



THE NATIONAL
FOREST

National Forest Company Annual Report and Accounts

For the year ended 31 March 2018

HC 1506

National Forest Company
Annual Report and Accounts 2017–18

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of the Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009

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Chair's letter

It is hard to believe that I am already two years into my tenure as Chair of the National Forest Company (NFC). This year has been both varied and enjoyable, from welcoming the Royal Family to the Forest and meeting Ministers, to discussing woodland management with landowners or celebrating outdoor learning with school children.

During the year we continued to develop our Board, welcoming three new Trustees; Alison Field, Paddy Harrop and Mike Kapur. I would like to thank our outgoing Trustees, Roger Clarke and Brian Mahony, who have both done sterling service and have been a great support to me as Chair.

I am also delighted to see the NFC still expanding forest cover through our grant schemes, site acquisition and planning delivering another 100ha this year. We are also approaching my aspiration of 80% of our woodlands in active management by 2020, having reached the milestone of 70% this year and counting. These figures continue to make a major contribution to Defra's national targets for tree planting and woodland management in both rural and urban areas.

It is also heartening to see the success of our Forest for Learning project, to ensure all children in the National Forest enjoy outdoor learning as part of their primary school education. This will be the

generation that grows up here in the Forest with an understanding of the importance of the woodlands on their doorstep.

With the publication of the Government's 25 Year Environment Plan and policy changes resulting from Brexit, there are both opportunities and challenges ahead. It is encouraging to see that the many benefits of forestry are now firmly recognised within Defra and that the National Forest is delivering more broadly, including informing new initiatives such as the Northern Forest. I believe the National Forest has much to offer in this regard, in particular to show how our natural environment can deliver positive growth that is good for the environment, economy and communities.

I would like to pay tribute to the many partners, communities, businesses and landowners we have worked with again this year. It really is a pleasure to be part of such a welcoming and supportive group who share our vision for the National Forest.



Sir William Worsley
Chair of the Board of Trustees

Chief Executive's foreword

There is never a quiet or normal year in the life of the National Forest, and 2017-18 was no exception. The Forest itself is growing, more people are engaging in Forest-related activities, and businesses that support the Forest are expanding.

The NFC has also continued to develop this year as we equip the organisation to operate more effectively as a charity into the future. We welcomed our new Director of Development, David Bourque, and said goodbye to Mike Dewsnap, who retired after 22 years of dedicated service. During the year we also worked hard behind the scenes to refresh the National Forest brand, revamp the website and introduce new systems for finance and data management. These will go live as we launch the new website and supporter campaign later in 2018, to improve the communication of our purpose and progress.

I hope you feel this report demonstrates an impressive year for both the NFC and the National Forest – I would just like to highlight a few notable achievements:

- Our thanks to the Woodland Trust with whom we secured an additional 31ha of forest habitat to expand Queen Elizabeth Diamond Jubilee Wood, and help meet our 100ha forest creation target for the year.
- It was particularly pleasing to see the launch of the Tourism Growth Plan in September demonstrating a shared appetite for more

on-brand tourism development in the Forest, as we continue to expand the visitor economy.

- The development of the National Forest Festival 'Timber' through our partnership with Wild Rumpus is taking us into new commercial, community and creative territory and helping to showcase the destination on the national stage.
- Securing funds for the Charnwood Forest Landscape Partnership Scheme from Heritage Lottery Fund highlights how we can play such an important enabling role with our partners.
- New partnerships such as with Ecotricity, PHS Group and Air Ambulance continue to build support for our work with partners who share our ambitions for a more sustainable future.

These and the many other achievements in this report have only been possible through the efforts of our excellent NFC team – the Chair, Trustees, staff and volunteers – and our many partners. There is still so much more to do to meet our aspirations for the National Forest. My thanks to everyone for their efforts and I look forward to working with you in the year ahead.



John Everitt
Chief Executive/Accounting Officer

Directors' Annual Report

Introduction

This report provides the information as required by company law. In addition, as the National Forest Company (NFC) is a registered charity, the report provides any additional information as required by the Statement of Recommended Practice (SoRP) module 'Trustees' annual report'. The Trustees have agreed that a single report should be produced providing the required information rather than a separate directors' report and trustees' annual report.

National Forest Company status

The National Forest Company was established in April 1995 with the objective of overseeing the creation of the National Forest which spans 200 square miles of central England. The NFC is a company limited by guarantee (registered number 2991970) and a registered charity (registered number 1166563).

As a charity since April 2016 and applying the provisions of its Articles of Association, the business of the NFC is no longer controlled solely by the Secretary of State for Environment, Food and Rural Affairs. The NFC does, however, given the levels of grant in aid funding received, continue to place economic reliance on the Department for Environment, Food and Rural Affairs (Defra). Grant in aid is paid to the NFC under Section 153 of the Environmental Protection Act 1990. The NFC's status is a Non-Profit Institution within the Public Sector specifically within Central Government as defined by the Office for National Statistics.

Objectives and activities

The objects of the NFC as contained in its Articles of Association are:

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

(a) woodland creation and management generally, and in particular in the area of The National Forest, for the benefit of the general improvement of land or for the environment;

(b) the promotion of urban and rural regeneration by the maintenance, improvement or provision of public amenities; the provision of recreational facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances, have need of such facilities; and the protection or conservation of the environment; and

(c) the advancement of education in the environment and sustainable development through the promotion of training and education and the undertaking and publishing of research.'

Strategy and priorities

The National Forest Strategy covering the period 2014–2024 includes the following priorities:

- Creating and managing a Forest for the nation
- Creating the visitor destination and making the most of the asset
- Creating the Forest for Everyone
- Governance, income generation and marketing

The Strategy is based on creating a resilient Forest, continuing to move forward with new forest creation and increasing the emphasis and investment in woodland management. It also includes a focus on an accessible Forest, increasing new access routes and engaging people and communities in outdoor activity through education, volunteering and enjoyment. In addition, the Strategy prioritises work to create a sustainable Forest, developing the visitor and woodland economy in line with the Forest brand. To support this, the Strategy recognises the organisational development required for the NFC to meet future challenges, including upgrading its infrastructure and systems as a new charity, growing its income to increase financial sustainability, and building a stronger brand.

Grant funding from Defra contributed significantly towards the delivery of objectives for the year, whilst simultaneously contributing to the delivery of the Defra Strategy and Single Departmental Plan.

Public benefit

In overseeing the strategic direction and activities for the year, the Trustees have been mindful of the Charity Commission guidance on public benefit and are satisfied that the NFC complies with these requirements.

The National Forest acts as a national exemplar of sustainability and its public benefit is based on its environmental, social and economic outcomes. The direct environmental benefits include the restoration of the landscape and the services that this provides for clean air, water and soils, as well as for the conservation and enhancement of wildlife. Social benefits relate to the physical and mental health of individuals who engage with the Forest and the benefits that are derived from access, education, skills and training. Economic benefits are provided to society as a whole through promoting more sustainable livelihoods and through targeted work with deprived communities.

The benefits are felt by the 220,000 plus residents that live within the National Forest area, many of whom are from disadvantaged backgrounds; the 8.2 million visitors who enjoy the Forest as a destination each year; and the wider audience of supporters, partners, stakeholders and individuals who are inspired to engage with our work.

Volunteering statement

It is central to the ethos of the National Forest's development that local communities, businesses and visitors are offered opportunities to become engaged in creating and looking after the Forest, helping to underpin more sustainable management. Volunteering has played a key role in this. Since its creation, the NFC has facilitated a wide range of organisations across the Forest to offer volunteering opportunities; for example, since 1997 over 30,500 volunteer workdays have been arranged in the Forest by The Conservation Volunteers (TCV).

The NFC itself is also directly involved in the engagement and deployment of volunteers, with a volunteering policy approved by the Board. During 2017-18, the NFC extended its volunteering activities with 1,477 engaged through the 'Black to Green' heritage project, and further training and support for volunteer rangers along each section of the National Forest Way long distance trail. In total, 8,100 volunteer participations were contributed in 2017-18, with a value of £240,950.

Grant making policy

The NFC's grant making is targeted to supporting public benefit and the charity's objects in line with Charity Commission guidance and guidance set out in *Managing Public Money*. Grants awarded are an important means of delivering multiple Forest objectives including forest creation, woodland management, access and community programmes. Grants are administered through an assessment process that considers priorities, impact and value for money. Higher level grants are approved annually by the Board and smaller grants by Trustee-led Working Groups. This provides the necessary assurances and includes grant conditions for recipients to ensure that charitable purposes are adhered to.

Forest creation is secured through grants awarded via the Changing Landscapes Scheme (CLS), for areas greater than 1 hectare (ha).

The woodland management grant programme supports active management of woodlands covering a range of objectives including forestry, wildlife, access, landscape and community use. Qualifying projects were eligible for up to 60% of total costs. In 2017-18 the decision was taken to reduce the maximum match funding to 55% for repeat applicants. This enables us to fund more schemes and acts as an incentive for new applicants.

Small grants to communities and organisations are made through the Programme Development Fund (PDF) supporting activities that include access, community, heritage, wildlife and recreation. Grants normally cover up to 50% of project costs, helping to lever additional funds to support the Forest.

The NFC works collaboratively with other charities in the pursuit of its objectives. This year, we worked with the Woodland Trust and were able to secure an additional 31ha of forest habitat to help meet our forest creation target.

Grants totalling £823,445 were awarded during 2017-18. Note 16 to the accounts provides an analysis and information on grant recipients.

Strategic Report

Financial overview

An operating surplus of £0.689m was achieved in 2017-18 (2016-17: £0.227m). £0.072m of the surplus relates to the creation and acquisition of assets, rather than being expensed, ie £0.048m for our newly developed website and a contribution of £0.024m Section 106 funds towards a land acquisition. £0.465m has been taken to reserves for restricted projects and activities. This includes £0.373m additional grant in aid funding from Defra for additional tree planting to be completed in the next tree planting season of Winter 2018/ Spring 2019.

Total income increased to £3.483m (2016-17: £3.109m) of which £2.9m is grant in aid from Defra (2016-17: £2.5m). The NFC continues to rely heavily on this funding and is encouraged by an indication from the Department that this is expected to remain at c£2.5m for the next two years. During the year the Board approved investment of funds in a new income generating website and a supporter campaign. The new website has been commissioned and is expected to be live from summer 2018. The campaign has been commissioned to start in August 2018. It is expected that this will generate significant year on year increases in sustainable unrestricted funding and we will closely monitor the net return on our investment.

Restricted project income from charitable activities was £0.835m in 2017-18 (2016-17: £0.469m). These projects with their third party funding make a significant contribution to the delivery of corporate priorities, particularly in the area of community engagement.

