

Forestry Commission England/ Central Services

Annual Report and Accounts 2018-19

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

Forest Enterprise England, an executive agency of Forestry Commission England, manages the Nation's Forests in England. The Annual Report and Accounts of Forest Enterprise England are published separately.

As a consequence of legislative change in Scotland and changes to governance in the Forestry Commission, the Central Services entity within the Forestry Commission ceased to exist with effect from 1 April 2019, and thenceforth Forestry Commission England became simply the Forestry Commission, and Forest Enterprise England became Forestry England. These changes do not affect the Annual Report and Accounts for 2018-19, and for consistency 2018-19 terminology is used throughout.

Honours

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

- Dr Joan Freeman Webber, OBE. Principal Pathologist, Forest Research. For services to tree health.
- Dr Stephen John Lee, OBE. Programme Group Manager, Forest Resources and Management, Forestry Commission. For services to Forestry.
- Mr Roger Charles Coppock, MBE. Head of Corporate and Forestry Support. For services to Forestry.

Register of interests

A register of interests of all Board Members is maintained by the Forestry Commission and published on gov.uk.

Performance report

Overview

The performance report overview provides:

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

Foreword by Sir Harry Studholme, Chair

One hundred years ago this year the Forestry Commission was created, planted its first trees and began a process of reinvigorating the forests of Britain. We are taking the opportunity to celebrate 100 years of forestry with a wide ranging programme of events and activities across England. This is a moment to celebrate not only past successes and shine a light on how much our trees contribute to our wellbeing, economy and environment but also to change attitudes and see how much more can be achieved in the future.

As government's forestry experts the Forestry Commission have continued to take forward our mandate to protect, improve and expand the country's forests and woodlands.

The Tree Health Resilience Strategy was published in May last year. The need to 'protect' our forests is unrelenting; as well as ongoing work to manage the impact of endemic tree pests and diseases, such as *Phytophthora ramorum* and oak processionary moth, in November we faced an outbreak of the eight-toothed spruce bark beetle (*Ips typographus*) in Kent. We took swift action to respond to the outbreak with the aim of eventual eradication. We remain alert to further symptoms and are monitoring the locality of the site. In September we reviewed arrangements for the management of ash dieback in light of its increasingly large-scale impact. We are working closely with Defra to ensure that the consequences of EU Exit will not impact adversely on our defences against tree health threats.

In our role as regulator we are conscious of the need to ensure effective response to illegal felling as well as an easy to use interface for applications for felling licences. In October we launched our new Felling Licence Online system, making it easier to submit applications for felling licences. During the reporting period Forestry Commission England issued 2,429 felling licences, and led numerous investigations into alleged illegal felling, taking action as appropriate.

Timber markets for both softwood and hardwood have been firm this year, underpinning improved woodland activity and optimism in the industry. However, we need to continue to improve our forests and forestry infrastructure. Looking forward we had an excellent response to our Forestry Innovation Fund, where we sought bids for innovative research and development from forestry and wood processing businesses. We received 28 applications spanning the entire forestry supply chain from seeds to timber product used in construction. Many of these projects are now coming to fruition and realising pioneering new ideas in the industry.

New planting is needed to increase carbon sequestration and meet the needs of the forest industry. At a time of uncertainty among landowners we have continued to drive expansion of the forest area reinforcing our excellent woodland officer team with woodland creation officers specialising in larger planting schemes.

We are working hard to support the government's objective to plant 11 million trees by the end of this parliament, and we continue to develop ideas to ensure delivery. We have established a pilot Forestry Investment Zone (FIZ) in north-east Cumbria. The pilot is to define an area where barriers to the planting of appropriate productive woodland creation schemes are reduced. We will learn from the responses of farmers, landowners and investors about how and whether this concept can be refined and rolled out elsewhere. In the autumn budget statement the government announced a Woodland Carbon Guarantee scheme to

support the planting of around 10 million trees in England by spending £50m over the next 30 years. We have been working hard to develop the scheme and to make sure it is successfully launched later this year.

In collaboration with our partners, in October we launched the Urban Tree Manual, which provides advice on selecting and procuring the right tree for the right place in urban areas as well as supporting a further one million trees in towns and cities.

Throughout the reporting period, a key part of our work has been preparing to leave the EU. Our plans will ensure the continued protection of our forests against pests and diseases, and we continue to work with Defra to develop the new Environmental Land Management (ELM) system, and on other post Common Agricultural Policy woodland grants.

These are just a few highlights. This Annual Report is full of examples of the wide range of activities and achievements of the Forestry Commission and its staff this year. We are proud of what has been accomplished. The centenary celebrations provide a unique opportunity to reflect on our successes, to take stock and to prepare for the challenges and opportunities ahead.

Purpose and activities of the organisation

Who we are

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

The Forestry Commission is a non-ministerial government department and has a Royal Charter. While most forestry functions are provided at country

level, those provided centrally were fully devolved by 31 March 2019.

Our priorities

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

Everything we do is focussed on achieving the following objectives:

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

The priorities for cross border activities focus on the following common themes:

- **resilience:** Protecting our woodland resource and increasing its resilience to pests, diseases and the impact of climate change so that our woodlands continue to deliver a wide range of economic, social and environmental benefits
- **evidence:** Ensuring that there is a robust evidence base available to the forestry authorities across the UK to underpin their policies, decisions and advice
- **standards:** Setting the standards for sustainable forest management and woodland carbon projects in the UK and promoting it domestically and internationally

Our values

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

- **teamwork** – We work collaboratively with each other and our stakeholders, ensuring trees, woods and forests meet the needs of society
- **professionalism** – We enjoy and take pride in our work, acting with integrity

and political impartiality to achieve high standards of health and safety, quality, efficiency and sustainability

- **respect** – We value each other and our stakeholders, recognising diverse perspectives and treating everyone with consideration
- **communication** – We are open, honest and objective with each other and our stakeholders. We are prepared to challenge and to be challenged
- **learning** – We are always learning, developing the skills, knowledge and behaviours to support organisational success
- **creativity** – We seek new ways of doing things, sharing ideas and embracing change

Defra strategy

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

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

Further information on the strategy is available in Defra's Annual Report and Accounts 2018-19.

Delivery of our objectives in 2018-19

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

Protect

Tree health

Plant health

Line management of the Plant Health Service was transferred to Forestry Commission England on 1 April 2018, and for 2018-19 was delivered to Scotland and Wales through an existing agreement. We have agreed a schedule for the plant health and Forest Reproductive Materials (FRM) functions that will be carried out by the Plant Health Service after forestry fully devolves in April 2019.

We coordinated cross-border outbreak management teams and chaired the cross-border Advisory Council for the UK Wood Packaging Marking Scheme. There is currently no requirement for cross-border outbreak management, although the Devolved Administrations are part of the recently formed *Ips typographus* Core Contingency Group.

We worked with the trade to produce new guidance on seed testing and introduce new species under the voluntary controls for FRM. Our FRM manager prepared a dossier in support of the UK's successful application to re-join the Organisation for Economic Cooperation and Development (OECD) forest seed and plant scheme in 2019. We expect to be able to issue OECD certificates in the new financial year.

Pests and diseases

The number of pests entered onto the UK Plant Health Risk Register has increased by 31 since the beginning of the 2018-19 financial year. This brings the total number of pests to 1,041 of which 350 are considered to be potential pests of trees. Professor Hugh Evans was commissioned to review the value of the Protected Zone (PZ) for bark beetles in the genus *Ips typographus* and the measures against pinewood nematode *Bursaphelenchus xylophilus*. His comprehensive report was delivered shortly before the first outbreak of *Ips typographus* was detected during routine PZ surveillance in Kent in November.

The Plant Health Forestry Order was amended in November 2018 and March 2019 to implement new measures to further protect trees against pests. Strengthened measures were introduced to apply to oak processionary moth and *Xylella fastidiosa*. Emergency legislation was introduced in January 2019 to respond to the first outbreak of *Ips Typographus* in the UK. A 50 kilometre demarcated area was introduced into Kent and West Sussex to prohibit the movement of spruce wood with bark at risk from spreading infestation of the eight toothed spruce bark beetle.

We supported the preparation of new entries for tree pests into the UK Plant Health Risk Register. A new threat from the oak lace bug, *Corythuca arcuata*, was of sufficient concern to warrant the preparation of a UK pest risk analysis to help make the case for emergency measures against this pest. We supported the preparation of Regulatory Triage Assessments for new legislative measures on oak processionary moth, the eight toothed spruce bark beetle and for the oak lace bug.

Surveys

We ran surveys and programmes to monitor disease progression and to help manage the impact of *Phytophthora ramorum*, oak processionary moth, *Chalara* ash dieback, oriental chestnut gall wasp and sweet chestnut blight. We published the Operations Note 046 Managing Ash (*Fraxinus excelsior*) in woodlands to raise awareness of the increasingly large scale impact of ash dieback (*Hymenoscyphus fraxineus*).

We conducted regular aerial surveys of the country and land-based follow-up surveys of potentially high-risk sightings. In England, Wales and Northern Ireland 33 flights were undertaken (29 surveys, four compliance). 58,337 hectares of larch was surveyed in England, Wales and Northern Ireland and we monitored 1,121,728 hectares of National Forest Inventory (NFI) polygons.

Phytophthora ramorum:

- 24 flights were undertaken (20 survey/four compliance)

- 34,071 hectares of larch were surveyed, 15,773 hectares of the Nation's Forests and 18,298 hectares of private woodland. 791,403 hectares of NFI polygons (60% of forest/woodland in England) was monitored

Ips typographus:

- intensive 1 km surveys around the *Ips typographus* outbreak site plus aerial surveys and follow up ground surveys out to 100 km were conducted. A series of pheromone traps were established in the outbreak area and out to 50 km. We enhanced our Great Britain wide protected zone surveillance for this pest. A new Plant Health (Forestry) order was laid to introduce movement restrictions on spruce material with bark that has originated within 50km of the outbreak site
- we worked with the Horticultural Trades Association, Grown In Britain and Defra to deliver the Plant Health Management Standard, which will ensure a consistent higher level of biosecurity across the horticultural industry

Inspections

We inspected 3,548 consignments of 454,667 cubic metres of controlled timber of which 17 were found to be non-compliant with EU landing requirements and remedial action was taken. Additional checks were performed where there was evidence of poor compliance including imports of sawn softwood from other parts of the EU and Russia. A new EU inspection regime was introduced in October 2018 to monitor wood packaging with a much wider range of commodities in consignments from China and Belarus with 502 inspections taking place. There were 8 interceptions of non-compliant wood packaging associated with these imports from China. This year we made another rare interception of Asian longhorn beetle from dunnage associated with a bulk shipment of steel.

We monitored firewood under the statutory notification scheme. In 2018-19 we were notified of 4,096 consignments comprising 109,643 tonnes during the year with 39 new importers enrolled in the scheme bringing the total number enrolled to 181. There were 16 cases where either the conifer wood packaging material associated

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

Preparation for EU exit

We planned for all outcomes of the EU exit negotiations and assessed the impact on plant health and associated industries. Secondary legislation was laid under the EU (Withdrawal) Bill that corrects legal deficiencies arising from EU Exit in the event of a no deal scenario and ensures that plant health and FRM health regulations continue to operate effectively and proportionately. On behalf of Defra we have engaged with the relevant forestry trade sectors and provided them with the information necessary to prepare for EU Exit.

Tree health grants

We provided technical input to the administration of Countryside Stewardship Tree Health Grant applications. Since 1 April 2018, 138 applications were received covering 482 hectares of improvement and restoration work. Of these applications, 28 related to restocking after *Phytophthora* infection of sweet chestnut, after we extended this grant to provide support in this situation in 2017-18.

Awareness raising

Through the Keep it Clean campaign we produced guidance for the public and promoted specific guidance for landowners and managers to raise the general awareness of tree health and the importance of biosecurity measures.

Woodland resilience

Wildlife

We worked with Natural England to deliver landscape-scale deer management in all Priority Areas in 2018-19. Twenty-six awareness raising/best practice stakeholder events contributed to 81,564

hectares covered by collaborative deer management plans. We delivered 169 collaborative cull days in the 2018-19 winter season and deer impact assessments were carried out on 297 woodlands, of which 184 were resurveys to record any changes in deer activity and impacts.

We provided a grant to the UK Squirrel Accord which funded some of the core governance of the Accord; delivery of priority actions in the Accord communications strategy; project management and fundraising for the Accord research project on grey squirrel fertility control; and work to put the Accord on a self-sustaining footing following the grant period.

We continued to chair the Red Squirrel Northern England partnership and support work to conserve the northern red squirrel populations.

With Defra, we reviewed the Invasive Non-native Species Regulations and relevant Statutory Instrument to ensure they remain operable after we leave the EU.

Training

We undertook a major exercise based on a wildfire scenario affecting the Public Forest Estate and private woodlands, working with Avon Fire and Rescue Service, Avon and Somerset Police, Defra, the Environment Agency and Public Health England.

We participated in the Forest Education Network steering group. The group developed an event 'Putting the Forestry into Forest Education', to take place in April 2019 at Rosliston Forest Centre. We generated revenue on behalf of the Forest Education Network through sales of the Forest Education resource pack, aimed at primary teachers.

Urban Forestry and Woodlands Advisory Committees (FWAC) Network

We supported the Urban FWAC Network, working with Defra and the Tree Champion to host a sector workshop on urban forestry aspects of the proposed duty for

local authorities to consult on street tree felling, to report tree felling and planting and proposals for best practice Tree and Woodland Strategies guidance. The Network supported delivery of the manifesto commitment to plant 1 million urban trees, inputting to design of the £10 million challenge fund for urban trees. We contributed to the Urban Tree Manual, published October 2018.

Regulating for sustainable growth

Felling licences

Forestry Commission England issued 2,429 felling licences which were not linked to new grant agreements in 2018-19. These covered an area of 40,379 hectares.

