



Forestry England

Annual Report and Accounts 2020-21

HC 284

Annual Report and Accounts 2020-21

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Cover picture: Wild Ennerdale Flora in Cattle Grazed Fields, Forestry England



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Forestry England manages the nation's forests in England, providing environmental, social and economic benefits. It is an executive agency of the Forestry Commission.

Honours

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

- Mark Roger Warn, BEM - Wildlife Ranger, Forestry England. For services to Forestry.



The nation's forests had an estimated **296 million visits**.

145 hectares of new woodland were planted to expand the nation's forests.



7 million trees were planted.

1.3 million cubic metres were harvested.



40,294 households are members of their local forest.

1,700 hectares of recently felled forest were replanted.

The nation's forests cover **251,335ha**.

40% of people live within a 15-minute drive to one of the nation's forests.

98.3% of SSSIs (Sites of Specific Scientific Interest) are in favorable or recovering condition.



Forestry England were involved with **7 ongoing species reintroduction** projects.

Forestry England planted **65 different species**, 30 conifer species and 35 broadleaf species.



Our trees sequestered an additional **1.2 million of CO₂e**, adding to the **45 million tonnes** already stored in living biomass.

Performance report

Overview

The performance report overview provides the Chief Executive of Forestry England's views on performance over the year; the purpose and activities of Forestry England; the main issues and risks that could affect delivery of objectives; and a performance summary for the year.

Foreword by Mike Seddon, Chief Executive

This report marks the end of Forestry England's second year as a distinct entity within the Forestry Commission family. The services provided to everyone by the nation's forests continue to grow, and stronger connections are being forged between the forests and the communities they serve. I am proud to say that this has happened despite the major challenges of COVID-19.

In common with many businesses, COVID-19 has had a significant impact on every part of our organisation and what we have done. In context of this very serious and fast changing pandemic, Forestry England staff have shown themselves to be highly dedicated, resilient, and expert in working safely to continue our work. COVID-19 safe measures have enabled our work on the ground to continue throughout the year, while other services and business functions have swiftly moved online. Open access for people to enjoy exercise has been constantly maintained, and we have brought to market 1.3 million tonnes of timber.

We are delighted to be playing our part in delivering government's tree planting ambitions. A new team was established to take forward our programmes of woodland creation, which will lead to the most substantial expansion of the nation's forests for many years. In addition to this new programme, we completed 145 hectares of tree planting at Rushy Knowe in

Northumberland, during which we created special access for wheelchair using members of the local community to join in.

In year, we completed the redevelopment of the forest centre at Delamere in Cheshire, which is already proving popular with visitors. Contractors working with us on this exciting project have won awards for use of timber in construction and health and safety. With an energy performance certificate indicative of an A rating, the new centre is a flagship in our efforts to reduce our carbon footprint.

Nature conservation is a core pillar of what we do, and our headline ambition is to restore fully functioning ecosystems across forest landscapes. Over a quarter of the nation's forests are designated Sites of Special Scientific Interest (SSSI), and we are proud that 98.3% of those in our care are in favourable or recovering condition. Our sea eagle reintroduction to the Isle of Wight has gone from strength to strength, with a further seven birds released in summer.

This has also been a year for some firsts at Forestry England. We have:

- run our first ever television advertising campaign
- introduced two green social prescribing pilots in Chopwell Wood near Gateshead and Thames Chase in East London as well as forming new social prescribing partnerships in Surrey, Bristol and Nottinghamshire
- introduced a new incident reporting system to further the development of our health and safety culture
- worked in partnership with the Ministry of Justice and the Community Rehabilitation Company (CRC) InterServe Justice across Greater Manchester and Merseyside to establish a pilot project to deliver Community Payback opportunities
- rolled out of new IT structures to successfully enable remote working during COVID-19

- established BAME+R and Women in Forestry groups

The Board has provided expert challenge and support on a range of topics that have steered our direction. They have driven the development of our new five year plan to address the current challenges faced by society of people, nature and climate which is due for launch early in 2021-22.

Perhaps more than ever before, the year has served as a reminder of the importance of the natural world to the wellbeing and physical and mental health of the nation. The nation's forests have hosted 296 million visits by people - the highest amount we've ever recorded. This last year has served to fire our passion and energise us to go further in reaching even more of society, and to ensure that the nation's forests deliver ever increasing benefits for people, nature and the economy.