Expenditure during 2017-18 was £2.796m of which unrestricted expenditure was £2.409m and restricted expenditure was £0.387m (2016-17: total expenditure £2.886m, unrestricted expenditure £2.468m and restricted expenditure £0.418m). Over 48% (2016-17: 55%) of the unrestricted funds were spent on forest creation which secured the headline target for new forest habitat whilst also helping to deliver associated targets. With such a small staff team, the NFC continues to act as an enabler, working in partnership with others to deliver its priorities. The awarding of grants remains an important means of delivering these priorities and during the year grants totalling £0.823m were awarded (2016-17: £1.098m). The reduction of £0.275m in total grants, compared with the previous year, is largely due to a significant grant made to

the Woodland Trust towards a land acquisition in 2016-17 of £0.630m versus a grant of £0.338m in 2017-18.

At the end of March 2018, NFC reserves had increased from £5.291m to £5.981m, the main components of which were land and buildings owned by the NFC valued at £3.690m and bank balances of £2.057m.

Fundraising Statement

The NFC is registered with the Fundraising Regulator and abides by its Code of Fundraising Practice, ensuring that fundraising activities are legal, open, honest and respectful. The standards can be accessed via the Fundraising Regulator website www.fundraisingregulator.org.uk

The NFC has policies and procedures in place to ensure that data is stored securely, processed lawfully and respectfully, in accordance with the wishes of the data subjects. All NFC staff have received training on the implications of the new General Data Protection Regulations (GDPR) which come into force in May 2018.

The NFC does not use the services of professional fundraisers. The NFC's Development Working Group, comprising two Trustees and reporting to the Board, is responsible for oversight of the income generation strategy which includes fundraising. Operationally, responsibility for the development, management and monitoring of fundraising activities is carried out by the NFC's Development Team; this includes the Fundraising and Development Officer who is a Full Member of the Institute of Fundraising.

No complaints have been received about the NFC's fundraising practice.

Achievements against targets for 2017-18

2017-18 saw another good year of delivery for the NFC against outcomes for the Forest. Targets for forest creation were again met (101ha achieved) increasing forest cover now to 20.7%, through a combination of land acquisition, planning and grants schemes. Success with forest creation has also meant that targets for access and non-woodland habitat creation were exceeded, providing a broad range of public benefit. Our work to target woodland management was similarly successful with grants, support and advice securing 536 ha of woodlands into active management, split between young and mature woodlands. This

work has also brought the overall figure to 70% of our woodlands now in active management, which represents a key milestone.

Our work with communities was further extended this year with the start of the 'Creating a Forest for Learning' project to establish regular outdoor learning in every primary school in the Forest, alongside the Heritage Lottery Fund (HLF) funded 'Black to Green' project. This work has increased regular outdoor learning to a third of primary schools, and supported community groups, volunteers and partners to deliver a significant heritage programme in the Heart of the Forest. Across the Forest we are continuing to increase volunteering as well as community groups

managing woodlands, with our key centres engaging more young people in environmental learning than ever before. Our work continues to impact positively on the lives of our beneficiaries.

This year also saw the launch of the new National Forest Tourism Growth Plan to support growth of sustainable tourism and development of the destination in line with the brand of the Forest. This coincided with visitor figures exceeding 8 million per annum for the first time, and similar increases in both spend and jobs in the visitor economy. These should all be further enhanced by the new National Forest Festival 'Timber', which was developed this year.

Resilient Forest

Targets	Progress
Forest Creation:	
85–100 ha new forest habitat created.	Exceeded. 101ha secured. Includes 43ha land acquisition, 33ha grants and 25ha planning and minerals.
20 ha new non-woodland habitats created or brought into management.	Exceeded. 30ha secured.
125,000 trees planned or planting secured.	Partially achieved. 121,317 trees planted or planned for future planting.
Woodland Management:	
100ha mature woodland and 300ha young woodland brought into management.	Significantly exceeded. 536ha brought into management, including 335ha young woodlands and 201ha mature woodlands. Includes work on Planted Ancient Woodland Sites (PAWS) with Woodland Trust.
6 non-woodland habitats in management (with management plans).	Achieved. Management statements produced for sites in the Heart of the Forest.
NFC sites in active management.	Achieved. Further site development works undertaken at Brookvale Wood, Feanedock and Eastern Old Parks, and active management undertaken at other sites.
Undertake best practice research into woodland management.	In progress. Further grey squirrel control tested at cluster sites, alongside existing research trails into ash dieback and woodland connectivity.

Accessible Forest

Targets	Progress
Access creation:	
40ha of new / planned public access secured.	Exceeded. 59ha public access achieved through grant schemes, planning and acquisitions.
5-10km of Forest trails created / developed.	Achieved. Heart of the Forest interpretation hubs developed and installation underway as part of the Heritage Lottery Funded Black to Green project.
Promoting Outdoor Activity:	
38,500 young people receiving outdoor learning sessions through facilities in the Forest.	Exceeded. 39,700 young people received sessions through Conkers, South Derbyshire District Council's Environmental Education project and NFC activity including at Brookvale Wood.
20% of National Forest schools using woodland sites or wooded school grounds regularly for education.	Exceeded. 33% of schools now with regular sessions using Forest School trained teachers and outdoor wooded classrooms.
Community management of woodlands programme delivered with 50 groups.	Partially achieved. Increase from 43 to 47 groups now up and running. Delays in securing external funding have delayed delivery of target.
9,000 people involved in Forest related volunteering each year.	Partially achieved. Increase from 7,600 to 8,100 volunteers. As above, delays in securing external funding have delayed delivery of target.

Sustainable Forest

Targets	Progress
Visitor economy:	
Launch Tourism Growth Plan and increase visitor numbers to 7.9m pa.	Exceeded. Tourism Growth Plan launched in the Forest and in Parliament. Visitor numbers increased to 8.2m pa.
Visitor spend per annum increased to £380m and tourism jobs increased to 4,910.	Partially achieved. Annual spend increased to £395m, tourism jobs increased to just below target at 4,849.
Develop new National Forest Festival to increase profile and promote visitor destination.	Achieved. National Forest Festival 'Timber' developed to launch in July 2018 in partnership with Wild Rumpus.
Woodland and low carbon economy:	
Woodland and low carbon economy contribution to local jobs increased to 235.	Target not met. Delays in recruitment of Woodland Management Officer reduced capacity on the woodland economy.
11 wood fuel heating systems operating in the Forest.	Target not met. Delays in recruitment of Woodland Management Officer reduced capacity on the woodland economy.

Securing resources and recognition; governance and management

Targets	Progress
Securing resources:	
Generate unrestricted income for the NFC through sustainable sources.	Ongoing. Successful Plant a Tree and sale of grove programmes. Further piloting of contribution schemes for businesses and visitors, and corporate sponsorship successes.
Generate programme income for Forest related activity and new programmes.	Ongoing. Funds secured from HLF for Charnwood Forest Landscape Partnership Scheme. Ongoing project funds secured from HLF for 'Black to Green', and from Audemars Piguet Foundation for 'Creating a Forest for Learning' project.
Securing recognition:	
Increase advocacy with partners, politicians and stakeholders.	Achieved. Launch of Creating a Forest for Learning project at Grace Dieu School, visits including Defra Permanent Secretary, Duke of Kent and Amsterdam Bos, and successful parliamentary reception.
Increase profile of the National Forest with key audiences.	Achieved. Significant coverage in national and local media, and specialist press, including involvement in the Queen's Commonwealth Canopy, National Forest Festival 'Timber', Tourism Growth Plan, 25 Year Environment Plan and Northern Forest.
Develop the National Forest brand and upgrade website and communications.	Ongoing. New brand guidelines completed and website re-development work initiated. Supporter campaign developed.

Targets	Progress
Governance and management:	
Update governance and management arrangements in line with charitable status.	Ongoing. Three new Trustees recruited as part of Board succession. Land policy approved.
Upgrade systems and procedures to support organisational development.	Ongoing. New data management and finance systems introduced to improve efficiency and meet General Data Protection Regulations.

Income generation performance

Income generation for the year saw the development of a new Income Generation Strategy and re-structuring of the team with the recruitment of a Director of Development who joined in April 2017. The new Strategy prioritises unrestricted income generation and income for selected restricted projects.

Total income for the year was £3,482,915 of which £2,903,725 was grant in aid from Defra. Income this year included the development of visitor giving mechanisms with corporate partners, Section 106 funds, and sales income through the Plant a Tree scheme and groves. In addition, restricted funds were secured from: the Audemars Piguet Foundation for continued work on the 'Creating a Forest for Learning' project; Heritage Lottery Fund for the continued work on the Heart of the Forest Forum's 'Black to Green' project as well as the Charnwood Forest Landscape Partnership Scheme; local authority partners and others for work on tourism, and woodland grants. Restricted funds were also received towards the National Forest Festival 'Timber', taking place in 2018-19.

Financial reserves are invested at low risk, with balances held in fixed-rate deposit accounts for part of the year. During the year, the investment policy was under review and deposits were therefore moved to cash so as to be available for investment once the new policy is approved. The ethical policy that accompanies the investment policy is also under review.

Plans for Future Periods

Key priorities for the coming year will focus on the ambitions set out in the Corporate Plan 2017 to 2020, as agreed by the Board, and include:

Resilient Forest

- Continued forest creation and tree planting using land acquisition, grants, planning and advice to extend forest cover.
- Review of NFC forest creation grant schemes and transition arrangements in light of Brexit and proposed changes to national incentives.
- Further increase in active management of woodlands including measures to address pests and diseases.

Accessible Forest

- Creation of new public access sites and linear trails across the Forest.
- Commencement of the development phase of the Charnwood Forest Landscape Partnership Scheme.
- Further delivery of project work to increase outdoor learning within primary schools, and research into its benefits.
- Completion of the 'Black to Green' project and development of legacy arrangements.

Sustainable Forest

- Delivery of the Tourism Growth Plan and investment in the visitor economy.
- Trialling of visitor and business contribution models.
- Running of the inaugural National Forest Festival 'Timber'.
- Taking forward work on the woodland economy and business diversification, including the woodfuel economy.

Securing recognition and resources; governance and management

- Development of a new campaign to engage supporters in the National Forest.
- Launch of new website and integration of IT and data management.
- Feasibility study for a Business Improvement District across the National Forest.
- Development of a programme for the new vision and strategy for the Forest.

Risks

The Board is responsible for management and monitoring of the risks facing the NFC. The principal risks and uncertainties facing the NFC are set out in the table below with the plans for managing them. Further information on risk and risk management is provided in the Governance Statement.

