13 September. The Bill is intended to create a new data protection framework fit for the digital age, which incorporates the provisions of the EU's GDPR into domestic law. This places a number of new obligations on Forestry Commission England/Central Services, over and above the current Data Protection Act. Failure to comply can result in legal action by the Information Commissioner with substantial fines and reputational damage.

## 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 2017-18 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 £13.3 million (2016-17 £23.8 million) of public funds that are administered by Forestry Commission England/Central Services staff.

## Long-term expenditure trends

The relatively flat indicative resource baseline which Defra provided Forestry Commission England/Central Services for the remainder of Spending Review 2015 has been subject to review given the need to help bridge the department's funding gap in 2018-19. The package of proposed savings measures, whilst significant, is not expected to significantly disrupt front line activities. However, the requirement for further savings measures through to the end of the Spending Review period cannot be discounted.

We are undergoing a significant programme of structural change, following the announcement by Scottish ministers that Forestry in Scotland will go its separate way in 2019, following the passage of the Forestry and Land (Scotland) Bill. The financial impacts of these changes, notably the decommissioning of the current central Shared Service function and the setting up of new corporate service arrangements are considerable, but have been factored into our forward planning and are being absorbed within current resource baselines.

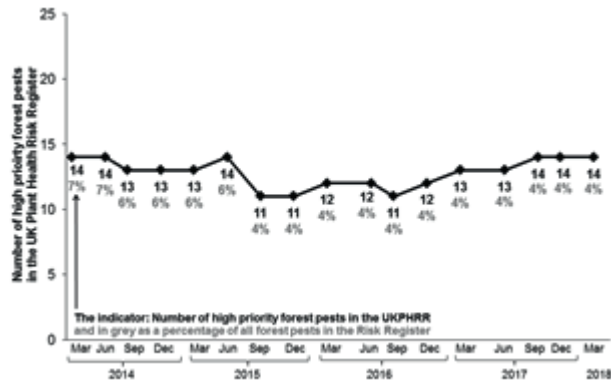


## Performance analysis

### Key performance indicators 2017-18

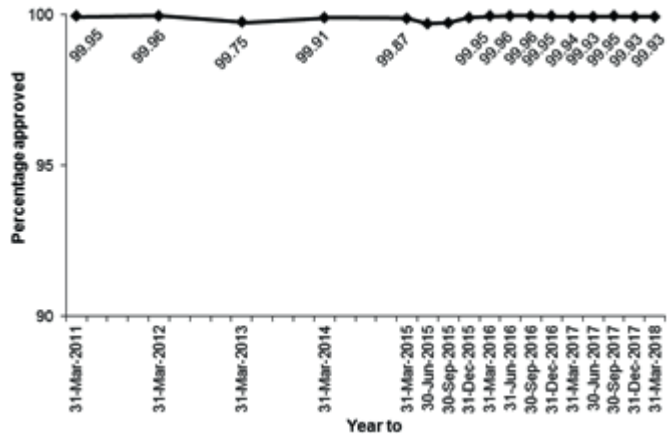
#### Protection

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



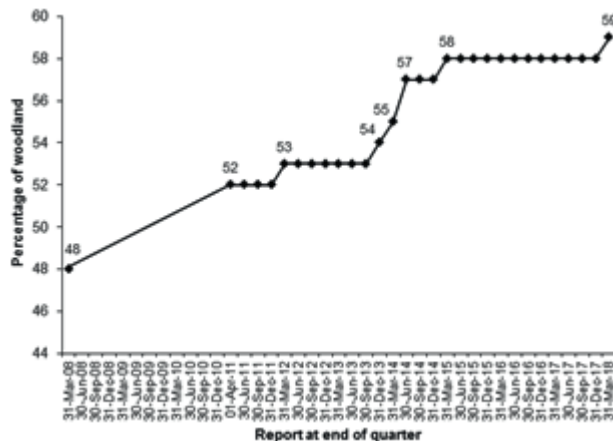
#### Protection

Percentage of known tree felling carried out with Forestry Commission approval<sup>2</sup>



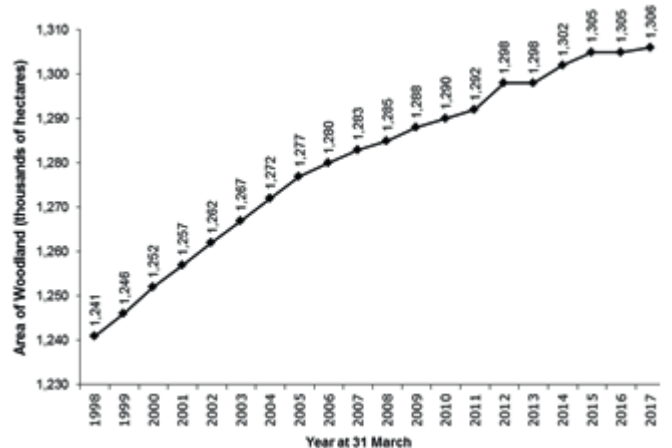
#### Improvement

Percentage of woodland in active management<sup>2</sup>



#### Expansion

Area of Woodland in England<sup>3</sup>



1 Source: UK Plant Health Risk Register (UKPHRR)  
 2 Source: Forestry Commission administrative data  
 3 Source: National Statistic from Forestry Statistics; based on the National Forestry Inventory (Forest Research) and Forestry Commission administrative data

Our key performance indicators that show our contribution to protecting, improving and expanding forestry and woodlands in England are set out in Forestry Commission England’s Corporate Plan 2017-18. The indicators reflect our commitment to deliver the Government’s 25 Year Environment Plan, including the planting of 11 million trees in the 2017-22 Parliament, bringing more woodlands into management and protecting them against pests and diseases. The indicators are one of the inputs to our evidence-based

decision making, and convey to our stakeholders key trends in forestry. The latest internal audit assured figures for the headline indicators are presented above, with narrative below.

#### Protection

At the end of March 2018 there were 14 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. This is 4% of the 320 forest pests in the UKPHRR classed as 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 2017. The difference is the addition of *Agilus fleischeri*, a wood-boring insect native to East Asia that can affect poplar trees. It is currently absent from the UK.

This indicator, together with information from the Plant Health Risk Register, informs our work to reduce the impact of tree pests and diseases to tolerable levels. We also rely on the continuing implementation of the Defra Tree Health Management Plan (2014) and other biosecurity related strategies, plus significant and targeted communication and partnership working with Defra, the Animal and Plant Health Agency, Forest Research and woodland owners and managers. Our monitoring and control of pest and disease threats is also based on a range of advanced research recommendations and significant professional opinion.

The percentage of known tree felling that was carried out with Forestry Commission approval during 2017-18 was 99.93%. The overall figure for known legal felling remains at a very good level (target is above 95%). As well as the regulation of tree felling, activities include delivering Environmental Impact Assessments in relation to forestry projects, and collaboration with planning authorities. We have processes in place for receiving and investigating reports of alleged illegal felling.

### Improvement

As at 31 March 2018, 59% of English woodland, including the Public Forest Estate, is actively managed, equating to about 764,000 hectares. The aspiration is to bring two-thirds of woodland in management.

Use of this indicator has helped us to understand progress based on the continued use of Countryside Stewardship incentives to encourage woodland owners to actively manage their woodland. Other

activities have included support for new investments in modern wood product supply chains, and promoting development of key forestry skills. Our definition of 'actively managed' is woodland managed to the UK Forestry Standard that has a Woodland Management Plan, or for which we have made a relevant grant or felling licence in the previous 15 years. It includes all of the Public Forest Estate and all woodland on Defence Infrastructure Organisation training areas. It is recognised that other woodland might be considered as managed as well.