We received 337 reports of alleged illegal felling to our Area Teams/Admin Hubs, the felling of trees without the required licence. Following investigation, 58 reports were identified as breaches or possible breaches of the controls on tree felling and referred to National Office:

- 11 investigations resulted in Forestry Commission England serving a Notice to restock land with trees
- 16 investigations resulted in Forestry Commission England serving an initial restock Notice, a precursor to a restock notice
- two investigations resulted in formal warnings being issued
- 22 investigations are either still pending a decision on the final action or are in the process of having a Restocking Notice issued
- two cases resulted in a summary conviction for illegal felling and a further five cases are still being investigated by Defra Investigation Services to determine if they are suitable for referral to the Crown Prosecution Service (and potential prosecution)
- five cases were either referred to the Local Authority for action under tree preservation order legislation, or dealt with under the Environmental Impact Assessment (Forestry) Regulations 1999

A further 22 Restocking Notices were issued in the year as a result of

investigations into reports of illegal felling that had taken place in previous years.

Additionally, three cases that were initially referred to the Forestry Commission in previous years were successfully prosecuted – these were all for felling without a licence.

We inspected 206 felling licence restocking conditions on licensed tree felling to check compliance.

Environmental impact assessments

We looked at 170 cases covering 952 hectares of afforestation and 853 hectares of deforestation. Of those requiring our consent two cases led to a determination under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999 that the project required a full Environmental Statement.

The Environmental Impact Assessment (Forestry) Regulations (2017) (England and Wales) Statutory Instrument was amended in autumn 2018 to reduce the likelihood of misinterpretation of the regulations.

Woodland management plans

In 2018-19 we have received 2,429 felling licence applications, of which 385 (15%) were associated with a management plan. Due to the introduction of Felling Licence Online, incomplete monitoring trackers and other priorities we have been unable to accurately monitor the management plan service standard. We will review and relaunch during 2019-20.

Forestry regulations

We worked with Defra, the Ministry of Housing, Communities and Local Government and Her Majesty's Treasury to consult on strengthening of forestry regulations, some of which interface with planning activities, and reporting on trees felled as part of planning permissions. The consultation was published in December 2018. We worked with Defra on biodiversity and environmental net gain to secure better outcomes for trees and woodland in the planning process.

Improve

Support the forest economy

We sought bids for innovative research and development from forestry and wood processing businesses via the Forestry Innovation Fund. The response from the sector exceeded expectations with more than 40 expressions of interest coming forward. Of these ideas, 28 were developed into full applications. The six successful projects span the entire forestry supply chain from seeds to timber product used in construction.

Work is due for completion during 2019. Each project received £50,000 and the total value of the grant fund was £300,000.

Supporting the Institute of Chartered Foresters (ICF), we delivered a series of workshops to the sector, which evidenced demand for 'forest advisor' apprenticeships. This added to the evidence base created by our co-funded Forestry Skills Survey for higher apprenticeship standards.

We worked with timber processors, energy generators, agents and owners across the sector to encourage investment in wood-using industries. The combined heat and power plant operated by KREL at Sandwich in Kent is operational and is taking deliveries of wood. The area team and our Woodland Resilience Officer worked with businesses to ensure this new market is helping owners manage risks associated with diseased ash trees in woodlands close to roads or with high levels of public access.

Countryside Stewardship Grants

By the application deadline of 13 April 2018, 470 initial applications for Countryside Stewardship Woodland Improvement Grants (under Countryside Stewardship's Higher Tier) were submitted. These applications were initially screened to ensure all of the eligibility criteria were met, including a Forestry Commission England approved woodland management plan. Initially 82 applications were rejected due to ineligibility or withdrawn by the applicant. In October, 388 final

applications covering 30,000 hectares of woodland were scored and at the end of the year 329 applications are still proceeding with 317 agreements offered to applicants. In addition we received 394 applications for woodland management planning grants.

Legacy Grants

We remain responsible for processing claims for legacy woodland grant schemes, with a total value of around £5.5 million. In 2018-19 we made payments to 100% of customers receiving Farm Woodland Scheme Payments. On 26 November 2018 this comprised 1,195 individual cases. 80% of the 4,087 revenue claims received by 15 May 2018 were sent for payment by 10 December 18; we processed 96% of payable claims by 31 March 2019.

Preparation to leave the EU and Future farming and countryside policy

We have engaged with staff across the Forestry Commission and with our stakeholders to identify and understand risks and issues from leaving the EU without a deal. We worked with colleagues across the Defra group to engage with industry and support businesses to consider how they might be impacted and what they can do to prepare.

We have planned for all scenarios resulting from EU exit including leaving the EU without a deal. We scoped, detailed and risk assessed issues such as continuity of grant payments, regulations and enforcement, the impacts of tariff and non-tariff barriers, research, availability of skills and labour. Where possible we have taken mitigating actions, drawn up contingency plans and worked with Defra and across government to ensure that the Forestry Commission's requirements and concerns are reflected.

We continued to engage with Defra to work on regulation changes that may impact England's woodlands as a result of EU exit. We communicated impacts, including involvement in the future regulation and enforcement work stream, and contributed to the development of the Office for Environmental Protection.

We supported Defra's development of the new ELM scheme and on other post Common Agricultural Policy woodland grants. We have developed several proposals for trialling and testing the new scheme, five of which have been accepted by Defra to be progressed, including land management plans, upskilling the sector, woodland creation, community projects and linking public and private funding for woodland creation schemes. We have Forestry Commission representation at all levels within Defra to advise on how the scope of ELM development can adequately incorporate forestry.

Expand

Woodland creation

We worked with the sector to deliver government's manifesto commitment to plant 11 million trees this parliament. Government funding secured the planting of 1.98 million trees in 2018-19 including funding administered by the Environment Agency, the National Forest Company, Natural England and Defra through kick-start funding for the Northern Forest. We continue to work hard to ensure that we remain on track to meet the 11 million tree commitment by 2022, which current signed grant agreements, grant applications that are being processed and plans for woodland creation funded through the Woodland Creation Planning Grant suggest we are. The average size of woodlands funded through Forestry Commission England facilitated Countryside Stewardship for the 2018 application round was 8.7 hectares, compared with 5.1 hectares over the period 2007-14, reflecting growing confidence in planting larger woodlands that contribute more to the environment and economy.

We provided forestry expertise to support the delivery of Countryside Stewardship grants for woodland creation, reviewing 316 initial applications. By the end of March 2019, 206 agreements had been offered covering 2,132 hectares, accounting for 3,690,450 trees to be planted. This represents the largest number of creation agreements issued from a single application window since Countryside Stewardship was launched in 2015. The agreements were also issued

earlier in the season than before, supporting better preparation for tree planting. In September 2018 we reopened the woodland creation grant to enable applications to be made all year round. By the 31 March 2019, 46 applications covering an estimated 370 hectares and 660,139 trees were made under the new arrangements with seven agreements offered by the end of March.

Responding to the hot and dry summer we launched the Extraordinary Payment for Restocking in Exceptional Circumstances to provide support to land managers who had lost high numbers of trees planted in winter 2017. We received 39 applications covering 288 hectares and 162,055 trees by 31 March 2019. Of these, 35 were issued before 31 March 2019, three were ineligible, and the last one was issued in April 2019.

We delivered a series of woodland creation design workshops for the sector and staff. The workshops explained the regulations and demonstrated that with good planning the regulations are not a barrier to afforestation. We worked closely with other regulators to streamline consultation processes for woodland creation and woodland management plans, to reduce the burden on applicants and regulators.

Woodland Creation Grants

The initial £1 million High Speed 2 (HS2) Ltd woodland funding has now been committed to 18 schemes to restore plantations on ancient woodland sites and create new native woodland within 25 miles of the London to Birmingham route. The first few new woodlands created under the HS2 woodland fund have now been planted.

A further £4 million from the HS2 woodland fund was opened to applications on the 18 March 2019. It is expected that around £1 million of grant funding will be allocated over each of the next four years.

We promoted and administered the Woodland Carbon Fund which has seen a significant upturn in applications. We received 12 applications which would result in the planting of 1.2 million trees including five applications of more than 40 hectares.

We have confirmed the permanent change to minimum area threshold from 30 hectares to 10 hectares and introduction of a second stage payment at year five to make the grant more attractive. Further changes introduced this year extend eligibility to public bodies, including Forest Enterprise England, and the minimum requirement for productive woodland has been reduced from 70% of the planted area to 50% to improve the quality of the woodland on more challenging sites.

We worked with Defra to develop the £10 million Challenge Fund for urban trees in support of the government objective to plant 1 million trees in towns and cities by 2022. The Fund was launched in spring 2019, with the first planting in autumn and winter 2019-20.

New Northern Forest

We confirmed regulatory requirements for Northern Forest-funded schemes, established a streamlined consultation process through the Public Register for projects beneath the Environmental Impact Assessment screening/notification threshold and set out reporting requirements. We worked with the Woodland Trust and the Community Forest Trust at local and national level to ensure that regulatory issues are addressed efficiently and to signpost landowners interested in woodland planting to the most appropriate funding option.

Forestry Investment Zone

We established the Forestry Investment Zone (FIZ) pilot in northeast Cumbria to create the conditions that give landowners and investors confidence in funding well-designed productive woodland creation schemes. The Cumbria FIZ will seek to smooth the application and approval process for creation schemes in appropriate locations, whether for farm diversification, timber supply, water management, carbon sequestration, recreation or habitat creation. The focus of the pilot will be to work with farmers to integrate farming and forestry in support of the local economy. The launch was attended by the Tree Champion, Sir William Worsley.

Woodland creation to promote natural flood measures

We worked with the Environment Agency and Forest Enterprise England on Natural Flood Management projects in Pipp Brook and the Forest of Dean and provided input through the Natural Flood Management national steering group. We led work to address risk and liability concerns of landowners installing Natural Flood Management measures on their land by drawing up a risk assessment framework. Environment Agency funded tree and woodland planting have contributed 129,000 trees to government's 11 million tree commitment in 2018-19.

Research, evidence and indicators

We published quarterly reports on our headline indicators, plus summaries in this Annual Report. We published annual and mid-year reports of government supported new planting of trees in England, documenting government's progress towards new planting 11 million trees in England during the 2017-22 Parliament. We published our annual Indicators Report showing trends in approximately 50 indicators covering all our key aims. The reports were successfully assured by the Government Internal Audit Agency.

Cross border

Forest economics

We agreed arrangements for the Scottish Government to manage the economics function on behalf of England, Wales and Scotland from 1 April 2019.

We conducted work to estimate the flood alleviation value of the forest estate across Great Britain. The report was released in November 2018. We tendered a project to review approaches to valuing forest biodiversity and to consider how and whether this might be done in future. We supported Forest Enterprise England in producing annual corporate natural capital accounts. We worked with partners in Scotland to develop evidence and reporting on natural capital, including a new forestry group to implement the Natural Capital Protocol's Forest Sector Guide.

We developed with stakeholders new business models for farmers to generate revenue from planting woodlands, including payments for water purification and carbon sequestration. We carried out analysis on the options for implementing the Forest Carbon Guarantee announced in the Autumn Statement in 2018.

We enhanced certification and monitoring procedures for the Woodland Carbon Code. We streamlined the documentation required for validation and verification at year five under the Woodland Carbon Code and trialled an approach for surveying and verifying projects at year 15. The carbon look-up tables and soil emissions factors were updated. We recruited a carbon and woodland adviser in England, to help embed the Woodland Carbon Code as 'business as usual activity' for woodland creation in light of the £50 million Woodland Carbon Guarantee announcement in the 2018 autumn budget statement, for which certification to the Woodland Carbon Code is an integral process. From April 1 2019, the Woodland Carbon Code will be managed by the Scottish Government on behalf of the UK government and the devolved administrations.

In addition to ongoing work to promote the Code, we commissioned marketing experts to provide insight and materials to increase awareness of the Code amongst potential carbon buyers. 96 projects in England were registered under the Woodland Carbon Code at 31 March 2019, covering an area of 1,807 hectares of woodland and projected to sequester 991 thousand tonnes of carbon dioxide over their lifetime of up to 100 years.

Evidence

We worked with the devolved administrations to agree arrangements for the Welsh Government to manage forestry research commissioning on behalf of England, Scotland and Wales from 1 April 2019. This was formally agreed through the Memorandum of Understanding on the Cross-Border provision of Forestry Functions and Research Delivery which came into force in April 2019. Management of the Expert Committee on Forest Science was transferred to Forestry Commission

England as part of the devolution of forestry.

We continued to monitor the outputs of the seven Science and Innovation Strategy (SIS) research programmes. We collaborated with other government departments and external organisations to levy research funds in support of the SIS programmes and in support of work which we have commissioned from external bodies. For example, Defra has match funded current studies to value forests' role in flood alleviation and forest biodiversity, and we are partnering with other government bodies in Scotland on the implementation of the Natural Capital Protocol's Forest Sector Guide. Along with the Welsh and Scottish Governments, we will jointly seek to refresh the SIS for Great Britain for the end of March 2020.

We published two research reports and seven Research Notes in 2018-19, including on wood properties and uses of Scots pine, genetic considerations for provenance choice of native trees, a multi-species model to guide woodland management, conservation of black poplar, biodiversity monitoring and biodiversity in support of resilient woodlands. We provided advice on the impacts of forestry on hydrology and water quality, including sustainable flood management and mitigating diffuse pollution and water acidification.

Our hydrologists advised colleagues and a wide range of external stakeholders on the impacts of woodland planting and management on water quality and flood management. We ran seminars and webinars to disseminate the findings of research which modelled the flood alleviation benefits of woodland planting at a case study site in England.

We organised a 'peaty soils' workshop in July 2018 where we presented the latest research on the impacts of forest management on soil greenhouse gas balance. The latest research was summarised in a workshop report and a report for ClimateXchange.

We conducted a detailed economic analysis of potential farm incomes from receiving payments for water purification and carbon

sequestration by planting woodlands in southeast England. This type of payment recognises the role of woodlands in delivering services to businesses and society.

We published the latest National Forest Inventory woodland map, Forestry Statistics 2018, Forestry Facts and Figures, reports on UK wood production and trade, and timber prices (each National Statistics), plus statistics on the Woodland Carbon Code, tree nurseries, and European Forest Accounts. We supported refinements to the Ecological Site Classification System for tree planting and its promotion across the forestry sector.

Standards and international forestry

UK Forestry Standard (UKFS)

We promoted the UKFS and published a Practice Guide on managing forest operations to protect the water environment. We began an audit of all UKFS practice guidance to determine whether further revisions and/or updates are required. We have continued our contribution to the UKFS as a steering group member and have continued as the standard setting body for the UK until new arrangements for managing the UKFS were introduced in April 2019.