Strategic risks	Mitigation
Inability to continue to meet Forest creation targets	Partnership development with landowners and bodies, new forest creation incentive scheme, new mechanisms to secure land and schemes
Income generation strategy does not meet targets	New website and campaign work, and liaison with businesses, visitors and residents to develop contribution models

Board of Trustees

The Trustees of the NFC throughout 2017-18 were as follows:

Name	Date of appointment as Trustee	Role
Sir William Worsley	1 April 2016	Chair, Board of Trustees, member of Remuneration Committee
Tony Ballance	1 April 2016	Member, Audit and Risk Committee, Remuneration Committee
Jack Buckner	1 April 2016	Chair, Tourism, Recreation and Communities Working Group Member, Development Working Group
Suzanne Carr ⁽³⁾	1 April 2016	Member, Tourism, Recreation and Communities Working Group
Roger Clarke ⁽²⁾	1 April 2016	Chair, Audit and Risk Committee, Chair, Remuneration Committee
Christopher Holmes	1 April 2016	Chair, Development Working Group
Brian Mahony ⁽²⁾	1 April 2016	Chair, Land and Forestry Working Group Member, Audit and Risk Committee
John Everitt ⁽¹⁾	1 April 2016	Chief Executive

⁽¹⁾ John Everitt is the NFC's Chief Executive and also a Trustee. It was agreed that he should hold this dual role because of the nature of the NFC's current funding position whereby a significant proportion of the NFC's funds are from Defra and the Chief Executive holds the responsibility of Accounting Officer for those funds. To meet the standards for Managing Public Money, Accounting Officers are required to be represented at Board level. It is recognised that this is unusual within a charity, but is considered to be in the best interests of the charity because of the funding relationship, and controls are in place to avoid any abuse of power or conflicts of interest. The Board has delegated the responsibility for the day-to-day management of the charity to the Chief Executive. The Chief Executive reports directly to the Chair of Trustees and provides advice to the Board.

⁽²⁾ The terms of office for both Roger Clarke and Brian Mahony ended on 31 March 2018.

⁽³⁾ Suzanne Carr resigned with effect from 31 March 2018.

All the above named Trustees were appointed to the Board in accordance with the provisions of a resolution approved by Members at a General Meeting held in March 2016.

Information on the recruitment and induction processes for Trustees and an overview of the governance arrangements in place is given in the Governance Statement.

Trustees are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2017-18 no issues arose as a result of any Trustees' conflicts of interest. No Trustee, other than the Chief Executive who is a Trustee, had any transaction with the NFC, other than being reimbursed expenses necessarily incurred in fulfilling their duties. Information on the

remuneration of the Chief Executive is detailed in the Remuneration and Staff Report.

Results for the year

The accounts have been prepared in a form directed by the Secretary of State for Environment, Food and Rural Affairs and on the basis of the accounting policies set out in Note 1 to the accounts.

Total income for the year was £3,482,915 (2016-17: £3,109,468) of which £2,903,725 (2016-17: £2,530,725) was grant in aid from Defra. Total expenditure was £2,795,607 (2016-17: £2,885,893) leaving a net income of £687,308 (2016-17: £223,575).

Total reserves at the end of the financial year increased to £5,980,941 (2016-17: £5,291,638) of which £465,161 comprised restricted funds (2016-17: £20,000) and £3,689,520 (2016-17: £3,509,555) comprised NFC owned land and buildings.

Reserves

The Audit and Risk Committee reviewed the Reserves Policy in May 2017 prior to the Board review of the policy at its meeting in July. The Board agreed minor amendments to the policy including reference to NFC's land policy and agreed that it remained appropriate to the needs of the charity.

The reserves are held as a series of unrestricted or designated funds as per the table below.

Fund	£ Target Range	Details
Unrestricted free reserves fund	200,000	Working capital to manage cash flows.
Financial Contingency Fund (FCF)	400,000 – 450,000	Approximately four months running costs, to be used in the event of major cash flow problems.
Land Acquisition, Management and Development Fund (LAMDF)	400,000 – 500,000	To support land acquisition and initial site establishment costs.
Enterprise and Investment Fund (EIF)	300,000 – 500,000	To help finance innovation, enterprise and long term financial sustainability for the charity.

As at 31 March 2018, £465,161 of total reserves held were restricted funds as per note 17. Balances held in the three designated funds were FCF £450,000, LAMDF £450,000 and EIF £500,000. The amount of reserves held after making allowance for restricted and designated funds is £4,115,780.

During the coming year, it is anticipated that a draw may be required from the LAMDF should a significant land acquisition opportunity arise. Similarly, consideration will be given to utilisation of the EIF to support our income generation strategy, including provision of contingency for the National Forest Festival 'Timber'.

Going concern

The Balance Sheet as at 31 March 2018 shows that the NFC has reserves of £5,980,941 (2017: £5,291,638).

Looking ahead, the annual grant from Defra is expected to continue to represent a high proportion of NFC income and indication has been received from the Department that grant for each of the next two years will remain at a similar level to that allocated for 2017-18 (ie c£2.5m). In addition, the charity has reorganised its development and fundraising function and has devised and is implementing a new Board approved income generation strategy which is expected to impact positively on the charity's income streams. The latest three year Corporate Plan includes unrestricted income targets of £0.375m for 2018-19 and £0.750m for 2019-20.

The NFC's bank balance as at the end of March 2018 totals £2.057m (£1.592m unrestricted, £0.465m restricted). If required, and with Board approval, all designated funds of the charity as described in the

Reserves section above could be made available to meet the cashflow requirements of the business.

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

All of the above factors inform the opinion that it is appropriate to adopt the going concern basis for the preparation of financial statements for 2017-18.

Auditors and their remuneration

Statutorily appointed auditor:
Comptroller and Auditor General
National Audit Office
157 – 197 Buckingham Palace Road
London SW1W 9SP

The fee for the audit of the financial statements in 2017-18 was £16,500 (2016-17: £18,250). No non-audit work was conducted by the National Audit Office during 2017-18.

Bankers

The Co-operative Bank
Miller Street
Manchester M60 0AL

Pension liabilities

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

Losses, special payments and gifts

There were no losses, special payments or gifts made during 2017-18 (2016-17: c£2k).

Payment of Suppliers

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. However, the Company aims to pay undisputed invoices within 5 days of approval and 75% have been paid within this timescale (2016-17: 78%); 92% were paid within 10 days (2016-17: 97%). No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Research and development

During the year £34,881 was spent on research (2016-17: £35,835) with the main areas of activity being:

- feasibility research on new woodland creation grant schemes;
- contribution to the Stirling University-led WrEN research to inform habitat connectivity modelling;
- feasibility work for closer collaboration with the Destination Management Organisations in the Forest; and
- annual statistical analysis of the economic impact of tourism on the Forest area.

Sustainability performance

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

Personal data related incidents

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

Post year end events and developments

There are no post year end events or developments which require to be reported on.



Sir William Worsley

Chair of the Board of Trustees

5 September 2018



John Everitt

Chief Executive/Accounting Officer/Trustee

5 September 2018

Statement of Trustees' and Accounting Officer's Responsibilities

The Board of Trustees is required to prepare a statement of accounts for each financial year in accordance with applicable law and regulations.

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

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Company and of its incoming resources, application of resources and cash flows for the financial year.

In preparing the financial statements, the Trustees are required to comply with the requirements of FRS102 and the FRS 102 Statement of Recommended Practice (SoRP) *Accounting by Charities* issued by the Charity Commission with regard to any additional requirements arising from the Government Financial Reporting Manual and in particular to:

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

The Principal Accounting Officer for the Department for Environment, Food and Rural Affairs has designated the Chief Executive of the National Forest Company as the Company's Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping

proper records and for safeguarding the National Forest Company's assets, are set out in *Managing Public Money* published by the HM Treasury.

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

- In so far as the Trustees are aware:
- there is no relevant audit information of which the Company's auditors are unaware;
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information; and
- the annual report and accounts as a whole are fair, balanced and understandable and that the Accounting Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



Sir William Worsley

Chair of the Board of Trustees
5 September 2018



John Everitt

Chief Executive/Accounting Officer/Trustee
5 September 2018

Governance Statement

Overview

The National Forest Company (NFC) is a charitable company (limited by guarantee). As a charity, the NFC exists to carry out its charitable purposes. It is also a Non-Profit Institution within the Public Sector specifically Central Government, operating at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra).

The NFC Board is responsible for leading and directing the charity and for determining strategy and guiding operational activity. The terms of a Framework Document agreed between Defra and the NFC sets out the governance arrangements to be adhered to, clarifying the roles and responsibilities of Defra, including those of the Secretary of State as a Member of the NFC, and of the NFC. Its provisions enable Defra to monitor performance and delivery in relation to grant given to the NFC and describes the arrangements that exist to safeguard propriety and regularity.

The NFC seeks to comply with good practice as issued by the Charity Commission. It also complies with the Cabinet Office 'Corporate Governance in Central Government Departments: Code of Good Practice' as it applies to the NFC and operations are underpinned by the seven core principles ('the Nolan Principles') of good governance for public services.

This Governance Statement provides an evaluation of the effectiveness of the NFC's governance, risk and internal control arrangements.

Governance Arrangements

Members and Board of Trustees

In accordance with the Articles of Association, the NFC Chair and Secretary of State for Environment, Food and Rural Affairs and two further individuals are Members of the charity. The Secretary of State is in a minority when voting on NFC business and therefore cannot exercise a controlling influence.

The Board of Trustees was established in March 2016. The Board determines the strategy of the organisation and ensures that appropriate policies and procedures are in place to fulfil its obligations as to the use of public funds.

The Chair and six Trustees, excluding the Chief Executive, are not remunerated but are entitled to be reimbursed out of pocket expenses necessarily incurred in fulfilling their duties. The NFC Chief

Executive is a Trustee and his remuneration is detailed in the Remuneration and Staff Report.

The Board meets four times a year and additionally as necessary, to consider business performance, organisational structure and strategy.

The membership of the Board of Trustees in 2017-18 was as follows:

Sir William Worsley (Chair)

Tony Ballance

Jack Buckner

Suzanne Carr

Roger Clarke

Chris Holmes

Brian Mahony

The terms of office of two Trustees, Roger Clarke and Brian Mahony, who had been in office since 1 April 2011 and 1 April 2013 respectively, both ended on 31 March 2018. The NFC undertook an open recruitment exercise to recruit their replacements, and three new Trustees, all of whom it was felt would bring strong and relevant skills and experience to complement and strengthen the Board, were appointed with effect from 1 April 2018.

The induction programme for Trustees includes: the roles and responsibilities of a Trustee; governance arrangements; vision and strategy for the National Forest, including familiarisation with the Corporate Plan, and meetings and presentations from staff on their operational areas. In addition, handover meetings are arranged between new and retiring Trustees.

Standard agenda items for Board meetings include the Chief Executive's quarterly report and strategic summary reporting on progress against operational targets and giving headline commentary on activity analysed between successes, challenges, risks and opportunities. A finance report and declarations of interest are also standing items. Minutes from sub-committees of the Board and working groups are also included within papers sent to Trustees.

During 2017-18 the Board considered a range of matters including:

- consideration of the Corporate Plan: 2017 to 2020;
- Brand Strategy 2017 to 2020;
- review of effectiveness of working groups to support the Board in the delivery of its responsibilities;

- risk management, including a review of the NFC's risk policy and consideration of strategic risks relating to the delivery of NFC objectives;
- review of forest creation incentive schemes and potential new mechanisms;
- review of the role of the planning system and its contribution to forest creation targets;
- proposals for a National Forest Festival 2018;
- Income Generation Strategy and associated campaign;
- HLF Black to Green project legacy and associated options in the Heart of the Forest;
- judging applications to the 2017 round of the Changing Landscapes Scheme; and
- Trustee succession.