### Expansion

As at 31 March 2017, the area of woodland in England is 1,306,000 hectares and is an increase of 1,000 hectares on the previous year. The next update to this statistic is due in Woodland Area, Planting and Publicly Funded Restocking 2018. The March 2017 figure is 10.0% of the land area of England; the aspiration is to achieve 12% by 2060, equating to 1,566,000 hectares. Over the last ten years the area of woodland has increased by an average of 2,300 hectares per year.

This indicator is based on woodland identified in the most recent National Forest Inventory woodland map. Control of woodland area is provided by felling licence regulations and Environmental Impact Assessment (Forestry) regulations as they pertain to afforestation and deforestation. A degree of uncertainty is associated with this indicator where deforestation to another land-use is not regulated by the Forestry Commission, nor reported on by other authorities, and might only become apparent after a period of time. Further uncertainty is associated with encroachment through natural regeneration of woodland onto abandoned land and with the intentional establishment of areas of woodland below the threshold for Environmental Impact Assessment determination.

In the year to 31 March 2018 woodland creation schemes funded by Countryside Stewardship and the English Woodland Grant Scheme have created an additional 895 hectares of woodland, which corresponds to an estimated 1,415,000 trees towards the government's commitment to plant 11 million trees in

England during the 2017-22 Parliament. We use this indicator to track progress towards this commitment, supported by our work to improve, promote and deliver the Countryside Stewardship Woodland Creation grant, Woodland Carbon Fund and Woodland Creation Planning grant. We are also closely supporting the delivery of the Defra-led woodland creation campaign. We are seeing promising signs of an increasing uptake of the afforestation grants, with landowner commitment to significant forthcoming woodland creation at Doddington North Moor, Northumberland and the Lowther Estate in Cumbria. Successful woodland establishment is verified by inspections at year five with the sanction of grant reclaim if establishment has not proved successful.

## 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		2014-15	2015-16	2016-17	2017-18
Business travel	Total miles	4,480,884	4,029,836	3,369,450	3,180,614
	tonnes CO <sub>2</sub> e↑	1,175	1,031	734	752
	Expenditure (£000)	1,398	1,250	1,096	1,102
Electricity, gas and other heating fuels	Consumption (KwH)	4,560,644	4,656,032	4,608,614	5,643,123
	Expenditure (£000)	365	405	382	392
	tonnes CO <sub>2</sub> e↑	1,932	1,957	1,820	1,667
(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 <sub>2</sub> e↑	1,769	1,625	1,423	754
	Expenditure (£000)	1,763	1,656	1,478	1,497
Estate and office waste	Amount (Tonnes/m <sup>3</sup> )	243	1,409	282	198
	Expenditure (£000)	25	42	34	219
Estate and office water	Quantity (m <sup>3</sup> )	19,200	20,013	34,680	18,554
	Expenditure (£000)	18	27	16	15

### 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 new Energy and Infrastructure Strategy which will now be applied across all of the properties and travel activities of Forestry Commission England and shared services located in England.

### During 2017-18 our main priorities have consisted of:

- appointment of Carbon Smart to provide data collection and reporting of energy use and waste generation
- processing collected data, providing managers with information to plan business performance improvement and to inform GGC reporting to Defra
- 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
- establishing viability of transition to ISO 14001 2015 standard

### 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

Forestry 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.

### Climate change adaptation

Our assessment of climate risk approach to climate change adaptation, including our activities on the Public Forest Estate and our interactions with the wider forestry sector are set out in detail in our Adaptation Reporting Power Report first published in 2013, and reviewed in 2016-17 with a programme of new and continuing work now in place, including:

- establishing an updated approach to contingency planning and incident management
- UKFS climate change guidelines underpinning our incentives and regulatory functions
- a revised Climate Change Action Plan for the Public Forest Estate
- resilience at the core of three of seven Programmes of the Science and Innovation Strategy for Forestry in Great Britain
- working closely with the forestry sector to encourage the uptake of adaptation measures through the Climate Change Working Group, its Climate Change Accord and Action Plan

### Rural proofing

A large proportion of England's forests are situated in rural parts of the country, outside towns and settlements of more than 10,000 people. Many businesses that rely on woodland to provide employment and income are also based in rural communities. Working with trade

associations that represent the forestry workforce and rural businesses we gather data on what is required to increase the productivity of forestry businesses and improve the quality of the rural environment. Examples of this work include our support to the Forest Research Harvesting Machinery Census published in July 2017 and the Royal Forestry Society forestry skills study in England and Wales published in autumn 2017. Data collected from such work is used to shape support measures like the forestry productivity capital grant scheme aimed at small forestry businesses. As well as bespoke pieces of work, we maintain good links to a number of trade associations with a rural membership base via Applicants Focus Group and the Woodland Creation Stakeholder Group. Feedback from these groups is used to inform the development and implementation of policies designed to protect, improve and expand the forest resource in England.

## Training

Our approach to supporting staff learning and embedding sustainable development, climate change adaptation and rural proofing is through a programme of continuous learning to keep knowledge and expertise up to date; we also make a number of resources, guidance and a range of decision-support tools available to the forestry sector, primarily via the Forest Research web resource.

## 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 CO<sub>2</sub>, water use and waste reduction and includes sustainable

procurement requirements as part of the improvement targets following the government buying standards. The 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 Forest Enterprise Strategy and Executive Boards 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 EMS 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  
7 June 2018  
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:

- Andrea Leadsom MP, Secretary of State until 11 June 2017
- Michael Gove MP, Secretary of State from 11 June 2017
- George Eustice MP, Minister of State from 11 May 2015
- 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 2017-18.

#### 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 2017-18 was:

- Sir Harry Studholme, chair Forestry Commission
- Mary Barkham, non-executive commissioner
- Julia Grant, non-executive commissioner
- 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 Greenhouse, 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](http://www.forestry.gov.uk).

#### Personal data related incidents

There was one staff-related protected data related incident reported for Forestry Commission England/Central Services in 2017-18.

#### Supplier payment policy

Forestry Commission England/Central Services complies with the government's better payment practice code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. Analysis of 2017-18 shows that 99.2% (2016-17: 99.4%) of invoices paid by core Forestry Commission England/Central Services and 99.3% (2016-17: 99.6%) 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 (2016-17: £42,500). In addition, the notional fee for the audit of the Forest Research Agency was £38,000 (2016-17: £35,000). No fees were charged for other services (2016-17: 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, the Accounting Officer 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
- 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 is required to confirm that the annual report and

accounts as a whole is fair, balanced and understandable and takes personal responsibility for the judgements required to ensure this.

## **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 2017-18 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.