International forestry

We provided expert support to the Forest Europe work programme, particularly through working groups on valuing forest ecosystem services and on climate change adaptation. We led on UK interests in the EU Standing Forestry Committee until new arrangements for providing technical support to international forestry were introduced in April 2019.

We supported the Food and Agriculture Organisation (FAO)/United Nations Economic Commission for Europe (UNECE) Joint Integrated Programme of Work 2018-21 providing economic data and analysis for the UNECE Forestry and Timber Market Statement for the United Kingdom 2018 and for a UNECE/FAO report on Forests and Water.

We provided briefing to Defra on the scope of the technical support function for international forestry. We provided data and analysis on forestry and expert input to future land management support schemes. We participated in cross-border working group discussions to consider how this function should be taken forward in the future. It has been concluded that technical support for international forestry will in future be established as a function within Forest Research.

Forestry and Woodland Advisory Committees

Our nine expert Forestry and Woodland Advisory Committees have supported, influenced and provided valuable challenge to our work to deliver our key priorities for protecting, improving and expanding woodlands. Their joint annual report on achievements during the year 2017-18 and information on the role of the Committees was published on the gov.uk website.

Highlights of FWAC activities during the past year include submitting responses to the Health and Harmony consultation on the future for food, farming and the environment; providing a key stakeholder sounding board on forestry priorities for a future ELM Scheme after Brexit; consideration of 25 Year Environment Plan initiatives for a new Northern Forest and a Forestry Investment Zone in northeast Cumbria; providing Forest Enterprise England with advice on recreational infrastructure renovation and forest plans in Midlands forests; considering innovation in woodland creation; and working on a novel financial scheme to provide core funding support for Community Forests in future.

Issues and risks

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

Structural reform

We have embarked on a significant programme of structural change in the light of the continuing process of devolution and as part of the ongoing development of the Defra Group. The departure of Scotland from the Commission in April 2019, following the passage of the Forestry and Land (Scotland) Bill, will result in the Forestry Commission's work being primarily undertaken in England. Forest Research will continue to operate across the UK and plans have been made with the Scottish and Welsh governments for the delivery of other cross-border functions from April 2019.

The structural change has led to significant additional costs arising for a period in accordance with agreed devolution protocols; together with a risk to business continuity arising from the decommissioning of central corporate services and the establishment of new arrangements in both Forestry Commission England and Forest Research.

A formal programme is in place and work is nearing completion. Our Edinburgh-based shared services have been reduced to a small closedown team and are expected to close by the end of September 2019.

Delivering government policy

Ministers continue to show strong interest in woodland creation, including large scale initiatives. The potential significant implementation cost, including administration, will need to be factored into overall Defra business planning, and recognition given to competing priorities for land use. The Government's target of 12% woodland cover in England by 2060 cannot be achieved without significant land use change.

EU exit

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the EU. Until the United Kingdom leaves the EU all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. The Government has negotiated with the Union on the terms of its withdrawal, and future relationship with, the Union. The terms on which the UK leaves the EU will determine what arrangements apply in relation to EU legislation in future once the UK has left the EU.

Pests and diseases

There is a risk that an inability to adequately control pests and diseases results in significant damage to trees in the public and private sectors and economic and natural capital losses. The outbreak of *ips tyrographus* in 2018-19 poses particularly significant risks to the timber industry. The Forestry Commission continues to work closely with the Chief Plant Health Officer to manage a number of serious risks, notably the threat of *xylella fastidiosa*.

Common Agricultural Policy delivery

The fourth year of the current Rural Development Programme included improvements on the issuing of woodland creation agreements and moving from a limited application window to accepting applications for woodland creation all year round. However continuing challenges within the administration of Countryside Stewardship meant delays in issuing woodland improvement agreements that were due to start 1 January 2018.

Governance of joint ventures

The Forestry Commission's joint venture with Forest Holidays came under significant scrutiny in 2018-19, and a Governance Review was carried out by UK Government Investments at the request of ministers. Decisions on the implementation of the recommendations from this review will be made in 2019-20.

Cyber security

There is a risk to our technology, data and networks from the growing level of national and international cyber-attacks. Security has been carefully considered and integrated into the rollout of our new IT systems.

Performance summary

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

Funding for Forestry Commission England/Central Services in 2018-19 was subject to negotiations with Defra prior to the Spending Review 2015.

In addition to the expenditure shown in our accounts, Forestry Commission England manages grant schemes on behalf of Defra. These schemes total a further £8.1 million (2017-18 £13.3 million) of public funds that are administered by Forestry Commission England/Central Services staff.

Long-term expenditure trends

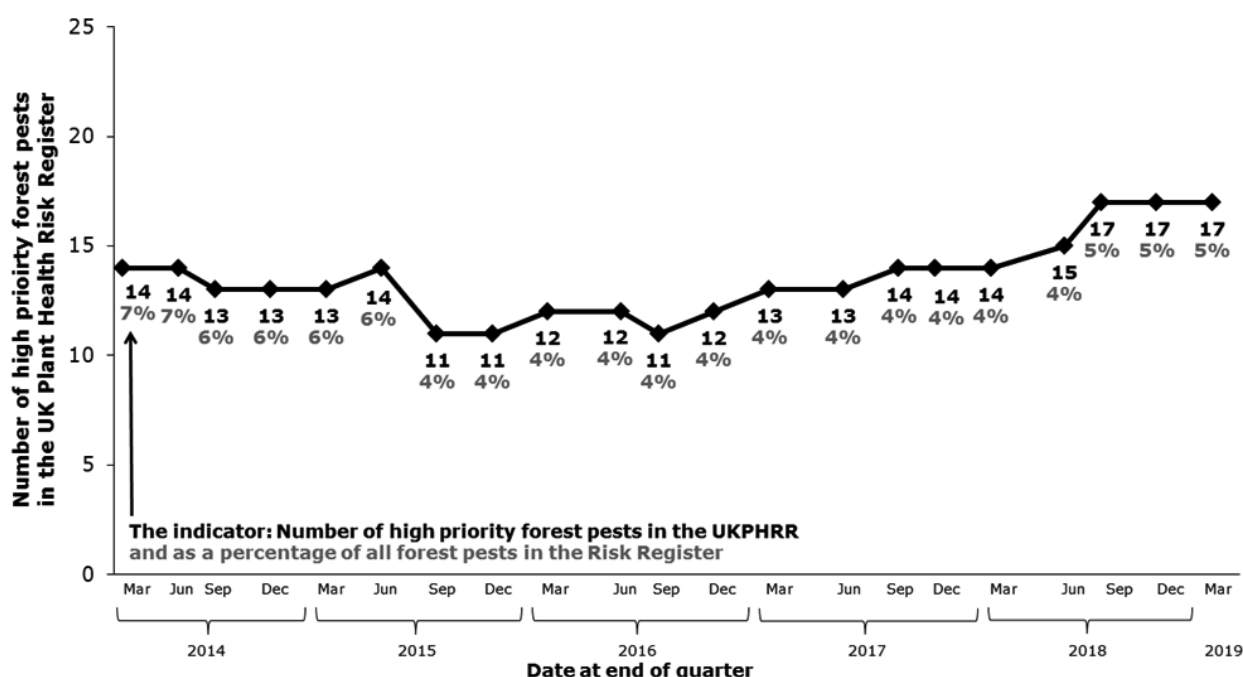
The relatively flat indicative resource baseline which Defra provided Forestry Commission England/Central Services for the remainder of Spending Review 2015 has been subject to review given the need to help bridge the department's funding gap in 2018-19 and 2019-20. The package of proposed savings measures, whilst significant, is not expected to significantly disrupt front line activities.

Performance analysis

Key performance indicators 2018-19

Our key performance indicators that show our contribution to protecting, improving and expanding forestry and woodlands in England are set out in Forestry Commission England's Corporate Plan 2018-19. The indicators reflect our commitment to deliver the Government's 25 Year Environment Plan, including the

Protection: Number of high priority forest pests in the UK Plant Health Risk Register (UKPHRR)



Source: Derived from the UKPHRR data.

At the end of March 2019 there were 350 forest pests in the UKPHRR, 17 (5%) of which were considered high priority. This is three more high priority pests than at the end of March 2018. Pests are ranked as high priority if they have a mitigated relative risk rating of 15 or more. These high priority pests require actions, in addition to current mitigation measures, to help prevent them having a potentially substantial negative impact on England's woodland.

The three new pests since March 2018 are:

- *Lamprodila festiva* that is an insect, also known as the cypress jewel beetle or juniper buprestid. This beetle can affect some ornamental cypress and

planting of 11 million trees during the 2017-22 Parliament, bringing more woodlands into management and protecting them against pests and diseases. The indicators are one of the inputs to our evidence-based decision making, and convey to our stakeholders key trends in forestry. They are produced to meet the standards of the Code of Practice for Statistics (Office for Statistics Regulation and UK Statistics Authority, 2018). The latest headline indicator statistics are presented below.

juniper trees. It is currently absent from the UK

- the pathogen *Geosmithia morbida*, and its vector, the insect *Pityophthorus juglandis* (walnut twig beetle), the combined activity of which result in 'thousand cankers disease' of walnut. Both are currently absent from the UK. Walnut trees (e.g. *Juglans regia*) are not widely grown for timber in the UK

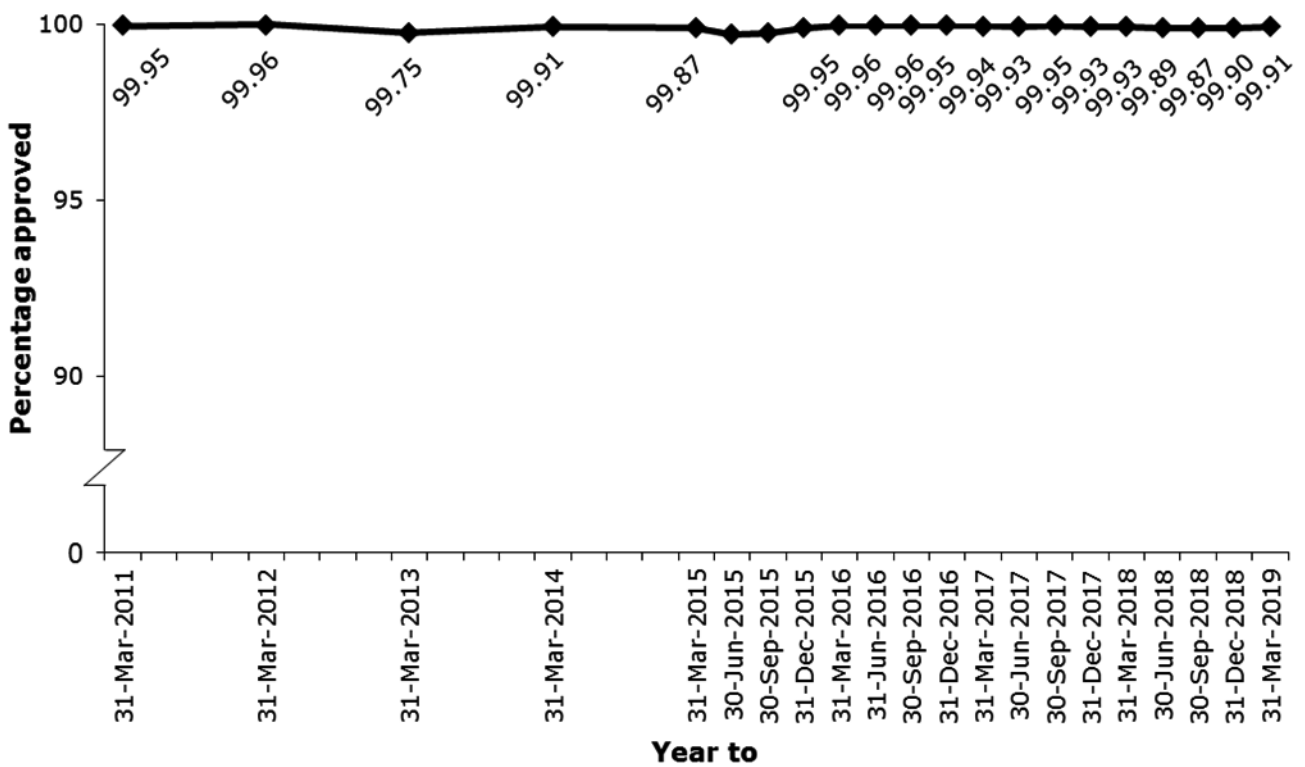
Phytophthora ramorum remains a significant risk, particularly to sweet chestnut trees and continues to spread on Japanese larch trees, with significant disease expansion observed in Scotland and Wales on the latter. In order to minimise disease spread and impact, statutory action to remove affected trees is

undertaken. *Chalara* dieback of ash (*Hymenoscyphus fraxineus*) continues to spread and cause significant death of trees throughout ash woodlands, particularly in the south east and east of England. In order to slow the spread, and help prevent the introduction of new strains of the pathogen, statutory import and movement restrictions for ash are in place.

A breeding population of the eight-toothed spruce bark beetle (*Ips typographus*) was

confirmed in Kent in December 2018. Although previous interceptions have been made, this is the first wider environment finding of this pest in the UK. While this pest does not meet the definition as 'high priority' for this indicator, this is a quarantine (notifiable) pest considered to be a major risk to Norway spruce trees in particular. A robust control programme is underway, including the introduction of local movement restrictions on spruce with bark.