Purpose and activities of the organisation

Who we are

Forests care for us. Together we care for forests

For over 100 years, we have been growing, shaping and caring for over 1,500 of the nation's forests for the benefit and enjoyment of all, for this generation and the next.

What we do

We care for more land and trees than any other organisation in England, shaping landscapes for people, wildlife and timber. We've built over 1,800 miles of walking, running and cycling trails, supplying England's largest amount of sustainably sourced timber, and conserving the homes of thousands of plants and animals.

Why we do it

Forests are vital for the future of our planet. They improve the health and wellbeing of everyone and with careful planning and expert management, our

forests will continue to thrive. Our productive forests play an important role of supplying sustainable timber and forest products for commercial and industrial purposes and play an important part in the efforts to replace plastics and fossil fuel based materials. They help to offset carbon emissions, restore eco systems and provide people of all ages and abilities with fresh air and spaces to breathe. We are always thinking beyond today, planning and planting forests that will help create a sustainable future.

Find out more about us at www.forestryengland.uk.

Our values

The Forestry England values reflect the behaviours that are most important to us. They are at our core and guide the decisions we make in our stewardship of the nation's forests.

Think beyond a lifetime

We make plans today for a better tomorrow, so our business and our forests are sustainable and fit for the future.

Be adventurous

We approach challenges with creativity and adventure, embracing research and innovation to stay relevant.

Do it together

We get our best results when we work with others, and we encourage diverse perspectives, so we make better decisions.

Look out and look after

We care about our colleagues, volunteers, partners and customers, and we take a stand against unsafe behaviours.

Our objectives

We have five strategic objectives that drive all we do to succeed.

Growing superb forests

Superb forests support sustainable business, enhance people’s health and wellbeing, provide diverse habitats for wildlife and are resilient to change. They are cared for by experts.

Being an outstanding organisation

As an outstanding organisation, Forestry England always aims to be well led and full of diverse, motivated and skilled people.

Increasing natural capital

Natural capital value is increased by more benefits being delivered via the nation’s forests.

High quality investments and sustainable finance

Forestry England needs to maintain balanced finances, ensuring delivery is affordable in the short term and sustainable in the long term.

Telling our story

Sharing what we do, and the benefits the nation’s forests provide to wildlife and society will help those benefits to grow. Increasing awareness and understanding.



Performance analysis

How have we done over the past year?

The COVID-19 pandemic has affected every aspect of our work throughout this year, bringing huge challenges to our people, our partners, and our business. Yet, despite this unprecedented struggle, as one Forestry England team we showed enormous commitment, strength and resilience to step up and support people to access the multitude of benefits the nation's forests provide.

Growing superb forests

The nation's forests support sustainable business, are places where people's health and wellbeing are improved and where wildlife thrives. Cared for by experts, we are building the resilience of the nation's forests.

Growing superb forests is at the heart of the organisation and the public benefits that it delivers. Our expert and sustainable land management operations have continued throughout the pandemic, due to the dedication and adaptability of our expert staff changing their ways of working. This year we have delivered:

- 251,335 hectares of land management
- 1.3 million cubic metres of sustainable timber
- replanting of over 1,700 hectares of recently felled forests
- an additional 144 hectares of planted ancient woodland sites (PAWS) which have been restored to over 80% by canopy cover of native species

Plant and seed supply

Forestry England nurseries continued tree seedling production throughout, working hard to adhere to social distancing protocols

and adapting working operations to carry out priority work.

During June, the team at Wykeham nursery adapted two lining-out machines to keep staff safe from coronavirus and to continue their essential work.

The team worked closely with Health and Safety colleagues and Trade Unions, to ensure the modification was strong and safe. The machines are used to plant seedlings in beds until they are big enough for planting in forests and woodlands.



Figure 1: Seedling planting at Wykeham Nursery

As a member of the 'Pioneer' group of nurseries involved in the Plant Healthy certification scheme, Forestry England and the Plant and Seed Supply team continue to demonstrate a commitment to plant health and biosecurity. Our forest nurseries were among the first in the country to achieve certification last year. We aim to continually improve biosecurity measures across our sites and ensure that plant health is prioritised throughout our supply chain.

The Plant and Seed Supply team completed the upgrading of our refrigeration unit, ensuring long-term viability of our cold-storage facilities at Delamere. The use of green technology in this solution will contribute to lowering our environmental footprint. We are progressing new projects for irrigation improvements, seed processing unit development and modernisation of our production methods.