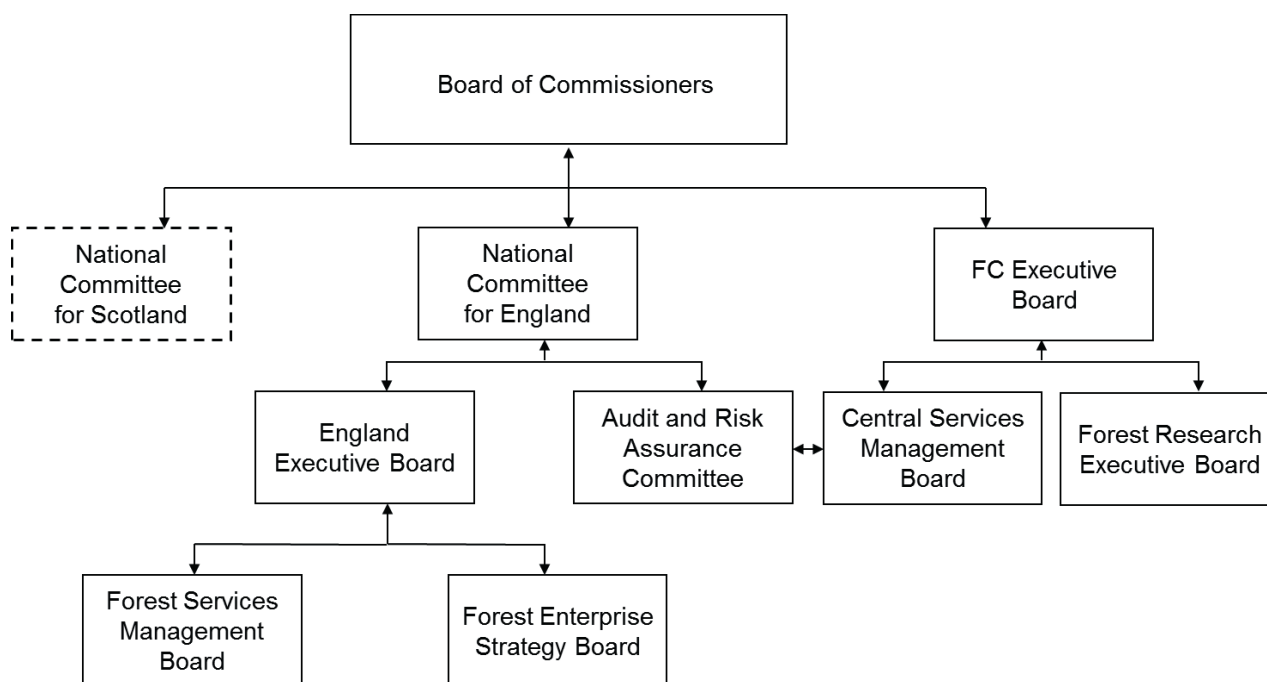
The Forestry Commission is a non-ministerial government department and has a Royal Charter, dated 25 March 1920. It is headed by a board of commissioners. Forestry is devolved and commissioners are accountable separately to the secretary of state for Environment, Food and Rural Affairs and Scottish ministers.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

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.

## How we operate

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

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



## 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; 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
- maintaining an overview of corporate risk

The board of commissioners met in April, September and December 2017, and March 2018.

Papers for these meetings and further information on the Board of Commissioners are available on our website [www.forestry.gov.uk](http://www.forestry.gov.uk).

## The 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](http://www.forestry.gov.uk).

### **National Committee for England**

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

The National Committee for England is responsible for:

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

Papers for these meetings and further information on the National Committee, including membership and attendance, are available on our website, [www.forestry.gov.uk](http://www.forestry.gov.uk).

### **England Executive Board**

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

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

The England Executive Board is supported by two sub-committees, the Forest Enterprise England 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](http://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, June and December 2017, and March 2018 and discussed a wide range of issues including:

- risk management
- the Annual Report and Accounts 2016-17
- Government Internal Audit Agency (GIAA) transition
- Forest Holidays
- external and internal audit strategy and reports
- GDPR
- HMRC compliance audits
- the Governance Statement 2017-18
- 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](http://www.forestry.gov.uk).

### Performance

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

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 Forestry Commission's Executive and Management Boards were reviewed in 2016.

### **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 GIAA Head of Internal Audit for Forestry Commission England/Central Services 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. A whistleblowing awareness campaign was carried out, in line with Defra's approach. We also have a dedicated Whistleblowing Officer.

### **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 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 to assist Defra in bridging funding shortfalls. There is also a risk of further HM Treasury savings measures during the Parliament. 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

The HMRC VAT and income tax audits are now formally closed with all liabilities settled, and approval given to the application of the Forestry Commission combined method. Increased resourcing to ensure tax compliance going forward is in place and relevant policies, procedures and systems updated to accord with the agreed method. The significant risks associated with the HMRC compliance audits have been addressed, although ensuring future tax compliance remains a risk for all Forestry Commission entities.

- Information Communication Technology (ICT) infrastructure

All major business applications operated by Central Services on behalf of the countries have been successfully migrated to the modernised ICT infrastructure resulting in significantly reduced business risk from ICT failure. Disaster recovery facilities are now operational and, subject to testing, we have the capacity to restore major corporate systems within five working days. Whilst some risk to the business still remains as work continues, the overall risk position has substantially improved. The risk to business continuity from the introduction of new cloud computing corporate service IT systems within Forestry Commission England from April 2018 has been recognised and the disaster recovery arrangements for those systems will be the subject to formal internal audit review during 2018-19

- 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 2018-19 and beyond are:

- managing the transition to the future Forestry Commission operating model in April 2019 following completion of the devolution process
- delivering government policy, including continued progress in woodland improvement and creation within a constrained resourcing environment and competing priorities for land use
- securing sufficient funding from Defra to support the delivery of the Forestry Commissions business and corporate plan targets at a time of significant financial constraint across the department and government in general
- continue developing plans and resourcing to achieve success in a post-EU exit environment
- handling the continued 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
- continue 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
- completing the further devolution of cross-border activities, including potential trisection of funds in future years and the handling of associated residual costs
- handling the continued biosecurity threat and the potential substantial cost of counter-measures

Throughout 2018-19 Forestry Commission England/Central Services will remain focused 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.

## Remuneration and staff report – subject to audit

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](http://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	11
Sir Harry Studholme	10/02/2017	22
Amanda Bryan	31/07/2015	12
Julia Grant	01/11/2016	19
Mary Barkham	01/11/2017	31
George McRobbie	01/04/2015	12
Clive Tucker	08/07/2016	15
Mark Pountain	08/11/2017	10
Shirley Trundle	N/A	N/A**

\* months remaining from 31 March 2018.

\*\* Shirley Trundle, Director Defra member of the National Committee for England during 2017-18, 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 Committee has regard to the following considerations:

- guidelines circulated by the Cabinet Office implementing government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further

information on the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com)

- reporting officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid. 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.

<b>Single total figure of remuneration</b>						
		<b>Salary</b>	<b>Bonus payments</b>	<b>Benefits in kind (to nearest £100)</b>	<b>Pension Benefits (to nearest £1,000)</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£</b>	<b>£000</b>	<b>£000</b>
<b>Ian Gambles</b>	<b>2017-18</b>	110-115	-	-	25	135-140
Director England	2016-17	110-115	-	-	32	140-145
<b>Jean Lindsay</b>	<b>2017-18</b>	95-100	0-5	-	(2)	100-105
Director Central Services	2016-17	95-100	5-10	-	22	125-130
<b>Simon Hodgson</b>	<b>2017-18</b>	80-85	-	4,500	12	100-105
Chief Executive Forest Enterprise England	2016-17	80-85	5-10	4,000	17	110-115
<b>Steve Meeks</b>	<b>2017-18</b>	75-80	-	-	(1)	70-75
Finance Director	2016-17	70-75	-	-	11	85-90
<b>Richard Greenhous</b>	<b>2017-18</b>	70-75	-	-	20	90-95
Director Forest Services	2016-17	65-70	-	-	28	95-100
<b>James Pendlebury</b>	<b>2017-18</b>	70-75	-	4,700	8	85-90
Chief Executive Forest Research	2016-17	75-80	5-10	4,300	16	100-105
<b>Jo Ridgway</b>	<b>2017-18</b>	60-65 <sup>1</sup>	-	-	24	85-90
Head of Human Resources	2016-17	65-70	-	-	26	90-95
<b>Stephanie Rhodes</b>	<b>2017-18</b>	25-30 <sup>2</sup>	-	-	12	35-40
Head of Policy and Strategy Forest Services	2016-17	35-40 <sup>3</sup>	-	-	33	65-70
<b>Richard Britton</b>	<b>2017-18</b>	35-40 <sup>4</sup>	-	-	(2)	35-40
Head of Forest Services Delivery	2016-17	-	-	-	-	-
<b>Colin Morton</b>	<b>2017-18</b>	-	-	-	-	-
Head of Communications (Acting)	2016-17	45-50 <sup>5</sup>	-	-	41	85-90
<b>Joe Watts</b>	<b>2017-18</b>	-	-	-	-	-
Head of Sustainable Forest Management	2016-17	30-35 <sup>6</sup>	-	-	37	65-70
<b>PK Khaira-Creswell</b>	<b>2017-18</b>	-	-	-	-	-
Head of Executive Office	2016-17	30-35 <sup>7</sup>	-	-	20	50-55
<b>Wilma Harper</b>	<b>2017-18</b>	-	-	-	-	-
Director Corporate and Forestry Support	2016-17	0-5 <sup>8</sup>	-	-	(9)	(5-10)

