

Annual Report and Accounts 2019-20

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Honours

The following Forestry Commission nominees were successful in the Queen's Honour list:

- Matthew Woodcock, MBE. Partnership and Expertise Manager, Forestry Commission. For services to forestry and the development of woodfuel.
- Dr Helen McKay, OBE. Head of Centre for Sustainable Forestry and Climate Change, Forest Research. For services to forest science and forestry.
- Steve Penny, MBE. Senior Communications Officer, Forest Research. For his voluntary service to Mountain Rescue.

Performance report

Overview

The performance report overview provides:

- The Forestry Commission's Chief Executive's views on performance over the year
- the purpose and activities of the Forestry Commission
- the main issues and risks that could affect delivery of objectives
- a performance summary

Foreword by Ian Gambles, Chief Executive

Following the passing of the Forestry Act in September 1919, the Forestry Commission was founded to replenish the nation's strategic timber reserves after the First World War. A century later, we have taken the opportunity to celebrate 100 years of forestry with a wide ranging programme of events and activities across England over the past year. We had a lot to celebrate, starting with the achievement that woodland in England has more than doubled as a result of our work. We have also taken the opportunity to shine a light on how much our trees contribute to our wellbeing, economy and environment through a nationwide diversity of projects, including film and creative writing, a centenary running series, and the largest ever survey of wildlife in the nation's forests.

The Resilience Garden at the Chelsea Flower Show illustrated potential solutions to protect our woods and forests against the changing climate. We utilised Google Expeditions to allow school children to explore our forests via virtual tours. We tried to capture the history and successes of the Forestry Commission in our centenary book, *British Forests*. While times and priorities have changed, we have changed with them, and are proud to continue our work championing forestry and the role of trees in the nation's landscape.

This was the first year we operated under our new governance structure, following

the completion of forestry devolution in April 2019 when the Scottish Government established its own forestry bodies, The Forestry Commission now comprises three organisations working together to increase the value of woodlands to society and the environment. Each organisation is led by its own new governing board. We have appointed Commissioners and board members to these boards with a rich diversity of experience to ensure each organisation benefits from a clear and distinct leadership. Forest Services, Forestry England and Forest Research each make a unique contribution to forestry in this country and to the forestry sector and wider society as a whole. We have also welcomed a new Chair, Sir William Worsley, previously the government's Tree Champion. We would like to thank Sir Harry Studholme for his contribution to the organisation over the past twelve years, and welcome the new Chair to lead us into the next century for forestry.

The greatest challenge of the coming decades will be responding to the climate emergency. Creating and actively managing woodlands can help mitigate the impact of climate change by sequestering carbon. This year the Forestry Commission published a call to action to help build our forests' resilience to the impacts of climate change. We supported landowners and managers by reviewing advice and incentives and the regulatory context to ensure we support better climate change resilience. Forestry England continued to diversify the species and structure of the nation's forests, and Forest Research began developing nuanced evidence and decision support tools for climate resilience in UK forestry to support the planting of the right tree in the right place. We have also continued to expand England's woodlands, and prior to the general election were on track to meet the government's 11 million trees commitment. With the new England Tree Planting programme, we are looking forward to taking on the challenge of the government's new targets as a response to the climate emergency.

We all have a responsibility to protect our forest resources from pests and diseases. We continued to manage tree pest and

disease outbreaks. We provided an effective and coordinated response to the outbreak of the eight-toothed spruce bark beetle, *Ips Typographus*, in Kent and we continued to combat the spread of oak processionary moth, advise and support landowners in managing the impacts of ash dieback, and maintain vigilance at our borders and in our landscape against a range of other pests and diseases. 2020 is the international year of plant health where we are working with Defra to raise global awareness of the importance of plant health. We continued to champion plant health as part of the work of leaving the EU and its regulations and we will continue to work hard to ensure biosecurity is maintained.

As the year drew to a close, like most of the world we have had to respond to the COVID-19 outbreak. We should be proud of the way the Forestry Commission has responded to this challenge by working with colleagues from industry and governments across the UK. We have ensured vital supplies of timber and forest products have remained available to help keep the economy going. We also continued our work, despite the challenges posed by social distancing, on tree health issues to maintain biosecurity. While we reluctantly had to close our forest centres as part of the essential public health measures, we know the value people place on woodlands and forests for physical exercise, recreation and mental health, and we were keen to welcome the public again as soon as we safely could.

The Forestry Commission has achieved great things in the last 100 years, and I am pleased to present this annual report which shows us well placed to take on the fresh challenges of today.

Purpose and activities of the organisation

Who we are

The Forestry Commission are the government's forestry experts, responsible for protecting, improving and expanding England's woodlands and increasing their value for people, nature and the economy.

We champion forests and forestry in England and beyond.

We achieve this by enabling landowners to protect, improve and expand their woodlands and also through the management of 250,000 hectares of the nation's forests by our agency, Forestry England. The decisions we make are underpinned by internationally recognised standards of sustainability based on scientific evidence and research led by our agency, Forest Research.

The Forestry Commission is a non-ministerial Government Department and has a Royal Charter. Forest Research and Forestry England are agencies of the Forestry Commission. Forest Research and the Forest Services' Plant Health Forestry team operate across Great Britain by agreement with the UK and devolved administrations. Forestry England and the rest of Forest Services operate in England only.

Delivery of our objectives in 2019-20

This Annual Report summarises the performance of the Forestry Commission. Forest Research accounts are consolidated within this report but are also published separately. As a public corporation, Forestry England's accounts are not consolidated. All annual report and accounts are available on gov.uk.

This is the first year that the Forestry Commission has operated under its new governance structure. The Board of Forestry Commissioners provides a collective overview to the Forestry Commission and its agencies. The Commissioners have an important role in overseeing, monitoring and evaluating the implementation of the Forestry Commission strategy and objectives. Each agency, as well as Forest Services, has established its own Board represented by Commissioners and executive staff of the respective organisations. These individual Boards make decisions specific to each organisation. These are underpinned by the Forestry Commission Executive Board which is a Forestry Commission group of

executive members championing forestry that meets to provide direction for collective decisions and sharing of knowledge and policy.

The Forestry Commission welcomed Sir William Worsley as its new chair this year. Sir William provides new expertise for the Forestry Commission as he was previously the government's Tree Champion and will be standing down as Chair of the National Forest Company.

Our priorities

The Forestry Commission works to increase the value of woodlands to society and the environment. Everything we do is focused on achieving the following objectives: protecting our trees, improving our woodland assets, and expanding our woodland resources.

Protecting

Protecting our trees, woods and forests from increasing threats such as pests, diseases and climate change

Due to climate change and increased globalisation of trade, pests and diseases pose a serious risk to England's forests and woodlands. Together with Defra, the Forestry Commission has worked hard to reduce the number of tree health incidents by mitigating risks and containing outbreaks. In 2019-20 the focus of our work has been on helping our customers manage their woodland when affected by a range of pests and disease, such as ash dieback, *Phytophthora ramorum*, sweet chestnut blight and oak processionary moth (OPM), as well as monitoring and where possible taking action to limit the evolving risks for the other forestry related pests and diseases on the Plant Health Risk Register. The Forestry Commission has also consolidated its cross-border delivery of plant health functions on behalf of Scottish and Welsh governments in line with the completion of forestry devolution on 1 April 2019.

We are seeing the effects of the spread of ash dieback. This will have a big impact on canopy cover, habitat and therefore

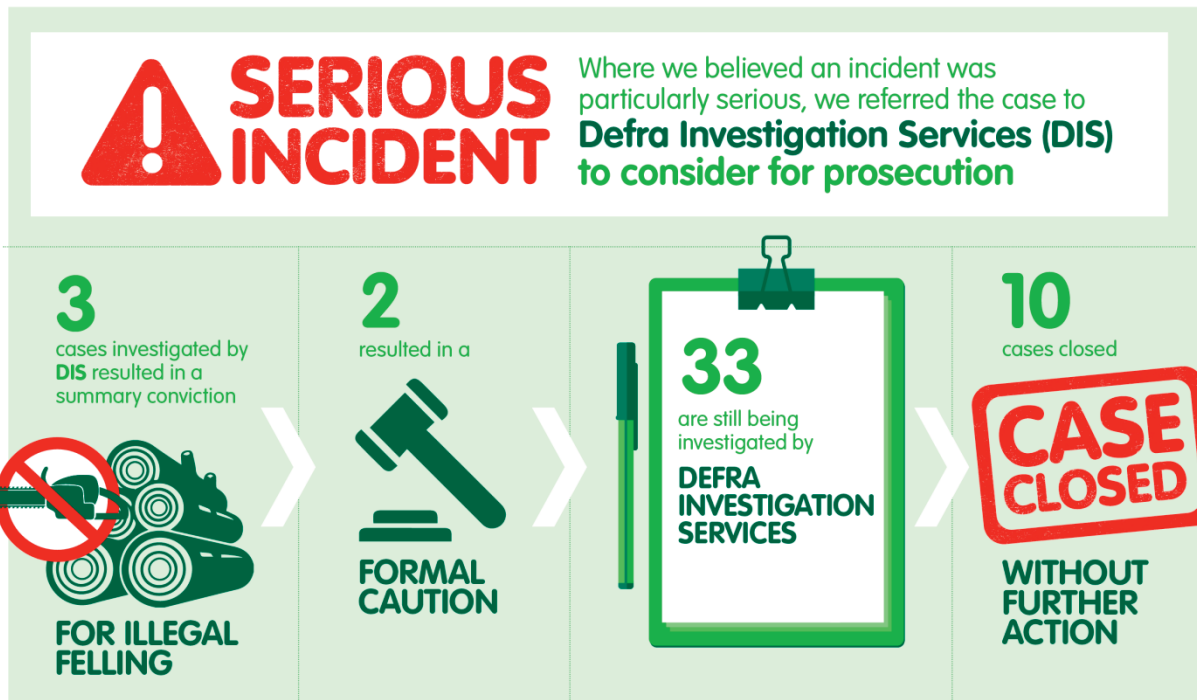
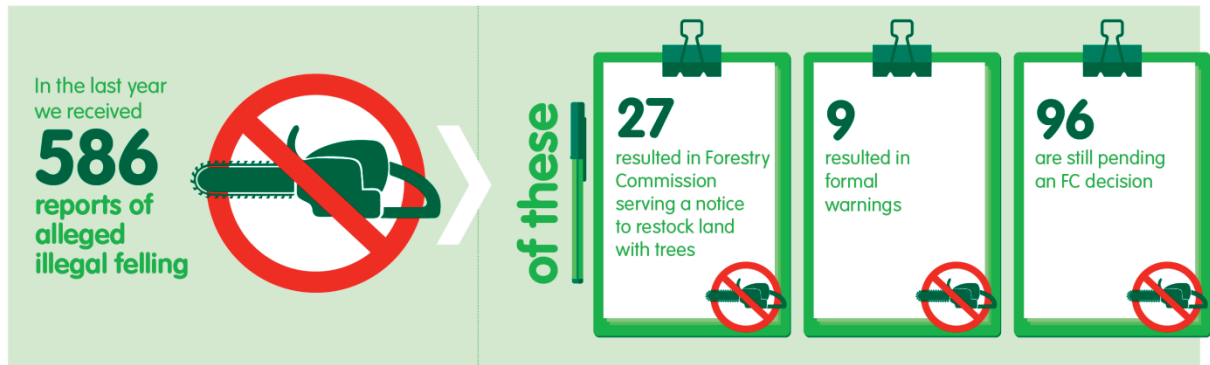
biodiversity across England. We have developed our advice, working closely with Defra, and our capacity to support the forestry sector as well as landowners with their long term plans for managing their woodlands.

We provided a coordinated response to identifying and eradicating over 70 interceptions of OPM within the UK protected zone, and worked with Defra to introduce strengthened national legislation to protect oak trees against OPM through movement and import. The moth caterpillars are a pest to oak trees and a hazard to both human and animal health. We have also continued work to understand and contain the spread of this pest from the established population in the London and Surrey area, using evidence to create a risk based approach. We worked with woodland owners to manage their woods sustainably in light of this pest, and to maintain preparedness for any future outbreaks.

In 2019, a small number of outbreak sites of sweet chestnut blight were identified, and infection also appears to have re-emerged on a few sites which had previously been subject to statutory destruction measures. Legislation to prohibit the import of susceptible material has been successful, with these infections associated with trees imported before the introduction of the UK Protected Zone in 2014. Surveillance continues at these sites to determine the extent of the disease, and swift and appropriate action will be taken to eradicate or contain it.

We have continued pheromone trapping of the eight-toothed Spruce Bark Beetle, with 9,000 beetles on the main site, and 1,000 in the wider environment being caught over the network of traps. Ongoing woodland inspections have been encouraging with no new significant findings. We will continue to monitor the situation and review our approach.