Following an unsuccessful tender application for Natural Resources Wales supply, Plant and Seed Supply carried out a full analysis of the marketplace within

which it operates. This process identified significant risks associated with future supply to Forestry and Land Scotland and initiated the creation of a business case recommending the closure of our Wykeham nursery. After gaining board approval, a consultation with trade unions was undertaken but no viable alternatives have been found and the decision to close Wykeham Nursery on 31 March 2022 has been confirmed.

The future strategy for Plant and Seed Supply is to ensure that it provides a resilient and efficient supply of trees to Forestry England. To achieve this Plant and Seed Supply will continue to modernise production practices, mitigating against the impacts of climate change, soil degradation and labour-supply issues.

Building forest resilience

Our approach to building the resilience of the nation's forests follows the principles of making habitats bigger, better and more connected.

Throughout the year our continuous drive to build the resilience of the forests to the impacts of climate change has continued.

Despite pressures through COVID-19 we have maintained projects and connection to the important work of Forest Research, investing in science and research. For example, we are developing a biodiversity indicator that will give insight into how our woodlands across England are performing for nature's recovery. We are also investing in the concept of Forest Development Types. These will be a useful tool to help us deliver diverse and resilient forests of the future.

Unfortunately, our planned species trials were not planted this year, as we needed to prioritise other work in response to COVID-19. We have plans to carry out this planting during 2021-22 adding a further trial at our Pleasant Farm site in Kent. Growth and survival data from the ongoing

series of trials is being collected and will be drawn together into a report in a couple of years.

Additionally, Forest Research are studying other plantings of alternative species that we have carried out over recent years. This will give us useful insight into the potential of these species to support our forests for the future.

Expanding the nation's forests

Our ambitions are not only to grow superb forests but also to expand them.

In April 2020 we completed the purchase of the 107 hectares Monkridge site for woodland creation.

We purchased the freehold title part of Thetford Forest, securing 2,500 hectares (6,177 acres) of forest, heathland and river valley for the nation's forests for future generations at Croxton.

Thetford Forest is England's largest lowland pine forest, covering around 20,000 hectares and straddling the border between Norfolk and Suffolk. It is the largest single landholding within the Brecklands, an area of lowland heath and forest designated as a Special Protection Area and a SSSI.

The freehold purchase also creates the opportunity to expand our recreation offer in the region.

Woodland creation

Empowered by the government's ambitious targets for the England Tree Planting Programme (ETPP) and Nature for Climate Fund, we have developed plans for new woodland creation and revitalising our role in woodland creation in England.

We want to see the nation's forests expand, commensurately increasing the public benefits they provide. We have established a new team to lead this using a new, innovative leasehold model for land

acquisition. We are calling this the Forestry England Woodland Creation Partnership, as at its core will be the formation of new partnerships between Forestry England, landowners and funders to drive forward woodland expansion.

Initially, we aim to create 2,460 hectares of new woodland over the next five years, enabling greater reach into communities and providing support for wildlife to thrive.

We are starting strong. The 145 hectare Rushy Knowe woodland creation site in Northumberland, completed this year, is the biggest we have established for decades and marks a starting point for renewed woodland creation activity over the coming years

Peatland restoration

This year we have pushed forwards vital restorations of peatland habitats across the country from Cornwall to Northumbria.



Figure 2: Border mires at Kielder, Northumberland

There are 55 mires that make up the collection of the Border Mires. The mires were formed at the end of the last ice age over 10,000 years ago. This collection is considered to be the most important collection of mires in England. Restoration work began on the mires 50 years ago and was undertaken by a group of volunteers, some of whom are still involved with the work being carried out today.

£175,000 of funding from Defra has been used to restore four mire sites using a variety of methods including removal of planted and self-seeded trees and completing the restoration blocking of

drains. Drain blocking raises the water table of the mire to allow the mosses and plants to regenerate, with the area then better able to become an active peat bog again.

Across the sites we have carried out 23 hectares of mulching and 3,612 metres of ditch blocking to advance these restorations.