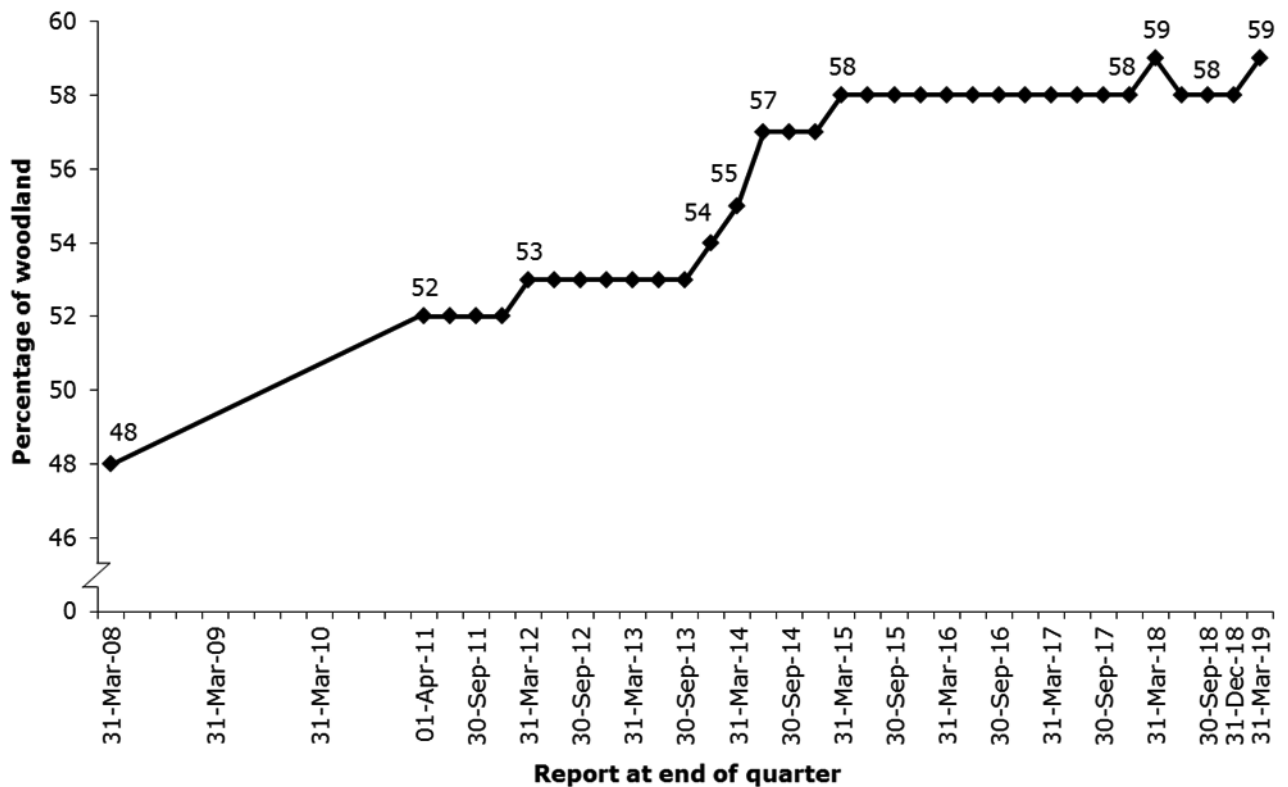
Protection: Percentage of known tree felling carried out with Forestry Commission approval



Source: Forestry Commission administrative data.

In the year to 31 March 2019, some 99.91% of known tree felling was carried out with Forestry Commission approval. The overall figure for legal felling remains

at a very high level (target is above 95%). We have processes in place for receiving and investigating reports of alleged illegal felling.

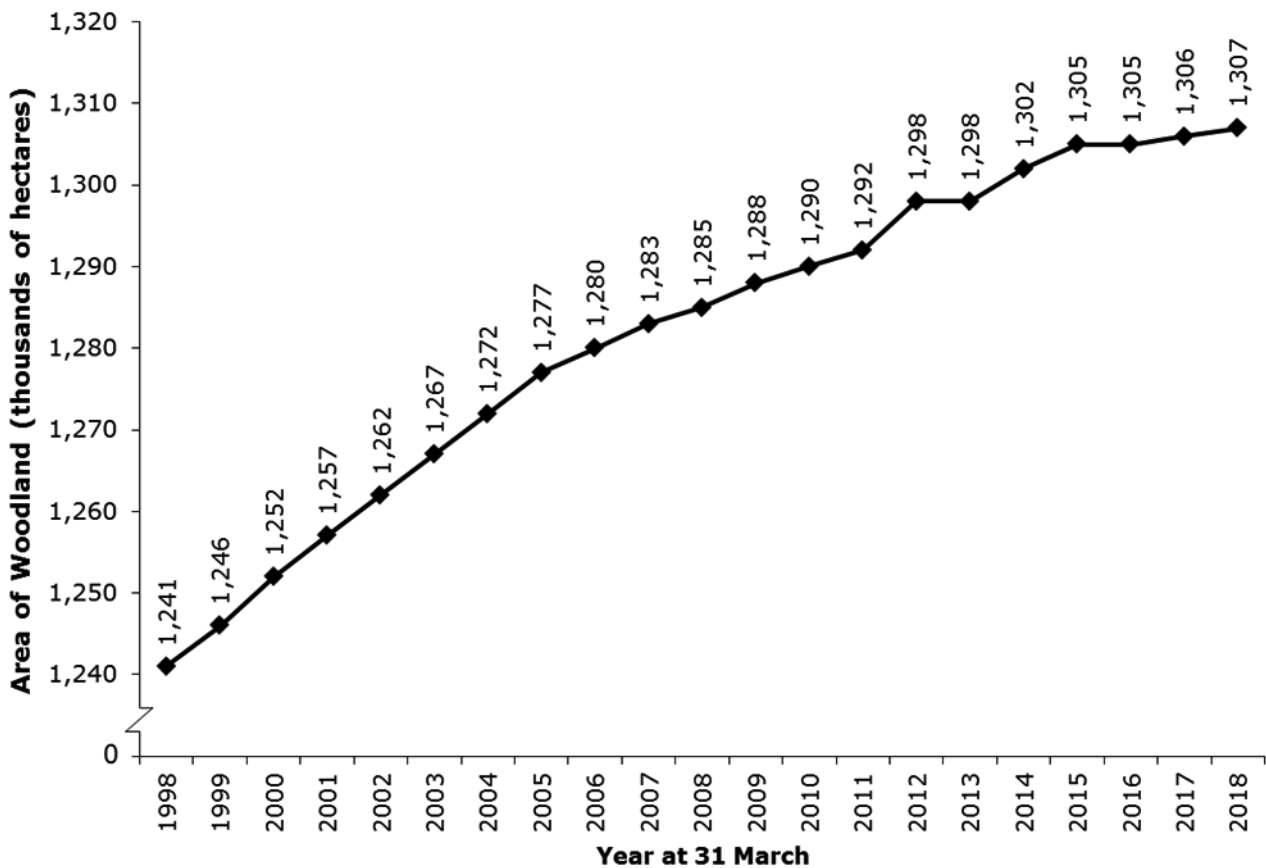
Improvement: Percentage of woodland in active management

Source Forestry Commission administrative data and the National Forest Inventory (Forest Research)

As at 31 March 2019, 59% of English woodland was actively managed, totalling 766,000 hectares of woodland in management. This is a slight increase on the position a year earlier. Our definition of 'actively managed' is woodland managed to the UK Forestry Standard that has a Woodland Management Plan, or for which we have made a previous grant of felling licence in the last 15 years. It also includes all woodland on the Public Forest Estate

and all woodland on Defence Infrastructure Organisation training areas. It is recognised that other woodland might be considered as managed as well. There is aspiration, and scope, to further increase the area of woodland in active management to meet demand for UK grown timber, to help manage tree pests and diseases and to improve woodland resilience.

Expansion: Areas of woodland in England



Source: Forestry Statistics 2018 (Forest Research), based mainly on the National Forest Inventory and Forestry Commission administrative data.

The area of woodland in England is 1.307 million hectares as at 31 March 2018 (the most recent date for which information is available). The next update of this statistic is due in Provisional Woodland Statistics: 2019 Edition (Forest Research). The March 2018 figure is an increase of 1,000 hectares on the previous year, and the total is 10.0% of the land area of England; the aspiration is to achieve 12% woodland cover by 2060, equating to 1.566 million hectares. Over the last ten years the area of woodland has increased by an average of 2,200 hectares per year.

In the year to 31 March 2019, the Countryside Stewardship woodland creation grant, as a part of the Rural Development Programme for England, has supported the creation of 1,019 hectares of woodland. This corresponds to 1.6 million trees towards the government’s commitment to plant 11 million trees during the 2017-22 parliament. An anticipated acceleration of rates of new

planting of trees based on grant agreements agreed has yet to be realised as a notable number of signed grant agreements remain to be planted. We are working hard to ensure that we remain on track to meet the 11 million trees commitment by 2022 and we expect to see further progress made when the £50 million Woodland Carbon Guarantee is launched in 2019-20.

2018-19 has also seen the planting of the first trees funded by the Woodland Carbon Fund and the High Speed 2 Woodland Fund; the latter scheme has also re-opened following confirmation of the £4 million second tranche of funding. Improvement in larger scale woodland design has continued, supported by the Woodland Creation Planning Grant and associated training events held in summer 2018. The Forestry Commission is also working closely with Defra, the Woodland Trust and the Community Forests Trust to realise the vision of the Northern Forest.

Sustainability report

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

water. Our EMS is designed to comply with BS EN ISO 14001 2015 as we strive for certification under the new standard. The EMS is independently assessed for certification by accredited 14001 assessors. All activity of Forestry Commission England/Central Services sustainable business is measured and managed through conformance to the UKFS, and is independently certified by United Kingdom Woodland Assurance Standard assessors. The focus for this year is to make sustainable business 'business as usual' driving further performance improvement in a challenging operating environment.

Performance measurement		2015-16	2016-17	2017-18	2018-19
Business travel	Total miles	4,029,836	3,369,450	3,180,614	1,259,800
	tonnes CO ₂ e↑	1,031	734	752	735
	Expenditure (£000)	1,250	1,096	1,102	802
Electricity, gas and other heating fuels	Consumption (KwH)	4,656,032	4,608,614	5,643,123	4,347,251
	Expenditure (£000)	405	382	392	387
	tonnes CO ₂ e↑	1,957	1,820	1,667	1,417
Total energy (Scopes 1, 2 and 3) estate and travel	tonnes CO ₂ e↑	1,625	1,423	754	789
	Expenditure (£000)	1,656	1,478	1,497	1,188
Estate and office waste	Amount (Tonnes/m ³)	1,409	282	198	1,585
	Expenditure (£000)	42	34	219	133
Estate and office water	Quantity (m ³)	20,013	34,680	18,554	33,421
	Expenditure (£000)	27	16	15	34

Overview

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

- regaining certification to BS EN ISO 14001 under the new 2015 standard for all of Forestry Commission England
- co-operating with others to reduce their environmental impacts
- overseeing and advising on the Woodland Carbon Code (WCC)
- administering grants and delivering support, enabling an increase in sustainably managed forests providing

quality public benefits from natural capital

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

Summary of future strategy

The England Executive Board has approved a new Energy and Infrastructure Strategy which will now be applied across all of the properties and travel activities of Forestry Commission England and shared services located in England.

During 2018-19 our main priorities have consisted of:

- working with Carbon Smart to provide energy and waste reporting services and data
- processing collected data, providing managers with information to plan business performance improvement and to inform GGC reporting to Defra
- writing planning, policy and guidance documents for all areas of the business, incorporating sustainability to all relevant areas in combination with Forest Enterprise England
- progressing the WCC and advising others on its use
- continuing to meet our regulatory role on tree health, bio-security and other roles
- working through transition to ISO 14001 2015 standard and re-certification

Cooperation

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

Sustainable procurement

Forestry Commission England/Central Services has worked to ensure that sustainable solutions are part of goods, services and works we purchase. Internal guidance on procurement and waste has been rewritten to include sustainable procurement, linking to the Government Buying Standards. Our policy is to work with supply chains to create a circular rather than linear process in procurement.

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

chestnut in fencing operations as alternative to treated softwood materials.

Sustainable construction

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

Climate change adaptation

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

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

Rural proofing

A large proportion of England's forests are situated in rural parts for the country, outside towns of more than 10,000 people. Many businesses that rely on woodland to provide employment and income are also based in rural communities. Working with forestry employers, education providers and trade associations we helped shape the Forestry Skills Plan that will address the shortage of skilled machine operators, chainsaw operators and improve business skills within the sector. A skilled forestry work force increases productivity and benefits rural communities. One of the themes of the plan, talent attraction, is

especially important to ensure an expanding workforce is in place to meet the strong demand for timber. Other themes covered by the plan are designed to provide the workforce with practical skills and technical knowledge, education provision and support from employers to keep skills up to date and productivity maximised. This will help woodland owners and managers benefit from the currently high timber prices.

Over the last 12 months, via our Forestry Innovation Fund, we have provided direct financial support to six businesses developing new timber products, reducing the costs of planting, investigating new supply chains and reducing susceptibility of trees to squirrel damage. These projects have the potential to increase productivity of rural forestry businesses and add to the economic benefit forestry provides to rural communities.

Training

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

Governance

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

- be responsible to the Forest Enterprise Strategy and Executive Boards for the efficient operation of the business sustainability programme, reporting back at least once per annum to the Forestry Commission England senior leadership team
- set priorities and objectives for the business sustainability programme and ensure that these are achieved

- ensure that Government targets for sustainability within the remit of the programme are communicated to stakeholders and that mechanisms are put in place to record and monitor progress against agreed targets
- ensure that objectives set for Forestry Commission England also meet the requirements of Forest Enterprise England and Forestry Commission Central Services and that jointly agreed targets are adopted as policy by managers within these units
- review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness
- ensure that Forestry Commission England achieves its commitment to gaining ISO 14001-2015 certification and implementing the EMS to continue to deliver quality public benefit in all its activity

The team establishes agreed corporate level performance targets in accordance with government's and its own business requirements for the organisation and receives an annual report of performance from the programme manager.

I. Gambles
Additional Accounting Officer
Forestry Commission
620 Bristol Business Park
Coldharbour Lane
12 June 2019

Accountability report

Corporate governance report

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

Directors' report

Relationship with Defra and the wider Defra group

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

- Michael Gove MP, Secretary of State from 11 June 2017
- George Eustice MP, Minister of State from 11 May 2015 until 28 February 2019
- Thérèse Coffey MP, Parliamentary Under Secretary of State from 17 July 2016 until 3 September 2018 (for Forestry matters)
- David Rutley MP, Parliamentary Under Secretary of State from 3 September 2018

Various meetings were held with the Secretary of State and other ministers by the Forestry Commission chair, and other Forestry Commission senior staff throughout 2018-19.