To reduce the risk to our environment and trees we inspected 3,257 consignments of controlled timber, of which eight were found to be non-compliant. These were in five ports, and all came from the USA. We found a further 102 cases of solid wood



packaging materials which were non-compliant. These consignments were re-exported or destroyed in a biosecure way. We have maintained the same level of inspections while we prepared and fully engaged with the sector and international partners in readiness for any increase arising from EU exit. We have also helped the UK forestry sector prepare for the new EU plant health law (that came into force on 14 December 2019) by developing a new online system to enable the industry to meet the new legislative requirements. These tools help to deliver a measured and proportionate response from the forestry sector which has minimised the impact of the legislative changes for the timber trade.

We have begun to modernise the control of felling licensing in England (part of our regulatory remit) with the introduction of Felling Licence Online. Felling licence applications have increased by 21% since 2018-19 and we are now receiving up to 80% of all applications for felling licences via this online portal. A felling licence demonstrates that trees are authorised for felling and that timber has been legally produced.

We investigate and prosecute alleged incidents of unlicensed tree felling and take appropriate enforcement action where we find evidence of alleged illegal felling, including seeking prosecution. We are responding to a continued increase in the number of reported incidents of unlicensed tree felling, and have improved our capacity to assess these. This allows more consistent investigations, better evidenced cases and more prosecutions. We continue to modernise this area of work and are using new technology, such as earth observation, and sharing good practice across the Defra group to ensure that our enforcement activity remains effective and proportionate.

This year we undertook a substantial investigation of the high profile Sheffield City Council street trees case. As a result of this extensive investigation we concluded that there was insufficient evidence to say that an offence of felling without a felling licence had been committed by Sheffield City Council and its

contractor. However we identified a number of lessons to be learnt regarding Sheffield's Streets Ahead programme, which we urged the Council and other local authorities to note and reflect in future operations. We also produced good practice guidance for highway tree management, available on www.gov.uk.

In the last year we received 586 reports of alleged illegal felling. During the year:

- 27 notices to restock land were served by the Forestry Commission
- nine formal warnings were issued
- 96 cases were still pending a Forestry Commission decision

Where we believed an incident was particularly serious, we referred the case to Defra Investigation Services (DIS) to consider for prosecution.

- three cases investigated by DIS resulted in a summary conviction for illegal felling
- two in a formal caution
- 33 are still being investigated by DIS
- ten cases were closed without further action

Improving

Improving our woodland assets, making them more resilient to threats and increasing their contribution to economic growth, people's lives and nature

We published a position statement and guidance on supporting the resilience of woodlands in England to climate change. We are continuing to support the Forestry Climate Change Working Group's Action Plan through our Future Forests Actions Plan. Activities that are underway include a review of policies, grants and regulations to assess whether and how they might be improved to support enhancing woodland's resilience to climate change, and Forest Research is developing a Climate Change Knowledge Hub.

Active woodland management is essential for conserving and enhancing biodiversity, increasing the resilience of the woodland

by improving its structure and species diversity, and optimising the value and productivity of the timber crop. We support long-term woodland management planning, which can include a ten year felling licence to permit tree felling to improve the condition and resilience of woodlands in the longer term. In 2019-20 we received 514 Woodland Management Plans covering a total of 30,739 hectares.

In the same period, we issued 3,096 felling licences to enable management of woodlands in England. The percentage of woodland that is actively managed has increased slightly to 59%, totalling 772,000 hectares of woodland.

The increase in the number of applications for felling licences and woodland management planning grants reflects strong demand for timber and woodfuel over the last year and an increase in the number of owners actively managing diseased stands of ash. Through our partnership work we have continued to join up supply chains and highlight strong timber prices and favourable trading conditions to woodland owners considering entering the market.

Countryside Stewardship, administered by the Rural Payments Agency, is our main grant programme for woodland improvements. Higher Tier provides incentives to landowners and managers to actively manage and improve the condition of their woodlands in line with agreed woodland management plans. The Forestry Commission provides expert advice on its delivery for woodlands alongside our partner Natural England. This year the budget for the Higher Tier woodland programme was fully allocated again, demonstrating sustained interest in woodland improvement.

We are working with Natural England to develop the biodiversity net gain metrics, which will measure biodiversity gains and losses in relation to development, to ensure that it appropriately represents how trees and woodlands contribute to biodiversity.

The four year collaborative deer management grant, jointly funded by the

Forestry Commission and Natural England, and delivered by Deer Initiative Ltd, came to an end on 31 March 2020. This coincided with the closure of Deer Initiative Ltd, a decision taken independently by the Deer Initiative Ltd Trustees. The planned expiry of the grant arrangement gave us an opportunity to review its effectiveness and to consider alternatives. After extensive consideration, we decided to bring delivery in-house through the creation of new deer management roles: a national Deer Advisor to lead in the delivery and co-ordination of our deer management remit with a strategic, policy and regulations focus, and three regional Deer Officers providing on the ground advice and expertise to landowners and managers. The Deer Officers have been in place since April 2020, based in our North West and West Midlands, East and East Midlands, and South East and London offices. We will continue to work with Natural England to deliver co-ordinated advice and solutions that result in better outcomes for woodland and other associated habitats.

The government's five year Grey Squirrel Action Plan ended in December 2019. Discussions are ongoing around its review and interaction with a draft Red Squirrel Action Plan being developed by the UK Squirrel Accord and Defra. We continued to support the UK Squirrel Accord, in particular the continued provision of knowledge and information on red squirrel conservation and grey squirrel control via its website. Work to put the Accord on a self-funding footing continues.

We encouraged innovation in the timber markets through the Forest Innovation Fund. As a result of work undertaken by Vastern Timber of Wootton Bassett there is now potential for a significant increase in the use, through thermal modification, of UK grown ash, sycamore and poplar in exterior construction where enhanced dimensional stability and improved durability are required. Through the Forestry Innovation Fund they have been able to undertake extensive testing and accreditation against strict EU standards to enable this development.

We have also helped to develop a world leading opportunity for domestic production of cross laminated timber (CLT) which is used in walls and floors of buildings. CLT consists of large load-bearing panels that are currently formed from layers of sawn softwood timber. Softwood CLT production is already well established around the world. Immanent Associates Ltd have used the fund to investigate the potential to utilise and develop domestic production using hardwood timber, which is an abundant raw material.

Expanding

Expanding our woodland resources to increase their economic, social and environmental value

We worked with the Defra group, sector and stakeholders to deliver the previous government's manifesto commitment to plant 11 million trees by 2022. At the end of the previous Parliament, half-way through the five-year parliamentary cycle, delivery of the government's target was on track, with a total of 6.1 million trees newly planted in the three years to 31 March 2020, corresponding to 3,793 hectares. Of this, we supported the creation of at least 1,475 hectares of woodland in 2019-20. We are now working with Defra on how to deliver England's contribution to the new government's commitment to increase planting rates across the UK to 30,000 hectares per year by 2025.

We provide many opportunities for landowners to create woodland. We provide advice to support landowners' objectives and planning, and fund the preparation of UK Forestry Standard (UKFS) compliant Woodland Creation Plans through the Woodland Creation Planning Grant. We provide incentives to create woodland through a number of schemes including Countryside Stewardship (delivered jointly with the Rural Payments Agency and Natural England), the Woodland Carbon Fund, and the HS2 woodland fund. We also launched the £10 million Urban Tree Challenge Fund, which supports the planting and

establishment of trees in the urban environment.

In November 2019 the government launched the Woodland Carbon Guarantee, an innovative £50 million scheme to help accelerate woodland planting rates and develop the domestic market for woodland carbon for the permanent removal of carbon dioxide from the atmosphere. The guarantee provides participants with a new long-term income stream, underpinned by government, which is accessed through an online auction process. The first in a series of ten planned auctions was held in February 2020 and had 31 applications, of which 18 were successful, and will help stimulate the creation of 182 hectares of new woodland specifically to help combat climate change.

The Woodland Carbon Code encourages a consistent approach to woodland carbon projects providing monitoring, reporting and verification processes, including for projects that are successful in being offered Woodland Carbon Guarantee contracts. We have worked with Scottish Forestry, which manages the code on behalf of England, Scotland and Wales, to update the woodland carbon code and further promote its uptake, particularly for new initiatives that have developed following the declaration of the Climate Emergency by the Westminster Government.

We continue to work to refine and improve the environmental protection measures and processes in place for woodland creation and to assist the planning and implementation of plantations in lower risk areas of England, and to flag the low sensitivity areas of the country for woodland creation. Part of this work has been to update the Low Risk Map for woodland creation to better represent the distribution of best and most versatile agricultural land and introduce a buffer for all Sites of Special Scientific Interest. We continue to promote better understanding of soil conditions and the Ecological Site Classification online tool to support appropriate species choice for both current and future climates.

We also helped local authorities to assess how woodland creation can form part of their response to the climate emergency, such as the Forest of Cornwall project and the Essex Forest Initiative.

We are also working with the Woodland Trust and the Community Forest Trust to plant more than 50 million trees between Liverpool and Hull as part of the Northern Forest initiative.

The Woodland Carbon Fund supports the planting of new productive woodland for carbon sequestration. The scheme offers one off capital funding for the creation of new woodland. We had 11 applications, a similar number to last year, though the size of the average application has increased to 46.6 hectares.

We help the Rural Payments Agency deliver the Countryside Stewardship Woodland Creation Grant by providing advice and guidance to landowners who want to create woodland. In 2019-20 we received 163 applications that will, if and when approved, result in 1,726,400 trees being planted.

The Woodland Creation Planning Grant provides support for the development of a proposal to create productive, multi-purpose woodland. Having an approved woodland creation plan can support applications to other funding sources. In 2019 we received 61 applications, double the number received in each of the two previous years, which will result in a total of 2,856 hectares of new woodland if all plans result in successful woodland creation schemes.

We have administered the HS2 Woodland Fund that supports creating new native broadleaf woodland and restoring existing plantations on ancient woodland sites (PAWS) within 25 miles of the HS2 route Phase One. In 2019 we received 30 applications. Planting has started or been completed in 17 out of 23 agreements to date. Overall, £5 million is available to be allocated to projects until the end of 2023, £1.150 million of which has been committed to agreements that correspond to 92 hectares of woodland creations and 53.3 hectares of PAWS restoration. A

further £950,000 has been provisionally allocated to schemes in progress, which should result in a further 89 hectares of woodland creation and 76.9 hectares of PAWS restoration.

Applications for the Urban Tree Challenge Fund in its first year exceeded our expectations and budget, with 20,094 trees planted in 2019-20 and 31,039 trees committed to be planted in 2020-21. The fund is now open for round two, for a potential further 81,805 trees to be planted.

Following the reappointment of the Tree Champion in June we worked with Defra to support the Tree Champion's engagement with the sector and the wider development of a consultation to inform an English Tree Strategy.

We worked with Defra and Natural England on local integrated area plans and with other location-based partnerships such as in the OxCam arc. We have worked with business to realise payments for ecosystem services. One such example is Portsmouth Water's plans to support landowners to plant trees in areas of their catchments that are vulnerable to diffuse water pollution, thereby improving the quality of the water supply.

We have worked with Defra, the Environment Agency and Natural England to develop joint priorities by local area. This has included opportunities to deliver the government's 25 Year Environment Plan's ambitions for biodiversity, flood prevention, woodland and forestry.

We have continued the Forestry Investment Zone pilot in north-east Cumbria, working closely with local communities to integrate forestry and farming and give greater certainty to those planning new woodlands. The learning from the pilot, which will be concluded in 2020-21, will be embedded in the development of the Great Northumberland Forest, announced on 28 September 2019. The Northumberland Forestry Partnership is developing the vision and strategy to increase woodland cover in appropriate parts of Northumberland. Three new

forests totalling around 500 hectares are already in the pipeline.

Issues and risks

The important issues and risks that could affect the Forestry Commission in delivering our objectives are:

Delivering government policy

Risks to delivery of government ambitions remain. While towards the end of 2019, government supported planting was on track to plant 11 million trees by 2022, the more recent government ambition to plant 75,000 acres (30,000 hectares) of new woodland a year by 2025, to help meet the commitment to net zero emissions by 2050, is extremely challenging. If England's contribution to this target were 10,000 hectares a year this would require a more than four-fold increase in the 2,300 hectares created in 2019-20. In recent months there has been a slower uptake of woodland creation grants, with land managers citing uncertainty around the future environmental land management offer and transition as reasons to delay.

The March budget announcement of significant additional support for woodland creation over the next five years as part of the £640 million Nature for Climate Fund was very welcome, but achieving such a very substantial increase in planting rates will require a step change in methods, processes and attitudes as well as new investment. We are now working with Defra and HM Treasury to agree how to make best use of these funds.

COVID-19

We expect Coronavirus to impact negatively on woodland creation rates. We are working with Defra and the forestry sector to assess the impacts and what might be done to mitigate them.