“It has been an exciting opportunity to be part of a team to carry on this important conservation work in the restoration of the border mires. The restoration of these important peat bogs will not only have a positive impact on climate change for the future, but also creates diverse habitats within the forest district. Having this environment diversity enables a wide range of flora and fauna to regenerate and thrive.” Wayne Penrose, Forest Craftsperson

At Davidstow Woods near Bodmin, work has been carried out to improve this site’s ability to support the adjacent Crowdy Marsh Special Area of Conservation (SAC) and SSSI. Interventions such as ditch blocking, brash management, pond creation and water management will deepen the connection of this site to its wider ecological landscape. Not only benefitting wildlife, these works improve and sustain the peatland and its capacity to absorb and store carbon.

Sustainable business

COVID-19 changes to our budget mean we have generated around 76% of Forestry England’s income through trading activity, enabling us to deliver growing and sustainable benefits from the nation’s forests to people, nature and the economy. This percentage of income self-generated is slightly lower than the previous year, but our forward plan sees this return to 80% or higher.

Timber

Forestry England’s supply of timber is critical to the UK wood processing sector.

Throughout the year we have maintained timber production, our planting programmes and sustainable forestry work providing valuable support to business throughout the UK. The expertise of our staff, taking innovative approaches to forest operations ensured COVID-19 safe working practices were put in place quickly. These adapted working practices, coupled with the investments we have made in recent years in the use of technology for online and virtual timber sales meant that our supply of timber was as strong and dependable as ever. Our staff, contractors, partners and customers were able to keep working and continue to manage and improve the nation's forests, supplying vital timber to the wood processing sectors through this time of uncertainty.

Over the year, our pre-pandemic supply and timber income targets were met without interruption. The total value of the 1.3 million cubic metres of timber sold amounts to over £52 million. Over the course of the year Forestry England saw price records broken with green logs breaking the £100 per cubic metre mark.

During the 2021 March sale, the average number of bids per lot hit a new high at 6.2, which is up from an average of 4.1 in January and 4.3 in November and putting Forestry England in a good financial position for the next financial year.

Recreation

The circa 1,500 forests in our care provide vital local spaces for recreation and physical exercise, providing a place for enjoyment, health, and respite to support people's health and wellbeing.

While the public facilities in the forests were closed for the early weeks of the first lockdown, the forests themselves continued to provide vital access to greenspace for exercise and recreation in line with Government guidance at the time. Our agility and professionalism ensured we were able to open visitor-centre sites to the

public as soon as possible, reopening in May 2020. Applying COVID-19 safe practices quickly and effectively ensured vital outdoor spaces for exercise were available where and when people needed them most. People visited in their millions, connecting to their local forests every day. This connection to nature that the nation's forests offer is critical to the country's wellbeing. We are working hard to ensure these become lifelong relationships.

Throughout this year, unfortunately COVID-19 restrictions have impacted considerably on our volunteering programme, with a large proportion of the year having volunteer activity paused or considerably constrained. This has further shown the extensive breadth of support volunteers, both Forestry England directed, partnership and third-party groups play in the management of the nation's forests. We are now actively welcoming back volunteers within the parameters of government restrictions and continue to see demand from prospective volunteers to come and support our extensive work.

Community Payback pilot project

Working in partnership with Interserve Justice and the Ministry of Justice, a pilot project has been established to look at the viability of delivering Community Payback across the nation's forests in Greater Manchester and Merseyside. This work aims to support positive community payback that benefits local communities and contributes to the management of the nation's forests through completion of site-based tasks.

Visitor profiles

This year has seen unprecedented numbers of visits made to the nation's forests. In total, we estimate that 296 million visits were made. This is around 75 million more than the previous year; an increase of around 35%. This increase reflects the vital role the nation's forests have played in people's lives this year as accessible

outdoor spaces for recreation, exercise and contemplation.

Unsurprisingly, as the pandemic has impacted individuals and communities dramatically, we have seen changes in the age demographics of our visitors this year. Most notably, around 14% fewer people aged 65 or older visited this year with similar decrease in visits by those with children within the household.

The proportion of people who visited more than once increased by around 5%, with fewer people visiting once every three months and more people visiting once per week. It is this increase in regularity that has driven the increase in overall visits this year.

The profile of visits made to our forest centres is reflected in the income figures as one of the financial stories of the year.

Inclusive infrastructure

This year our landscape architecture and civil engineering team have developed guidance for designing and installing infrastructure to make experiencing the nation's forests more inclusive.