1. Reduced to four days per week from 13 November 2017.
2. Figure quoted is for the period 1 April 2017 to 31 August 2017. 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 September 2017 to 31 March 2018. The full year equivalent is 60-65.
5. Figure quoted is for the period 1 April 2016 to 31 December 2016 when the member retired.
6. Figure quoted is for the period 1 April 2016 to 30 September 2016. The full year equivalent is 60-65.
7. Figure quoted is for the period 1 April 2016 to 5 December 2016. The full year equivalent is 45-50.
8. Figure quoted is for the period 1 April 2016 to 5 April 2016 when the member retired.

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

The salary and pension entitlements of Jo O'Hara, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2017-18 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 2017-18.

## 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 2017-18 relate to performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to performance in 2015-16.

## **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 2017-18 was £110-115,000 (2016-17: £110-115,000). This was 3.45 times (2016-17: 3.47) the median remuneration of the workforce, which was £32,649 (2016-17: £32,423).

In 2017-18, no (2016-17: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,000 to £113,000 (2016-17: £17,000 to £112,000).

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.

## Disclosure of salary, pension and compensation information for 2017-18 – subject to audit

	Accrued pension at pension age at 31 March 2018 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	to nearest £100
Ian Gambles	15-20	0-2.5	303	253	20	-
Jean Lindsay	40-45 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0-2.5	914	859	(2)	-
Simon Hodgson	30-35 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	702	665	13	-
Steve Meeks	35-40 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0-2.5	767	721	(2)	-
Richard Greenhous	15-20 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	234	213	4	-
James Pendlebury	15-20 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0-2.5	355	324	7	-
Jo Ridgway	0-5	0-2.5	41	23	13	-
Stephanie Rhodes	10-15	0-2.5	133	122	4	-
Richard Britton	35-40 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0	717	704	(2)	-

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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](http://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 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**

for England received the following remuneration for their services during the year ended 31 March 2018.

The non-executive Forestry Commissioners and members of the National Committee

	2017-18		2016-17	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir Harry Studholme <sup>1</sup>	40	4	27	5
Amanda Bryan	15	2	15	3
Julia Grant <sup>2</sup>	12	1	5	1
George McRobbie	12	-	11	-
Dr Mary Barkham <sup>3</sup>	11	2	12	2
Clive Tucker	5	1	5	1
Mark Pountain	5	1	5	1
Shirley Trundle <sup>4</sup>	-	-	-	-

1. Sir Harry Studholme's agreed working days increased with effect from 10 February 2017
2. Julia Grant joined the Forestry Commission on 1 November 2016
3. An administrative error on the part of the Forestry Commission caused an overpayment of fees in 2016-17 which were subsequently recovered in 2017-18
4. Shirley Trundle, Director Defra, a member of the National Committee for England during 2017-18, 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.

**Staff report****Number of Senior Civil Servants by band**

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

**Average number of persons employed – subject to audit**

	2017-18			2016-17
	Permanently employed staff Number	Others Number	Total Number	Total Number
Forestry Commission England/Central Services	254	61	315	355
Forest Research	201	30	231	227
<b>Total</b>	<b>455</b>	<b>91</b>	<b>546</b>	<b>582</b>

**Staff costs – subject to audit**

	2017-18			2016-17
	Permanently employed staff £000	Others £000	Total £000	Total £000
<b>England/Central Services Core</b>				
Wages and salaries	10,533	-	10,533	11,885
Social security costs	1,153	-	1,153	1,267
Other pension costs	2,174	-	2,174	2,298
Agency staff	-	1,320	1,320	1,230
Inward secondments	-	77	77	141
<b>Total costs</b>	<b>13,860</b>	<b>1,397</b>	<b>15,257</b>	<b>16,821</b>
Less recoveries in respect of outward secondments	(16)	-	(16)	(71)
<b>Total net costs</b>	<b>13,844</b>	<b>1,397</b>	<b>15,241</b>	<b>16,750</b>
<b>Forest Research</b>				
Wages and salaries	7,034	707	7,741	7,631
Social security costs	775	65	840	813
Other pension costs	1,445	137	1,582	1,490
Agency staff	-	85	85	180
<b>Total net costs</b>	<b>9,254</b>	<b>994</b>	<b>10,248</b>	<b>10,114</b>
<b>Forestry Commission England/Central Services Consolidated Department</b>				
Total costs per SoCNE	23,114	2,391	25,505	26,935
Less recoveries in respect of outward secondments	(16)	-	(16)	(71)
<b>Total net costs</b>	<b>23,098</b>	<b>2,391</b>	<b>25,489</b>	<b>26,864</b>

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

The Principal Civil Service Pension Scheme (PCSPS) 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.

For 2017-18, employers' contributions of £3,706,000 were payable to the PCSPS (2016-17: £3,905,000) at one of four rates in the range 20.0% to 24.5% (2016-17: 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 are set to meet the cost of the benefits accruing during 2017-18 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 (2016-17: £32,000) 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 (2016-17: 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 (2016-17: 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

No person (2016-17: 1) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2016-17: £9,700).

### Staff composition – subject to audit

				2017-18	2016-17
	Directors and senior civil servants	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number	Number
<b>Core</b>					
Male	4	149	26	179	207
Female	1	100	35	136	148
Total	5	249	61	315	355
<b>Forest Research</b>					
Male	1	125	19	145	140
Female	-	75	11	86	87
Total	1	200	30	231	227
Consolidated	6	449	91	546	582

### Sickness absence data

Year	Working days lost per staff year	
	Forestry Commission	Forestry Commission England/Central Services
2017-18	10.5	11.1
2016-17	10.1	9.5
2015-16	10.5	10.9

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 2017-18 and the preceding years.

**Compensation for loss of office – subject to audit**

12 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2018 (2016-17: 10). They

received compensation payments of £478,827 (2016-17: £282,789).

Four staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2018 (2016-17: 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	4 - (2016-17: nil)	1 - (2016-17: 2)	5 - (2016-17: 2)
£10,000 - £25,000	0 - (2016-17: nil)	4 - (2016-17: 3)	4 - (2016-17: 3)
£25,000 - £50,000	0 - (2016-17: nil)	3 - (2016-17: 4)	3 - (2016-17: 4)
£50,000 - £100,000	0 - (2016-17: nil)	4 - (2016-17: 1)	4 - (2016-17: 1)
Total number of exit packages	4 - (2016-17: nil)	12 - (2016-17: 10)	16 - (2016-17: 10)
Total resource cost / £	£20,469 (2016-17: £Nil)	£478,827 (2016-17: £282,789)	£499,296 (2016-17: £282,789)

Forestry Commission Central Services staff departing due to the restructuring of corporate services have their exit package costs shared between Forestry Commission England, Forestry Commission Scotland and Forest Enterprise Scotland. The total costs are disclosed here for transparency purposes.