The Board last reviewed its effectiveness in 2017, which had been informed by an assessment of the NFC against the Charity Commission's six hallmarks of an effective charity, Board structure and recruitment, Board performance and fulfilling the role of a Trustee. The conclusions had been that the charity had scored well in 2016-17, its first year as a charity. The assessment also included consideration of the quality and length of board papers and presentations and it was deemed adequate.

During 2018-19, the Board will work to further embed high standards of governance and we will develop and trial a Board effectiveness model based on the Charity Governance Code. The Code sets the principles and recommended practice for good governance; it is aspirational and intended to be a tool for continuous improvement towards the highest standards.

Board Committees and Working Groups

The Board of Trustees is supported by various committees and working groups which have key functions to discharge.

Each is chaired by a Trustee and has additional Trustee representation. Appropriate staff are also involved. They are:

- Audit and Risk Committee – covering issues on finance, risk, health and safety, governance, policy and HR;
- Remuneration Committee – covering issues on remuneration of the Chief Executive and senior staff;
- Land and Forestry Working Group – covering issues on land policy, forest creation, forest management and economy, NFC owned sites, access creation and biodiversity;
- Development Working Group – covering issues on income generation, marketing and communications, branding and project development; and
- Tourism, Recreation and Communities Working Group (previously Visitors and Communities Working Group) – covering issues on tourism and facilities, recreation and access, and communities, health, education and training.

All committees and working groups have written terms of reference. Membership of the Board, its committees and working groups are provided on page 19.

Review of Effectiveness of Working Groups

As the NFC's committees and working groups were established in April 2016, during the first year of the NFC operating as a charity, it was agreed that, during 2017-18, the Board should review the effectiveness of its working groups. The main objectives of the working groups are:

- to bring Trustees and staff closer together around individual work areas;
- to provide a less formal forum than the Board in which to generate ideas;
- to act as a sounding board and secure early Trustee endorsement of strategic direction;
- to maintain communication and momentum of work between board meetings, and
- to help oversee delivery of the programme, budget and risk.

The review sought and considered the views of Trustees and senior staff involved in facilitating the groups to determine whether working groups were the best way of achieving these objectives and any changes that would improve effectiveness.

The review concluded that the principle of working groups remained valid given the organisational structure, size of the Board and the business requirements of the NFC. In terms of the functioning of the groups, the consensus was that the terms of reference should reflect the developmental role as well as the role of scrutiny, thereby allowing a focus on strategic issues for Board consideration.

Communication to Trustees was considered to be effective although it was acknowledged that communications relating to urgent decision

making could be improved. Recommendations from the review that are to be progressed in 2018-19 include: retaining the current structure with a further review in early 2019; terms of reference for all groups to be updated; making better use of Trustees time by programming in site visits and working sessions, and improvement of IT facilities such as video conferencing, to enable Trustees to engage remotely.

The Board has acknowledged that as income streams and associated commercial activities develop a trading subsidiary will need to be established. It is proposed that this will be chaired by an NFC Trustee with other NFC Trustees sitting on the Board alongside other external representatives possessing the necessary commercial expertise. Arrangements are in place to establish the trading subsidiary should commercial activities exceed the current charity threshold.

Audit and Risk Committee (ARC)

The role of ARC is to provide assurance and recommendations to the Board on the effectiveness of its governance, financial management, internal control and risk management systems. ARC also monitors the work of the external audit and the effectiveness of the internal audit service. Minutes of meetings are circulated to all Trustees and oral reports given to the Board on business conducted. The Committee also presents an annual report on its activities to the Board.

ARC comprises three Trustees with the Chief Executive attending in his capacity as Accounting Officer. Roger Clarke's term of office as Chair of ARC ended on 31 March 2018. Mike Kapur, newly appointed as a Trustee on 1 April 2018, replaces Roger Clarke as Chair of ARC.

- ARC met four times during 2017-18. Its work included consideration of the financial statements for 2016-17 and the Audit Completion Report issued by the external auditor prior to the accounts being certified by the Comptroller & Auditor General (C&AG) with an unqualified audit opinion; receiving the external auditor's Audit Planning Report for 2017-18; considering reports issued by internal audit; scrutinising finance reports prior to them being presented to the Board; health and safety; and fulfilling its responsibilities in respect of risk management (see below).

2017-18 was the second year for which the NFC produced annual report and accounts in compliance with the Statement of Recommended Practice (SoRP) *Accounting by Charities* issued by the Charity Commission. During the year, the

Committee sought assurances from management that recommendations from the first year's audit were being implemented; this included the introduction of a refreshed chart of accounts and new finance software system.

Other business conducted by ARC during the year included consideration of: the arrangement for the first Annual General Meeting of the charity, held on 10 July 2017; NFC's major incident procedure; NFC's Reserves Policy before its approval by the Board and investment options for reserves held, and the income generation campaign proposal prior to submission to the Board for approval.

Remuneration Committee

The Board agreed that a Remuneration Committee be established to support the Board in discharging its responsibilities for remuneration issues. Membership of the Committee comprises three Trustees including the Chairs of both the Board and ARC. It met for the first time in July 2017 and provided the Board with recommendations on the Chief Executive's remuneration and benefits, and advised the Chief Executive on the pay and benefits of other senior staff.

Land and Forestry

The Land and Forestry Group meets three times a year and is chaired by an NFC Trustee. Membership includes the charity's retained land agent. Its primary function is to support and provide strategic oversight of the land and forestry aspects of the charity's work.

In 2017-18 the group's work included:

- monitoring progress against forest creation and woodland management targets, assessing and mitigating related risks and reviewing the effectiveness of the various schemes operated;
- consideration of the future direction of the woodland economy across the National Forest and development of associated support grants;
- consideration of the strategic direction for public access, biodiversity and green infrastructure;
- submission of the bid to the Heritage Lottery Fund for the Charnwood Forest Landscape Partnership Project;
- consideration of commercial opportunities presented by NFC landholdings;
- consideration of a new woodland creation incentive scheme to operate in the National Forest, post Brexit and the current State Aid approval; and

- consideration of the proposal to grant aid the acquisition of land at Ravenstone by the Woodland Trust prior to approval being sought from the NFC Board and Defra.

Development Working Group

The Development Working Group meets quarterly with meetings being attended by two Trustees, one of whom is the designated chair. The primary function of the group is to support the development function and provide strategic overview across income generation, project development, marketing and communications.

In 2017-18 the group's work included:

- commissioning brand guidelines;
- planning brand licensing arrangements;
- development of the income generation campaign and website with particular focus on securing unrestricted income;
- analysis of income generation reporting and new business development with particular focus on corporate sponsorship;
- evaluation of new projects and restricted funding proposals, and
- informing public relations and public affairs work to help raise our profile.

Tourism, Recreation and Communities Working Group

This group, originally established in 2016 was previously named the Visitors and Communities Working Group. Following a review, its terms of reference were revised and the group was renamed the Tourism, Recreation and Communities Working Group. It meets four times a year and is attended by two Trustees, one of whom is Chair. The primary role of the group is to provide strategic overview and support across the tourism, recreation and community development functions. In 2017-18, the group's work included:

- development of proposals for a new Access and Recreation Action Plan;
- oversight and scrutiny of outcomes and risk associated with the development and delivery of the National Forest Festival 'Timber', and
- oversight of restricted projects supporting the NFC tourism, recreation and community development functions of the company, including the Forest for Learning project.

Attendance record of Trustees at meetings of the Board and its committees and working groups

Board & Committee	Main Board	Audit & Risk Committee	Remuneration Committee	Land & Forestry Working Group	Development Working Group	Tourism, Recreation & Communities Working Group
Trustee	Attendance					
William Worsley	4/4*		1/1			
John Everitt**	4/4	4/4				
Tony Ballance	4/4	4/4	1/1			
Jack Buckner	4/4				3/4	2/4*
Suzanne Carr	4/4					4/4±
Roger Clarke	4/4	4/4*	1/1*			
Chris Holmes	4/4				4/4*	
Brian Mahony	4/4	4/4		3/3*		

*Denotes Chair

** John Everitt attends the Audit and Risk Committee meetings in his capacity as Chief Executive and Accounting Officer.

±Suzanne Carr chaired two meetings where Jack Buckner was absent.

Strategy and planning

The Board is responsible for determining the strategic direction of the organisation. It approved the strategy for the Forest for the period 2014 – 2024 which sets out the key objectives and indicators against which progress will be measured over the ten year period. A mid-point review will be undertaken in 2019 which will assess progress made against the ten year objectives, consider the scale and nature of future forest creation and consider future investment needed (financial, land and from communities).

Planned NFC activity during 2017-18 was guided by the objectives and targets detailed in the Corporate Plan for the three years 2017-18 to 2019-20 as approved by the Board. The Plan gives direction to strategic priorities for the Forest and NFC and a clear framework for measuring success and identifying potential issues. Progress reports are given to the Board at each quarterly meeting. The plan provides the basis for annual work programmes and budgets and divides into three main operational themes centres around the creation of a resilient, accessible and sustainable National Forest. It also includes development themes securing recognition and resources for the Forest, and corporate services themes relating to effective governance and management.

Whilst the NFC operates at arm's length from Defra, the charity in its business plan needs to demonstrate how it uses grant from Defra to contribute to the Department's own business plan priorities and wider strategic objectives. Defra's 25 Year Environment Plan produced in 2018 and Single Departmental Plan recognise the valuable role that forests and woodlands play in protecting and enhancing natural capital, including commitments to the public forest estate, national targets and community forestry. These also include the NFC's contribution to national targets, specifically in relation to forest creation, tree planting and woodland management.

Internal controls and the work of internal audit

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

realised, and to manage them efficiently, effectively and economically.

Mazars LLP were engaged to provide internal audit services to the NFC during 2017-18, the third of a three-year contract period. The programme undertaken during 2017-18 has aimed to deliver a balanced approach with work undertaken being divided between advisory and the more traditional compliance audits.

During 2017-18 Mazars' work areas included:

- review of the new customer relationship management database, which included a review of the NFC's preparedness for implementation of the General Data Protection Regulations (GDPR);
- intellectual property (IP) and trademarking – providing advice on the development of brand and other IP assets;
- review of the implementation of the new finance system, including a high level review of controls around IT systems and security, and
- core financial controls.

In addition, Mazars external audit team provided a piece of advisory work on compliance with the Charity Statement of Recommended Practice (SoRP).

Seven recommendations arose from the internal audit work, all of which were of a housekeeping nature and related to production and updating of procedural documentation. The work undertaken and conclusions drawn informed the opinion expressed in the Annual Internal Audit Report for 2017-18 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

There were no fraudulent incidences during the year.

Data handling

The NFC takes the management of the information it holds very seriously and is not aware of any personal data losses in 2017-18 that would require notification to the Information Commissioners Office.

All staff sign copies of the Company's policies relating to privacy and data handling and are mandated to undertake the Civil Service Learning 'Protecting Information' course. All staff have been actively involved in the work being undertaken in our action plan for the NFC's preparedness for the

implementation of the General Data Protection Regulations with effect from 25 May 2018.