EU exit

The United Kingdom formally left the European Union on 31 January 2020, moving into what is known as a 'Transition Period' until 31 December 2020. The

Transition Period allows the United Kingdom and the European Union time to negotiate new arrangements for the future relationship. During the Transition Period pre-existing arrangements for business, trade and travel are maintained.

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 typographus* in 2018-19 and multiple oak processionary moth interceptions in 2019-20 pose particularly significant new risks to the timber industry and wider treescape. The Forestry Commission continues to work closely with the Chief Plant Health Officer to manage and mitigate against a number of serious risks highlighted in the UK Plant Health Risk Register, including the threat of *xylella fastidiosa*.

Common Agricultural Policy delivery

The fifth year of the current Rural Development Programme saw the completion of the first full year of the administration of Countryside Stewardship by the Rural Payments Agency and of accepting applications for woodland creation all year round. There were some further improvements in the speed and reliability with which agreements were issued and payments made. However continuing challenges within the administration of Countryside Stewardship meant that some agreements and payments were still delayed.

Structural reform

The Forestry Commission became an England only body on 1 April 2019 following the completion of full devolution.

This included the successful decommissioning of our central services and establishing new corporate service provision in Forestry England and Forest Research, whilst maintaining business continuity.

New approaches to the delivery of cross-border activities were also successfully introduced from April 2019 as agreed with Defra and the Scottish and Welsh Governments, including the trisection of funding for Forest Research.

New governance arrangements were also introduced as described in the Accountability Report.

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; and is also overseen by the Forestry Commission's Security Risk Management Forum.

Performance summary

Resources to fund our activities in England and our cross border functions come from Defra, the European Union, local authorities, the private sector and non-governmental organisations.

Funding for the Forestry Commission in 2019-20 was subject to negotiations with Defra prior to Spending Review 2015.

In addition to the expenditure shown in our accounts, Forestry Commission manages grant schemes on behalf of Defra. These schemes total a further £5.6 million (2018-19: £8.1 million) of public funds that are administered by Forestry Commission staff.

Long-term expenditure trends

The relatively flat indicative resource baseline which Defra provided the Forestry Commission for the remainder of Spending Review 2015 has been subject to review

given the need to help bridge Defra's funding gap in 2019-20 and 2020-21. The package of proposed savings measures, whilst significant, is not expected to significantly disrupt front line activities. The new government's heightened woodland creation ambitions require significant additional investment, which the £640 million Nature for Climate Fund announced in the March 2020 budget is expected to provide.

Performance analysis

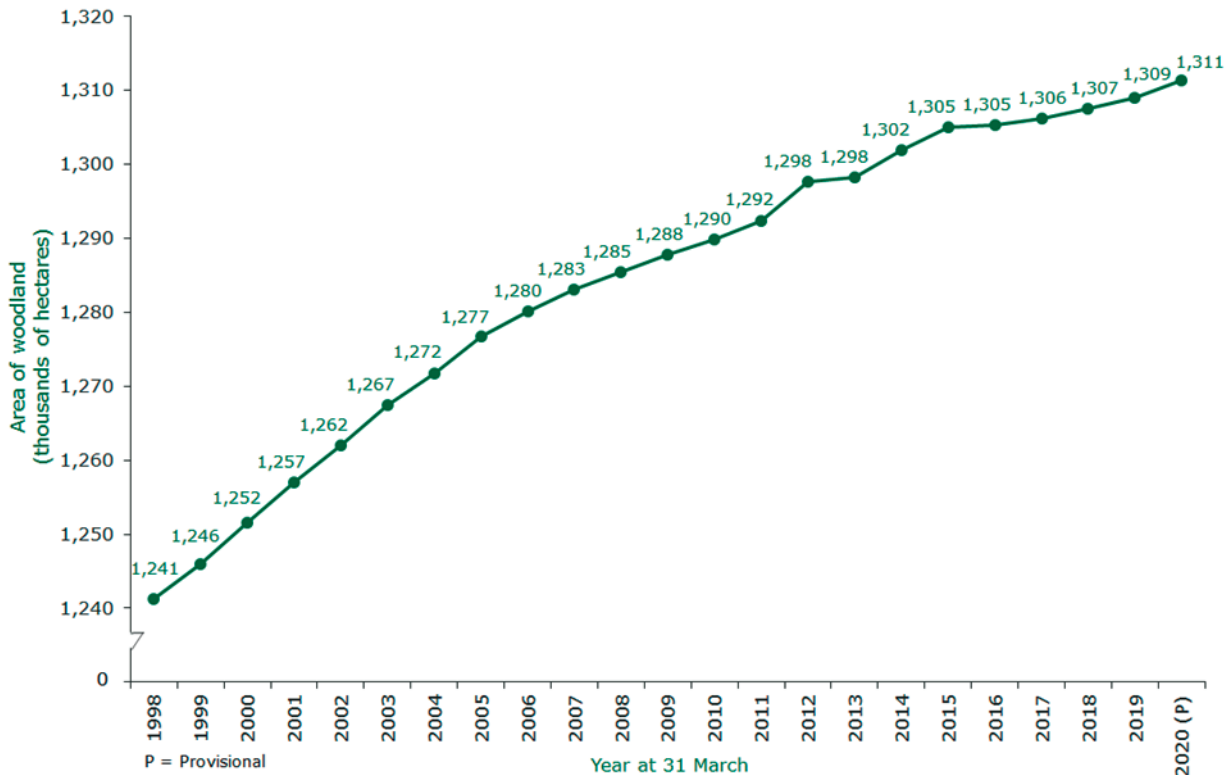
Key performance indicators 2019-20

Our range of key performance indicators include the headline indicators set out below and are published quarterly in our Headline Performance Updates. Reports on our other indicators are published annually in the Forestry Commission Key Performance Indicators report.

Together they show our contribution to protecting, improving and expanding forestry and woodlands in England. The indicators reflect our strong commitment to deliver the targets set out in the 25 Year Environment Plan; in particular by increasing the area of woodland and new planting of trees. The indicators also enable monitoring of our aspiration to bring more woodlands into management, and keep protecting them against tree pests and diseases.

The indicators are one of the sources of information for our evidence-based decision making, and convey key trends in forestry in England to our stakeholders. They are produced to adhere to the standards of the Code of Practice for Statistics (Office for Statistics Regulation and UK Statistics Authority, 2018), and the year-end outturns have each been successfully assured by the Government Internal Audit Agency.

Expansion: Areas of woodland in England



Source: Provisional Woodland Statistics 2020 Edition (Forest Research), based mainly on the National Forest Inventory and Forestry Commission administrative data.

The area of woodland in England is 1,311,000 hectares as at 31 March 2020, as per Provisional Woodland Statistics: 2020 Edition (Forest Research). The March 2020 figure is an increase of 2,000 hectares on the previous year, and the total is 10.05% of the area of England. Over the last ten years the area of woodland has increased by an average of 1,000 hectares per year.

In 2019-20, the Countryside Stewardship woodland creation grant, as a part of the Rural Development Programme for England, has supported the creation of 1,248 hectares of woodland. This is over 20% more than last year, and the largest area planted with this support since 2014-15. This corresponds to about 2.1 million trees, and represents the single largest contribution to the Government commitment to plant more trees in England.

In total Government funding from all ten counted sources supported at least 1,475 hectares in 2019-20, corresponding to at least 2.4 million trees. This brings the total number of trees newly planted with this wider Government support to at least 3,793 hectares in the three years to March 2020, corresponding to at least 6.1 million trees. Contributions have come with support from, for example, the Woodland Carbon Fund, the High Speed 2 Woodland Fund, Forestry England, the Environment Agency, the National Forest Company, and in the Northern Forest. The next full update of this statistic is scheduled to be published in 'Government supported new planting of trees in England (Forestry Commission)' in June 2020.

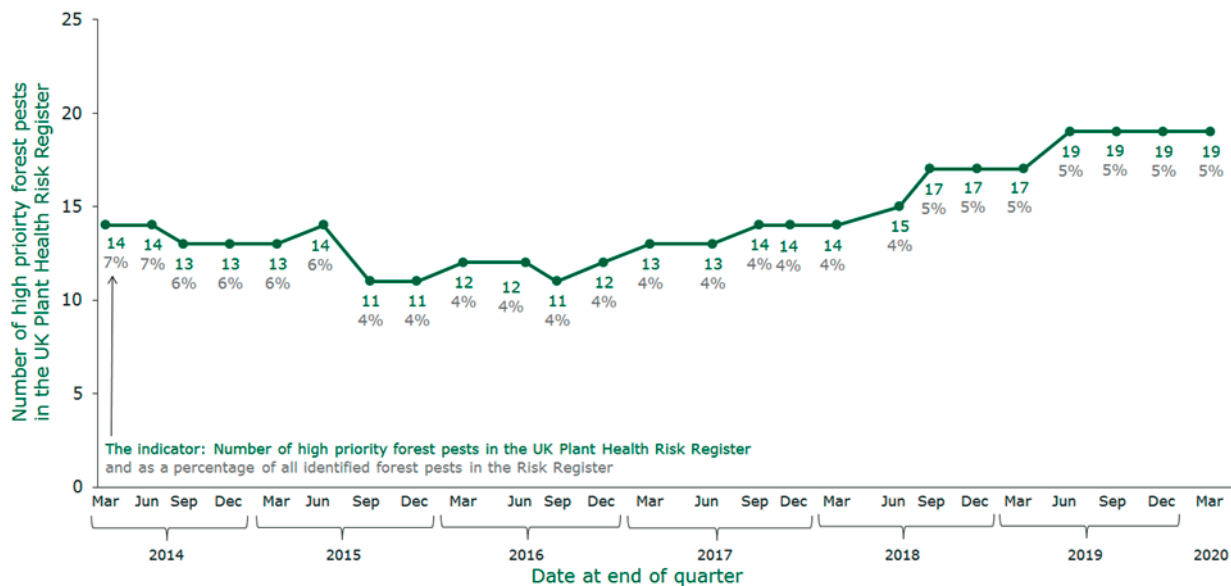
In 2019-20 applications for the Woodland Carbon Fund and Countryside Stewardship was somewhat constrained by some preferring to wait and see what form support for land owners might take following the UK's exit from the European

Union. Interest, however, in new planting remains strong.

The Forestry Commission is working closely with Defra and others, to develop plans to

deliver government's now increased aspirations for new planting of trees with support from the £640 million Nature for Climate Fund.

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



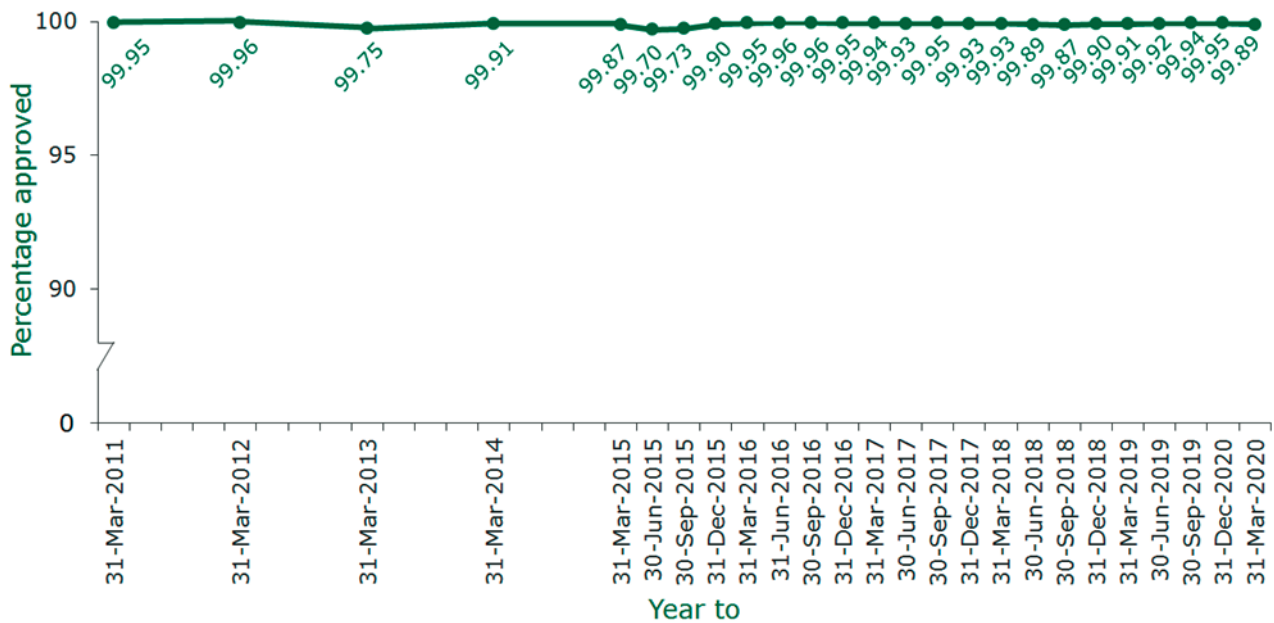
Source: Derived from the UK Plant Health Risk Register (UKPHRR).