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****New personnel and payroll system**

As part of the transfer of corporate services from Central Services to England,

a new HR system has been purchased. Under current arrangements, HR data is entered and stored on two separate, un-interfaced, systems. In addition, the ability to provide meaningful management reports is limited.

The iTrent Employee and Manager Self Service applications and Payroll and Expenses application address these issues and replace existing systems from 1 April 2018. The Learning and Development module will be launched in October 2018.

**Training**

The following training and workshops were rolled out in 2017.

- absence management and recruitment workshops, delivered by HR business partners to district teams
- employment law updates provided by Eversheds (Forestry Commission England's legal advisors)
- mental health first aid workshops, delivered by MIND

## Diversity, inclusion and wellbeing

Forestry Commission England/Central Services continues to strive towards building a diverse and inclusive environment for all staff and visitors. To help achieve this, an equality monitoring report is produced yearly.

Wellbeing and mental health are also a strong area of focus and there are now trained mental health first aiders across the organisation. A new Occupational Health and Employee Assistance Programme provider has been appointed and there has been increased awareness of the ways to minimise the stigma around mental health issues.

## Employee consultation and trade union relationship

Forestry Commission England/Central Services continues to have a strong relationship with the Forestry Commission trade unions. To encourage employee consultation and communication, a staff council meeting is held each year for the whole Forestry Commission. Regional staff council meetings are held three times a year and a Bristol staff council meeting is held twice a year. Key issues discussed have included the devolution of work from Central Services to England, tenant rents and health and safety issues.

## Leadership development, workforce planning and job evaluation

The Forestry Commission England leadership team adhere to the Defra civil service leadership framework.

Workforce plans have been produced for each area. These plans include identification of individuals who are a flight risk, succession planning, and identification of difficult to fill roles.

HR staff in England are trained to carry out job evaluations, previously done by staff in Central Services.

## Expenditure on consultancy

During the year Forestry Commission England/Central Services incurred £62,000 on consultancy services (2016-17: £2,000).

## Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the period total £1,405,000 (2016-17: £1,410,000).

## 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 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 2018, for more than £245 per day and that last for longer than six months.

No. of existing engagements as of 31 March 2018	2
Of which...	
No. that have existed for less than one year at time of reporting	-
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	-
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 2017 and 31 March 2018, for more than £245 per day and that last for longer than six months.

No. of new engagements between 1 April 2017 and 31 March 2018	10
Of which...	
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	10
No. engaged directly and are on the departmental payroll	-
No. of engagements reassessed for consistency/assurance purposes during the year	10
No. of engagements that saw a change to IR35 status following the consistency review	4

## 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.

	2017-18						Outturn comparison to budget
	Net Budget total	Gross Expenditure	Adjust for R&D	Adjust for Notional Charges	Income	Net Total	
	£000	£000	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	41,801	65,643	(4,210)	(293)	(19,714)	41,426	(375)
Resource Annually Managed Expenditure (AME)	2,143	1,396	-	-	-	1,396	(747)
<b>Total resource outturn</b>	<b>43,944</b>	<b>67,039</b>	<b>(4,210)</b>	<b>(293)</b>	<b>(19,714)</b>	<b>42,822</b>	<b>(1,122)</b>
Capital Department Expenditure Limit (CDEL)	5,979	1,097	4,210	-	-	5,307	(672)
<b>Total capital outturn</b>	<b>5,979</b>	<b>1,097</b>	<b>4,210</b>	<b>-</b>	<b>-</b>	<b>5,307</b>	<b>(672)</b>

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

### 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, Forestry Commission England/Central Services 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 RDEL underspend is the product of a number of minor variances across the organisation, including depreciation.

The CDEL underspend reflects the slippage of estates infrastructure work at Forest

Research and underspends on miscellaneous IT, vehicles and machinery.

The variance on AME is related to an under-utilisation of cover linked to asset revaluation.

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

7 June 2018



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

### **Opinion on financial statements**

I certify that I have audited the financial statements of Forestry Commission England/ Central Services for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Forestry Commission England/ Central Service's affairs as at 31 March 2018 and of the net expenditure 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 regularity**

In my opinion, in all material respects the income and expenditure 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.

### **Basis of opinions**

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's

responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Forestry Commission England/ Central Services in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Additional Accounting Officer for the financial statements**

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities, the Additional Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

### **Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Forestry Commission England/ Central Services' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Forestry Commission England/ Central Services' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other

matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

### **Other information**

The Additional Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the

Performance Report and Accountability Report; 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 and have been prepared in accordance with the applicable legal requirements.

### **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 parts of the Accountability 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** 14 June 2018  
**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 2018

	Note	Core £000	2017-18 Consolidated £000	Core £000	2016-17 Consolidated £000
Operating income	3	(12,546)	(19,713)	(15,143)	(21,944)
<b>Total operating income</b>		<b>(12,546)</b>	<b>(19,713)</b>	<b>(15,143)</b>	<b>(21,944)</b>
Staff costs	2	15,257	25,505	16,821	26,935
Other operating expenditure	2	35,156	41,536	43,348	48,991
<b>Total operating expenditure</b>		<b>50,413</b>	<b>67,041</b>	<b>60,169</b>	<b>75,926</b>
<b>Net operating expenditure</b>		<b>37,867</b>	<b>47,328</b>	<b>45,026</b>	<b>53,982</b>
<b>Other comprehensive net expenditure</b>					
Items which will not be reclassified to net operating costs:					
Net loss/(gain) on revaluation of property, plant and equipment		(112)	(135)	(52)	333
Net (gain) on revaluation of intangible assets		-	-	-	(2)
<b>Comprehensive net expenditure for the year</b>		<b>37,755</b>	<b>47,193</b>	<b>44,974</b>	<b>54,313</b>

All income and expenditure is derived from continuing operations.

*The notes on pages 53 to 71 form part of these accounts*

## Consolidated statement of financial position

as at 31 March 2018

	Note	31 March 2018		31 March 2017	
		Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Non-current assets</b>					
Property, plant and equipment	4	655	12,280	1,245	12,499
Intangible assets	5	634	660	454	522
Financial assets		-	25	-	25
Trade and other receivables	7	60	71	98	117
<b>Total non-current assets</b>		<b>1,349</b>	<b>13,036</b>	<b>1,797</b>	<b>13,163</b>
<b>Current assets</b>					
Inventories		-	130	-	136
Trade and other receivables	7	951	2,569	1,488	3,208
Cash and cash equivalents	8	7,014	8,667	2,913	4,020
<b>Total current assets</b>		<b>7,965</b>	<b>11,366</b>	<b>4,401</b>	<b>7,364</b>
<b>Total assets</b>		<b>9,314</b>	<b>24,402</b>	<b>6,198</b>	<b>20,527</b>
<b>Current liabilities</b>					
Trade and other payables	9	(12,132)	(13,873)	(6,266)	(8,075)
Provisions	10	(1,403)	(1,423)	(274)	(306)
<b>Total current liabilities</b>		<b>(13,535)</b>	<b>(15,296)</b>	<b>(6,540)</b>	<b>(8,381)</b>
<b>Total assets less current liabilities</b>		<b>(4,221)</b>	<b>9,106</b>	<b>(342)</b>	<b>12,146</b>
<b>Non-current liabilities</b>					
Trade and other payables	9	(1,017)	(1,017)	(212)	(212)
Provisions	10	(363)	(378)	(63)	(99)
<b>Total non-current liabilities</b>		<b>(1,380)</b>	<b>(1,395)</b>	<b>(275)</b>	<b>(311)</b>
<b>Total assets less total liabilities</b>		<b>(5,601)</b>	<b>7,711</b>	<b>(617)</b>	<b>11,835</b>
<b>Taxpayers' equity</b>					
General fund		(5,936)	342	(1,122)	4,309
Revaluation reserve		335	7,369	505	7,526
<b>Total taxpayers' equity</b>		<b>(5,601)</b>	<b>7,711</b>	<b>(617)</b>	<b>11,835</b>