Chair and Chief Executive

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

Composition of the Management Board

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

The membership of the National Committee for England during 2018-19 was:

- Sir Harry Studholme, chair Forestry Commission
- Mary Barkham, non-executive commissioner
- Julia Grant, non-executive commissioner
- Clive Tucker, non-executive board member
- Mark Pountain, non-executive board member
- Shirley Trundle, Defra Director Environment and Rural
- Ian Gambles, Director England
- Simon Hodgson, Chief Executive Forest Enterprise England (to 13 January 2019)
- Richard Greenhous, Director Forest Services
- Steve Meeks, Finance Director Forestry Commission England

Significant interests held by Board members

A register of interests of all Board members is maintained by the Forestry Commission and published on gov.uk.

Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission England/Central Services in 2018-19 (2017-18: 1).

Supplier payment policy

Forestry Commission England/Central Services complies with the government's better payment practice code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. Analysis of 2018-19 shows that 99.5%

(2017-18: 99.2%) of invoices paid by core Forestry Commission England/Central Services and 99.6% (2017-18: 99.3%) of invoices paid by all of Forestry Commission England/Central Services were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Auditors

The accounts of Forestry Commission England/Central Services are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £42,500 (2017-18: £42,500). In addition, the notional fee for the audit of the Forest Research Agency was £38,000 (2017-18: £38,000). No fees were charged for other services (2017-18: nil).

Disclosure of audit information to the auditors

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

Statement of Accounting Officer's responsibilities

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

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

The Chief Executive, Forest Enterprise England has been designated by Director Forestry Commission England as an Agency Accounting Officer for that part of the department's accounts relating to the Agency within England-wide activities and the associated assets, liabilities and cash flows. Due to the timing of staff changes, the Director Forestry Commission England has taken responsibility for signing off Forest Enterprise England's Annual Report and Accounts 2018-19. The Director Forestry Commission England had continued the designation of the Chief Executive, Forest Research Agency as an Agency Accounting Officer for that part of the department's accounts relating to the Agency resources within Great Britain-wide activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Director Forestry Commission England's overall responsibility as Accounting Officer for the department's accounts. The relationship between the Accounting Officers, together with their respective responsibilities, is set out in the Defra/Forestry Commission framework document.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the government Financial Reporting Manual and in particular to:

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

The responsibilities of an Accounting Officer (including responsibility for the

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

The Accounting Officer is required to confirm that the annual report and accounts as a whole is fair, balanced and understandable and takes personal responsibility for the judgements required to ensure this.

Governance statement

Introduction and scope of responsibility

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

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

The purpose of the governance framework

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

outcomes which are also compliant with the law and with policy.

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

The governance framework has been in place at Forestry Commission England/Central Services throughout 2018-19 up to the date of the production of the annual report and accounts, and accords with HM Treasury guidance.

Substantial changes to the governance framework came into effect on 1 April 2019. The arrangements described in this section are those which prevailed in 2018-19. Details of the new governance arrangements can be found at www.gov.uk.

The governance framework

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

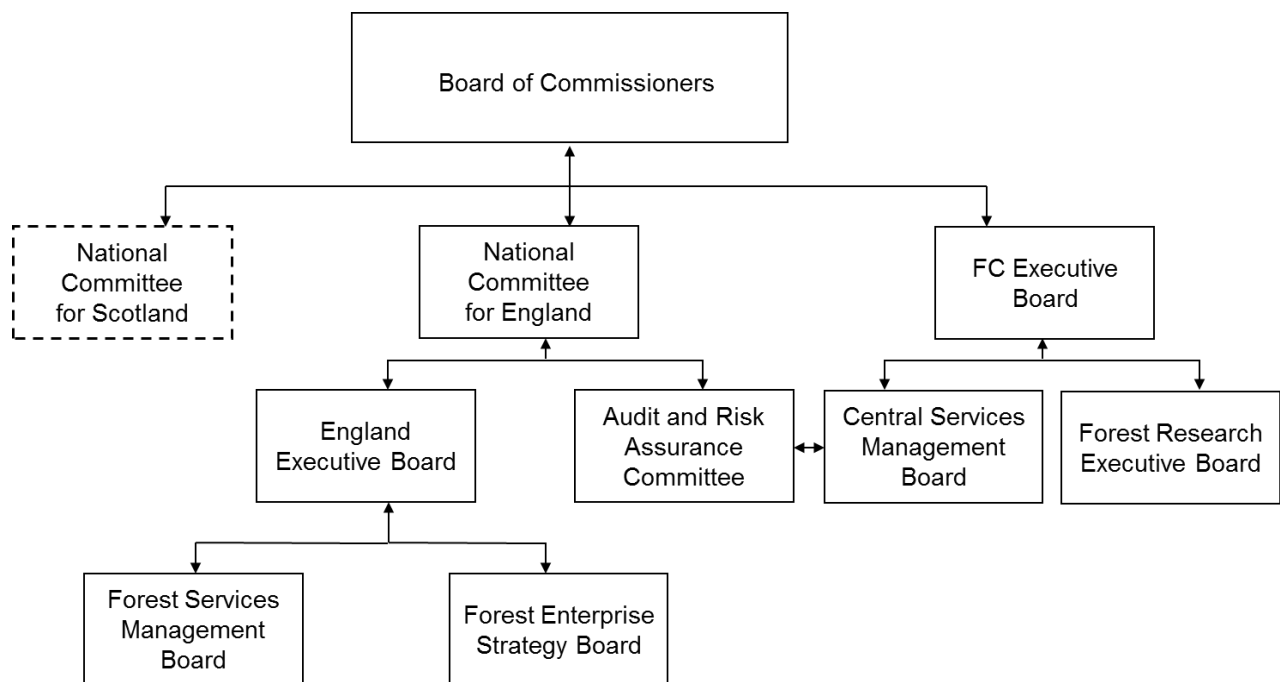
The Forestry Commission is a non-ministerial government department and has a Royal Charter, dated 25 March 1920. It is headed by a board of commissioners. Forestry is devolved and commissioners are accountable separately

to the Secretary of State for Environment, Food and Rural Affairs and Scottish ministers. Defra is responsible for forestry policy in England.

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

How we operate

The governance structure in force throughout 2018-19 is outlined below and shows the most numerous interactions between the groups. Further information on the Forest Research Executive Board and the Forest Enterprise Strategy Board can be found in their respective Annual Report and Accounts.



Forestry Commissioners

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

The Board of Commissioners is responsible for:

- ensuring that Commissioners' statutory duties are fulfilled
- oversight of any changes to the role or governance structure of the Forestry Commission
- delegating to the England National Committee such functions as are required to support the government

forestry and woodlands policy in England

- delegating to the Scotland National Committee such functions as are required to support the national committee's role in ensuring that the ministers policies are delivered efficiently and effectively
- oversight of the central services (central services comprise: Human Resources; Finance and Accounting Services; Information Systems; Corporate and Forestry Support; and Forest Research)
- recommending the corporate plan for cross border activities and the Forest Research corporate plan to secretary of state Defra
- maintaining an overview of corporate risk

The board of commissioners met in June, September and December 2018, and March 2019.

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

The Forestry Commission Executive Board

The Forestry Commission Executive Board is responsible for the following.

- Taking decisions, on the advice of the Director Central Services, on shared matters which affect the Forestry Commission as a whole and have not been fully devolved to England and Scotland. During 2018-19, this included:
 - pay, terms and conditions of employment, and Human Resources policy
 - strategy and policy in health and safety, and equality and diversity
 - any other matters within the remit of the Central Services Management Board which Director Central Services determines should be referred to Executive Board for decision
- Coordinating the process of organisational change. During 2018-19, this included:
 - discussing and identifying interdependencies and cross-cutting issues associated with change programmes in the constituent parts of the Forestry Commission
 - working collaboratively to ensure that individual programmes enable the realisation of programme objectives across the constituent parts of the Forestry Commission to avoid unnecessary costs or adverse impacts on staff, and to maintain business continuity during change
 - acting as programme board in support of the senior responsible officer for the Legal and Corporate Project, advising the Forestry Commissioners and overseeing the implementation of their decisions

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

National Committee for England

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

The National Committee for England is responsible for:

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

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

England Executive Board

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

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

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

Central Services Management Board

During 2018-19, the Central Services Management Board was a decision-making and discussion forum which provided leadership and direction for the collective delivery of Central Services. Until 1 October 2018, when Forest Research left the board, it comprised Corporate and Forestry Support, Forest Research and Shared Services. It monitored the delivery of services against the policies, strategies and performance measures agreed with the Forestry Commission Executive Board and the Forestry Commissioners. It further provided advice and support to the Director Central Services in discharge of her duties as an Executive Board member and a member of the Board of Commissioners.

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

Audit and Risk Assurance Committee

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

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

Through its work the England Plus ARAC provides independent assurance to the Board of Commissioners and the National Committee on those important activities which support the achievement of England and Cross Border objectives, with the

exception of the Forest Research Agency which has a separate ARAC. Assurance is also provided through review of the annual accounts and the findings from work carried out by internal and external audit. The ARAC operates in accordance with the principles contained in HM Treasury's Audit and Risk Assurance Committee Handbook.

The Committee met in May, June and November 2018, and March 2019 and discussed a wide range of issues including:

- risk management
- the Annual Report and Accounts 2017-18
- Government Internal Audit Agency (GIAA) assignment programme
- Forest Holidays
- external and internal audit strategy and reports
- EU Exit preparation
- HMRC compliance audits
- the Governance Statement 2018-19
- a review of the committee's structure and effectiveness

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

Performance

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

Forestry Commission internal audit have previously reviewed the National Committee and accompanying Management Board structure in England and have given a full assurance on the set-up and functioning of these main elements of the corporate governance

framework. The Government Internal Audit Agency (GIAA) have continued to monitor the work of the National Committee during the year through review of meeting agendas, papers and minutes and plan to review the new governance arrangements in 2019-20.

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

Internal audit carried out a review of the effectiveness of the Board of Commissioners and the National Committee in 2015. The Forestry Commission's Executive and Management Boards were reviewed in 2016. A review of the revised board structure post full devolution will be conducted by the GIAA once the new structure has had sufficient time to settle down.

Review of effectiveness

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

Annual Assurance Statements are provided by the executive managers across Forestry Commission England/Central Services and have been advised on the implications of the result of the review of effectiveness by the various Boards and the ARAC.

The GIAA Head of Internal Audit for Forestry Commission England/Central Services has prepared a suite of annual reports and assurance statements which include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity.

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

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

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

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

Whistleblowing

Forestry Commission England/Central Services is committed to ensuring a high standard of conduct in all that it does and has a duty to identify and remedy any area of malpractice. A whistleblowing awareness campaign was carried out, in line with Defra's approach. The organisation has a dedicated whistleblowing officer.

Risk management

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

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

Ministerial direction

No ministerial directions were given during the year.

Significant governance and risk issues

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

Other governance and risk issues are as follows.

- Financial Review

The Spending Review resulted in a relatively stable, flat, indicative budget through to 2019-20 reflecting the government's wish to protect forestry. However, the baseline will require Forestry Commission England/Central Services to absorb inflationary and other pressures, and to assist Defra in bridging funding shortfalls. A number of reductions from the indicative SR15 baseline were imposed on Forestry Commission England/Central Services budget in 2018-19. The baselines therefore remain challenging, particularly during period of organisational change, and we will still have to make difficult decisions to live within our means.

- Information Communication Technology (ICT) infrastructure

All relevant major business applications operated by Central Services were successfully migrated to new cloud computing corporate service IT systems within Forestry Commission England in the course of 2018-19.

Forest Research will introduce their new corporate IT systems from April 2019.

- Information Risk Management

A formal project was established to ensure that Forestry Commission England/Central Services met its obligations with the introduction of General Data Protection Regulations (GDPR) and the Data Protection Act (2018) from 25 May 2018.

We also recognise that knowledge and information management is a complex and

changing area and are investing in additional resources to further help our understanding of the value of information and reinforce an improved information security culture across the organisation.

- Modelling and Quality Assurance

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

Wider circumstances and future challenges

The main challenges for the Forestry Commission as an England only body during 2019-20 and beyond are:

- the successful introduction of the new Forestry Commission operating model from April 2019, including changed governance and accountability structures and the induction of new non-executive Forestry Commissioners
- delivering government policy, including continued progress in woodland improvement and creation within a constrained resourcing environment and competing priorities for land use
- securing sufficient funding from Defra to support the delivery of the Forestry Commission's business and corporate plan targets at a time of significant financial constraint across the department and government in general
- continuing to develop plans and resourcing to achieve success when we leave the EU
- handling the continued impact and consequences to the Forestry Commission of challenges experienced by the Defra group in delivering the current Rural Development Programme for England grant schemes and Common Agricultural Policy delivery systems
- continue developing an appropriate response to the increasing threat of cyber security attacks
- the successful introduction of new approaches to the delivery of cross-border activities from April 2019 as agreed with Defra and Scottish and Welsh governments, including the

trisection of funding for Forest Research

- handling the continued biosecurity threat and the potential substantial cost of counter-measures

Throughout 2019-20 the Forestry Commission will remain focused on managing these challenges either directly, or in partnership with other bodies across the Defra group and wider government, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations.

Remuneration and staff report – subject to audit

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

Employment contracts

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

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

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

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

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

	Date of current contract / letter	Unexpired term (months*)
Sir Harry Studholme	10/02/2017	10
Amanda Bryan	31/07/2015	0
Julia Grant	01/11/2016	7
Mary Barkham	01/11/2017	19
George McRobbie	01/04/2019	12
Clive Tucker	08/07/2016	3
Mark Pountain	08/11/2017	0
Shirley Trundle	N/A	N/A**

* months remaining from 31 March 2019.

** Shirley Trundle, Director Defra member of the National Committee for England during 2018-19, is employed by Defra.

Remuneration policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission or Defra employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director England, Director Central Services and the Chair of the National Committee for Scotland.