At the end of March 2020 there were 361 forest pests on the UK Plant Health Risk Register, 19 (5%) of which are considered high priority. This is two more than at the end of March 2019. 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 two new high priority pests added this year are the two-lined chestnut borer insect, *Agrilus bilineatus*, which can affect oak trees, and a leaf gall nematode (a small elongated roundworm), *Litylenchus*

crenatae, generally considered to be the cause of leaf disease on beech trees, though this has not been proved. Both of these pests are considered to be absent from the UK.

Of the 19 pests and diseases listed, nine are currently present in England. Two of these are formally classed as widespread; namely *Phytophthora alni* which affects all alder species in Great Britain and *Pseudomonas syringae pv. aesculi*, that causes horse chestnut bleeding canker. Additionally *Phytophthora ramorum* and Chalara dieback of ash, *Hymenoscyphus fraxineus*, in particular, continue to have a landscape scale impact in England.

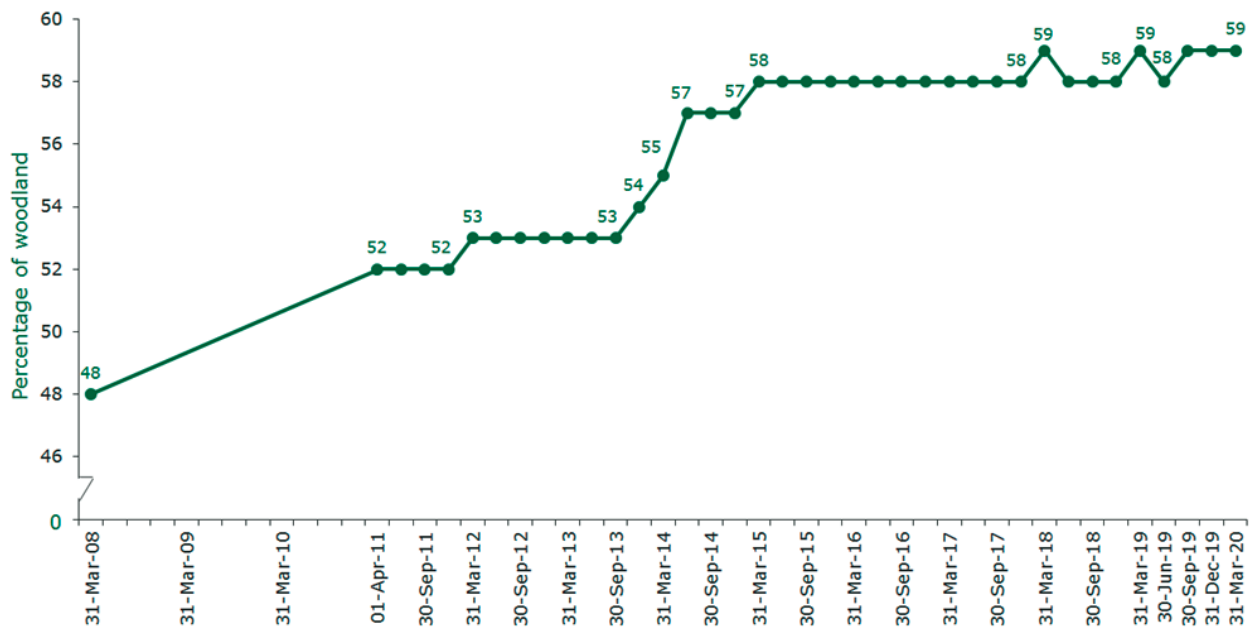
Percentage of known tree felling carried out with Forestry Commission approval


Source Forestry Commission administrative data.

In the year to 31 March 2020, some 99.89% of known tree felling was carried out with Forestry Commission approval. The overall figure of legal felling remains at a consistently very high level (target is above 95%). We have processes in place for receiving and investigating reports of

alleged illegal felling. When we become aware of illegal felling, this is frequently, though not always, in anticipation of property development. We are exploring how to better identify, act upon and mitigate illegal felling where it takes place.

Improvement: Percentage of woodland in active management



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

As of 31 March 2020, 59% of woodland in England was actively managed; totalling 772,000 hectares of woodland in management. The percentage of woodland that is actively managed is the same as at 31 March 2019.

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 in the nation's forests managed by Forestry England and all woodland on Defence Infrastructure Organisation training areas. It is recognised that other woodland might be considered as managed as well.

Evidence suggests markets for timber remain relatively strong although prices have softened a little. There is 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.

Sustainability report

The Forestry Commission 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 conform to BS EN ISO 14001 2015 as we strive for certification under the new standard. All sustainable woodland management activity of Forestry Commission is measured and managed through conformance to the United Kingdom Forestry Standard (UKFS), and is independently certified by accredited UKFS assessors using the UK Woodland Assurance Standard.

Performance measurement		2016-17	2017-18	2018-19	2019-20
Business travel	Total miles	3,369,450	3,180,614	1,259,800	2,751,680
	tonnes CO ₂ e↑	734	752	735	608
	Expenditure (£000)	1,096	1,102	802	789
Electricity, gas and other heating fuels	Consumption (Kwh)	4,608,614	5,643,123	4,347,251	6,642,602
	Expenditure (£000)	382	392	387	428
	tonnes CO ₂ e↑	1,820	1,667	1,417	596
Total energy (Scopes 1, 2 and 3) estate and travel	tonnes CO ₂ e↑	1,423	754	789	363
	Expenditure (£000)	1,478	1,497	1,188	657
Estate and office waste	Amount (Tonnes/m ³)	282	198	1,585	810
	Expenditure (£000)	34	219	133	53
Estate and office water	Quantity (m ³)	34,680	18,554	33,421	14,715
	Expenditure (£000)	16	15	34	23

Overview

The Forestry Commission works with others to enable sustainable forest and land management and to manage its own environmental impacts, whether as a tenant or landlord. Prior year comparison figures include buildings and sites that were part of our Central Services function. Currently core Forestry Commission independently occupies and reports on a smaller estate. Elsewhere Forestry Commission staff occupy Forestry England buildings; the sustainability data of this occupation are included in Forestry England's reports and not currently segregated. All of Forest Research data is included in this report.

Summary of future strategy

The Forestry Commission Executive Board has approved the 2018 Energy and Infrastructure Strategy which is now being applied across all of the properties and travel activities of core Forestry Commission. The Strategy seeks to reduce carbon emissions, increase energy efficiency and move away from fossil fuels.

During 2019-20 our main priorities have consisted of:

- working with Aveico 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 into all relevant areas in combination with Forestry England
- increasing awareness and uptake of the Woodland Carbon Code
- continuing to discharge our regulatory role on tree health, bio-security and other roles
- working through transition to ISO 14001 2015 standard and re-certification
- cooperating with Forestry England to reduce their environmental impacts
- reducing energy needs from fossil fuel derived sources and supporting sustainable wood fuel and renewable energy in the rural sector
- administering grants and delivering advice and regulations, to protect, improve and expand England's woodlands
- review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness
- ensure that Forestry Commission achieves its commitment to gaining ISO 14001-2015 certification

Greenhouse gas emission

The Forestry Commission collaborates with Forestry England to review and actively manage the built estate to optimise occupancy and minimise CO₂ emissions from fossil fuel-derived energy use. The adopted energy and infrastructure strategy sets to reduce all fossil fuel derived energy and increase renewable technologies for all direct burnt (scope 1) emissions.

CO₂ emissions from business travel are reduced where possible through ongoing support for flexible working arrangements, the provision of audio-conferencing facilities including the recent integration of Skype for Business and Microsoft Teams to reduce the need to travel. Ultra-low emission vehicles are sought wherever possible (larger four-wheel drive vehicles are needed for aspects of the business). Wherever possible electric vehicles are added to the fleet during phased replacements, where this is not possible due to capacity or range efficient alternatives are sought along with new innovative solutions considered.

Cooperation and governance

The Forestry Commission cooperates 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 business in core Forestry Commission is overseen by the Director of Estates and the Sustainable Business team in Forestry 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 Forestry England Board for the efficient operation of the business sustainability programme
- set priorities and objectives for the business sustainability programme and ensure that these are achieved
- ensure that objectives set for Forestry Commission also meet the requirements of Forestry England and that jointly agreed targets are adopted as policy by managers within these units

Waste

Forestry England has rewritten its waste guidance which is adopted by the Forestry Commission. It emphasises the importance of practising reduction through procurement. Furthermore, our Environmental policy has been rewritten to include the increase of recycling and reuse of materials along with elimination of consumer single use plastics across all offices by the end of 2020.

Waste is still higher than usual in 2019-20 due to work to remove hazardous material from the site of the new Forest Research entomology and pathology quarantine laboratory. There has also been emergency works on the drains and sewers at Alice

Holt resulting in a large removal of sewage.

Resource consumption (water)

Core Forestry Commission's reported use of water is low as reflects the use at one site only. Elsewhere use is reported under Forestry England. The Forestry Commission works with Forestry England to initiate water saving measures.

Sustainable procurement

The Forestry Commission 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

The Forestry Commission cooperates 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 in the nation's forests 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:

- UKFS climate change guidelines under-pinning our incentives and regulatory functions
- 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 (CCWG), its Climate Change Accord and Action Plan
- jointly published with the CCWG an actions plan progress report
- published Forestry Commission climate change and forestry position statement
- published Managing England's woodlands in a climate emergency guidance

Rural proofing

A large proportion of England's forests are situated in rural parts of 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.

I. Gambles
Accounting Officer
Forestry Commission

18 September 2020

Accountability report

Corporate governance report

The corporate governance report describes the Forestry Commission's 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 the Forestry Commission during the year were:

- Michael Gove MP, Secretary of State from 11 June 2017 until 23 July 2019
- Theresa Villiers MP, Secretary of State from 24 July 2019 until 13 February 2020
- George Eustice MP, Secretary of State from 13 February 2020
- Thérèse Coffey MP, Parliamentary Under Secretary of State from 17 July 2016 until 25 July 2019, and Minister of State from 25 July 2019 until 8 September 2019
- Zac Goldsmith MP, now Lord Goldsmith, Parliamentary Under Secretary of State from 27 July 2019 until 10 September 2019, and Minister of State from 10 September 2019
- David Rutley MP, Parliamentary Under Secretary of State appointed temporarily 22 May 2018, and then from 3 September 2018 until 27 July 2019
- Lord Gardiner MP, Parliamentary Under Secretary of State from 9 January 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 2019-20.

Chair and Chief Executive

The Chair of the Forestry Commission until 9 February 2020 was Sir Harry Studholme. Our new Chair, Sir William Worsley, has been in post since 10 February 2020. Ian Gambles is Chief Executive Officer, the senior executive within the Forestry Commission.

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 Board of Commissioners during 2019-20 was:

- Sir William Worsley, chair Forestry Commission from 10 February 2020
- Sir Harry Studholme, chair Forestry Commission until 9 February 2020
- Mary Barkham, non-executive commissioner
- Julia Grant, non-executive commissioner
- George McRobbie, non-executive commissioner
- Liz Philip, non-executive commissioner
- Jennie Price, non-executive commissioner
- Peter Latham, non-executive commissioner
- Ian Gambles, executive commissioner

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 in 2019-20 (2018-19: nil).

Supplier payment policy

The Forestry Commission complies with government's better payment practice code. Unless otherwise stated in the contract, we aim to pay within 10 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2019-20 99.2% (2018-19: 99.5%) of invoices paid by core Forestry Commission and 99.3% (2018-19: 99.6%) of invoices paid by all of the Forestry Commission were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers in contracts.

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

Auditors

The Forestry Commission's accounts are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £45,480 (2018-19: £42,500). In addition, the notional fee for the audit of the Forest Research Agency was £39,000 (2018-19: £38,000). No fees were charged for other services (2018-19: nil).

Disclosure of audit information to the auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the 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 the 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 the Forestry Commission 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, signed in May 2020, exists between Defra and the Forestry Commission.

The Chief Executive, Forestry England has been designated by the Forestry Commission Chief Executive Officer as Accounting Officer for that part of the department's accounts relating to the Agency's activities and the associated assets, liabilities and cash flows. The Forestry Commission Chief Executive Officer had continued the designation of the Chief Executive, Forest Research Agency as Accounting Officer for that part of the department's accounts relating to the Agency's activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Forestry Commission Chief Executive Officer'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 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 Accounting Officer for Forestry Commission. The Accounting Officer's financial responsibilities mirror those of the Principal Accounting Officer. He has responsibility for ensuring that the Forestry Commission's 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 the Forestry Commission, comprising Forest Services and the Commissioners' Office, and fully complies with the Corporate Governance Code where relevant and applicable to the Forestry Commission. In addition, our agencies Forestry England and Forest Research publish separate Governance Statements.