Whistleblowing

The NFC has a whistleblowing policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2017-18, as was the case in 2016-17. In April 2018, the NFC's Audit and Risk Committee reviewed the policy and arrangements resulting in the policy being updated to include reference to the NFC's Senior Independent Director as a contact. Staff are reminded of the whistleblowing policy and procedures, for example at team meetings and through periodic updates, to ensure an open and accountable culture.

Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register. Board committees and working groups are responsible for overseeing the management of risks in their area of business and ensuring that the most effective plans are drawn up and implemented to mitigate them. This responsibility has been incorporated into their terms of reference.

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

The role of staff and the Senior Leadership Team (SLT) includes: identifying and evaluating significant risks faced by the NFC to be considered initially by ARC and subsequently the Board; implementing policies and associated action plans, and providing information to the committees and working groups on the status of risks and controls.

SLT is also responsible for producing the annual draft risk register. The register divides between the more strategic risks focusing on the key priorities and outcomes for the three year Corporate Plan period covering 2017-18 to 2019-20 and is formally reviewed by ARC and the Board every six months. Responsibility for the more operational risks fall to senior management and working groups and are

reported on in the Chief Executive's quarterly report to the Board which focuses on risks relating to the achievement of in-year targets.

In early 2017-18, as in recent years, the risks relating to the NFC's ability to secure the target range for new forest creation, and the potential loss of access to sites as contracts come to an end, featured prominently in the risk register. Work to mitigate these two risks included development of new forest creation scheme incentives and exploration of how woodland management grants could be used to optimum effect to help manage any potential future access loss.

As in 2016-17, the risks surrounding the NFC's ability to secure external funds, coupled with sufficiently raising the profile of the National Forest also featured in the 2017-18 risk register. Following the team restructure in 2016-17, the newly appointed Director of Development and his team have made good progress on: the implementation of the income generation strategy; the development of new brand guidelines; commencement of work on a refreshed website, and plans are now in place for a major campaign in 2018-19 to raise awareness of the Forest.

The NFC received no ministerial directions during the year.

Performance management

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

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2018, three complaints were received (compared with 10 in 2016-17). The complaints, all of which were related to issues on land in the Forest owned by third parties, were responded to within the specified timescale and satisfactorily resolved.

Conclusion

As the designated Accounting Officer for the NFC, I have responsibility for the management and control of the resources used within the organisation and for discharging the responsibilities assigned to me in *Managing Public Money*. I confirm that no significant issues in relation to governance, risk, performance or controls have arisen which need to be reported on in this Governance Statement.



John Everitt
Chief Executive/Accounting Officer
5 September 2018

Remuneration and Staff Report

(a) Remuneration Report

Remuneration Policy

The Audit and Risk Committee's responsibilities include advising the Board on strategic HR, including pay and reward policy, whilst the Remuneration Committee specifically advises the Board on the remuneration and benefits attached to the Chief Executive Officer (CEO). The Remuneration Committee also advises the CEO on pay and grading considerations relating to other senior roles.

The Remuneration Committee meets annually and comprises three Trustees, including the Chairs of the Board and ARC. The Committee members are identified on page 19.

Trustees' remuneration

Trustees, other than the Chief Executive who is remunerated in his capacity as Chief Executive, do not receive any remuneration for their services. In accordance with the NFC's Articles of Association, all Trustees are entitled to the reimbursement of reasonable travel and substance expenses necessarily incurred in fulfilling their duties. Total Trustee expenses were £8,373 of which £8,189 related to claims from six trustees excluding the CEO, and £184 related to John Everitt as his role as Trustee.

Remuneration of the Chief Executive

(this information is subject to audit):

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

John Everitt has been the NFC's Chief Executive since 5 January 2015. The Principle Accounting Officer for Defra has conferred Accounting Officer status on him. The salary for the post aligns most closely to the range for Senior Civil Service pay band 1.

The salary payable to the Chief Executive is reviewed on 1 April each year. In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus relates to performance in the year it is reported.

The level of bonus payable to the Chief Executive was determined by the Chair in consultation with members of the Remuneration Committee.

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

Name	Start date	
John Everitt	5 January 2015	
Single total figure of remuneration:	2017-18	2016-17
	£'000	£'000
Salary	60 – 65	60 – 65
Non-consolidated bonuses	0 – 5	0 – 5
Pension benefits	25 – 30	20 – 25
Total	90 – 95	90 – 95

In October 2017 an interest free car loan of £7,000 was made to John Everitt under the terms of the scheme for car loans to employees. As the loan was below the HMRC threshold of £10,000 no taxable benefit in kind arose.

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefit met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 15 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 switched to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has

benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

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

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

further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The NFC has not, to date, made any contributions to a partnership pension account.

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

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

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

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

	2017–18 £
John Everitt	
Accrued pension at pension age as at 31/3/17 and related lump sum	0 – 5,000
Real increase in pension and related lump sum at pension age	0 – 2,500
Cash equivalent transfer value (CETV) at 31/3/18 (nearest £'000)	54,000
Cash equivalent transfer value (CETV) at 31/03/17 (nearest £'000)	36,000
Real increase in CETV	12,000

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

(b) Staff Report

Staff employed

Average number of persons employed: (this information is subject to audit)	2017-18		2016-17	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	23	21	23	20

During 2017-18, all staff were employed on a permanent basis, apart from six who were employed on fixed term contracts. Four of these were engaged on projects receiving external funding, one as a part time Access and Recreation Officer and one on a business administration apprenticeship.

The salary and related costs arising from the employment of the above is detailed in Note 7 to the accounts.

Remuneration of staff

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are normally applied to staff employed by the NFC. However, for the four years, 2014 to 2017 Defra participated in a pilot pay remit which did not extend to NDPBs. The NFC therefore applied the terms of the 2013 pay review to its staff which was consistent with government pay policy.

Total emoluments of directors or employees earnings more than £60,000 fall within the following bandings:

	2017	2016
£60,000 – £69,999	2	1

Total emoluments include salary and benefits in kind but exclude pension payments.

All staff are members of the PCSPS.

Sickness absence

Staff absence due to sickness equated to an average of 3.4 days per employee during the year (2016-17: 8.5 days).

Gender diversity

The gender split of Trustees and staff employed as at 31 March 2018 was as follows:

	Male	Female	Total
Trustees	6	1	7
Staff, including the Chief Executive	10	15	25
Total	<u>16</u>	<u>16</u>	<u>32</u>

Equal Opportunities

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

Staff engagement

Throughout the year, we held a series of team days designed to keep staff up to date on developments and plans and to help staff engage with and understand the role they play in the successful delivery of all areas of our work. The sessions have included forest strategy and corporate planning and income generation where the whole team have engaged positively, generated ideas and given feedback.

Various channels are used to regularly communicate with staff, including weekly updates from the Chief Executive and fortnightly team meetings. Key documents such as the Corporate Plan, Board papers and minutes are made available to all staff.

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

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

The remuneration as at 31 March 2018 of the Chief Executive, who is the highest and only paid director in the NFC, was in the range of £65,000 – £70,000 (2017: £65,000 – £70,000). This was 2.06 times (2017: 2.02*) the median remuneration of the workforce of £32,766 (2017: £33,400).

* Figure for 2017 restated to reflect mid-point of the range.

Remuneration of the workforce ranged from £15k to £70k (2016-17: £20k to £70k).

In 2017-18, no employees received remuneration in excess of the highest paid Director, as was the case in 2016-17.

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



John Everitt
Chief Executive/Accounting Officer
5 September 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise the Combined Statement of Financial Activities and Income and Expenditure Account for the year ended 31 March 2018, the Balance Sheet, the Statement of Cash Flows, and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Remuneration and Staff 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 the National Forest Company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with FRS 102 Charities SoRP (2015), the Companies Act 2006 and with directions made by HM Treasury.

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 the National Forest Company 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 trustees for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the charitable company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 National Forest Company's 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 National Forest Company's 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.

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

Other Information

Management is responsible for the other information. The other information comprises information included in the Directors' Annual Report, Remuneration and Staff Report other than the parts 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 part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the FRS102 Charities SoRP (2015), the Companies Act 2006 and with directions made by HM Treasury;
- in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Annual Report; and
- the information given in the Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or

- the financial statements and the part of the Remuneration and Staff Report 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
- certain disclosures of trustees' remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

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

10 September 2018

Combined Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 March 2018

	Note	Unrestricted funds £	Restricted funds £	2017-18 Total funds £	Unrestricted funds £	Restricted funds £	2016-17 Total funds £
Income from:							
Grant in aid	2	2,530,725	373,000	2,903,725	2,530,725	–	2,530,725
Donations		37,756	–	37,756	37,806	–	37,806
Charitable activities	3	36,369	420,282	456,651	35,932	453,875	489,807
Other trading activities	4	37,800	41,250	79,050	21,820	15,239	37,059
Investments		5,733	–	5,733	14,071	–	14,071
Total		2,648,383	834,532	3,482,915	2,640,354	469,114	3,109,468
Expenditure on:							
Raising funds	5	(506,456)	–	(506,456)	(390,998)	–	(390,998)
Charitable activities	6	(1,902,595)	(386,556)	(2,289,151)	(2,077,149)	(417,746)	(2,494,895)
Total		(2,409,051)	(386,556)	(2,795,607)	(2,468,147)	(417,746)	(2,885,893)
Net income before tax for the reporting period		239,332	447,976	687,308	172,207	51,368	223,575
Net income for the financial year		239,332	447,976	687,308	172,207	51,368	223,575
Transfers between funds	17	2,815	(2,815)	–	36,877	(36,877)	–
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	11	1,995	–	1,995	4,115	–	4,115
Net movement in funds		244,142	445,161	689,303	213,199	14,491	227,690
Reconciliation of funds:							
Total funds brought forward	17	5,271,638	20,000	5,291,638	5,058,439	5,509	5,063,948
Total funds carried forward	17	5,515,780	465,161	5,980,941	5,271,638	20,000	5,291,638

Balance Sheet

as at 31 March 2018

	Note	As at 31 March 2018 £	As at 31 March 2017 £
Fixed assets:			
Intangible assets	10	48,084	–
Tangible assets	11	3,727,120	3,547,680
Total fixed assets		3,775,204	3,547,680
Current assets:			
Debtors	12	274,641	251,873
Investments	13	–	809,648
Cash at bank and in hand	14	2,057,249	819,267
Total current assets		2,331,890	1,880,788
Liabilities:			
Creditors:			
Amounts falling due within one year	15	(126,153)	(136,830)
Net current assets		2,205,737	1,743,958
Total net assets		5,980,941	5,291,638
The funds of the Charity:			
Unrestricted funds	17	5,445,430	5,203,283
Restricted income funds	17	465,161	20,000
Revaluation Reserve	17	70,350	68,355
		5,980,941	5,291,638

The notes on pages 34 to 49 form part of the accounts.