In reaching its decisions on an individual's salary and bonus, the Senior Pay Committee has regard to the following considerations:

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

should be paid. The Senior Pay Committee consider the recommendations, determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded in line with Cabinet Office guidance

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

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

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

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Ian Gambles	2018-19	110-115	5-10	-	29	150-155
Director England	2017-18	110-115	-	-	25	135-140
Jean Lindsay	2018-19	260-265 ¹	-	-	10	270-275
Director Central Services	2017-18	95-100	0-5	-	(2)	100-105
Simon Hodgson	2018-19	65-70 ²	-	4,000	17	85-90
Chief Executive Forest Enterprise England	2017-18	80-85	-	4,500	12	100-105
Steve Meeks	2018-19	75-80	-	-	6	80-85
Finance Director	2017-18	75-80	-	-	(1)	70-75
Richard Greenhous	2018-19	70-75	5-10	-	24	100-105
Director Forest Services	2017-18	70-75	-	-	20	90-95
James Pendlebury	2018-19	75-80	-	9,800	16	100-105
Chief Executive Forest Research	2017-18	80-85	-	4,700	8	90-95
Jo Ridgway	2018-19	50-55	-	-	21	75-80
Head of Human Resources	2017-18	60-65 ³	-	-	24	85-90
Stephanie Rhodes	2018-19	10-15 ⁴	-	-	5	19-20
Head of Policy and Strategy Forest Services	2017-18	25-30 ⁵	-	-	12	35-40
Joe Watts	2018-19	45-50 ⁶	-	-	19	65-70
Head of Sustainable Forest Management	2017-18	-	-	-	-	-
Richard Britton	2018-19	-	-	-	-	-
Head of Forest Services Delivery	2017-18	35-40 ⁷	-	-	(2)	35-40

1. Figure quoted is for the period 1 April 2018 to 31 March 2019, and includes severance pay of 155-160 paid in March 2019.
2. Figure quoted is for the period 1 April 2018 to 13 January 2019. The full year equivalent is 80-85.
3. Reduced to four days per week from 13 November 2017.
4. Figure quoted is for the period 1 January 2019 to 31 March 2019. The full year equivalent is 55-60.
5. Figure quoted is for the period 1 April 2017 to 31 August 2017. The full year equivalent is 60-65.
6. Figure quoted is for the period 1 April 2018 to 31 December 2018. The full year equivalent is 60-65.
7. Figure quoted is for the period 1 September 2017 to 31 March 2018. The full year equivalent is 60-65.

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

The salary and pension entitlements of the following members of the Forestry Commission Executive Board and/or the England Executive Board are disclosed as follows:

Forestry Commission Scotland Annual Report and Accounts

- Jo O'Hara, an Executive Forestry Commissioner, and Head of Forestry Commission Scotland

Forest Enterprise Scotland Annual Report and Accounts

- Simon Hodge, Chief Executive of Forest Enterprise Scotland until 10 April 2018
- Trefor Owen, acting Chief Executive of Forest Enterprise Scotland from 11 April 2018 to 31 January 2019
- Simon Hodgson, Chief Executive of Forest Enterprise Scotland from 14 January 2019

Forest Enterprise England Annual Report and Accounts

- Mike Seddon, Director of Operations of Forest Enterprise England

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Strategy Board are borne and disclosed in each of the agencies Annual Report and Accounts 2018-19.

Salary

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

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2018-19 relate to performance in 2017-18 and the comparative bonuses reported for 2017-18 relate to performance in 2016-17.

Fair pay disclosure – subject to audit

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

The banded remuneration of the highest-paid director of Forestry Commission England/Central Services in the financial year 2018-19 was £110-115,000 (2017-18: £110-115,000). This was 3.38 times (2017-18: 3.45) the median remuneration of the workforce, which was £33,303 (2017-18: £32,649).

In 2018-19, no (2017-18: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £18,000 to £114,000 (2017-18: £17,000 to £113,000).

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

Disclosure of salary, pension and compensation information for 2018-19 – subject to audit

	Accrued pension at pension age at 31 March 2019 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2019	CETV at 31 March 2018	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	to nearest £100
Ian Gambles	15-20	0-2.5	372	303	27	-
Jean Lindsay	40-45 plus a lump sum of 130-135	0-2.5 plus a lump sum of 0-2.5	1,016	914	10	-
Simon Hodgson	30-35 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	748	702	17	-
Steve Meeks	35-40 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0-2.5	848	767	6	-
Richard Greenhous	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0	286	234	8	-
James Pendlebury	15-20 plus a lump sum of 50-55	0-2.5 plus a lump sum of 2.5-5	409	355	17	-
Jo Ridgway	0-5	0-2.5	62	41	12	-
Stephanie Rhodes	10-15	0-2.5	176	172	2	-
Joe Watts	25-30 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0-2.5	548	491	11	-

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly

appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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

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

updated in line with Pensions Increase Legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash equivalent transfer values

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

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

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

of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Remuneration of non-executives – subject to audit

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2019.

	2018-19		2017-18	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir Harry Studholme	40	6	40	4
Amanda Bryan	15	-	15	2
Julia Grant	12	1	12	1
George McRobbie	10	-	12	-
Dr Mary Barkham	12	2	11	2
Clive Tucker	5	1	5	1
Mark Pountain	5	1	5	1
Shirley Trundle ¹	-	-	-	-

1. Shirley Trundle, Director Defra, a member of the National Committee for England during 2018-19, is employed by Defra and does not receive any additional remuneration from Forestry Commission England

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

Staff report

Number of Senior Civil Servants by band

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

Average number of persons employed – subject to audit

	2018-19		2017-18
	Permanently employed staff Number	Others Number	Total Number
Forestry Commission England/Central Services	231	54	285
Forest Research	210	28	238
Total	441	82	523

Staff costs – subject to audit

	2018-19			2017-18
	Permanently employed staff £000	Others £000	Total £000	Total £000
Core				
Wages and salaries	8,245	1,040	9,285	10,533
Social security costs	934	78	1,012	1,153
Other pension costs	1,749	150	1,899	2,174
Inward secondments	-	100	100	77
Agency and temporary staff	-	1,399	1,399	1,320
Total gross staff cost	10,928	2,767	13,695	15,257
Recoveries in respect of outward secondments	(58)	-	(58)	(16)
Total net staff cost	10,870	2,767	13,637	15,241
Forest Research				
Wages and salaries	7,418	660	8,078	7,741
Social security costs	808	62	870	840
Other pension costs	1,516	128	1,644	1,582
Inward secondments	-	-	-	-
Agency and temporary staff	-	180	180	85
	9,742	1,030	10,772	10,248
Total gross staff cost	20,670	3,797	24,467	25,505
Recoveries in respect of outward secondments	(58)	-	(58)	(16)
Total net staff cost	20,612	3,797	24,409	25,489

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as **alpha** are unfunded multi-employer defined benefit schemes but Forestry Commission England/Central Services is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the

resource accounts of the Cabinet Office: Civil Superannuation.

For 2018-19, employers' contributions of £3,504,000 were payable to the PCSPS (2017-18: £3,706,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not

the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £34,000 (2017-18: £32,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £900, 0.5% of pensionable

pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £4,300. Contributions prepaid at that date were £nil.

Ill-health retirement

No person (2017-18: nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2017-18: £nil).

Staff composition – subject to audit

				2018-19	2017-18
	Directors and senior civil servants	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number	Number
Core					
Male	3	134	25	162	179
Female	1	93	29	123	136
Total	4	227	54	285	315
Forest Research					
Male	2	128	17	147	145
Female	-	80	11	91	86
Total	2	208	28	238	231
Consolidated	6	435	82	523	546

Sickness absence data

Year	Working days lost per staff year
2018-19	7.6
2017-18	11.1
2016-17	9.5

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

Accidents and reportable incidents

There was one reportable accident (those causing incapacity for more than 7 days) in 2018-19 (2017-18: nil).

Compensation for loss of office – subject to audit

18 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2019 (2017-18: 12). They received compensation payments of £1,274,521 (2017-18: £478,827).

Two staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2019 (2017-18: 4).

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	2 - (2017-18: 4)	0 - (2017-18: 1)	2 - (2017-18: 5)
£10,000 - £25,000	0 - (2017-18: nil)	1 - (2017-18: 4)	1 - (2017-18: 4)
£25,000 - £50,000	0 - (2017-18: nil)	6 - (2017-18: 3)	6 - (2017-18: 3)
£50,000 - £100,000	0 - (2017-18: nil)	8 - (2017-18: 4)	8 - (2017-18: 4)
£100,000 - £150,000	0 - (2017-18: nil)	2 - (2017-18: nil)	2 - (2017-18: nil)
£150,000 - £200,000	0 - (2017-18: nil)	1 - (2017-18: nil)	1 - (2017-18: nil)
Total number of exit packages	2 - (2017-18: 4)	18 - (2017-18: 12)	20 - (2017-18: 16)

Total resource cost / £	£9,185 (2017-18: £20,469)	£1,274,521 (2017-18: £478,827)	£1,283,706 (2017-18: £499,296)
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Forestry Commission Central Services staff departing due to the restructuring of corporate services have their exit package costs shared between Forestry Commission England, Forestry Commission Scotland and Forest Enterprise Scotland. The total costs are disclosed here for transparency purposes.

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

Staff policies

Training

The following training and workshops were delivered in 2018-19:

- pensions awareness workshops launched for colleagues across England
- successful launch of Success Profiles (a modernisation of the recruitment process) across Forestry Commission England/Central Services with ongoing one-to-one support and events planned

- continued rollout of mental health awareness and mental health first aid training events
- introduction of the Discovery Insights personality profiling tool with seven events run for teams across the business and more planned.

Diversity, inclusion and wellbeing

Forestry Commission England/Central Services continues to strive towards building a diverse and inclusive environment for all staff and visitors. Further information is available via our annually reported equality monitoring report.

Wellbeing and mental health continue to be a high priority. This is reflected by the fact that wellbeing is a key strand of our 2019 centenary celebrations. Across the organisation there are increasing numbers of trained mental health first aiders, providing support and advice to staff where required and we are using Mind's Workplace Wellness Index to help us identify how we can improve how we better support mental health. In autumn 2018, there was the launch of a trial of nine health kiosks to help staff understand their health statistics to enable them to make positive changes.

New personnel and payroll system

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

a new HR system went live on time and within budget in April 2018. The iTrent Employee and Manager Self Service applications and payroll and pensions processing is performing well and is able to provide meaningful management reports.

Further project work is underway to look at the core Performance Management System build and functionality for a new Learning Management System. An implementation plan and team has been established with key milestones and system deliverables established for release within the next 12-18 months.

All workforce policies have been audited under a joint HR project workstream across Forest Enterprise England, Forest Research and Forestry Commission England. Further work is being undertaken to update and modify these policies post-April 2019.

Employee consultation and trade union relationship

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

During 2018-19 the Forestry Commission and the Forestry Commission Trade Union have agreed how they will work in partnership from April 2019 within the newly structured organisation.

Offer 2020

The Forestry Commission, including Forestry Commission England/Central Services has started a project called Offer 2020 which will look at the employee offer, including pay, benefits, recognition, learning and development, work-life balance and wellbeing.

Focus groups have been held around the country to gather views from staff about the current employee offer. Options to address the issues identified are being developed. The union has been kept informed throughout this project.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during 2018-19	Full-time equivalent number
7	6.8

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	7
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time	0.23%
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Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 178.65%.

Expenditure on consultancy

During the year Forestry Commission England/Central Services incurred £nil on consultancy services (2017-18: £62,000).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the period total £1,579,000 (2017-18: £1,405,000).

Off-payroll engagements

Defra are required to disclose information in their annual report and accounts relating to the review of tax arrangements of public

sector employees. Information relating to off-payroll engagements for Forestry Commission England/Central Services is reported below for consistency with Defra's annual report and accounts.

Table 1: For all off-payroll engagements as of 31 March 2019, for more than £245 per day and that last for longer than six months.

No. of existing engagements as of 31 March 2019	11
Of which...	
No. that have existed for less than one year at time of reporting	4
No. that have existed for between one and two years at time of reporting	3
No. that have existed for between two and three years at time of reporting	3
No. that have existed for between three and four years at time of reporting	1
No. that have existed for four or more years at time of reporting	-

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, for more than £245 per day and that last for longer than six months.

No. of new engagements between 1 April 2018 and 31 March 2019	5
Of which...	
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	5
No. engaged directly and are on the departmental payroll	-
No. of engagements reassessed for consistency/assurance purposes during the year	5
No. of engagements that saw a change to IR35 status following the consistency review	-

Parliamentary Accountability and Audit Report

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

Losses and special payments – subject to audit

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

Fees and charges – subject to audit

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

Remote contingent liabilities – subject to audit

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

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

12 June 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of the Forestry Commission England/Central Services for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Forestry Commission England/Central Services' affairs as at 31 March 2019 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis of opinions

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

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

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Forestry Commission England/Central Services' ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. 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. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Forestry Commission England/Central Services' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

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

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report and Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with the applicable legal requirements.

Gareth Davies 17 June 2019
Comptroller and Auditor General

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Financial statements

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2019

	Note	Core £000	2018-19 Consolidated £000	Core £000	2017-18 Consolidated £000
Revenue from contracts with customers	3	(12,249)	(19,302)	(11,367)	(18,534)
Other operating income		(533)	(533)	(1,179)	(1,179)
Total operating income		(12,782)	(19,835)	(12,546)	(19,713)
Staff costs	2	13,695	24,467	15,257	25,505
Other operating expenditure	2	33,122	40,824	35,156	41,536
Total operating expenditure		46,817	65,291	50,413	67,041
Net operating expenditure		34,035	45,456	37,867	47,328
Other comprehensive expenditure					
Net gain on revaluation of property, plant and equipment	4	(11)	(350)	(112)	(135)
Net gain on revaluation of C-Cure investment		-	(50)	-	-
Net gain on revaluation of Euro receivable		-	(115)	-	-
Comprehensive net expenditure for the year		34,024	44,941	37,755	47,193

All income and expenditure is derived from continuing operations.