This guidance will play a key role in how we improve our offer over the coming years. Our expert staff shared this guidance with an international conference in February 2021, illustrating once again our ground-breaking innovation and world-class standards of delivery.

Forest Live concerts

Due to national measures to combat COVID-19 in England, unfortunately our Forest Live concert programme was cancelled for 2020 and tickets were refunded.

Forest Live 2021 has been postponed to 2022 with all artistes transferred to 2022 and ticket holders' tickets transferred unless a refund is requested.

Winter illuminated trails

Enchanted Christmas 2020 at Westonbirt National Arboretum was successfully delivered in very challenging circumstances around ever-changing COVID-19 considerations. However, all dates were completed, and record ticket sales were achieved.

Christmas at Bedgebury was scheduled to run for 33 nights and a total capacity of 103,000 people. The Tier 4 government announcement on 19 December 2020 affecting Kent resulted in the trail having to close. Before stopping, 52,000 people had attended over 17 nights. A slightly better than break-even financial position was achieved in addition to the forest connection and joy experienced by all those who attended.

Businesses on the estate

The benefits delivered to society through the nation's forests are critically dependent on many partners and contractors. Working together with our partner businesses we agreed flexible arrangements such as rent deferral and temporary changes to payment terms to manage the financial impact, sharing the burden and getting through COVID-19 together. While many businesses on the estate have had to close for at least part of the year with cafes, bike hire, high ropes and nets courses and Forest Holidays cabin sites all severely impacted and Camping in the Forest not opening its sites for the 2020 season, the bounce-back has been very strong.

Many of our business partners adapted their offer and working practices to be ready for re-opening as soon as possible, providing customers with excellent service and resulting in strong trading, making the most of the millions more visits made.

Health and wellbeing

The past year has highlighted more than ever the importance of the nation's forests to the health and wellbeing of the nation.

The informal access that the nation's forests provide offer hundreds of thousands of hectares of safe, open spaces for exercise and contemplation. Our forests play a vital role in millions of people's lives every year.

In addition to this critical public benefit for the nation, Forestry England invests in programmes to support specific activities and groups to further support people's health.

Active Forests

Our Active Forests programme, run in partnership with Sport England is a key part of our offer to support healthy lifestyles. Unfortunately, due to the pandemic, many of the Active Forests activities had to be postponed or cancelled during 2020.

However, we embraced the challenge and did what we could. Working in partnership with North Yorkshire Sport, four virtual 5km canicross (cross country running with a dog) events were run across Dalby using the online platform Strava. This demonstrated another innovative use of technology and a great way to engage with new audiences.

Forestry England teams supported a study by Forest Research on people's engagement with nature before and during the COVID-19 restrictions. The report illustrates how people felt that being physically active helped them to manage the impacts of COVID-19 on their wellbeing with two-thirds of survey respondents reporting an increase in 'time taken to appreciate nature', 'level of happiness when in nature' and 'feelings of connection to nature'.

Forestry England is partnering with Country Walking magazine during 2021 as their key nature partner for a Walk 1,000 miles campaign.

Green social prescribing trials

The Active Forests social prescribing pilots were due to launch at the end of 2020 at Chopwell in Northumberland and Thames Chase, East London. However, due to national and local lockdowns, face-to-face delivery has been postponed until safe to go ahead. The formation of new social prescribing partnerships in Surrey, Bristol and Nottinghamshire in which we will be a partner, will expand our social prescribing work.

Forests at home

Research suggests that connection with nature is more important for mental wellbeing than simple exposure to nature. As lockdown restrictions prevented many people from travelling to or accessing green spaces, our 'forests at home' resources were developed with the aim of keeping people connected to nature during the strictest of the government advice to stay safe at home.

Useful tools for people's mental, physical, and social wellbeing were developed such as creative storytelling, and tips on switching off to escape technology and guided exercises in forest bathing.

Resources were also developed for children and families to support their wellbeing and assist with home learning. For example:

- Activity sheets that include:
 - Forest Bathing at Home for children
 - Become a Tree Explorer
 - Beginner's Guide to Stargazing
 - Fantastic Forest
 - Tree Top Trumps
- A 'forest fix' email full of activities and free downloads to keep the children busy and help the whole family remain connected to nature whilst staying at home

Over 19,000 downloads were made of our Tree Explorer activity pack, Forest Bathing at Home and Stargazing for beginners.