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 the Forestry Commission 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 the Forestry Commission's 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 the Forestry Commission throughout 2019-20 up to the date of the production of the annual report and accounts, and accords with HM Treasury guidance.

The governance framework

The Forestry Commission is a non-ministerial government department and has a Royal Charter, dated 25 March 1920, which makes the entire organisation a single legal entity. It is headed by a Board of Commissioners. The Forestry Commissioners are appointed by Royal Warrant and may regulate their own procedure, under the provisions in the Forestry Act 1967.

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.

Forestry Commission activities in Scotland ceased in April 2019 on completion of devolution. Forestry Commission activities in Wales became part of Natural Resources Wales in April 2013 and the Forestry Commission has never operated in Northern Ireland.

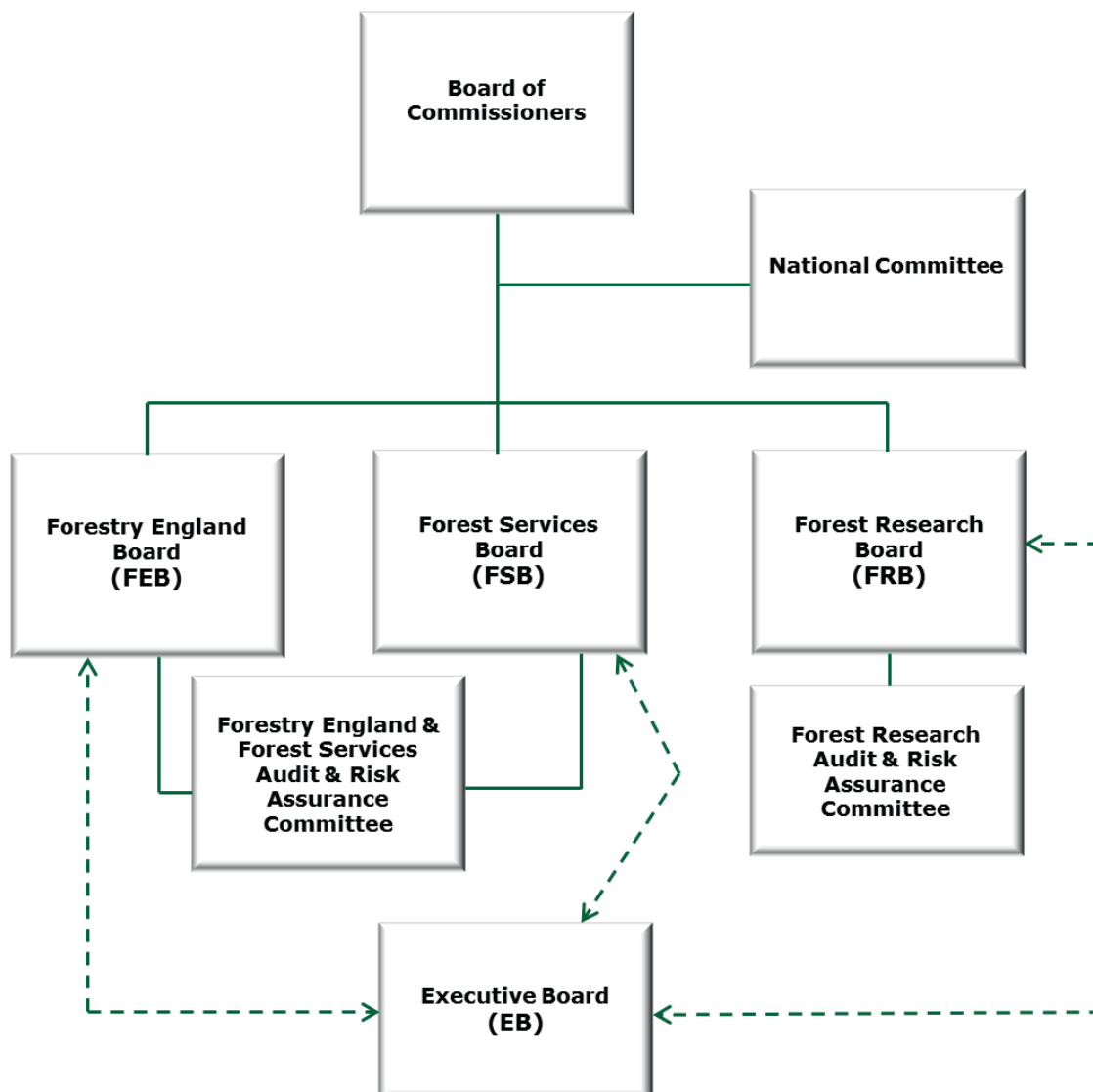
Only international forestry policy is reserved but the Forestry Commission continues to operate some cross-border functions, such as biosecurity at the UK border and forestry research, which are co-funded with the devolved administrations. Defra is responsible for forestry policy in England.

As required under section 2(3) of the Forestry Act 1967, the Commissioners have appointed a National Committee. However, no activities have been delegated to it and it is not expected to meet. They

have instead, through administrative action, delegated relevant and appropriate functions to the sub-boards of the delivery arms of the Forestry Commission namely Forestry England, Forest Services and Forest Research. Officials from Defra and the Devolved Administrations act as members of the sub-boards where appropriate. Overall responsibility, however, remains with the Board of Commissioners.

How we operate

The governance structure in operation throughout 2019-20 is outlined below and shows the most numerous interactions between the groups. Further information on the Forest Research Board and the Forestry England 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. Sir Harry Studholme served as Chair of the Commission from 10 February 2014 to 9 February 2020. Sir William Worsley took over as Chair on 10 February 2020.

The Board of Commissioners is responsible for:

- ensuring that Commissioners' statutory duties are fulfilled
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by the sponsor department
- ensuring that the board receives and reviews regular financial information concerning the management of the Forestry Commission; is informed in a timely manner about any concerns about the activities of the Forestry Commission; and provides positive assurance to the department that appropriate action has been taken on such concerns
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the Board to address key financial and other risks
- oversight of any changes to the role or governance structure of the Forestry Commission
- delegating to the three sub-boards (under the provisions in the Forestry Act) such functions as are required to support the government's forestry and woodlands policies in England
- maintaining an overview of corporate risk

The board of commissioners met in July and December 2019.

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

The Forest Services Board

This Board is appointed by the Forestry Commissioners to enable them, as 'the appropriate forestry authority' in England to discharge their duties and exercise their powers set out in the Forestry Act 1967 and other relevant legislation, including the Plant Health Act 1967. The Board also provides leadership for Forest Services by supporting, guiding, constructively challenging, and directing the Forest Services executive team in the development and delivery of its strategy.

The main duties of the Forest Services Board are to:

- discharge functions delegated to them by the Board of Forestry Commissioners
- set the strategic direction for Forest Services' activities
- direct the executive in the conduct of business within Forest Services
- ensure that Forest Services' activities contribute to the delivery of relevant Government policy and the Forestry Commission's overall strategic objectives
- approve the strategy and Business Plan for Forest Services and the consolidated Annual Report and Accounts and Corporate Plan for Forestry Commission
- promote forestry policy as a means to deliver wider government objectives and provide insight to future opportunities for forestry in England
- advocate forestry expertise as a means to maintain the Forestry Commission's reputation and achieve Government's policy and objectives
- regularly receive and review information on financial and operational performance of Forest Services against agreed objectives
- demonstrate high standards of corporate governance at all times, to help the Board to address key financial and other strategic risks faced by the organisation, ensuring adequate systems and internal controls are in

place to safeguard resources including by using the independent audit committee

- ensure that any statutory or administrative requirements for the use of public funds are complied with
- ensure that effective relationships are maintained and the Forestry Commission's reputation is upheld with stakeholders, customers, suppliers, employees and other government departments across England, including by establishing links with local delivery teams and Forestry and Woodlands Advisory Committees
- ensure effective communication both internally and externally through focused and consistent messaging showing evidence and accountability for decisions made
- address matters of relevance to the wider Forestry Commission (i.e. Forest Research and/or Forestry England as well as Forest Services) as requested by the England Executive Board

The Forest Services Board will share information as appropriate with the Forestry England Board, the Forest Research Board and the Forestry Commission Executive Board, ensuring collaboration and cooperative working on matters that require decision, resolution or co-ordinated action across the Forestry Commission.

The membership of the Forest Services Board during 2019-20 was:

- Sir William Worsley, chair Forestry Commission from 10 February 2020
- Sir Harry Studholme, chair Forestry Commission to 9 February 2020
- George McRobbie, non-executive commissioner
- Liz Philip, non-executive commissioner
- Ian Gambles, executive commissioner and Forestry Commission Chief Executive Officer
- Richard Greenhouse, Director Forest Services
- Steve Meeks, Forestry Commission Finance Director
- Shirley Trundle, Defra Director Wildlife, International, Climate and Forestry

The Forest Services Board met in April, June, October and December 2019, and March 2020.

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

The Forestry Commission Executive Board

The Forestry Commission Executive Board, which is chaired by the Forestry Commission Chief Executive Officer, has the shared purpose to champion forests and forestry in England and beyond. The Executive Board brings the executive leadership of all parts of the Forestry Commission together to take strategic decisions on matters where Forestry England, Forest Services and Forest Research can achieve more by taking a common approach.

The Forestry Commission Executive Board met in May, September, December 2019, and January and March 2020.

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

Audit and Risk Assurance Committee

The Board of Commissioners has established a Forestry England and Forest Services Audit and Risk Assurance Committee (ARAC) to support it in assuring itself of the effectiveness of the internal control, governance and risk management framework.

The Forestry England and Forest Services ARAC formally took over the work previously undertaken by the Forestry Commission England + ARAC which met for the last time in June 2019 to review and approve the Annual Report and Accounts for 2018-19.

Both Forestry England and Forest Services maintain their own risk registers which are overseen by the ARAC, along with the

Forestry Commission Strategic Risk Register which is owned by the Forestry Commission Executive Board.

Through its work the ARAC provides independent assurance to the Board of Commissioners and the sub-boards of Forestry England and Forest Services on those important activities which support the achievement of 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 November 2019 and March 2020 and discussed a wide range of issues including:

- risk management
- anti-fraud and corruption arrangements
- security risk
- safeguarding
- the interim Annual Report and Accounts 2019-20
- external and internal audit strategy and reports
- the draft Governance Statement 2019-20
- a review of the Committee's structure and effectiveness

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

Performance

All of the committees and boards have linkages through shared membership. Commissioners are members of the sub-boards and of the Audit and Risk Assurance Committees. 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.

The Government Internal Audit Agency (GIAA) conducted a review of the new governance arrangements in 2019-20.

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

Review of effectiveness

The 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 the Forestry Commission 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 the Forestry Commission 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 the Forestry Commission 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 the Forestry Commission continues to provide moderate assurance, and that the move to the new governance arrangements has enhanced the adequacy and effectiveness of the framework of governance, risk management and control. Plans to ensure continuous improvement of the system are in place.

The Forestry Commission 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

The Forestry Commission is committed to ensuring a high standard of conduct in all that it does, and has a duty to identify and remedy any area of malpractice. This is achieved by encouraging a culture of openness, where employees feel confident and able to raise any matters of concern.

There is currently an ongoing project to refresh and raise awareness of the whistleblowing policy and procedures in line with similar work taking place across Defra group.

The Forestry Commission has a dedicated whistleblowing officer. There have been no cases carried forward to the investigation stage in 2019-20.

Risk management

The Forestry Commission's risk management policy demonstrates the full commitment of Forestry Commission to effective risk management, adopting best practice in the identification, evaluation and control of risks.

By adopting its risk management policy, the Forestry Commission 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

Spending Review 2015 (SR15) resulted in a relatively stable, flat, indicative budget through to 2019-20 reflecting the government's wish to protect forestry. However, the baseline has required the Forestry Commission to absorb inflationary and other pressures, and to assist Defra in bridging funding shortfalls, during a period of significant organisational change. A number of reductions from the indicative SR15 baseline were imposed on the Forestry Commission budget in 2018-19 and 2019-20. Further reductions are expected in 2020-21 prior to Comprehensive Spending Review 2020 (CSR20) which will require difficult decisions to continue to live within our means. The March Budget provided additional significant capital funding to help deliver the government's afforestation aspirations in the form of the £640 million Nature for Climate Fund. The associated risk is that sufficient resource funding is not made available through the life of CSR20 to enable the capital schemes to be delivered. The significant cost of measures taken by Government to deal with COVID-19 may also result in a reassessment of baselines as part of CSR20.

□ Covid-19

The Forestry Commission responded promptly to the need to safeguard staff and the public from the risk of contracting COVID-19. Key risks were actively managed through weekly Executive Board meetings, with regular interaction and formal updates to non-executive directors.

Activities continued where possible in line with Government guidance and additional support mechanisms were provided for staff on volunteering and redeployment

programmes, IT, wellbeing, and absent and furloughed staff.