I. Gambles  
Additional Accounting Officer

7 June 2018

*The notes on pages 53 to 71 form part of these accounts*



## Consolidated statement of cash flows

for the year ended 31 March 2018

		<b>2017-18</b>	<b>2016-17</b>
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Net operating cost		(47,328)	(53,982)
Adjustments for non cash transactions	2	3,528	1,958
Decrease in inventories		6	4
Decrease in trade and other receivables	7	685	557
Increase/(decrease) in trade and other payables	9	6,603	(3,814)
Movements in trade payables relating to Defra	8	(4,647)	3,405
Use of provisions	10	(353)	(572)
<b>Net cash outflow from operating activities</b>		<b>(41,506)</b>	<b>(52,444)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(1,199)	(2,220)
Purchase of intangible assets	5	(313)	(267)
Proceeds of disposal of non-current assets		322	112
<b>Net cash outflow from investing activities</b>		<b>(1,190)</b>	<b>(2,375)</b>
<b>Cash flows from financing activities</b>			
Defra Funding		51,363	58,839
Donations towards capital expenditure			
Government grants towards capital expenditure			
<b>Net financing</b>		<b>51,363</b>	<b>58,839</b>
<b>Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>		<b>8,667</b>	<b>4,020</b>
Payment of amount due to Defra		(4,020)	(7,425)
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>4,647</b>	<b>(3,405)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>4,020</b>	<b>7,425</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>8,667</b>	<b>4,020</b>

*The notes on pages 53 to 71 form part of these accounts*

## Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2018

	Note	Core			Consolidated		
		General Fund £000	Revaluation Reserve £000	Total £000	General Fund £000	Revaluation Reserve £000	Total £000
<b>Balance at 31 March 2016</b>		<b>(381)</b>	<b>527</b>	<b>146</b>	<b>3,284</b>	<b>7,931</b>	<b>11,215</b>
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
<b>Balance at 31 March 2017</b>		<b>(1,122)</b>	<b>505</b>	<b>(617)</b>	<b>4,309</b>	<b>7,526</b>	<b>11,835</b>
Net Defra funding		41,905	-	41,905	42,697	-	42,697
Comprehensive net expenditure for the year		(37,867)	-	(37,867)	(47,328)	-	(47,328)
Internal charges adjustment		(9,469)	-	(9,469)	-	-	-
Net gain on revaluation of property, plant and equipment	4	-	112	112	-	134	134
Net gain on revaluation of intangible assets	5	-	-	-	-	-	-
Transfer from revaluation reserve		282	(282)	-	291	(291)	-
Non-cash charges - auditors remuneration	2	43	-	43	81	-	81
Non-cash charges - Defra fees	2	293	-	293	293	-	293
<b>Balance at 31 March 2018</b>		<b>(5,935)</b>	<b>335</b>	<b>(5,600)</b>	<b>343</b>	<b>7,369</b>	<b>7,712</b>

*The notes on pages 53 to 71 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 2017-18 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 2018-19 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 2018 and was reviewed by Savills, 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**

	<b>Core</b>	<b>2017-18 Consolidated</b>	<b>Core</b>	<b>2016-17 Consolidated</b>
	£000	£000	£000	£000
<b>Staff costs:</b> <sup>1</sup>				
Wages and salaries	10,533	18,274	11,885	19,516
Social security costs	1,153	1,993	1,267	2,080
Other pension costs	2,174	3,756	2,298	3,788
Other	1,397	1,482	1,371	1,551
	<b>15,257</b>	<b>25,505</b>	<b>16,821</b>	<b>26,935</b>
<b>Other costs:</b>				
Staff transfers	31	39	44	52
Computer costs	2,707	3,610	3,177	3,907
Travel and subsistence	750	1,315	978	1,497
Accommodation	1,234	2,122	1,330	2,152
Communication	1,109	1,167	1,288	1,336
Training	154	203	342	440
Premature retirement costs	9	9	-	-
Losses and compensation	5	12	6	44
Legal expenses	114	128	70	76
Partnership and publicity	3,278	6,048	2,935	5,339
Private woodland grants	238	238	204	204
Forest Enterprise England funding	19,468	19,468	28,037	28,037
Other	844	1,064	1,018	1,155
	<b>29,941</b>	<b>35,423</b>	<b>39,429</b>	<b>44,239</b>
<b>Rentals under operating leases:</b>				
Hire of plant and machinery	144	144	183	183
Other operating leases	1,997	1,997	2,012	2,012
	<b>2,141</b>	<b>2,141</b>	<b>2,195</b>	<b>2,195</b>
<b>Research and development expenditure</b>	<b>444</b>	<b>444</b>	<b>599</b>	<b>599</b>
<b>Non cash items:</b>				
Notional audit fees - audit work	43	81	43	78
Notional Defra fees	293	293	36	36
Depreciation of property, plant and equipment	345	1,137	442	1,146
Amortisation of intangible assets	133	175	144	223
Loss on disposal of property, plant and equipment	77	93	78	78
Provisions				
Provided in year	1,752	1,763	414	428
Provisions not required written back	(12)	(12)	(33)	(33)
Unwinding of discount	(1)	(2)	1	2
	<b>2,630</b>	<b>3,528</b>	<b>1,125</b>	<b>1,958</b>
<b>Total</b>	<b>50,413</b>	<b>67,041</b>	<b>60,169</b>	<b>75,926</b>

1. Further analysis of staff costs is located in the Staff Report on page 40.

**NOTE 3 Income**

	<b>Core</b>	<b>2017-18 Consolidated</b>	<b>Core</b>	<b>2016-17 Consolidated</b>
	£000	£000	£000	£000
Project and partnership income	586	586	467	467
Other income	1,540	4,154	1,540	3,927
EU receipts	-	220	-	326
Income from Scotland	4,941	7,557	6,001	8,484
Income from Wales	913	1,237	1,309	1,693
Income from Forest Enterprise England	4,566	5,959	5,826	7,047
<b>Total</b>	<b>12,546</b>	<b>19,713</b>	<b>15,143</b>	<b>21,944</b>

Internal income of £13,064,000 (2016-17: £12,918,000) was removed on consolidation.

**NOTE 4 Property, plant and equipment**

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>						
At 1 April 2017	2,011	15,858	5,418	630	-	23,917
Additions	-	34	415	37	713	1,199
Disposals	-	(352)	(314)	(9)	-	(675)
Transfers / reclassifications	64	246	172	-	(482)	-
Revaluations	(729)	2,061	33	12	-	1,377
<b>At 31 March 2018</b>	<b>1,346</b>	<b>17,847</b>	<b>5,724</b>	<b>670</b>	<b>231</b>	<b>25,818</b>
<b>Depreciation :</b>						
At 1 April 2017	-	7,911	3,126	381	-	11,418
Charged in year	-	473	546	118	-	1,137
Disposals	-	(28)	(223)	(9)	-	(260)
Revaluations	-	1,217	19	7	-	1,243
<b>At 31 March 2018</b>	<b>-</b>	<b>9,573</b>	<b>3,468</b>	<b>497</b>	<b>-</b>	<b>13,538</b>
<b>Net Book Value :</b>						
<b>At 31 March 2018</b>	<b>1,346</b>	<b>8,274</b>	<b>2,256</b>	<b>173</b>	<b>231</b>	<b>12,280</b>
At 31 March 2017	2,011	7,947	2,292	249	-	12,499
<b>Asset financing :</b>						
Owned	1,346	8,274	1,966	173	231	11,990
Finance leased	-	-	290	-	-	290
<b>Net Book Value at 31 March 2018</b>	<b>1,346</b>	<b>8,274</b>	<b>2,256</b>	<b>173</b>	<b>231</b>	<b>12,280</b>

Land and Buildings were valued as at 31 March 2018 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Street, FRICS who was Head of Estates. The results of this valuation were also subject to professional review by Savills, Chartered Surveyors. The next professional valuation is due on 31 March 2023. 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 £173,000 as at 31 March 2018 using an index provided by the ONS.