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

The financial statements were approved by the Board of Trustees on 5 September 2018 and signed on its behalf by:



Sir William Worsley
Chair of the Board of Trustees
5 September 2018



John Everitt
Chief Executive/Accounting Officer/Trustee
5 September 2018

Statement of Cash Flows
for the twelve months ended 31 March 2018

	Note	2017–18 £	2016–17 £
Cash flows from operating activities			
Net cash provided by operating activities		760,767	306,558
Cash flow from investing activities			
Interest received	SoFA	5,733	14,071
Corporation tax paid		–	(2,420)
Investments in six and twelve month fixed rate accounts		–	290,352
Transfer of investment funds to instant access	13	809,648	–
Purchase of property, plant and equipment	11	(290,082)	(209,777)
Purchase of intangible asset	10	(48,084)	–
Net cash flow from investing activities		477,215	92,226
Change in cash and cash equivalents in the reporting period			
		1,237,982	398,784
Cash and cash equivalents at 1 April		819,267	420,483
Cash and cash equivalents at 31 March	14	2,057,249	819,267
a) Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period	SoFA	687,308	223,575
Impairment charges	11	108,340	17,560
Reversal of prior years' impairment charges	11	(119,568)	(112,460)
Depreciation	11	123,865	95,145
(Increase)/Decrease in debtors	12	(22,768)	14,864
(Decrease)/Increase in creditors	15	(10,677)	81,945
Interest received	SoFA	(5,733)	(14,071)
Net cash provided by operating activities		760,767	306,558
b) Analysis of cash and cash equivalents			
Cash at bank and in hand	14	2,057,249	819,267
Total cash and cash equivalents at 31 March		2,057,249	819,267

Notes to the Accounts

Note 1 to the Financial Statements

1.1 Statement of accounting policies

The NFC is a public benefit entity and is a company limited by guarantee and a charity registered in England and Wales. These financial statements have been prepared in compliance with FRS 102 and the FRS 102 Statement of Recommended Practice (SoRP) *Accounting by Charities* issued by the Charity Commission. In addition, these financial statements also meet the accounting and disclosure requirements of the Companies Act 2006 and the 2017-18 Government Financial Reporting Manual (FRM) issued by HM Treasury, where not inconsistent with the requirements of the SoRP and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

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

1.2 Going concern

These financial statements have been prepared on the basis of the NFC being a going concern. There are no material uncertainties about the charity's ability to continue. This judgement made by the Trustees takes into consideration the level of reserves held by the Company; indication received from Defra that grant funding to the NFC in each of the next two years is likely to be at a similar level to that allocated for 2017-18.

1.3 Significant judgements and accounting estimates

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

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

Judgements

- Income recognition (see note 1.5 below).
- Useful economic lives of tangible fixed assets (see note 1.8 below).
- Useful economic lives of intangible fixed assets (see note 1.9 below).

Estimations

- Annual valuation of NFC owned land and buildings undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see note 1.8 below).

1.4 Accounting convention

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

1.5 Income recognition

Government grants

Grant in aid is credited to income in the year that it is received. It is regarded as unrestricted income since Defra, whilst requiring funds allocated be utilised in contributing to the delivery of departmental objectives, does not stipulate how any specific element of the grant should be spent. In March 2018 we received additional Grant in aid funding of £373,000 for additional tree planting. This income has been allocated as restricted income.

Income from activities and generated funds

Income is accounted for on a receivable basis, net of VAT. When the NFC becomes entitled to income to which no performance-related conditions or specific outputs are attached then the income is recognised in the Statement of Financial Activities (SoFA) once entitlement to a known sum is confirmed. Where there are conditions or specified deliverables then income received is not immediately recognised but is deferred as a liability until conditions imposed are met at which point the related income is recognised in the SoFA. Income is allocated to restricted income when it is given by the donor or grant maker for defined purposes.

Income from restricted projects

- 'Black to Green' project

The Heritage Lottery Fund (HLF) is funding the 'Black to Green' project which focuses on community engagement around industrial and

natural heritage in the Heart of the National Forest. Funding of £770,000 was awarded for the three year project which commenced in 2015-16. Income from the HLF is received in stage payments which are recognised at the time they become receivable.

(ii) Creating a Forest for Learning project

The Audemars Piguet Foundation is providing funding of up to £149,500 over a three year period for the project the long term aim of which is to give every child between the ages of 5 and 11, living in the National Forest, the opportunity to experience outdoor learning in a forest environment. The project is being delivered in co-ordination with schools and woodland owners. The project runs from a calendar year so the income is recognised when the NFC has met any performance or other deliverable criteria for its recognition.

Woodland creation grants

The NFC receives England Woodland Grants Scheme (EWGS) payments from the Rural Payments Agency in respect of woodland creation and management works undertaken on land owned by the charity. The EWGS closed to new applications on 30 September 2014. 80% of the grant is payable upon completion of the woodland creation works and submission of the claim with the second instalment (ie 20% of grant) being payable five years later. The NFC currently remains entitled to second instalment payments with known income due being apportioned over the five year period (ie 20% of the eventual income due being recognised in the accounts in each intervening year). Since grants received offset forest creation expenditure on specific NFC owned sites then the monies received is treated as restricted funds.

Section 106 agreements

Section 106 monies from local authorities are recognised at the time that there is a guarantee that known sums will be paid to the Company for Forest related purposes. Where the funds are allocated for a specific purpose such as being a contribution towards a particular land acquisition or tree planting programme or towards a project such as 'Black to Green' then income received is treated as restricted funds.

1.6 Expenditure

Expenditure is accounted for on an accruals basis and is classified under the relevant activity within the SoFA.

1.7 Expense allocation

Costs are allocated to the main areas of NFC activity of raising funds, forest creation, woodland management, tourism and promotion, community engagement and various restricted projects reflecting the objectives of the NFC as set out in the Directors' Report.

Governance costs include trustee expenses, production of the Annual Report and Accounts, audit fees and bank charges. The salary and related costs of the Chief Executive, who is also a trustee, are now included within governance costs (20%) and support costs (80%) following the introduction of a timesheet recording system.

The salary and related costs of staff employed wholly on raising funds and the various charitable activities are allocated to those activities. Where staff are engaged on more than one of these activities, timesheets capture the percentage of each individual's time spent on each activity.

Indirect costs have been allocated to the headings in the SoFA on the basis of full time equivalent headcount of staff employed directly on charitable activities and activities for raising funds. The exception is grants administration costs which have been allocated on a staff time basis via the timesheets.

1.8 Tangible fixed assets

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provisions 10.33 to 10.36. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31st March 2018 by Fisher German, Chartered Surveyors. Land and buildings in the Balance Sheet are shown at the valuations provided per note 11.

Where the valuation is higher than the purchase price paid, the excess over purchase price is credited to a Revaluation Reserve. Where land or buildings are revalued due to a change in market values but remain at below the purchase price, the loss on revaluation is charged to the SoFA in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land or buildings, the loss on impairment is charged to the SoFA in the year of the impairment. Where in a subsequent year the value of land or buildings which has been the subject of an impairment charge increases, usually as a result of an increase in market values, and the valuation remains at below the purchase price, then

the increase is charged to the SoFA as a reversal of previous years' impairment. Changes in the value of land or buildings arising from revaluation or impairment are reflected in the balance of unrestricted funds and in the Revaluation Reserve.

Impairment and reversal of prior years' impairment is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (note 6).

Depreciation

NFC owned buildings are at Hanging Hill Farm which was acquired in March 2015. These comprise a farmhouse and outbuildings. The previous owners of the property continue to reside there under the terms of a Farm Business Tenancy (FBT) agreement which expires in October 2018. The NFC has still to agree proposals for the development and future use of the site. It is expected that implementation of development plans, which will require the approval of the NFC Board, will involve the demolition of the existing buildings. Allowing for the terms of the FBT agreement, the time needed to develop and agree a business model for the site, consult with interested parties and to secure the necessary planning consents, it is considered prudent to assume that it will take up to five years from the date of purchase before the NFC is in a position to demolish the buildings and commence new developments. It is therefore considered appropriate to fully depreciate the buildings over a five year period. No depreciation was charged in 2014-15, the year of acquisition. The first year's depreciation charge was therefore made in 2015-16 with the final charge falling due in 2019-20, the year when the buildings are expected to be demolished.

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

1.9 Intangible Fixed Assets

In 2017-18 £70k of costs were incurred to date to redevelop the website, of which £22k relates to research costs and therefore expensed to the SoFA. The balance of £48k relates to development costs.

The new website will provide an on-going economic benefit to the charity and the cost of the asset can be measured reliably therefore the development

cost has been capitalised to the Balance Sheet as an intangible fixed asset. All intangible assets are measured at their historical cost at acquisition. Following the initial recognition of the website, subsequent measurement will be made using the revaluation model. At the end of each reporting period an impairment review will be performed to determine whether the website is still fit for purpose in generating funds and achieving our expectations.

Amortisation will be charged on a straight line basis over the useful economic life of the asset and the useful economic life will be reviewed at each reporting date. Development costs of the website are recognised as an Asset Under Construction and therefore no amortisation has been charged. No amortisation is charged in the year of acquisition but a full year is charged in the year of disposal. When the website is live (2018-2019) the finite life will be determined and the website will be amortised over that useful economic life, with the expense being charged to the SoFA.

1.10 Current assets and liabilities

Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

A *de minimis* threshold of £300 has been adopted when determining debtors and creditors at the end of March.

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances held in a Business Instant Saver account and cash balances held by the Government Banking Service.

1.12 Investments

There were no funds as at the end of March 2018 in the Business 95 day saver account with the Nationwide Building Society where funds can only be accessed by giving 95 days' notice.

During the year, the investment policy was under review and deposits were therefore moved to cash so as to be available for investment once the new policy is approved.

1.13 Leases

The NFC has no finance leases.

Rentals under operating leases are charged to the SoFA on a straight-line basis over the term of the lease, even if payments are not made on such a basis.

1.14 Financial Instruments

The NFC only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

1.15 Staff costs and pensions

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

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

Note 2

Grant in aid

Grant in aid of £2,903,725 was received from Defra in 2017-18 (2016-17: £2,530,725). £2,530,725 of the total grant is treated as unrestricted income since the Department, whilst requiring that funds allocated contribute to the delivery of its objectives, does not stipulate any specific purpose(s) as to how any of the funds must be utilised. The further £373,000 however, is restricted for additional tree planting during 2018-19.

Grant in aid accounts for over 83% of total NFC income and is utilised to fund the forest creation and woodland management programmes, including the various grant schemes, contributes to the tourism and community engagement programmes and meets a significant proportion of governance and support costs.