Incident management plans defined actions and communications for the COVID-19 response, and recovery plans and return to work plans were developed.

The financial impact of COVID-19 on the commercial operations within both Forestry England and Forest Research have been significant. Discussions are ongoing with senior Defra officials on mitigating the impact.

A fuller report of the Forestry Commission's response to the pandemic will be provided in the 2020-21 Annual Report and Accounts.

□ Forest Holidays

In 2018 Ministers commissioned a report by the Government Internal Audit Agency (GIAA) to look into the Forestry Commission's investment decisions and its relationship with Forest Holidays. One of the recommendations in the GIAA report was to undertake a governance review of the Forestry Commission; this was undertaken by UK Government Investments (UKGI) and completed in February 2019. The UKGI recommendations were accepted in full by Ministers in June 2020 and adopted by the Forestry Commission.

□ Pay

Pay continues to be a contentious and challenging issue given pay bill restraint, and perceived problems within the current pay model, and is the main area of concern flagged in Staff Surveys. The Offer 2020 Project seeks to address issues which are within the Forestry Commission's control subject to discussion and agreement with Forestry Commission Trade Unions and the Cabinet Office.

□ Information and communications technology infrastructure

All relevant major business applications operated by Central Services were successfully migrated to new cloud

computing IT systems within the Forestry Commission in the course of 2018-19. Forest Research introduced their new corporate IT systems from April 2019.

□ Knowledge and information management

We have invested in additional resources to further help our understanding of the value of knowledge and information management in supporting our decision making and will be taking forward a project during 2020-21 to identify and introduce necessary improvements including the use of the latest technologies.

□ Security

A new security risk management forum has been established to oversee the introduction of an improved information security culture across the organisation, covering cyber, information, physical and personnel security.

□ Modelling and Quality Assurance

The Urban Tree Challenge Fund programme experienced some problems in its first year of operation, notably on the calculation of offers initially made to applicants, the accounting profile and payment instalment structure. A comprehensive lessons learned report was produced by Forest Services and the recommendations for improvement accepted by senior management and Defra.

Wider circumstances and future challenges

The main challenges for the Forestry Commission as an England only body during 2020-21 and beyond are:

- managing the financial and operational impact of COVID-19, particularly on Forestry England and Forest Research; ensuring that robust business continuity processes are introduced, and that measures are taken to ensure that the Forestry Commission is able to return to full operational capability once the threat has lifted

- playing an effective part in the delivery of the Government's 2019 manifesto commitment to create 30,000 hectares a year of new woodland across the UK by the end of this Parliament
- 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 in a post EU exit environment
- continue to bed-in and develop the new Forestry Commission operating model, including changed governance and accountability structures and the induction of new non-executive Forestry Commissioners including a new Chair
- handling the transition from Countryside Stewardship to the Environmental Land Management scheme, with a focus on securing the benefits of moving away from the Common Agricultural Policy
- continuing to develop an appropriate response to the increasing threat of cyber security attacks
- handling the continued biosecurity threat and the potential substantial cost of counter-measures
- mitigating and adapting to climate change as an organization and through the delivery of our functions

Throughout 2020-21 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 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.gov.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 William Worsley	10/02/2020	34
Sir Harry Studholme***	10/02/2017	-
Julia Grant	01/11/2019	31
Mary Barkham	01/11/2017	7
George McRobbie	01/04/2019	-
Liz Philip	01/04/2019	24
Jennie Price	01/04/2019	24
Peter Latham	01/04/2019	24
Shirley Trundle	N/A	N/A**

* months remaining from 31 March 2020

** Shirley Trundle, Director Defra, a member of the Forest Services Board during 2019-20 and the National Committee for England during 2018-19, is employed by Defra and does not receive any additional remuneration from Forestry Commission.

*** Sir Harry Studholme was Chair until 9 February 2020

Remuneration policy

Fees for non-executive Commissioners and members who are not Forestry Commission or Defra employees, and remuneration for senior civil servants, are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprised the Chairman, Chief Executive Officer, a non-executive director and the Head of HR.

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 and the Forest Services Board.

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Ian Gambles	2019-20	110-115 ¹	5-10	-	33	150-155
Chief Executive Officer	2018-19	110-115	5-10	-	36 ²	155-160
Steve Meeks	2019-20	75-80	-	-	25	100-105
Finance Director	2018-19	75-80	-	-	86 ³	160-165
Richard Greenhous	2019-20	70-75	0-5	-	34	110-115
Director Forest Services	2018-19	70-75	5-10	-	24	100-105
Jo Ridgway	2019-20	55-60 ⁴	-	-	22	75-80
HR Director	2018-19	50-55	-	-	21	75-80
Stephanie Rhodes	2019-20	55-60	-	-	23	80-85
Head of Policy and Strategy Forest Services	2018-19	10-15 ⁵	-	-	5	19-20

1. Figure quoted is full time to 31 January 2020, and reduced to four days per week from 1 February 2020
2. Prior year pension figure has changed from that disclosed in 2018-19 due to a retrospective update to the added pension
3. Prior year pension figure has changed from that disclosed in 2018-19 due to a retrospective update to salary data
4. Figure quoted is four days per week to 29 February 2020, and full time from 1 March 2020
5. Figure quoted is for the period 1 January 2019 to 31 March 2019. The full year equivalent is 55-60

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

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

Forest Research Annual Report and Accounts

- James Pendlebury, Chief Executive of Forest Research
- Meirion Nelson, Finance Director of Forest Research

Forestry England Annual Report and Accounts

- Mike Seddon, Chief Executive of Forestry England
- Tristram Hilborn, Chief Operating Officer of Forestry England

The salary and pension entitlements of the members of the Forest Research Board and Forestry England Board are borne and disclosed in each of the agencies Annual Report and Accounts 2019-20.

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 and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Forestry Commission and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were paid in 2019-20.

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 2019-20 relate to performance in 2018-19 and the comparative bonuses reported for 2018-19 relate to performance in 2017-18.

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 in the financial year 2019-20

was £115-120,000 (2018-19: £110-115,000). This was 3.46 times (2018-19: 3.38) the median remuneration of the workforce, which was £33,970 (2018-19: £33,303).

In 2019-20, no (2018-19: nil) employees received remuneration in excess of the highest-paid director. Remuneration

ranged from £17,000 to £117,000 (2018-19: £18,000 to £114,000).

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 2019-20 – subject to audit

	Accrued pension at pension age at 31 March 2020 and related lump sum £000	Real increase (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2020 £000	CETV at 31 March 2019 £000	Real increase (decrease) in CETV £000	Employer contribution to partnership pension account to nearest £100
Ian Gambles	20-25	0-2.5	445	382	32	-
Steve Meeks	40-45 plus a lump sum of 125-130	0-2.5 plus a lump sum of 2.5-5	998	928	25	-
Richard Greenhous	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	319	286	15	-
Jo Ridgway	5-10	0-2.5	83	62	13	-
Stephanie Rhodes	15-20	0-2.5	197	176	9	-

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of

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

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members of **classic**, **premium**, **classic plus**, **nuvos**

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider Legal & General. 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 received the following remuneration for their services during the year ended 31 March 2020.

	2019-20		2018-19	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir William Worsley ¹	6	-	-	-
Sir Harry Studholme ²	35	5	40	6
Dr Mary Barkham	25	3	12	2
George McRobbie	12	-	10	-
Julia Grant	12	1	12	1
Liz Philip	12	3	-	-
Jennie Price	12	-	-	-
Peter Latham	12	1	-	-
Amanda Bryan ⁴	-	-	15	-
Clive Tucker ⁴	-	-	5	1
Mark Pountain ⁴	-	-	5	1
Shirley Trundle ³	-	-	-	-

1. Sir William Worsley is Chair from 10 February 2020
2. Sir Harry Studholme was Chair until 9 February 2020
3. Shirley Trundle, Director Defra, a member of the Forest Services Board during 2019-20 and the National Committee for England during 2018-19, is employed by Defra and does not receive any additional remuneration from Forestry Commission
4. Term as Forestry Commissioner ended before 1 April 2019

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	1
1	3

Average number of persons employed – subject to audit

	2019-20		2018-19	
	Permanently employed staff Number	Others Number	Total Number	Total Number
Forestry Commission	199	56	255	285
Forest Research	221	20	241	238
Total	420	76	496	523

Staff costs – subject to audit

	2019-20		2018-19	
	Permanently employed staff £000	Others £000	Total £000	Total £000
Core				
Wages and salaries	7,360	1,132	8,492	9,285
Social security costs	801	113	914	1,012
Other pension costs	1,956	297	2,253	1,899
Inward secondments	-	86	86	100
Agency and temporary staff	-	738	738	1,399
Total gross staff cost	10,117	2,366	12,483	13,695
Recoveries in respect of outward secondments	(53)	-	(53)	(58)
Total net staff cost	10,064	2,366	12,430	13,637
Forest Research				
Wages and salaries	7,974	455	8,429	8,078
Social security costs	853	41	894	870
Other pension costs	2,091	114	2,205	1,644
Inward secondments	-	-	-	-
Agency and temporary staff	-	113	113	180
	10,918	723	11,641	10,772
Total gross staff cost	21,035	3,089	24,124	24,467
Recoveries in respect of outward secondments	(53)	-	(53)	(58)
Total net staff cost	20,982	3,089	24,071	24,409

Staff costs comprise staff employed by core Forestry Commission and staff employed within Forest Research.

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 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 2019-20, employers' contributions of £4,364,000 were payable to the PCSPS (2018-19: £3,504,000) at one of four rates in the range 26.6% to 30.3% 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 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £32,000 (2018-19: £34,000) 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 £700 (2018-19: £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 £1,900. Contributions prepaid at that date were £nil.

Ill-health retirement

No people (2018-19: nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2018-19: £nil).

Staff composition – subject to audit

				2019-20	2018-19
	Directors and senior civil servants Number	Permanently employed staff Number	Others Number	Total Number	Total Number
Core					
Male	4	117	21	142	162
Female	2	76	35	113	123
Total	6	193	56	255	285
Forest Research					
Male	3	130	11	144	147
Female	-	88	9	97	91
Total	3	218	20	241	238
Consolidated	9	411	76	496	523

Sickness absence data

Year	Working days lost per staff year
2019-20	7.3
2018-19	7.6
2017-18	11.1

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

Accidents and reportable incidents

There were no reportable accidents (those causing incapacity for more than 7 days) in 2019-20 (2018-19: 1).

Compensation for loss of office – subject to audit

21 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2020 (2018-19: 18). They received compensation payments of £1,175,569 (2018-19: £1,274,521).

One member of staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2020 (2018-19: 2).

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	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
<£10,000	-	2	-	-	-	2
£10,000 - £25,000	1	-	4	1	5	1
£25,000 - £50,000	-	-	5	6	5	6
£50,000 - £100,000	-	-	9	8	9	8
£100,000 - £150,000	-	-	2	2	2	2
£150,000 - £200,000	-	-	-	1	-	1
Total number of exit packages	1	2	20	18	21	20

Total resource cost / £	£18,030	£9,185	£1,164,156	£1,274,521	£1,182,462	£1,283,706
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Forestry Commission Central Services staff who have departed due to the restructuring of corporate services have their exit package costs shared between Forestry Commission, Scottish Forestry and Forestry and Land 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 through the HR Leadership Development team in 2019-20:

- Discovery Insights, the personality profiling tool, was introduced last year and a further 23 Discovery Insights introductory workshops have been run for leadership teams across the business and a further 10 are planned
- Success Profiles was successfully launched across Forestry Commission (which modernised the recruitment process) and further one-to-one support has been offered to recruiting managers
- mental health awareness and mental health first aid training events continue to be offered with a planned delivery of more events in the final quarter of the year
- a number of pension's awareness workshops were offered for colleagues across England

- Forest Services also delivered a programme of technical and other training for its staff

Diversity, inclusion and wellbeing

The Forestry Commission 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 continues to be a high priority. This has been reflected in our Centenary celebrations and the promotion of our forests for wellbeing externally. Please see our website for more information. Our staff wellbeing programme continues to grow in strength. There are over 200 trained mental health first aiders across the organisation providing support and advice where required. We continue to break the stigma around mental health by sharing monthly stories from staff with their lived personal experiences. This is creating a positive culture of talking with others. In the autumn of 2019, we have grown the number of health kiosks following the 2018 trial to 13 which has been positively received by staff as helping them to understand their health to enable them to make positive lifestyle changes.

iTrent integrated HR and payroll system

iTrent went live in April 2018 and all of the integrated modules are now performing well. Work is currently underway on the iTrent establishment structure to improve data integrity and meaningful management information. It will also increase cohesion with finance systems.