Throughout the campaign Forestry England had 329,000 impressions on Facebook and Twitter and saw a total of 19,275 engagements which was fantastic.

Commonwealth Games

We are immensely proud that Cannock Chase Forest will support the hosting of the 2022 Birmingham Commonwealth Games Mountain Bike Competition. Forestry England are working closely with British Cycling, Sport England, The Commonwealth Games Organising Committee, Cannock Chase District Council and Staffordshire County Council to deliver this and are grateful for the £815,000 of support being invested across three years, with £339,000 of this in 2020-21.

This funding is linked to the hosting of the competition itself, to ensure adequate infrastructure as well as providing a legacy for Cannock Chase Forest, the wider Area of Outstanding Natural Beauty (AONB) and local communities.

The project will deliver:

- the competition trail
- a new moderate 'blue' trail removing existing trail segments from the highly valuable habitats of the SAC
- an innovative new 'Bike Play' trail aimed at very young riders
- a communication and engagement programme targeted at getting more people to ride and increasing awareness of the sensitive and protected SAC habitats and AONB landscape.

Learning and education

Unfortunately, due to COVID-19 restrictions, our learning offer at our sites has either stopped or been dramatically reduced. Our learning teams have been working closely with our learning partners to offer support during this challenging year.

"The importance of children's health and wellbeing over the last year has been

highlighted by the pandemic. In response our Education Development project connected with teachers and their pupils with some online resources including virtual forest yoga sessions." Sarah Wood, Learning Manager at Forestry England

Ensuring children are connecting with nature is important to children's health and wellbeing. Over the last year the interest for delivering learning activities in the nation's forests has seen an increase in enquiries (from potential outdoor providers).

Learning permissions

At the start of the year, as the pandemic began, we had 120 learning permissions operating; this includes outdoor education providers and schools who regularly use their local wood. During the first lockdown only four were able to continue operating but during the year a further 62 have restarted. Approximately 50 intend to restart once restrictions are eased.

Learning engagements

During 2020-21 a total of 13,598 young people were engaged in an educational offer in our nation's forests (during 2019-20 this figure was 85,078); a decrease of approximately 85%.

As part of this figure the learning permission holders engaged with 4,919 young people compared to 52,390 in 2019-20; down by approximately 90%.

Being an outstanding organisation

As an outstanding organisation, Forestry England always aims to be well-led and full of motivated and skilled people.

The pandemic offered the opportunity for many teams to work more closely together than they ever had. Forestry England brought forward investments to complete the rollout of Windows 10, enabling staff to carry out online meetings through MS Teams

and ensure that business was able to continue.

The introduction of Microsoft 365, including MS Teams, meant teams were able to work flexibly from different locations. This proved to be a powerful way to draw upon many channels of expertise, access wider networks, share information and create connections that will continue far into the future.

Leadership

As the pandemic escalated in severity, we initiated a COVID-19 Programme to ensure a coherent and joined-up approach across the organisation and to ensure Forestry England was aligned to the emerging government rules being put in place.

The key outcome of the Programme was to ensure safety as well as the resilience and sustainability of Forestry England through and following the pandemic.

Five initial work streams were identified, defined and resourced with key leaders from across the business taking responsibility to deliver outcomes. By aligning the governance of the programme with existing structures including the Executive Team and Forestry England Board we set in place an efficient and effective model for transparent, swift decision making.

This model allowed key decisions to be made which ensured clear communication of action, put in place the protocols needed for our people to work safely and reduced the long-term impacts on our partners and our business activity by diverting resources and re-profiling finances.

The Programme is ongoing, continuing to provide the structure for our ongoing management of COVID-19 safe working practices in line with legislation and guidance.

While many colleagues worked remotely from home, we know being in the office at times can be critical to some people's wellbeing. Therefore, throughout the lockdowns, the option was open to staff to come into the office if there was a genuine need for work or personal reasons. Offices underwent a variety of adjustments in all our workplaces to make them COVID-secure, so if staff needed to come in to work, it was safe to do so.

However, a majority of our teams continued their work on the ground at our forest centres welcoming visitors or managing forests. Harvesting Forester Alistair Burton was one such member of staff keeping timber supply moving. He commented on how "Vital products like pallets, cardboard packaging, and the production of energy are all essential at this time. One of our customers was involved in the supply of chipboard for the new Nightingale hospitals – a further indication of the importance the timber industry can play, especially in a time of national crisis."