The notes on pages 49 to 68 form part of these accounts

Consolidated statement of financial position

as at 31 March 2019

	Note	Core £000	31 March 2019 Consolidated £000	Core £000	31 March 2018 Consolidated £000
Non-current assets					
Property, plant and equipment	4	153	13,112	655	12,280
Intangible assets	5	1,015	1,016	634	660
Investment in associate		-	75	-	25
Trade receivables, financial and other assets	7	18	41	60	71
Total non-current assets		1,186	14,244	1,349	13,036
Current assets					
Inventories		-	128	-	130
Trade receivables, financial and other assets	7	1,103	4,012	951	2,569
Cash and cash equivalents	8	8,327	10,551	7,014	8,667
Total current assets		9,430	14,691	7,965	11,366
Total assets		10,616	28,935	9,314	24,402
Current liabilities					
Trade payables, financial and other liabilities	9	(14,559)	(17,032)	(12,132)	(13,873)
Provisions	11	(660)	(676)	(1,403)	(1,423)
Total current liabilities		(15,219)	(17,708)	(13,535)	(15,296)
Total assets less current liabilities		(4,603)	11,227	(4,221)	9,106
Non-current liabilities					
Trade payables, financial and other liabilities	9	-	(99)	(1,017)	(1,017)
Provisions	11	-	-	(363)	(378)
Total non-current liabilities		-	(99)	(1,380)	(1,395)
Total assets less total liabilities		(4,603)	11,128	(5,601)	7,711
Taxpayers' equity					
General fund		(4,746)	3,455	(5,936)	342
Revaluation reserve		143	7,673	335	7,369
Total taxpayers' equity		(4,603)	11,128	(5,601)	7,711

I. Gambles
Additional Accounting Officer
12 June 2019

The notes on pages 49 to 68 form part of these accounts

Consolidated statement of cash flows

for the year ended 31 March 2019

	Note	Core £000	2018-19 Consolidated £000	Core £000	2017-18 Consolidated £000
Cash flows from operating activities					
Net operating expenditure		(34,035)	(45,456)	(37,867)	(47,328)
Adjustment for intercompany transactions		(11,298)	-	(9,469)	-
Adjustment for non-cash transactions	2	682	1,645	2,630	3,528
Decrease in inventories		-	2	-	6
(Increase)/decrease in trade receivables, financial and other assets	7	(110)	(1,413)	575	685
Increase in trade payables, financial and other liabilities	9	1,410	2,241	6,671	6,603
Less movement in Defra supply creditor	9	(1,884)	(1,884)	(4,647)	(4,647)
Less movement in Euro receivable not passing through the OCS		-	115	-	-
Use of provisions	11	(1,077)	(1,163)	(310)	(353)
Net cash outflow		(46,312)	(45,913)	(42,417)	(41,506)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(4)	(1,832)	(47)	(1,199)
Purchase of intangible assets	5	(520)	(520)	(313)	(313)
Proceeds on disposal of non-current assets		342	342	324	322
Net cash outflow		(182)	(2,010)	(36)	(1,190)
Cash flows from financing activities					
Funding from Defra		56,474	58,474	50,572	51,363
Repayment of prior year Defra creditor		(8,667)	(8,667)	(4,020)	(4,020)
Net cash inflow		47,807	49,807	46,552	47,343
Net increase in cash and cash equivalents		1,313	1,884	4,099	4,647
Cash and cash equivalents at the beginning of the period	8	7,014	8,667	2,913	4,020
Cash and cash equivalents at the end of the period	8	8,327	10,551	7,014	8,667

The notes on pages 49 to 68 form part of these accounts

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2019

	Note	General fund £000	Revaluation reserve £000	Core Taxpayers' equity £000	General fund £000	Revaluation reserve £000	Consolidated Taxpayers' equity £000
Balance at 31 March 2017		(1,122)	505	(617)	4,309	7,526	11,835
Net Defra funding		41,905	-	41,905	42,697		42,697
Notional charges							
Auditors' remuneration	2	43	-	43	81	-	81
Defra corporate services	2	293	-	293	293	-	293
Comprehensive net expenditure for the year		(37,755)	-	(37,755)	(47,194)	-	(47,194)
Intercompany adjustments		(9,469)		(9,469)	-	-	-
Net gain on revaluation of							
Property, plant and equipment	4	(112)	112	-	(134)	134	-
Intangible assets	5	-	-	-	-	-	-
Realised element of revaluation reserve		282	(282)	-	291	(291)	-
Balance at 31 March 2018		(5,935)	335	(5,600)	343	7,369	7,712
IFRS 9 carrying amount adjustment		-	-	-	-	-	-
IFRS 15 carrying amount adjustments		-	-	-	-	-	-
Balance at 1 April 2018		(5,935)	335	(5,600)	343	7,369	7,712
Net Defra funding		45,923	-	45,923	47,923	-	47,923
Notional charges							
Auditors' remuneration	2	43	-	43	81	-	81
Defra corporate services	2	353	-	353	353	-	353
Comprehensive net expenditure for the year		(34,024)	-	(34,024)	(44,941)	-	(44,941)
Intercompany adjustments		(11,298)	-	(11,298)	-	-	-
Net gain on revaluation of							
Property, plant and equipment	4	(11)	11	-	(350)	350	-
Intangible assets	5	-	-	-	-	-	-
C Cure investment		-	-	-	(50)	50	-
Euro receivable		-	-	-	(115)	115	-
Realised element of revaluation reserve		203	(203)	-	211	(211)	-
Balance at 31 March 2019		(4,746)	143	(4,603)	3,455	7,673	11,128

The notes on pages 49 to 68 form part of these accounts

Notes to the accounts

NOTE 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2018-19 government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, a judgement has been made to select the most appropriate policy to suit the particular circumstances of Forestry Commission England/Central Services, for the purpose of giving a true and fair view. The accounting policies have been applied consistently in dealing with items which are considered material in relation to the accounts..

1.1 Significant judgements and estimation uncertainty

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

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

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

1.2 Accounting convention

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

1.3 Going concern

In common with other government bodies, the future financing of Forestry Commission England/Central Services' liabilities is to be met by future grants of supply and the application of future income approved annually by Parliament. Approval for amounts required for 2019-20 has been provided and there is no reason to believe that future approvals will not be made. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.4 Basis of consolidation

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

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

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

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

1.6 Administrative and programme expenditure

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

1.7 Property, plant and equipment

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

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

1.7.1 Recognition and valuation

Freehold land and buildings are subject to professional valuation at no more than five yearly intervals. These valuations are carried out by professionally qualified staff members, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors (RICS) Red Book. The most recent valuation was carried out on 31 March 2018 and was reviewed by Savills, Chartered Surveyors.

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

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

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

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

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

1.7.2 Subsequent expenditure

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

1.7.3 Valuation movements

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

1.7.4 Depreciation

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

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

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

- Office machinery and equipment – 3 to 20 years

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

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

1.8 Intangible non-current assets

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

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

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

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

1.9 Income

Operating income relates directly to the operating activities of Forestry Commission England/Central Services. Income is accounted for in accordance with the five stage model set out in IFRS 15 Revenue

from contracts with customers and is recognised when performance obligations are satisfied.

1.10 Government grants receivable

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

1.11 Directly funded grants payable

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

1.12 Co-funded grants payable

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

1.13 Foreign currency transactions

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

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

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

1.14 Financial instruments

1.14.1 Financial assets

Forestry Commission England/Central Services discloses receivables and other financial assets with a positive fair value in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are valued in accordance with IFRS 9 Financial Instruments, as adapted for Government. Receivables have been impaired in accordance with the expected credit loss model outlined in IFRS 9.

1.14.2 Financial liabilities

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

1.15 Cash and cash equivalents

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

1.16 Pensions

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

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

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

1.17 Contingent liabilities

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

1.18 Provisions

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

1.19 Subsidiaries, associates and joint ventures

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

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

1.20 Value Added Tax

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

1.21 Segmental reporting

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

1.22 Impending application of newly issued Accounting Standards not yet effective

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

The following standards have been adopted for the first time in the 2018-19 Annual Report and Accounts.

- IFRS 15 – Revenue from Contracts with Customers. This is effective from 1 January 2018. This standard replaces all existing IFRS guidance on revenue recognition.
- IFRS 9 – Financial Instruments. This is effective from 1 January 2018. This standard brings together all three phases of the financial instruments project: Classification and Measurement; Impairment and Hedge Accounting.

The following standards will be applied upon formal adoption in the FReM.

- IFRS 16 – Leases. This standard is effective from 1 January 2020. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all

- leases, with the distinction between operating and finance leases removed.
- IFRS 17 – Insurance Contracts. This standard is effective from 1 January 2021. This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities.

IFRS 16 is expected to have some impact in financial reporting terms. Operating lease commitments largely relate to a MOTU lease for space an office block, which ends in August 2022. The impact of implementation of IFRS 16 in 2020-21 will therefore be immaterial.

IFRS 17 is not expected to have material impact. This will be assessed when further guidance is forthcoming from HM Treasury.

NOTE 2 Staff and other costs

	Core £000	2018-19 Consolidated £000	Core £000	2017-18 Consolidated £000
Staff costs				
Wages and salaries	9,285	17,363	10,533	18,274
Social security costs	1,012	1,882	1,153	1,993
Other pension costs	1,899	3,543	2,174	3,756
Agency and temporary staff	1,499	1,679	1,397	1,482
	13,695	24,467	15,257	25,505
Other costs				
Travel and subsistence	789	1,368	750	1,315
Staff transfers	68	74	31	39
Corporate services charges	882	882	-	-
Computer costs	1,645	3,777	2,707	3,610
Accommodation and office services	3,114	4,148	1,234	2,122
Communication	581	639	1,109	1,167
Training	232	282	154	203
Losses and compensation	11	11	5	12
Legal expenses	117	143	114	128
Partnerships and publicity	4,119	6,735	3,278	6,048
Private woodland grants	1	1	238	238
Research and development	280	280	444	444
Other expenditure	1,393	1,631	853	1,073
	13,232	19,971	10,917	16,399
Rentals under operating leases				
Land and buildings	1,980	1,980	1,997	1,997
Plant and machinery	60	60	144	144
	2,040	2,040	2,141	2,141
Forest Enterprise England funding	17,168	17,168	19,468	19,468
Non-cash costs				
Depreciation	66	896	345	1,137
Amortisation	139	155	133	175
Loss on disposal of property, plant and equipment	110	113	77	93
Loss on disposal of intangibles	-	9	-	-
Provisions				
Provided in year	205	272	1,752	1,763
Not required and written back	(235)	(235)	(12)	(12)
Unwinding of discount	1	1	(1)	(2)
Notional charges				
Auditors' remuneration	43	81	43	81
Defra corporate services	353	353	293	293
	682	1,645	2,630	3,528
Total	46,817	65,291	50,413	67,041

1. Further analysis of staff costs is located in the Staff Report on page 36.

Forestry Commission England paid £1.8 million to Forest Enterprise Scotland in March 2019 in full and final settlement of any liabilities in relation to Silvan House, Edinburgh, previously the headquarters of the Forestry Commission. This followed negotiation and agreement with Scottish Ministers as part of Scotland's departure from the Commission in April 2019, and is included in Accommodation costs above.

Corporate services charges relate to services now provide by Forest Enterprise England.

NOTE 3 Income

	Core £000	2018-19 Consolidated £000	Core £000	2017-18 Consolidated £000
Revenue from contracts with customers				
Charges to public sector forestry bodies in:				
Scotland	5,314	8,197	4,941	7,557
England	4,473	5,797	4,566	5,959
Wales	1,590	1,930	913	1,237
	11,377	15,924	10,420	14,753
Project and partnership income	388	388	586	586
EU income	-	(77)	-	220
Other income	484	3,067	361	2,975
	12,249	19,302	11,367	18,534
Other operating income				
Rental income	533	533	1,179	1,179
	533	533	1,179	1,179
Total	12,782	19,835	12,546	19,713

Internal income of £11,295,000 (2017-18: £13,064,000) was removed on consolidation.

NOTE 4 Property, plant and equipment

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	AUC £000	Total £000
Cost or valuation						
At 1 April 2018	1,346	17,847	5,724	670	231	25,818
Additions	-	26	815	4	987	1,832
Reclassifications	-	-	50	-	(50)	-
Disposals	-	-	(1,283)	(641)	-	(1,924)
Revaluation	34	664	(8)	-	-	690
Impairment	-	-	-	-	-	-
At 31 March 2019	1,380	18,537	5,298	33	1,168	26,416
Depreciation						
At 1 April 2018	-	9,573	3,468	497	-	13,538
Charged in year	-	420	421	55	-	896
Disposals	-	-	(949)	(521)	-	(1,470)
Revaluation	-	349	(9)	-	-	340
At 31 March 2019	-	10,342	2,931	31	-	13,304
Carrying value						
At 31 March 2019	1,380	8,195	2,367	2	1,168	13,112
At 31 March 2018	1,346	8,274	2,256	173	231	12,280
Asset financing						
Owned	1,380	8,195	2,253	2	1,168	12,998
Leased	-	-	114	-	-	114
Total	1,380	8,195	2,367	2	1,168	13,112
Asset ownership						
Core	-	151	-	2	-	153
Forest Research	1,380	8,044	2,367	-	1,168	12,959
Total	1,380	8,195	2,367	2	1,168	13,112

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	AUC £000	Total £000
Cost or valuation						
At 1 April 2017	2,011	15,858	5,418	630	-	23,917
Additions	-	34	415	37	713	1,199
Reclassifications	64	246	172	-	(482)	-
Disposals	-	(352)	(314)	(9)	-	(675)
Revaluation	(729)	2,061	33	12	-	1,377
At 31 March 2018	1,346	17,847	5,724	670	231	25,818
Depreciation						
At 1 April 2017	-	7,911	3,126	381	-	11,418
Charged in year	-	473	546	118	-	1,137
Disposals	-	(28)	(223)	(9)	-	(260)
Revaluation	-	1,217	19	7	-	1,243
At 31 March 2018	-	9,573	3,468	497	-	13,538
Carrying value						
At 31 March 2018	1,346	8,274	2,256	173	231	12,280
At 31 March 2017	2,011	7,947	2,292	249	-	12,499
Asset financing						
Owned	1,346	8,274	1,966	173	231	11,990
Leased	-	-	290	-	-	290
Total	1,346	8,274	2,256	173	231	12,280
Asset ownership						
Core	-	150	332	173	-	655
Forest Research	1,346	8,124	1,924	-	231	11,625
Total	1,346	8,274	2,256	173	231	12,280

Land and Buildings were valued as at 31 March 2018 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Street, FRICS who was Head of Estates. The results of this valuation were also subject to professional review by Savills,

Chartered Surveyors. The next professional valuation is due on 31 March 2023. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

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

Depreciation expense of £896,000 (2017-18: £1,137,000) has been charged in other operating expenditure in the Consolidated Statement of Comprehensive Net Expenditure. Assets under construction (AUC) are not depreciated.