Depreciation expense of £1,135,000 (2016-17: £1,146,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure. Assets under construction (AUC) are not depreciated.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Information Technology asset class. The carrying amount at 31 March 2018 is £186,000 and is being amortised over three more years.

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>						
At 1 April 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	<b>2,011</b>	<b>15,858</b>	<b>5,418</b>	<b>630</b>	<b>-</b>	<b>23,917</b>
<b>Depreciation :</b>						
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	<b>-</b>	<b>7,911</b>	<b>3,126</b>	<b>381</b>	<b>-</b>	<b>11,418</b>
<b>Net Book Value :</b>						
<b>At 31 March 2017</b>	<b>2,011</b>	<b>7,947</b>	<b>2,292</b>	<b>249</b>	<b>-</b>	<b>12,499</b>
At 31 March 2016	1,960	7,483	2,044	302	5	11,794
<b>Asset financing :</b>						
Owned	2,011	7,947	1,756	249	-	11,963
Finance leased	-	-	536	-	-	536
<b>Net Book Value at 31 March 2017</b>	<b>2,011</b>	<b>7,947</b>	<b>2,292</b>	<b>249</b>	<b>-</b>	<b>12,499</b>

Analysis of property, plant and equipment:

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

	<b>Land</b>	<b>Buildings</b>	<b>Plant &amp; machinery</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	£000	£000	£000	£000	£000	£000
<b>Core at 31 March 2018</b>	<b>-</b>	<b>150</b>	<b>332</b>	<b>173</b>	<b>-</b>	<b>655</b>
<b>Agency at 31 March 2018</b>	<b>1,346</b>	<b>8,124</b>	<b>1,924</b>	<b>-</b>	<b>231</b>	<b>11,625</b>
Core at 31 March 2017	-	388	608	249	-	1,245
Agency at 31 March 2017	2,011	7,559	1,684	-	-	11,254

**NOTE 5 Intangible assets**

				<b>2017-18</b>
	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 2017	1,785	10,791	-	12,576
Additions	-	-	313	313
Disposals	-	-	-	-
Transfers	-	313	(313)	-
Revaluation to current prices	1	-	-	1
<b>At 31 March 2018</b>	<b>1,786</b>	<b>11,104</b>	<b>-</b>	<b>12,890</b>
<b>Amortisation:</b>				
At 1 April 2017	1,721	10,333	-	12,054
Provided during year	39	136	-	175
Disposals	-	-	-	-
Revaluation to current prices	1	-	-	1
<b>At 31 March 2018</b>	<b>1,761</b>	<b>10,469</b>	<b>-</b>	<b>12,230</b>
<b>Net book value :</b>				
<b>At 31 March 2018</b>	<b>25</b>	<b>635</b>	<b>-</b>	<b>660</b>
At 31 March 2017	64	458	-	522
				<b>2016-17</b>
	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 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
<b>At 31 March 2017</b>	<b>1,785</b>	<b>10,791</b>	<b>-</b>	<b>12,576</b>
<b>Amortisation:</b>				
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
<b>At 31 March 2017</b>	<b>1,721</b>	<b>10,333</b>	<b>-</b>	<b>12,054</b>
<b>Net book value :</b>				
<b>At 31 March 2017</b>	<b>64</b>	<b>458</b>	<b>-</b>	<b>522</b>
At 31 March 2016	110	478	42	630

The net book value of intangible assets comprises:

	<b>Software licenses</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Core at 31 March 2018</b>	<b>7</b>	<b>627</b>	<b>-</b>	<b>634</b>
<b>Agency at 31 March 2018</b>	<b>18</b>	<b>8</b>	<b>-</b>	<b>26</b>
Core at 31 March 2017	24	430	-	454
Agency at 31 March 2017	40	28	-	68

Amortisation of £175,000 (2016-17: £223,000) is included in other programme costs in the statement of Comprehensive Net Expenditure.

Intangible assets are all owned, rather than leased.

## NOTE 6 Financial instruments

### Financial instruments by category

	31 March 2018			31 March 2017		
	Loans and receivables	Available for sale	Total	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000	£000	£000
<b>Assets as per the Statement of Financial Position</b>						
Available for sale financial assets	-	25	25	-	25	25
Trade and other receivables	1,158	-	1,158	1,491	-	1,491
Cash and cash equivalents	8,667	-	8,667	4,020	-	4,020
<b>Total</b>	<b>9,825</b>	<b>25</b>	<b>9,850</b>	<b>5,511</b>	<b>25</b>	<b>5,536</b>

	31 March 2018		31 March 2017	
	Other financial liabilities	Total	Other financial liabilities	Total
	£000	£000	£000	£000
<b>Liabilities as per the Statement of Financial Position</b>				
Finance lease liabilities	189	189	402	402
Trade and other payables excluding statutory liabilities	3,337	3,337	3,227	3,227
<b>Total</b>	<b>3,526</b>	<b>3,526</b>	<b>3,629</b>	<b>3,629</b>

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**

	<b>31 March 2018</b>		<b>31 March 2017</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts expected to be received within one year:</b>				
Trade receivables	187	1,102	272	1,342
Less: provision for impairment of trade receivables	-	(37)	(1)	(1)
Trade receivables - net	187	1,065	271	1,341
VAT	62	62	16	16
Other receivables	6	21	8	16
House purchase loans to employees	13	15	15	17
Prepayments and accrued income	683	1,406	1,178	1,818
<b>Total current receivables</b>	<b>951</b>	<b>2,569</b>	<b>1,488</b>	<b>3,208</b>
<b>Amounts expected to be received after more than one year:</b>				
House purchase loans to employees	46	57	52	65
Prepayments and other accrued income	14	14	46	52
<b>Total non-current receivables</b>	<b>60</b>	<b>71</b>	<b>98</b>	<b>117</b>
<b>Total receivables</b>	<b>1,011</b>	<b>2,640</b>	<b>1,586</b>	<b>3,325</b>

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

Trade receivables of £451,000 (2016-17: £650,000) were past due but not impaired as of 31 March 2018. These relate to a number of customers for whom there is no recent history of default.

**NOTE 8 Cash and cash equivalents**

	<b>Core</b>	<b>2017-18 Consolidated</b>	<b>Core</b>	<b>2016-17 Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 1 April</b>	<b>2,913</b>	<b>4,020</b>	<b>7,157</b>	<b>7,425</b>
Net change in cash and cash equivalent balances	4,101	4,647	(4,244)	(3,405)
<b>Balance at 31 March</b>	<b>7,014</b>	<b>8,667</b>	<b>2,913</b>	<b>4,020</b>

	<b>Core</b>	<b>31 March 2018 Consolidated</b>	<b>Core</b>	<b>31 March 2017 Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>The following balances are held at:</b>				
Balance with the Government Banking	7,014	8,667	2,913	2,913
Cash at commercial banks and cash in hand	-	-	-	1,107
<b>Total</b>	<b>7,014</b>	<b>8,667</b>	<b>2,913</b>	<b>4,020</b>
<b>The balance at 31 March comprises:</b>				
Amounts issued from the consolidated fund for supply but not spent at the year end	7,014	8,667	2,913	4,020