All Forestry England teams have adapted throughout the year and are using technology to deliver first-class customer services. One example of this is the new click and collect Christmas tree ordering system at Dalby. Partnership working with the onsite cafe and a tightly managed onsite set-up proved to be a real success, providing a safe, reassuring way for people to buy their trees.

Another fantastic example was during July, where the North England Forest District hosted a virtual national timber tender sale using e-sales and with the awarding team meeting from various locations via MS Teams.

"The result from this event is very positive for us as an organisation and for the timber industry itself. All the hard work by districts in preparing parcels during the lockdown period, when others shut up shop, has reaped dividends. After a very uncertain initial reaction at the start of lockdown, it

shows a market strongly recovering to serve the needs of an economy that is fighting back in the face of coronavirus.” Wally North, Head of Forestry and Timber for Forestry England.

Impact of Coronavirus Job Retention Scheme (CJRS)

Following discussion with Defra, and uniquely within the Forestry Commission, Forestry England was able to access the CJRS (furlough), as certain jobs could not be undertaken under COVID-19 regulation. Approximately 40% of Forestry England staff, around 400 posts, were furloughed from 1 May 2020, returning on a phased basis, with all staff returned to work by the start of August.

Changing the way we work

We initiated a Lessons Learned project to review our response to the pandemic and take learning from it. A key finding related to flexible working, based on which we commissioned work under the title ‘Changing the Way We Work’. This is focusing on four areas of potential improvement:

- blended office, site and home-based working
- work related travel
- on site and in-person meetings
- technology and connectivity

A number of key principles for each area have been agreed and we will implement the project’s findings in 2021-22.

Business sustainability

Five-year plan

We have engaged widely throughout Forestry England to develop a refreshed set of priorities for the nation’s forests. In line with national and global statements of ambition such as within the upcoming England Trees Action Plan and the government’s 25 Year Environment Plan, we

are setting out how we will enable the nation’s forests to respond to the most pressing issues of the day: people’s health and well being, the biodiversity crisis and the climate emergency.

Performance evaluation

We have refreshed our organisational Key Performance Indicators (KPIs). Guided by the Forestry England Board we have developed a suite of measures which illustrate and reinforce the purpose of Forestry England and our approach to management of the nation’s forests.

These KPIs, reported through this document, are directly connected to our stated purpose and key policy requirements.

In addition, we have been evolving our in-year performance evaluation through a refreshed quarterly scorecard. This will continue to evolve in line with the five-year plan and is a key step in cementing our data-supported decision-making culture and our natural capital approach to managing the nation’s forests.

Improvement Programme

Our Improvement Programme has been developed from a shared ambition to continually improve the way we operate and to help us achieve our five strategic objectives.

There are currently 31 cross cutting projects on the programme with nine completed during 2020.

By ensuring that identified improvement projects are an organisational priority, Forestry England can provide a structure for the delivery and realisation of their benefits.

Decarbonising our business

This year we completed the audit of our scope 1 and 2 CO₂ equivalent emissions. Based on this understanding of where our

emissions come from, we are developing a prioritised action to achieve net-zero emissions by 2033.

Going further, we will look beyond our direct emissions to see how we can support decarbonisation of the wider supply chains we are part of by auditing our scope 3 emissions

People

At Forestry England, we know that we are stronger as a business when our workforce is diverse and inclusive. We want and need to be better at this.

BAME+R inclusion group

A Black, Asian, Minority Ethnic + Religious inclusion group was launched in early 2020 to champion the many different backgrounds and voices of colleagues - in our internal culture, recruitment and when attracting visitors to Forestry England forests. The Group has three goals:

- increase the BAME+R diversity of our workforce
- ensure our BAME+R workforce feels included
- increase the BAME+R diversity of those who connect with and visit the nation's forests

Women in Forestry programme

New operational guidance was launched during the year to set consistent, improved standards for the provision of worksite welfare facilities. Budget provision has been made to enable the implementation of these new standards over future financial years. New arrangements for procurement of female fit personal protective equipment were also introduced.

Our Women in Forest programme board has also taken forward the launch of Equally Yours; a new board game being rolled out across the Forestry Commission which will

help people think about issues of diversity and inclusion.

On International Women's Day in March, we also launched an internal campaign, "Challenge it, Change it" to address outdated views on women in forestry.