Note 3

Income from charitable activities

	Unrestricted	Restricted	Total 2017-18	Total 2016-17
	£	£	£	£
'Black to Green' project	-	213,675	213,675	267,774
Woodland creation grants	-	35,440	35,440	75,540
Section 106 agreements	-	48,690	48,690	55,854
Tourism and promotion programme	-	21,720	21,720	27,000
Outdoor Activity Project	-	-	-	12,446
Charnwood Development Project	-	4,805	4,805	9,429
Creating a Forest for Learning project	-	58,452	58,452	5,832
'Timber' Festival	-	37,500	37,500	-
Plant a Tree scheme	23,713	-	23,713	21,488
Other	12,656	-	12,656	14,444
Total	36,369	420,282	456,651	489,807

Note 4

Income from other trading activities

	Unrestricted	Restricted	Total 2017-18	Total 2016-17
	£	£	£	£
Sponsorship	37,800	41,250	79,050	36,820
Tourism programme advertising revenue	-	-	-	239
Total	37,800	41,250	79,050	37,059

Note 5

Cost of activities for raising funds

	Total 2017-18	Total 2016-17
	£	£
Activities undertaken directly	296,084	243,597
Support costs	210,372	147,401
Total	506,456	390,998

Note 6

Analysis of expenditure on charitable activities

Activity or programme	Activities undertaken directly	Grant funding of activities	Support Costs	Total 2017-18	Total 2016-17
	£	£	£	£	£
Forest Creation ⁽¹⁾⁽²⁾	330,512	635,835	197,813	1,164,160	1,362,476
Woodland management ⁽²⁾	123,146	127,961	100,388	351,495	449,850
Tourism and promotion	91,609	–	70,482	162,091	176,241
Community engagement	36,705	59,649	47,897	144,251	114,238
'Black to Green' project	254,098	–	115,973	370,071	326,436
Charnwood Forest Landscape project	5,875	–	8,013	13,888	37,126
Creating a Forest for Learning project	38,350	–	44,845	83,195	12,925
Outdoor activity project	–	–	–	–	15,603
Total	880,295	823,445	585,411	2,289,151	2,494,895

¹Woodland creation grants income is expensed within Forest Creation.

²Section 106 Income £48,690 is expensed within the following areas: £17,754 Forest Creation, £7,412 Woodland Management and £23,524 towards a land acquisition.

Note 7

Staff costs and pensions

7.1 Employees with earnings above £60,000

	2017-18	2016-17
£60,000 – 69,999	2	1
	<u>2</u>	<u>1</u>

7.2 Staff salaries, social security and pensions

	2017-18	2016-17
	£	£
Costs of permanently employed staff, including Trustees:		
Salaries	795,592	757,141
Social security costs	78,206	75,378
Pension costs	158,945	149,560
	<u>1,032,743</u>	<u>982,079</u>
Early retirement and redundancy costs	–	28,301
	<u>1,032,743</u>	<u>1,010,380</u>

7.3 Average number of persons employed

	2017-18		2016-17	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	<u>23</u>	<u>21</u>	<u>23</u>	<u>20</u>

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

Exit package cost band	Number of voluntary exit packages	
	2017-18	2016-17
£25,000 – £50,000	<u>-</u>	<u>1</u>
Total number of exit packages	<u>-</u>	<u>1</u>
Total resource cost (£'000)	<u>-</u>	<u>28</u>

Note 8 Support Costs

	Raising Funds		Forest creation	Woodland Management	Tourism and promotion	Community engagement	'Black to Green' project	Creating a Forest for Learning			Basis of apportionment	
	£	£						Charmwood project	Grants administration	2016-17		2017-18
Staff costs	127,173	79,714	28,624	42,607	20,529	70,108	4,842	27,114	101,382	502,093	471,819	Headcount
Governance costs	20,955	13,136	4,718	7,021	3,383	11,552	798	4,468	7,944	73,975	41,260	Headcount
Premises costs	18,211	11,415	4,099	6,101	2,940	10,039	693	3,883	6,904	64,285	63,299	Headcount
ICT & Telecoms	19,477	12,208	4,384	6,526	3,144	10,737	742	4,152	7,384	68,754	54,834	Headcount
HR & Recruitment	1,493	936	336	500	241	823	57	317	566	5,269	5,582	Headcount
Office costs	5,094	3,192	1,146	1,706	822	2,807	194	1,085	1,931	17,977	17,803	Headcount
PR related	6,123	3,838	1,378	2,052	988	3,376	233	1,307	2,321	21,616	21,861	Headcount
Travel	5,066	3,175	1,140	1,697	819	2,793	193	1,078	1,920	17,881	14,274	Headcount
Training & Development	3,796	2,380	854	1,272	613	2,093	147	807	1,439	13,401	15,429	Headcount
Depreciation	2,984	1,870	672	1,000	482	1,645	114	634	1,131	10,532	11,395	Headcount
Grants administration	-	65,949	53,037	-	13,936	-	-	-	(132,922)	-	-	Staff time
	210,372	197,813	100,388	70,482	47,897	115,973	8,013	44,845	-	795,783	717,556	

Note 9

Governance Costs

	2017-18	2016-17
	£	£
Trustees' travel and expenses	8,373	7,844
Trustee meetings and meals external	484	879
Annual Report and Accounts production	1,626	2,959
Fees payable for the audit of the Annual Accounts	16,500	18,250
Internal audit fees	10,236	8,665
Bank charges	2,532	2,167
Legal fees	–	477
Trustee recruitment	15,250	–
Other sundry expenditure	79	19
Strategic costs ⁽¹⁾	18,891	–
	<u>73,971</u>	<u>41,260</u>

⁽¹⁾ Strategic costs is 20% of the Chief Executive's employment costs.

Note 10

Intangible Assets

	Asset under construction	Total
	£	£
Cost or valuation		
At 1 April 2017	–	–
Additions during the year	48,084	48,084
At 31 March 2018	<u>48,084</u>	<u>48,084</u>
Amortisation		
At 1 April 2017	–	–
Charges in the period:	–	–
At 31 March 2018	–	–
Net Book Value 31 March 2018	<u>48,084</u>	<u>48,084</u>

2017-18 is the first year of the website in construction hence no prior year comparative.

Note 11

Tangible Assets

	Land £	Buildings £	Furniture and Fittings £	Information Technology £	Total £
Cost or valuation					
At 1 April 2017	3,169,555	344,000	148,558	80,762	3,742,875
Additions during the year	280,075	–	274	9,733	290,082
Disposals/transfers during the year	–	–	–	–	–
Impairment	(108,340)	–	–	–	(108,340)
Reversal of prior years' impairment	6,235	–	–	–	6,235
Revaluation gain to Revaluation Reserve	1,995	–	–	–	1,995
At 31 March 2018	<u>3,349,520</u>	<u>344,000</u>	<u>148,832</u>	<u>90,495</u>	<u>3,932,847</u>
Depreciation					
At 1 April 2017	–	4,000	144,466	46,729	195,195
Charges in the period:					
Depreciation	–	113,333	1,431	9,101	123,865
Revaluation	–	(113,333)	–	–	(113,333)
Depreciation charged on disposals	–	–	–	–	–
At 31 March 2018	<u>–</u>	<u>4,000</u>	<u>145,897</u>	<u>55,830</u>	<u>205,727</u>
Net Book Value 31 March 2018	<u><u>3,349,520</u></u>	<u><u>340,000</u></u>	<u><u>2,935</u></u>	<u><u>34,665</u></u>	<u><u>3,727,120</u></u>
Cost or valuation					
At 1 April 2016	2,967,075	344,000	149,478	73,171	3,533,724
Additions during the year	192,215	–	2,975	14,587	209,777
Disposals/transfers during the year	–	–	(3,895)	(6,996)	(10,891)
Impairment	(17,560)	–	–	–	(17,560)
Reversal of prior years' impairment	23,710	–	–	–	23,710
Revaluation gain to Revaluation Reserve	4,115	–	–	–	4,115
At 31 March 2017	<u>3,169,555</u>	<u>344,000</u>	<u>148,558</u>	<u>80,762</u>	<u>3,742,875</u>
Depreciation					
At 1 April 2016	–	9,000	145,799	44,892	199,691
Charges in the period:					
Depreciation	–	83,750	2,562	8,833	95,145
Revaluation	–	(88,750)	–	–	(88,750)
Depreciation charged on disposals	–	–	(3,895)	(6,996)	(10,891)
At 31 March 2017	<u>–</u>	<u>4,000</u>	<u>144,466</u>	<u>46,729</u>	<u>195,195</u>
Net Book Value 31 March 2017	<u><u>3,169,555</u></u>	<u><u>340,000</u></u>	<u><u>4,092</u></u>	<u><u>34,033</u></u>	<u><u>3,547,680</u></u>

For each revalued class of tangible asset the carrying amount, had the assets been carried under the historical cost model, is required to be disclosed: Land £3,177,337 (2016:17 £2,977,987), Buildings £137,600 (2016:17 £206,400). The prior year figures have been restated to reflect impairments under the historical cost model.

An annual valuation of NFC land and buildings as at 31 March 2018 is undertaken by an independent Chartered Surveyor. Changes in the value of land or buildings arising from revaluation or impairment are therefore reflected.

Impairment expense is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 6).

Reversal of prior years' impairment is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 6).

Note 12

Debtors

	31 March 2018	31 March 2017
	£	£
Amounts falling due within one year:		
VAT	8,492	7,550
Prepayments	10,708	21,919
Accrued income:		
– ‘Black to Green’ project – HLF funding	108,020	133,406
– Woodland grants from Rural Payments Agency	3,678	2,450
– Other	1,918	1,500
Debtors:		
– ‘Black to Green’ project	–	21,500
– Other	130,314	50,276
	<u>263,130</u>	<u>238,601</u>
Amounts falling due after more than one year:		
Accrued income	5,676	5,597
Other debtors	5,835	7,675
	<u>11,511</u>	<u>13,272</u>
Total debtors	<u>274,641</u>	<u>251,873</u>

Note 13

Investments

	31 March 2018	31 March 2017
	£	£
Investments held with the Nationwide Building Society in 6 and 12 month fixed rate interest accounts as at 31 March	–	<u>809,648</u>

During the year, the investment policy was under review and investment deposits were therefore moved to cash so as to be available for investment once the new policy is approved.

Note 14

Cash at bank and in hand

	31 March 2018	31 March 2017
	£	£
Balance at 1 April	819,267	420,483
Net increase/(decrease) in cash and cash equivalent balances	<u>1,237,982</u>	<u>398,784</u>
Balance at 31 March	<u><u>2,057,249</u></u>	<u><u>819,267</u></u>

The following balances at 31 March:

Commercial banks and cash in hand	1,650,499	566,259
Government Banking Service	<u>406,750</u>	<u>253,008</u>
	<u><u>2,057,249</u></u>	<u><u>819,267</u></u>

Note 15

Creditors

	31 March 2018	31 March 2017
	£	£
Amounts falling due within one year:		
Accruals	87,789	88,465
Deferred income	<u>38,364</u>	<u>48,365</u>
	<u><u>126,153</u></u>	<u><u>136,830</u></u>

The deferred income as at 31 March 2018 is restricted income received during the year which comprises contributions towards projects which will be delivered in 2018. £36,364 relates to year two (calendar year) of the 'Creating a Forest for Learning' project, where most of the specified outputs will be delivered in 2018.