A further project is underway to add functionality within iTrent for a Learning Management System. This will be fully automated and will enable colleagues to browse the training available online and book onto waiting lists. It allows the central management of learning events with colleagues receiving all notifications electronically. The system will also send out reminders when training with

resumptions reaches its expiry date. The project has been running throughout 2019 and was planned to go live in three phases throughout the final quarter of 2019-20. Due to system related issues, the go-live to all staff has been delayed until early 2020-21.

Workforce policies

The Forestry Commission will enjoy a set of streamlined, user friendly, legally compliant, appropriate for the Forestry Commission, suite of workforce policies that will enable efficient business decisions in respect of staffing.

All workforce policies were audited during 2018-19 under a Phase 1 joint HR project workstream across core Forestry Commission, Forestry England and Forest Research.

Suitable resources have been assigned to determine and deliver Phase 2 of the workforce policy project in 2020, looking at the scope of the programme and prioritisation of renewed and modernised workforce policies.

Offer 2020

Last year we reported on the introduction of a project called Offer 2020, which has been developing a new employee offer including improvements to pay, benefits, recognition, learning and development, work-life balance and wellbeing.

The Offer 2020 project intends to submit a business case to the Cabinet Office in 2020 to address issues with the current Forestry Commission pay structure. The project is in dialogue with the Forestry Commission Trade Unions about the proposals.

Employee consultation and trade union relationship

The Forestry Commission continues to have a productive and respectful relationship with the Forestry Commission trade unions. To encourage employee consultation and communication, a Tier 1 Forestry Commission Trade Unions staff council meeting is held twice each year for

the whole Forestry Commission. Tier 2 staff council meetings are held no less than twice yearly for Forestry England, Forest Services and Forest Research. Key issues discussed include the Offer 2020 project, workforce policies, wellbeing, mental health, and health and safety issues.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during 2019-20	Full-time equivalent number
19	18.01

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	18
51-99%	-
100%	1

Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time 0.201%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 138.64%.

Expenditure on consultancy

During the year Forestry Commission incurred £35,000 on consultancy services (2018-19: £nil).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the period total £891,000 (2018-19: £1,579,000). The reduction in spend is due to the closure of our central services function where we had several temporary members of staff in the period leading up to 31 March 2019.

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 is reported below for consistency with Defra's annual report and accounts.

Table 1: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months.

No. of existing engagements as of 31 December 2019	2
Of which...	
No. that have existed for less than one year at time of reporting	-
No. that have existed for between one and two years at time of reporting	-
No. that have existed for between two and three years at time of reporting	1
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 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

No. of new engagements between 1 April 2019 and 31 December 2019	-
Of which...	
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	-
No. engaged directly and are on the departmental payroll	-
No. of engagements reassessed for consistency/assurance purposes during the year	-
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 the Forestry Commission are below £300,000.

Fees and charges – subject to audit

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

Remote contingent liabilities – subject to audit

In addition to contingent liabilities reported within the meaning of IAS 37, the Forestry Commission also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too

remote to meet the definition of contingent liability. There are currently no remote contingent liabilities.

I. Gambles
Accounting Officer
Forestry Commission

18 September 2020

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 for the year ended 31 March 2020 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's affairs as at 31 March 2020 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Forestry Commission's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Forestry Commission have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Forestry Commission's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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's 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.

- conclude on the appropriateness of the Forestry Commission'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's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the Forestry Commission to cease to continue as a going concern.

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.

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.

Gareth Davies 25 September 2020
Comptroller and Auditor General

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

Financial statements

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2020

	Note	Core £000	2019-20 Consolidated £000	Core £000	2018-19 Consolidated £000
Revenue from contracts with customers	3	(3,148)	(15,378)	(12,249)	(19,302)
Other operating income		-	-	(533)	(533)
Total operating income		(3,148)	(15,378)	(12,782)	(19,835)
Staff costs	2	12,483	24,124	13,695	24,467
Other operating expenditure	2	28,184	35,776	33,122	40,824
Total operating expenditure		40,667	59,900	46,817	65,291
Net operating expenditure		37,519	44,522	34,035	45,456
Other comprehensive expenditure					
Net (gain)/loss on revaluation of property, plant and equipment	4	-	(92)	(11)	(350)
Net gain on revaluation of C-Cure investment		-	-	-	(50)
Net gain on revaluation of Euro receivable		-	(15)	-	(115)
Comprehensive net expenditure for the year		37,519	44,415	34,024	44,941

All income and expenditure is derived from continuing operations.

The notes on pages 47 to 66 form part of these accounts

Consolidated statement of financial position

as at 31 March 2020

	Note	31 March 2020		31 March 2019	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Non-current assets					
Property, plant and equipment	4	-	13,371	153	13,112
Intangible assets	5	1,001	1,001	1,015	1,016
Investment in associate		-	75	-	75
Trade receivables, financial and other assets	7	15	28	18	41
Total non-current assets		1,016	14,475	1,186	14,244
Current assets					
Inventories		-	110	-	128
Trade receivables, financial and other assets	7	549	5,278	1,103	4,012
Cash and cash equivalents	8	3,443	5,337	8,327	10,551
Total current assets		3,992	10,725	9,430	14,691
Total assets		5,008	25,200	10,616	28,935
Current liabilities					
Trade payables, financial and other liabilities	9	(9,261)	(11,400)	(14,559)	(17,032)
Provisions	11	(59)	(59)	(660)	(676)
Total current liabilities		(9,320)	(11,459)	(15,219)	(17,708)
Total assets less current liabilities		(4,312)	13,741	(4,603)	11,227
Non-current liabilities					
Trade payables, financial and other liabilities	9	-	(99)	-	(99)
Provisions	11	-	-	-	-
Total non-current liabilities		-	(99)	-	(99)
Total assets less total liabilities		(4,312)	13,642	(4,603)	11,128
Taxpayers' equity					
General fund		(4,312)	6,082	(4,746)	3,455
Revaluation reserve		-	7,560	143	7,673
Total taxpayers' equity		(4,312)	13,642	(4,603)	11,128

I. Gambles 18 September 2020
Accounting Officer
Forestry Commission

The notes on pages 47 to 66 form part of these accounts

Consolidated statement of cash flows

for the year ended 31 March 2020

	Note	2019-20 Core £000	2019-20 Consolidated £000	2018-19 Core £000	2018-19 Consolidated £000
Cash flows from operating activities					
Net operating expenditure		(37,519)	(44,522)	(34,035)	(45,456)
Adjustment for intercompany transactions		(7,380)	-	(11,298)	-
Adjustment for non-cash transactions	2	883	2,254	682	1,645
Decrease in inventories		-	18	-	2
(Increase)/decrease in trade receivables, financial and other assets	7	557	(1,253)	(110)	(1,413)
Increase/(decrease) in trade payables, financial and other liabilities	9	(5,298)	(5,632)	1,410	2,241
Less movement in Defra supply creditor	9	5,214	5,214	(1,884)	(1,884)
Less movement in Euro receivable not passing through the OCS		-	15	-	115
Use of provisions	11	(691)	(707)	(1,077)	(1,163)
Net cash outflow		(44,234)	(44,613)	(46,312)	(45,913)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(1,651)	(4)	(1,832)
Purchase of intangible assets	5	(174)	(174)	(520)	(520)
Proceeds on disposal of non-current assets		146	146	342	342
Net cash outflow		(28)	(1,679)	(182)	(2,010)
Cash flows from financing activities					
Funding from Defra		49,929	51,629	56,474	58,474
Repayment of prior year Defra creditor		(10,551)	(10,551)	(8,667)	(8,667)
Net cash inflow		39,378	41,078	47,807	49,807
Net increase in cash and cash equivalents		(4,884)	(5,214)	1,313	1,884
Cash and cash equivalents at the beginning of the period	8	8,327	10,551	7,014	8,667
Cash and cash equivalents at the end of the period	8	3,443	5,337	8,327	10,551

The notes on pages 47 to 66 form part of these accounts

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2020

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 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
Net Defra funding	44,592	-	44,592	46,292	-	46,292
Notional charges						
Auditors' remuneration	2 45	-	45	84	-	84
Defra corporate services	2 553	-	553	553	-	553
Comprehensive net expenditure for the year	(37,519)	-	(37,519)	(44,415)	-	(44,415)
Intercompany adjustments	(7,380)	-	(7,380)	-	-	-
Net gain on revaluation of						
Property, plant and equipment	4 -	-	-	(92)	92	-
Intangible assets	5 -	-	-	-	-	-
C Cure investment	-	-	-	-	-	-
Euro receivable	-	-	-	(15)	15	-
Realised element of revaluation reserve	143	(143)	-	220	(220)	-
Balance at 31 March 2020	(4,312)	-	(4,312)	6,082	7,560	13,642

The notes on pages 47 to 66 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 2019-20 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, 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.

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's 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 2020-21 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 the Forestry Commission delivery and management units, Forest Services and Commissioners' Office, as the Core, and Forest Research, an executive agency of the Forestry Commission. The prior year comparison also consolidates the Central Services function into the Core figures. Until 2019-20, Central Services 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 Forestry England, an executive agency of Forestry Commission, 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 Forestry England are not consolidated in the accounts of Forestry Commission, or Defra. Forestry England produces its own Annual Report and Accounts, which can be found on the gov.uk website.

1.5 Funding to, and public corporation dividend from, Forestry England

Forestry Commission makes an annual funding payment, equal to the agreed annual subsidy limit, to Forestry England, which is accounted for as expenditure in the Forestry Commission accounts. Forestry Commission receives a dividend from Forestry 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 Forestry England is loss-making. If Forestry 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 Forestry England. Legal ownership of other tangible assets is vested in the Forestry Commissioners and accounted for in Forestry Commission, Forest Research and Forestry 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 annually 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 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.

The Forestry Commission 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 the Forestry Commission. 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 the Forestry Commission 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 the Forestry Commission 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

The Forestry Commission 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

The Forestry Commission 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 does not exercise in-year budgetary control, are accounted for in accordance with HM Treasury's Financial Reporting Manual. 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 Forest Research 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. Any VAT due to or from HM Revenue and Customs at the year-end is included in the Forestry

Commission 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 are outlined below. None have been adopted early.

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

- IFRS 16 – Leases. The implementation of this standard has been deferred and is effective from 1 January 2021. 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	2019-20 Consolidated £000	Core £000	2018-19 Consolidated £000
Staff costs				
Wages and salaries	8,492	16,921	9,285	17,363
Social security costs	914	1,808	1,012	1,882
Other pension costs	2,253	4,458	1,899	3,543
Agency and temporary staff	824	937	1,499	1,679
	12,483	24,124	13,695	24,467
Other costs				
Travel and subsistence	781	1,393	789	1,368
Staff transfers	2	2	68	74
Corporate services charges	925	925	882	882
Computer costs	110	1,850	1,645	3,777
Accommodation and office services	46	1,398	3,114	4,148
Communication	196	280	581	639
Training	53	130	232	282
Losses and compensation	65	83	11	11
Legal expenses	285	316	117	143
Partnerships and publicity	3,886	5,980	3,719	6,335
Private woodland grants	1,999	1,999	401	401
Research and development	12	12	280	280
Other expenditure	2,000	2,207	1,393	1,631
	10,360	16,575	13,232	19,971
Rentals under operating leases				
Land and buildings	491	497	1,980	1,980
Plant and machinery	-	-	60	60
	491	497	2,040	2,040
Forestry England funding	16,014	16,014	17,168	17,168
Forestry England capital grants	436	436	-	-
	16,450	16,450	17,168	17,168
Non-cash costs				
Depreciation	4	1,241	66	896
Amortisation	188	189	139	155
Loss on disposal of property, plant and equipment	3	97	110	113
Loss on disposal of intangibles	-	-	-	9
Provisions				
Provided in year	92	92	205	272
Not required and written back	(2)	(2)	(235)	(235)
Unwinding of discount	-	-	1	1
Notional charges				
Auditors' remuneration	45	84	43	81
Defra corporate services	553	553	353	353
	883	2,254	682	1,645
Total	40,667	59,900	46,817	65,291

1. Further analysis of staff costs is located in the Staff Report on page 34.

The Forestry Commission 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.

NOTE 3 Income

	Core £000	2019-20 Consolidated £000	Core £000	2018-19 Consolidated £000
Revenue from contracts with customers				
Forest Research MOU income from:				
Scotland	-	4,079	-	-
Wales	-	907	-	-
Other charges to public sector forestry bodies in:				
Scotland	1,806	4,429	5,314	8,197
England	285	1,571	4,473	5,797
Wales	47	149	1,590	1,930
	2,138	11,135	11,377	15,924
Project and partnership income	720	720	388	388
EU income	-	182	-	(77)
Other income	290	3,341	484	3,067
	3,148	15,378	12,249	19,302
Other operating income				
Rental income	-	-	533	533
	-	-	533	533
Total	3,148	15,378	12,782	19,835

Since 1 April 2019, forestry in the United Kingdom has been fully devolved. Therefore, the Forestry Commission no longer provides 'back office' services to the public sector forestry bodies in Scotland and Wales, or to Forestry England; this has resulted in a significant decrease in income, and related expenditure. In addition, Forest Research now receives Memorandum of Understanding funding directly from Scotland and Wales.