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	AUC £000	Total £000
Cost or valuation						
At 1 April 2017	2,011	15,858	5,418	630	-	23,917
Additions	-	34	415	37	713	1,199
Reclassifications	64	246	172	-	(482)	-
Disposals	-	(352)	(314)	(9)	-	(675)
Revaluation	(729)	2,061	33	12	-	1,377
At 31 March 2018	1,346	17,847	5,724	670	231	25,818
Depreciation						
At 1 April 2017	-	7,911	3,126	381	-	11,418
Charged in year	-	473	546	118	-	1,137
Disposals	-	(28)	(223)	(9)	-	(260)
Revaluation	-	1,217	19	7	-	1,243
At 31 March 2018	-	9,573	3,468	497	-	13,538
Carrying value						
At 31 March 2018	1,346	8,274	2,256	173	231	12,280
At 31 March 2017	2,011	7,947	2,292	249	-	12,499
Asset financing						
Owned	1,346	8,274	1,966	173	231	11,990
Leased	-	-	290	-	-	290
Total	1,346	8,274	2,256	173	231	12,280
Asset ownership						
Core	-	150	332	173	-	655
Forest Research	1,346	8,124	1,924	-	231	11,625
Total	1,346	8,274	2,256	173	231	12,280

NOTE 5 Intangible assets

	Software licences £000	Internally developed £000	AUC £000	Total £000
Cost or valuation				
At 1 April 2018	1,786	11,104	-	12,890
Additions	-	520	-	520
Reclassifications	-	-	-	-
Disposals	(1,746)	(1,691)	-	(3,437)
Revaluation	-	-	-	-
Impairment	-	-	-	-
At 31 March 2019	40	9,933	-	9,973
Amortisation				
At 1 April 2018	1,761	10,469	-	12,230
Charged in year	13	142	-	155
Disposals	(1,735)	(1,693)	-	(3,428)
Revaluation	-	-	-	-
At 31 March 2019	39	8,918	-	8,957
Carrying value				
At 31 March 2019	1	1,015	-	1,016
At 31 March 2018	25	635	-	660
Asset financing				
Owned	1	1,015	-	1,016
Finance leased	-	-	-	-
Total	1	1,015	-	1,016
Asset ownership				
Core	-	1,015	-	1,015
Forest Research	1	-	-	1
Total	1	1,015	-	1,016

	Software licences £000	Internally developed £000	AUC £000	Total £000
Cost or valuation				
At 1 April 2017	1,785	10,791	-	12,576
Additions	-	-	313	313
Reclassifications	-	313	(313)	-
Disposals	-	-	-	-
Revaluation	1	-	-	1
At 31 March 2018	1,786	11,104	-	12,890
Amortisation				
At 1 April 2017	1,721	10,333	-	12,054
Charged in year	39	136	-	175
Disposals	-	-	-	-
Revaluation	1	-	-	1
At 31 March 2018	1,761	10,469	-	12,230
Carrying value				
At 31 March 2018	25	635	-	660
At 31 March 2017	64	458	-	522
Asset financing				
Owned	25	635	-	660
Finance leased	-	-	-	-
Total	25	635	-	660
Asset ownership				
Core	7	627	-	634
Forest Research	18	8	-	26
Total	25	635	-	660

Amortisation of £155,000 (2017-18: £175,000) is included in other operating expenditure in the statement of Comprehensive Net Expenditure.

Intangible assets are all owned, rather than leased.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Internally Developed Software asset class. The carrying amount at 31 March 2019 is £408,000 and is being amortised over ten more years.

NOTE 6 Financial instruments

Financial instruments by category

	31 March 2019			31 March 2018		
	Loans and receivables £000	Available for sale £000	Total £000	Loans and receivables £000	Available for sale £000	Total £000
Financial assets available for sale	-	75	75	-	25	25
Trade and other receivables (excluding prepayments)	3,358	-	3,358	1,158	-	1,158
Cash and cash equivalents	10,551	-	10,551	8,667	-	8,667
Less expected credit loss	(37)	-	(37)	-	-	-
Total assets	13,872	75	13,947	9,825	25	9,850
		Other financial liabilities £000	Total £000		Other financial liabilities £000	Total £000
Finance lease liabilities		148	148		189	189
Trade and other payables (excluding statutory liabilities)		4,369	4,369		3,337	3,337
Total liabilities		4,517	4,517		3,526	3,526

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

NOTE 7 Trade receivables, financial and other assets

	Core £000	31 March 2019 Consolidated £000	Core £000	31 March 2018 Consolidated £000
Amounts falling due within one year				
Trade receivables	336	2,308	187	1,102
Provision for impairment	-	(37)	-	(37)
Trade receivables - net	336	2,271	187	1,065
VAT receivable	553	553	62	62
Other receivables	2	10	6	21
House purchase and other loans to employees	10	14	13	15
Prepayments and accrued income	202	1,164	683	1,406
	1,103	4,012	951	2,569
Amounts falling due after more than one year				
House purchase and other loans to employees	11	23	46	57
Prepayments and accrued income	7	18	14	14
	18	41	60	71
Total current and non-current	1,121	4,053	1,011	2,640

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

Trade receivables of £1,639,000 (2017-18: £451,000) were past due but not impaired as of 31 March 2019. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	Core £000	2018-19 Consolidated £000	Core £000	2017-18 Consolidated £000
At 1 April	7,014	8,667	2,913	4,020
Net change in balances	1,313	1,884	4,101	4,647
At 31 March	8,327	10,551	7,014	8,667
	Core £000	31 March 2019 Consolidated £000	Core £000	31 March 2018 Consolidated £000
Held at				
Government Banking Service	8,327	10,551	7,014	8,667
Commercial banks and in hand	-	-	-	-
Total	8,327	10,551	7,014	8,667

NOTE 9 Trade payables and other current liabilities

	31 March 2019		31 March 2018	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade payables	549	549	365	883
Other payables	383	574	-	17
VAT payable	-	82	-	11
Other taxation and social security	204	423	-	-
Accruals	1,307	2,615	1,417	1,917
Deferred income	1,558	1,558	1,590	1,769
Contract liabilities	7	241	-	-
Finance lease payables	-	49	93	93
Payments received on account	-	390	-	516
Defra Supply creditor	10,551	10,551	8,667	8,667
	14,559	17,032	12,132	13,873
Amounts falling due after more than one year				
Deferred income	-	-	921	921
Finance lease payables	-	99	96	96
	-	99	1,017	1,017
Total current and non-current	14,559	17,131	13,149	14,890

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

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

	31 March 2019 £000	31 March 2018 £000
GBP Sterling	17,036	14,653
Euro	95	237
Total	17,131	14,890

NOTE 10 Contract balances

	31 March 2019 £000	1 April 2018 £000
Contract assets	-	-
Contract liabilities	241	-

All income disclosed within contract liabilities is expected to be received in the coming year.

NOTE 11 Provisions for liabilities and charges

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
Balance at 31 March 2018	1,766	-	1,766	1,801	-	1,801
Provided in year	205	-	205	272	-	272
Not required written back	(235)	-	(235)	(235)	-	(235)
Utilised in year	(1,077)	-	(1,077)	(1,163)	-	(1,163)
Unwinding of discount	1	-	1	1	-	1
Balance at 31 March 2019	660	-	660	676	-	676
Expected timing of discounted cash flows						
Not later than one year	660	-	660	676	-	676
Later than one year and not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
Total	660	-	660	676	-	676

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
At 1 April 2017	337	-	337	400	5	405
Provided in year	1,752	-	1,752	1,763	-	1,763
Not required written back	(12)	-	(12)	(12)	-	(12)
Utilised in year	(310)	-	(310)	(348)	(5)	(353)
Unwinding of discount	(1)	-	(1)	(2)	-	(2)
Balance at 31 March 2018	1,766	-	1,766	1,801	-	1,801
Expected timing of discounted cash flows						
Not later than one year	1,403	-	1,403	1,423	-	1,423
Later than one year and not later than five years	363	-	363	378	-	378
Later than five years	-	-	-	-	-	-
Total	1,766	-	1,766	1,801	-	1,801

Early departure costs

Forestry Commission England/Central Services meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission England/Central Services provides for this in full when the early retirement programme becomes binding on Forestry Commission England/Central Services by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of 0.29%.

NOTE 12 Commitments under leases**Operating leases**

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

	31 March 2019		31 March 2018	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Land				
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	2	-	8
Later than five years	-	-	-	-
	-	9	-	15
Buildings				
Not later than one year	459	459	2,060	2,060
Later than one year and not later than five years	966	966	7,045	7,045
Later than five years	-	-	-	-
	1,425	1,425	9,105	9,105
Other leases				
Not later than one year	-	-	60	60
Later than one year and not later than five years	-	-	28	28
Later than five years	-	-	-	-
	-	-	88	88
Total	1,425	1,434	9,193	9,208

Finance leases

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

	31 March 2019		31 March 2018	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Plant and machinery				
Not later than one year	-	50	96	96
Later than one year and not later than five years	-	100	99	99
Later than five years	-	-	-	-
	-	150	195	195
Interest element	-	(2)	(6)	(6)
Present value of obligations	-	148	189	189

Finance leases for vehicles were transferred to Forest Enterprise England, which manages and services those vehicles, during 2018-19.

NOTE 13 Capital commitments

There were no contracted capital commitments at 31 March 2019 (2017-18: £nil).

NOTE 14 Other financial commitments**Existing woodlands**

During 2018-19 all existing Forestry Commission England commitments under draft and signed contracts at the end of 2017-18 for the payment of future instalments of grants which support existing woodlands were paid out. There are no other financial commitments.

	31 March 2019		31 March 2018	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	-	93	93
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
Total	-	-	93	93

NOTE 15 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities for Forestry Commission England/Central Services at 31 March 2019.

NOTE 16 Operating lease receivables

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

	31 March 2019		31 March 2018	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	5	533	533
Later than one year but not later than five years	-	20	1824	1824
Later than five years	-	68	-	-
Total	-	93	2,357	2,357

The Forestry Commission has surrendered its lease of Silvan House, where Central Services had been based, and therefore has no further lease receivables in respect of sublets of that building.

NOTE 17 Consolidated related-party transactions

Forestry Commission England's agency Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England provided an annual subsidy of £17,168,000 to Forest Enterprise England.

In addition, Forestry Commission England/Central Services has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forestry Commission England/Central Services has had dealings are the Department for the Environment, Food and Rural Affairs, Forest Enterprise Scotland, Forestry Commission Scotland, High Speed Two Limited, the Environment Agency, Rural Payments Agency, Natural England and Natural Resources Wales.

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

England Woodland Improvement and other grants

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

Recipient	2018-19	2017-18
	£000	£000
Sir Harry Studholme, Forestry Commissioner (chair)	-	38
James Studholme, brother of Sir Harry Studholme, Forestry Commissioner (chair)	21	-
Tilhill Forestry clients, of which George McRobbie, Forestry Commissioner, is a director	267	123

Tilhill Forestry

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

	2018-19		2017-18	
	Forestry Commission England/ Central Services	Forest Enterprise England	Forestry Commission England/ Central Services	Forest Enterprise England
	£000	£000	£000	£000
Sales	-	5,860	1	2,634
Receivables	-	1,219	-	434
Purchases	14	132	20	142
Payable	-	-	-	-

Forest Industry Safety Accord

Simon Hodgson, former Chief Executive of Forest Enterprise England, is a director of Forest Industry Safety Accord (FISA). During the year Forest Enterprise England paid FISA £11,900 for FISA membership and safety guides for chainsaws. There were no transactions outstanding at 31 March 2019.

Confederation of Forest Industries

George McRobbie, Forestry Commissioner, is a director of Confederation of Forest Industries (CONFOR). During the year Forestry Commission England/Central Services paid £3,000 for sponsorship of CONFOR essay and video prize 2019 and for the timber transport forum. Forestry Commission England/Central Services received £5,000 from CONFOR as a contribution to rearing and releasing *Rhizophagus Grandis*.

C-Cure Solutions Ltd

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

	2018-19	2017-18
	£000	£000
Sales	7	11

There was £nil outstanding balance at 31 March 2019 (31 March 2018: £530).

Inverness College, University of the Highlands and Islands

Amanda Bryan, Forestry Commissioner, is Head of Forestry and James Pendlebury, Chief Executive, Forest Research, is Honorary Professor of Forestry, at Inverness College, the University of the Highlands and Islands. Transactions totalling £3,800 were paid to Inverness College for student funding for the Pine Tree Lappitt Moth project during 2018-19. No amounts were outstanding at 31 March 2019.

James Hutton Institute

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

	2018-19	2017-18
	£000	£000
Sales	33	31
Purchases	110	157

Forest Research made purchases of £110,000 from James Hutton Institute in relation to a project focussing on global threats from *Phytophthora* (2017-18: £157,000). Sales invoices for £33,000 plus VAT (2017-18: £31,000 plus VAT) were raised for contributions towards lab costs for a phyto-threats project and as a contribution to the *exsecta* genetics project. £20,600 plus VAT was outstanding as at 31 March 2019, but has subsequently been paid in full.

Grown in Britain

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

	2018-19		2017-18	
	Forestry Commission England/ Central Services	Forest Enterprise England	Forestry Commission England/ Central Services	Forest Enterprise England
	£000	£000	£000	£000
Purchases	2	42	15	2

There were no outstanding transactions at 31 March 2019.

William Robinson Gravetye Charity

Sir Harry Studholme, the non-executive Chair of the Forestry Commission, is Chair of the William Robinson Gravetye Charity, and Mary Barkham is Trustee. Transactions between Forest Enterprise England and the William Robinson Gravetye Charity are listed in the Forest Enterprise England Annual Report and Accounts 2018-19.

Key management compensation

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

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

NOTE 17 Events after 31 March 2019

In accordance with the requirements of IAS 10, events after 31 March 2019 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

Structural reform

From April 2019, we have embarked on a significant programme of structural change in light of the continuing process of devolution. Full details are set out in the Performance Report – Structural Reform.

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