**NOTE 9 Trade payables and other current liabilities**

	31 March 2018		31 March 2017	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Amounts expected to be paid within one year:</b>				
Trade payables	365	883	796	1,088
VAT	-	11	-	68
Other payables	-	17	-	33
Accruals	1,417	1,917	1,024	1,529
Deferred income	1,590	1,769	236	354
Current part of finance leases	93	93	190	190
Payments received on account	-	516	-	793
Amounts issued from Defra vote but not spent at year end	8,667	8,667	4,020	4,020
<b>Total current payables</b>	<b>12,132</b>	<b>13,873</b>	<b>6,266</b>	<b>8,075</b>
<b>Amounts expected to be paid after more than one year:</b>				
Finance leases	96	96	212	212
Deferred income	921	921	-	-
<b>Total non-current payables</b>	<b>1,017</b>	<b>1,017</b>	<b>212</b>	<b>212</b>
<b>Total payables</b>	<b>13,149</b>	<b>14,890</b>	<b>6,478</b>	<b>8,287</b>

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

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

	31 March 2018 £000	31 March 2017 £000
GBP Sterling	14,653	7,811
Euro	237	476
<b>Total</b>	<b>14,890</b>	<b>8,287</b>

**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
<b>At 31 March 2016</b>	<b>438</b>	<b>6</b>	<b>444</b>	<b>529</b>	<b>51</b>	<b>580</b>
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
<b>At 31 March 2017</b>	<b>337</b>	<b>-</b>	<b>337</b>	<b>400</b>	<b>5</b>	<b>405</b>
Provided in year	1,752	-	1,752	1,763	-	1,763
Provisions not required written back	(12)	-	(12)	(12)	-	(12)
Utilised in year	(310)	-	(310)	(348)	(5)	(353)
Unwinding of discount	(1)	-	(1)	(2)	-	(2)
<b>At 31 March 2018</b>	<b>1,766</b>	<b>-</b>	<b>1,766</b>	<b>1,801</b>	<b>-</b>	<b>1,801</b>



Analysis of expected timing of discounted cash flows:

	Core		Consolidated	
	Early departure costs	Other Provisions	Early departure costs	Other Provisions
	£000	£000	£000	£000
Not later than one year	1,403	-	1,403	-
Later than one year and not later than five years	363	-	363	-
<b>At 31 March 2018</b>	<b>1,766</b>	<b>-</b>	<b>1,766</b>	<b>-</b>

### Early departure costs

Forestry Commission England/Central Services meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission England/Central Services provides for this in full when the early retirement programme becomes binding on Forestry Commission England/Central Services by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of 0.10%.

**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 2018		31 March 2017	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Obligations under operating leases for the following periods comprise:</b>				
<b>Land</b>				
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	8	-	15
<b>Total</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>22</b>
<b>Buildings</b>				
Not later than one year	2,060	2,060	2,074	2,074
Later than one year and not later than five years	7,045	7,045	8,143	8,143
More than five years	-	-	-	-
<b>Total</b>	<b>9,105</b>	<b>9,105</b>	<b>10,217</b>	<b>10,217</b>
<b>Other leases</b>				
Not later than one year	60	60	96	96
Later than one year and not later than five years	28	28	41	41
<b>Total</b>	<b>88</b>	<b>88</b>	<b>137</b>	<b>137</b>

Building lease rentals include irrecoverable VAT.

**Finance leases**

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

	31 March 2018		31 March 2017	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Obligations under finance leases for the following periods comprise:</b>				
<b>Plant and machinery</b>				
Not later than one year	96	96	199	199
Later than one year and not later than five years	99	99	221	221
	195	195	420	420
Less: interest element	(6)	(6)	(18)	(18)
<b>Present value of obligations</b>	<b>189</b>	<b>189</b>	<b>402</b>	<b>402</b>

**NOTE 12 Capital commitments**

There were no contracted capital commitments at 31 March 2018 (2016-17: £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 £93,000 at 31 March 2018 (2016-17: £342,000) all relate to the Core department.

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

	<b>2017-18</b>	<b>2016-17</b>
	<b>Consolidated</b>	<b>Consolidated</b>
	£000	£000
Not later than one year	93	249
Later than one year and not later than five years	-	93
	<b>93</b>	<b>342</b>

**NOTE 14 Contingent liabilities disclosed under IAS 37**

There are no contingent liabilities for Forestry Commission England/Central Services at 31 March 2018.

**NOTE 15 Operating lease receivables**

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

	<b>31 March 2018</b>		<b>31 March 2017</b>	
	<b>Core</b>	<b>Consolidated</b>	<b>Core</b>	<b>Consolidated</b>
	£000	£000	£000	£000
Not later than one year	533	533	1,179	1,179
Later than one year and not later than five years	1,824	1,824	2,133	2,133
	<b>2,357</b>	<b>2,357</b>	<b>3,312</b>	<b>3,312</b>

The Forestry Commission sub-leased parts of a building to two third parties under agreements which will terminate in August 2022.

**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 of £19,468,000 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 the Department for the Environment, Food and Rural Affairs, Government Internal Audit Agency, the Environment Agency, Department for Work and Pensions, High Speed Two, Natural Resources Wales, Rural Payments Agency, Welsh Assembly Government, local government 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	2017-18	2016-17
	£000	£000
Sir Harry Studholme, Forestry Commissioner (chair)	38	47
The Earth Trust, of which Dr Mary Barkham, Forestry Commissioner, is a trustee	-	14
Tilhill Forestry clients, of which George McRobbie, Forestry Commissioner, is a director	123	82

**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:

	2017-18		2016-17	
	Forestry Commission England/ Central Services	Forest Enterprise England	Forestry Commission England/ Central Services	Forest Enterprise England
	£000	£000	£000	£000
Sales	1	2,634	4	1,661
Receivables	-	434	-	209
Purchases	20	142	-	193
Payable	-	-	-	9

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 Forest Enterprise England paid FISA £5,000 for FISA membership and safety guides for chainsaws. There were no transactions outstanding at 31 March 2018.

### Confederation of Forest Industries

George McRobbie, Forestry Commissioner Scotland, is a director of Confederation of Forest Industries (CONFOR). During the year Forestry Commission England/Central Services paid £600 for places at the Scottish conference, a subscription renewal and tickets for the CONFOR show. Forest Enterprise England paid £4,800 for subscriptions and membership.

### 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:

	2017-18	2016-17
	£000	£000
Sales	11	21

There was £530 outstanding balance at 31 March 2018 (31 March 2017: £nil).

### 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 £5,000 was paid to Inverness College for student funding for the Pine Tree Lappitt project during 2017-18. No amounts were outstanding at 31 March 2018.

### James Hutton Institute

Ian Gambles, Director England, is a 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:

	2017-18	2016-17
	£000	£000
Sales	31	19
Purchases	157	9

Forest Research made purchases of £157,000 from James Hutton Institute in relation to a project focussing on global threats from *Phytophthora* (2016-17: £9,000). £7,000 was outstanding at 31 March 2018, but has subsequently been paid in full. Sales invoices for £31,000 plus VAT were raised for co-ordinated integrated pest management in Europe. £14,000 was outstanding as at 31 March 2018, 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:

	2017-18		2016-17	
	Forestry Commission England/Central Services	Forest Enterprise England	Forestry Commission England/Central Services	Forest Enterprise England
	£000	£000	£000	£000
Purchases	15	2	54	4

There were no outstanding transactions at 31 March 2018.

**University of Southampton**

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

	2017-18	2016-17
	£000	£000
Sales	41	23
Purchases	75	70

The outstanding sales balance at 31 March 2018 was £5,100 (2016-17: £3,500); there was no outstanding purchase balance (2016-17: £nil).

**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 2018**

In accordance with the requirements of IAS 10, events after 31 March 2018 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.