Internal income of £7,068,000 (2018-19: £11,295,000) 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 2019	1,380	18,537	5,298	33	1,168	26,416
Additions	-	-	529	-	1,122	1,651
Reclassifications	-	380	13	-	(393)	-
Disposals	-	(288)	(143)	(33)	-	(464)
Revaluation	37	105	(67)	-	-	75
Impairment	-	-	-	-	-	-
At 31 March 2020	1,417	18,734	5,630	-	1,897	27,678
Depreciation						
At 1 April 2019	-	10,342	2,931	31	-	13,304
Charged in year	-	778	463	-	-	1,241
Disposals	-	(52)	(138)	(31)	-	(221)
Revaluation	-	9	(26)	-	-	(17)
At 31 March 2020	-	11,077	3,230	-	-	14,307
Carrying value						
At 31 March 2020	1,417	7,657	2,400	-	1,897	13,371
At 31 March 2019	1,380	8,195	2,367	2	1,168	13,112
Asset financing						
Owned	1,417	7,657	2,322	-	1,897	13,293
Leased	-	-	78	-	-	78
Total	1,417	7,657	2,400	-	1,897	13,371
Asset ownership						
Core	-	-	-	-	-	-
Forest Research	1,417	7,657	2,400	-	1,897	13,371
Total	1,417	7,657	2,400	-	1,897	13,371

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 £1,241,000 (2018-19: £896,000) 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 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
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

NOTE 5 Intangible assets

	Software licences £000	Internally developed £000	AUC £000	Total £000
Cost or valuation				
At 1 April 2019	40	9,933	-	9,973
Additions	-	174	-	174
Reclassifications	-	-	-	-
Disposals	-	(6)	-	(6)
Revaluation	-	-	-	-
Impairment	-	-	-	-
At 31 March 2020	40	10,101	-	10,141
Amortisation				
At 1 April 2019	39	8,918	-	8,957
Charged in year	1	188	-	189
Disposals	-	(6)	-	(6)
Revaluation	-	-	-	-
At 31 March 2020	40	9,100	-	9,140
Carrying value				
At 31 March 2020	-	1,001	-	1,001
At 31 March 2019	1	1,015	-	1,016
Asset financing				
Owned	-	1,001	-	1,001
Finance leased	-	-	-	-
Total	-	1,001	-	1,001
Asset ownership				
Core	-	1,001	-	1,001
Forest Research	-	-	-	-
Total	-	1,001	-	1,001

	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	-	-	-	-
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

Amortisation of £189,000 (2018-19: £155,000) 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 2020 is £389,000 and is being amortised over nine more years.

NOTE 6 Financial instruments

Financial instruments by category

	31 March 2020			31 March 2019		
	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	-	75	75
Trade and other receivables (excluding prepayments)	5,362	-	5,362	3,358	-	3,358
Cash and cash equivalents	5,337	-	5,337	10,551	-	10,551
Less expected credit loss	(57)	-	(57)	(37)	-	(37)
Total assets	10,642	75	10,717	13,872	75	13,947

	Other financial liabilities		Other financial liabilities	
	£000	Total £000	£000	Total £000
Finance lease liabilities	149	149	148	148
Trade and other payables (excluding statutory liabilities)	5,192	5,192	4,369	4,369
Total liabilities	5,341	5,341	4,517	4,517

As the cash requirements of the Forestry Commission 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 the Forestry Commission expected purchase and usage requirements and the Forestry Commission is therefore exposed to little credit, liquidity or market risk.

NOTE 7 Trade receivables, financial and other assets

	31 March 2020		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade receivables	531	3,966	336	2,308
Provision for impairment	(57)	(57)	-	(37)
Trade receivables - net	474	3,909	336	2,271
VAT receivable	1	1	553	553
Other receivables	12	15	2	10
House purchase and other loans to employees	7	10	10	14
Prepayments and accrued income	55	1,343	202	1,164
	549	5,278	1,103	4,012
Amounts falling due after more than one year				
House purchase and other loans to employees	11	19	11	23
Prepayments and accrued income	4	9	7	18
	15	28	18	41
Total current and non-current	564	5,306	1,121	4,053

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

Trade receivables of £3,329,000 (2018-19: £1,639,000) were past due but not impaired as of 31 March 2020. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	2019-20		2018-19	
	Core £000	Consolidated £000	Core £000	Consolidated £000
At 1 April	8,327	10,551	7,014	8,667
Net change in balances	(4,884)	(5,214)	1,313	1,884
At 31 March	3,443	5,337	8,327	10,551
	31 March 2020		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Held at				
Government Banking Service	3,443	5,337	8,327	10,551
Commercial banks and in hand	-	-	-	-
Total	3,443	5,337	8,327	10,551

NOTE 9 Trade payables and other current liabilities

	31 March 2020		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade payables	600	887	549	549
Other payables	222	232	383	574
VAT payable	-	356	-	82
Other taxation and social security	209	209	204	423
Accruals	2,637	3,594	1,307	2,615
Deferred income	256	256	1,558	1,558
Contract liabilities	-	237	7	241
Finance lease payables	-	50	-	49
Payments received on account	-	242	-	390
Defra Supply creditor	5,337	5,337	10,551	10,551
	9,261	11,400	14,559	17,032
Amounts falling due after more than one year				
Deferred income	-	-	-	-
Finance lease payables	-	99	-	99
	-	99	-	99
Total current and non-current	9,261	11,499	14,559	17,131

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 2020	31 March 2019
	£000	£000
GBP Sterling	11,394	17,036
Euro	105	95
Total	11,499	17,131

NOTE 10 Contract balances

	31 March 2020	31 March 2019
	£000	£000
Contract assets	-	-
Contract liabilities	237	241

All income disclosed within contact 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 2019	660	-	660	676	-	676
Provided in year	92	-	92	92	-	92
Not required written back	(2)	-	(2)	(2)	-	(2)
Utilised in year	(691)	-	(691)	(707)	-	(707)
Unwinding of discount	-	-	-	-	-	-
Balance at 31 March 2020	59	-	59	59	-	59
Expected timing of discounted cash flows						
Not later than one year	59	-	59	59	-	59
Later than one year and not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
Total	59	-	59	59	-	59

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
At 1 April 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

Early departure costs

The Forestry Commission 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. The Forestry Commission provides for this in full when the early retirement programme becomes binding on the Forestry Commission by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of (0.5)%.

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 2020		31 March 2019	
	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	-	26	-	2
Later than five years	-	4	-	-
	-	37	-	9
Buildings				
Not later than one year	486	486	459	459
Later than one year and not later than five years	567	567	966	966
Later than five years	-	-	-	-
	1,053	1,053	1,425	1,425
Other leases				
Not later than one year	-	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	-	-	-
Total	1,053	1,090	1,425	1,434

Finance leases

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

	31 March 2020		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Plant and machinery				
Not later than one year	-	50	-	50
Later than one year and not later than five years	-	100	-	100
Later than five years	-	-	-	-
	-	150	-	150
Interest element	-	(1)	-	(2)
Present value of obligations	-	149	-	148

Finance leases for vehicles were transferred to Forestry England, which manages and services those vehicles, during 2019-20.

NOTE 13 Capital commitments

There were £3,077,000 contracted capital commitments at 31 March 2020 (2018-19: £nil). This is for a new entomology and pathology quarantine laboratory at Forest Research. Work is underway and is due for completion in March 2021.

NOTE 14 Other financial commitments

	31 March 2020		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	4,290	4,290	-	-
Later than one year but not later than five years	4,979	4,979	-	-
Later than five years	-	-	-	-
Total	9,269	9,269	-	-

The commitments in the table above represent the signed commitment values for grant payments for the woodland carbon fund, woodland creation planning grants and the urban tree challenge fund.

NOTE 15 Contingent liabilities disclosed under IAS 37

The Woodland Carbon Guarantee is a £50 million scheme that aims to help accelerate woodland planting rates and develop the domestic market for woodland carbon for the permanent removal of carbon dioxide from the atmosphere.

It provides the option to sell captured carbon in the form of verified carbon credits, called Woodland Carbon Units, to the Forestry Commission for a guaranteed price every five or ten years up to 2055-56. If preferred, credits can be sold on the open market rather than to the Forestry Commission.

The Forestry Commission's liabilities under the Woodland Carbon Guarantee are contingent on others deciding to exercise their rights to sell the Woodland Carbon Units to us. The limit of our liability under the Guarantee at 31 March 2020 is £2.6 million.

NOTE 16 Operating lease receivables

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

	31 Dec 2019		31 March 2019	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	5	-	5
Later than one year but not later than five years	-	20	-	20
Later than five years	-	63	-	68
Total	-	88	-	93

NOTE 17 Consolidated related-party transactions

Forestry Commission's agency Forestry England is regarded as a related party. During the year, Forestry Commission provided an annual subsidy of £16,014,000 to Forestry England.

In addition, Forestry Commission has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forestry Commission has had dealings are High Speed 2 Ltd, Scottish Forestry, Forestry and Land Scotland, Government Internal Audit Agency, and Defra.

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.

Woodland Grants

The Forestry Commission administers a variety of Woodland Grant schemes. The following payments were made in relation to these schemes:

Recipient	2019-20 £000	2018-19 £000
Sir William Worsley, Forestry Commissioner (chair)	30	-
Sir Harry Studholme, Forestry Commissioner (former chair)	1	-
James Studholme, brother of Sir Harry Studholme, Forestry Commissioner (former chair)	-	21
Tilhill Forestry clients, of which George McRobbie, Forestry Commissioner, is a director	381	267

Tilhill Forestry

George McRobbie, Forestry Commissioner, is a Director of Tilhill Forestry, a wholly owned subsidiary of BSW Timber Ltd. Tilhill Forestry buys timber and tenders for forest operations from the Forestry Commission. Transactions in year and balances at 31 March with Tilhill Forestry were as follows:

	Forestry Commission £000	2019-20 Forestry England £000	Forestry Commission £000	2018-19 Forestry England £000
Sales	4	8,073	-	5,860
Receivables	-	1,737	-	1,219
Purchases	1	144	14	132
Payables	-	3	-	-

Confederation of Forest Industries

George McRobbie, Forestry Commissioner, is a director, and Sir William Worsley, Chair, is a member of Confederation of Forest Industries (CONFOR), the representative body for the forest industries in the UK. Transactions in year and balances at 31 March with CONFOR were as follows:

	Forestry Commission £000	2019-20 Forestry England £000	Forestry Commission £000	2018-19 Forestry England £000
Sales	-	-	5	-
Receivables	-	-	-	-
Purchases	3	4	3	-
Payables	-	-	-	-

Maelor Forest Nursery Holdings Ltd

George McRobbie, Forestry Commissioner, has been a director of Maelor Forest Nursery Holdings Ltd, the largest private sector forest nursery and a wholly owned subsidiary of BSW Timber Ltd, since July 2019. Transactions in year and balances at 31 March with Maelor Forest Nursery Holdings Ltd were as follows:

	Forestry Commission £000	2019-20 Forestry England £000
Sales	4	520
Receivables	-	42
Purchases	-	184
Payables	-	-

Transactions outstanding at 31 March 2020 have subsequently been paid.

BSW Timber Ltd

BSW Timber wholly owns both Tilhill Forestry and Maelor Forest Nursery Holdings. George McRobbie, Forestry Commissioner, is a director of BSW Timber, Tilhill Forestry and Maelor Forest Nursery Holdings. During the year Forestry England made purchases from BSW Timber of £1,000.

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:

	2019-20 £000	2018-19 £000
Sales	1	7

James Hutton Institute

Ian Gambles, Chief Executive, 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:

	2019-20	2018-19
	£000	£000
Sales	130	33
Purchases	24	110

Forest Research made purchases of £24,000 plus VAT from James Hutton Institute in relation to a project focussing on global threats from *Phytophthora* (2018-19: £110,000). Sales invoices for £130,000 plus VAT (2018-19: £33,000 plus VAT) were raised for grants for Plant Health Centre projects and a review of evidence summaries.

Others

Some members of the Forestry Commission Executive Board and the Forest Services Board are also members of the Forestry England Board, and are directors or trustees of organisations for which Forestry England had transactions throughout the year. Details of these transactions can be found in the Forestry England Annual Report and Accounts 2019-20.

Key management compensation

Key management personnel are deemed to be the members of the Forestry Commission Executive Board and the Forest Services Board.

Refer to the Remuneration Report for further details of remuneration of the Forestry Commission Executive Board and the Forest Services Board.

NOTE 17 Events after 31 March 2020

In accordance with the requirements of IAS 10, events after 31 March 2020 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.

There were no reportable events after the end of the reporting period.

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