Analysis of movement of deferred income

	Charnwood Project £	Creating a Forest For Learning £	Total £
31 March 2017 Deferred	3,962	44,403	48,365
31 March 2018 Released	(3,962)	(44,403)	(48,365)
31 March 2018 Deferred	<u>2,000</u>	<u>36,364</u>	<u>38,364</u>
Total	<u><u>2,000</u></u>	<u><u>36,364</u></u>	<u><u>38,364</u></u>

Note 16

Analysis of Grants

The NFC awards grants to a number of institutions and landowners to support activity which contributes to the achievement of its charitable objects. No grants were paid to directly benefit the personal circumstances of the individuals.

	Grants to Institutions	Grants to Landowners	Support Costs	2017-18	2016-17
	£	£	£	£	£
Forest creation, access and nature conservation	505,788	130,047	65,949	701,784	952,326
Woodland Management	52,130	75,831	53,037	180,998	183,971
Community engagement	59,649	–	13,936	73,585	62,961
Total	617,567	205,878	132,922	956,367	1,199,258

During the 2017-18 financial year, the NFC awarded grants to the following:

Institution and/or Landowner	2017-18	2016-17
	£	£
Woodland Trust	388,500	630,500
Eltra Agricultural	2,318	58,863
South Derbyshire District Council	45,285	48,594
Leicestershire County Council	69,172	19,680
Grants to other institutions	112,292	148,506
Grants to landowners/Individuals	205,878	191,727
Total Grants paid	823,445	1,097,870

Note 17

Summary of fund movements

	At 1 April 2017	Income	Expenditure	Revaluation	Transfers ⁽¹⁾	At 31 March 2018
	£	£	£	£	£	£
Unrestricted						
General Fund	3,803,283	2,648,383	(2,409,051)	–	2,815	4,045,430
Financial Contingency Fund ⁽³⁾	450,000	–	–	–	–	450,000
Land Acquisition, Management and Development Fund ⁽⁴⁾	450,000	–	–	–	–	450,000
Enterprise and Investment Fund ⁽⁵⁾	500,000	–	–	–	–	500,000
Revaluation Reserve	68,355	–	–	1,995	–	70,350
Total Unrestricted	5,271,638	2,648,383	(2,409,051)	1,995	2,815	5,515,780
Restricted						
Other restricted funds ⁽²⁾	–	110,655	(83,859)	–	(22,454)	4,342
Grant in Aid – Tree planting	–	373,000	–	–	–	373,000
'Black to Green' project	20,000	213,675	(253,314)	–	19,639	–
Creating a Forest for Learning project	–	58,452	(34,383)	–	–	24,069
'Timber' Festival	–	63,750	–	–	–	63,750
Community Engagement	–	15,000	(15,000)	–	–	–
Total Restricted	20,000	834,532	(386,556)	–	(2,815)	465,161
Total Reserves	5,291,638	3,482,915	(2,795,607)	1,995	–	5,980,941

⁽¹⁾ Transfer from unrestricted to restricted funds are match funding contributions to the Charnwood £1,070 and Black to Green Project £19,639. Transfer from restricted funds of a Section 106 receipt £23,524 specifically awarded as a contribution to a land acquisition held for a general and not a restricted purpose.

⁽²⁾ Other restricted funds include Woodland Trust, Section 106, Tourism and Promotion and Charnwood Project. The balance of £4,342 relates to Woodland Trust income carried forward.

The designated funds, to be used within the approval of the NFC Board are:

⁽³⁾ Financial Contingency Fund - equates to approximately four months of NFC running costs and to be used in the event of major cash flow problems.

⁽⁴⁾ Land Acquisition, Management and Development Fund (LAMDF) – available to support land acquisition and initial site establishment costs.

⁽⁵⁾ Enterprise and Investment Fund (EIF) – available to support innovation, enterprise and long term financial sustainability.

Note 18

Analysis of net assets between funds

	Unrestricted	Restricted	Total 31 March 2018
	£	£	£
General Fund	5,445,430	465,161	5,910,591
Revaluation Reserve	70,350	–	70,350
Total	5,515,780	465,161	5,980,941

Note 19

Analysis of funds

	Unrestricted	Restricted	Total 31 March 2018
	£	£	£
Reserves balances at 31 March are represented by:			
Fixed assets	3,775,204	–	3,775,204
Current assets	1,828,365	503,525	2,331,890
Creditors	(87,789)	(38,364)	(126,153)
Total	5,515,780	465,161	5,980,941

Note 20

Commitments under operating leases

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

	31 March 2018	31 March 2017
	£	£
Obligations under operating leases comprise:		
Buildings, office accommodation lease	–	–
Not later than one year	41,228	4,408
Later than one year and within five years	164,910	–
Later than five years	–	–
	206,138	4,408

The above obligations relate to the lease for office accommodation occupied by the NFC which commenced on 1 April 2018. The lease disclosed in 2016-17 expired on 31 May 2017.

Note 21

Other financial commitments

Forest creation schemes

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

	31 March 2018	31 March 2017
	£	£
Not later than one year	435,926	85,650
Later than one year and not later than five years	279,026	384,121
Later than five years	138,969	130,902
	<u>853,921</u>	<u>600,673</u>

Note 22

Financial Instruments

As the current cash requirements of the NFC are met largely through grant-in-aid received from Defra, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The NFC has no complex financial instruments and the risk of exposure to credit, liquidity or market risk is minimal.

Note 23

Related party transactions

The NFC has dealings with the Department for Environment, Food and Rural Affairs and some of its sponsored bodies. The NFC receives grant in aid from Defra. During the year, the NFC received £2,903,725 (2016-17: £2,530,725).

The NFC received a £2,000 grant from Natural England, as a partner contribution for the HLF Charnwood Project. This income has been deferred out of the accounts as the project commences April 2018.

The NFC received £18,440 from Rural Payments Agency (2016-17: £49,715) for woodland grants.

During the year no transactions took place with the Forestry Commission (FC) (2016-17: NFC paid £14,427 to the FC for the construction of a bird hide at Hicks Lodge Cycle Centre as part of the 'Black to Green' project).

John Everitt has been a member of the Heritage Lottery Fund (HLF) East Midlands Committee since January 2015. The Committee's decision to award grant support for the 'Black to Green' project was taken prior to him joining the Committee. During 2017-18, the NFC received £213,675 (includes accrued

income as at 31 March 2018) from the HLF (2016-17: £267,774) in respect of the project. During 2017-18 the NFC was successful in securing funds from the HLF towards the Charnwood Forest Landscape Partnership Scheme, to commence in 2018-19. John Everitt's position on the Committee did not influence the HLF's decision to award these funds.

John Everitt, Trustee is also the Chief Executive of NFC. Please refer to the Remuneration and Staff Report for the remuneration of the Chief Executive.

Trustee Suzanne Carr is a director of Staffordshire Wildlife Trust (SWT). The NFC paid £2,072 to SWT as part of expenditure incurred within the 'Black to Green' project (2016-17: nil).

During the year, no Trustee or related parties has undertaken any material transactions with the Company other than those disclosed in the Remuneration and Staff Report.

Note 24

Events after the reporting period

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

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

Appendix A

Sustainability Report

(this information is not subject to audit)

Introduction

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

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

The NFC operates from serviced accommodation leased from a private landlord. This report therefore focuses primarily on our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions). Water data cannot currently be reported upon as consumption is included within the landlord's service charge and accurate data is not available.

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

Summary of key sustainability data

Summary of Greenhouse Gas Emissions tCO ₂	2017–18 tCO ₂	2016–17 tCO ₂	2015–16 tCO ₂	2014–15 tCO ₂
Building Energy Consumption (Scope 2)	20.53	22.83	17.54	18.34
Official Business Travel (Scope 3)	8.99	7.77	7.76	10.83
Total emissions	29.52	30.60	25.30	29.17
Average number of staff (FTE)	21	20	19	17
Total energy emissions per head (FTE)	1.41	1.53	1.33	1.72

Total emissions per head, at 1.41tCO₂ for 2017-18, has reduced by 8% compared with 2016-17. Electricity is the only utility which is paid for directly and accounted for c70% of our total emissions during 2017-18. Emissions from business mileage are higher compared with the previous year, reflecting the increase in full time equivalent staff and additional journeys made by Trustees through their involvement in the recruitment process for new Trustees and subsequent induction and handover meetings.

Energy consumption data

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

Building Energy Consumption (Scope 2)	Unit	2017–18	2016–17	2015–16	2014–15
Total emissions	tCO₂	20.53	22.83	17.54	18.34
Building energy consumption per head (FTE)	tCO ₂	0.98	1.14	0.92	1.08
Building energy consumption	kw/h	58,396	64,943	49,898	52,153
Energy consumption per head (FTE)	kw/h	2,781	3,247	2,626	3,068
Total energy expenditure	£	9,868	9,361	8,093	9,087
Expenditure per head (FTE)	£	470	468	426	535
Average number of staff (FTE)		21	20	19	17

Total energy consumption has decreased by c10% compared to 2016-17; consumption per head has decreased by c14% per full time equivalent. This is partly attributed to the workstation refresh programme where we

continue to replace regular computers with more energy efficient laptops. The total cost of electricity for the year increased by c5% reflecting the increase in prices with effect from December 2017.

Official business travel data

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

Official Business Travel (Scope 3)	Unit	2017–18	2016–17	2015–16	2014–15
Total emissions	tCO2	8.99	7.77	7.76	10.83
Staff mileage (inc Chief Executive)	miles	22,951	21,119	21,331	20,614
Average number of staff (FTE)		21	20	19	17
Staff mileage per head	miles	1,093	1,056	1,123	1,213
Staff Air travel	miles	–	551	–	5,863
Trustees' mileage	miles	7,674	4,136	4,523	6,873
Total miles travelled	miles	30,625	25,806	25,854	33,350
Business travel costs	£	20,488	17,564	20,690	19,075

The rural location of the Forest means that staff often need to travel to fulfil operational duties using their own vehicles. Journeys by car are made only when there is no other practical alternative. Car miles travelled for staff in 2017-18 is slightly higher compared with the previous year, reflecting the increase in the average number of FTE staff, but remains consistent with previous years. Trustee mileage was higher compared with prior years, due to additional journeys made relating to involvement in the new trustee recruitment and induction as referred to above.

Tree guard recycling scheme

Over the last 27 years, we have planted over 8.5 million trees, each of which will have been protected from browsing mammals by either fencing or tree guards. Tree guard removal and recycling is now included in our woodland management grant scheme. The guards are recycled in the UK, and the plastic is then used to make benches, barn flooring and water barrels. This incentivises the woodland owners to remove and recycle the tree guards when they are no longer needed. We are also working with guard manufacturers and retailers to give the most up to date advice on biodegradable guards for future use.

Waste

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

Procurement

We recognise our responsibility to carry out our procurement activities in an environmentally and socially responsible way. Wherever possible, we ensure that environmental and social considerations are built into our procurement processes. Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services. We continue to develop our procedures to ensure that sustainability is fully integrated throughout the procurement process.

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