LGBTQ+ Supporters Network

The LGBTQ+ Supporters Network is open to everyone and provides a place to champion and support lesbian, gay, bisexual, transgender and questioning colleagues across the organisation. This includes support with coming out at work, fairness and respect at work, and ensuring that our policies and practices are inclusive to LGBTQ+ colleagues. It seeks to help make Forestry England an inclusive environment where everyone can be themselves and achieve their best.

Improving our health and safety reporting

We engaged staff to inform the development of our new accident and incident reporting system, resulting in a new system that is easier to use and accessible by a mobile app for reporting when away from an office.

The system can also produce a graphical dashboard for managers, with an overview of what has been happening in their own team and across the business.

We also initiated a new project to focus on health and safety culture in Forestry England, the results from which will become known in 2021-22.

Technical training

Following the initial COVID-19 lockdown, Technical Training adopted an agile approach to reviewing and resuming training activities, recognising that a considerably different approach was needed. Essential training has continued to be delivered where required in full compliance with Government and Forestry England COVID-19

protocols. Actions, including the establishment of an apprenticeship manager, have been taken to secure the long-term future delivery of apprenticeships. The administration team have adapted well to meet the new challenges, while concurrently adjusting quality processes to encompass the new iTrent Career and Development Module.

Increasing natural capital



Figure 3: Community planting for woodland creation at Rushy Knowe, Northumberland

Delivering value sustainably

This year we have continued to invest in our natural capital approach to managing the nation's forests. An approach that ensures the growth of value is sustainable over the long-term.

We published our fifth Corporate Natural Capital Account. This reported an estimated net value of natural capital assets managed by Forestry England to be £24.4 billion. The technicalities of calculating this mean that we report on the previous year's value due to data collection and calculation timings, thus this reported value is based upon data from 2019-20. In addition to the financial values produced in the Balance Sheet, our Asset Register shows that the extent and quality of the habitats we manage continues to increase and improve, whilst also providing significant value for people.

Building upon the evidence base that has underpinned this world-leading work, we have for the first time been able to include the value of carbon stored within the forest soils. This has almost doubled the stock of carbon accounted for within the nation's forests, highlighting just how important the maintenance of soil condition is to the challenge of the climate emergency as well as playing a vital role in the health and resilience of our forests and other habitats.

Decision making

A key aspect of our approach is to link the overall natural capital value to day-to-day decisions within the nation's forests.

We introduced a new role of Natural Capital and Forest Resilience Programme Manager. Through this resource we will continue to strengthen our understanding and application of natural capital concepts into the sustainable management of the nation's forests.

We used our natural capital decision tool to help optimise the design of a new woodland. A short video available on YouTube (search for A Forest for the Future - Rushy Knowe woodland creation) shows how the tool and expertise of staff and volunteers has brought this site to life. Mark Child, our Head of Planning in North Forest District describes how, 'The tool used habitat data for the site and then looked at how varying woodland designs would deliver aspects of natural capital, whether for tourism, timber, climate and biodiversity.'

Sector leading

Our expertise in natural capital accounting and its application within sustainable land management continues to be highly valued and recognised.

In November, we presented our work to an event hosted by the Natural Capital Committee.

To be invited to showcase our approach and tell our story at such an event, alongside key organisations such as the Office for National Statistics who generate the UK wide natural capital account shows the esteem with which our natural capital work is regarded.

To read about our natural capital approach please see our website.

High quality investments and sustainable finance

Forestry England needs to maintain balanced finances, ensuring delivery is affordable in the short term and sustainable in the long term.

Immediately with the first lockdown there were early concerns with Forestry England's finances and cash flow due to the unusual and uncertain trading environment for recreation and timber. To mitigate risk, steps were taken to respond to a forecast budget deficit as a result of the COVID-19 pandemic, a new set of targets for the year were developed based on the most likely scenario. To ensure the targets were met, some activities were deferred or stopped, including a moratorium on recruitment of new posts; deferral of some forest restocking; reductions in site maintenance and road and bridge repairs; suspension of non-contracted value for money capital investments.

As the year progressed, further lockdowns, together with the impact of regional tiers and other controls, further impacted on trading negatively, including as previously mentioned on the Winter Illuminated Trails and Forest Live events.

In January 2021 Defra confirmed provision of £5.5 million of COVID-19 support funding to deliver key policy, biodiversity, and legal outcomes, in addition to value for money and health and safety related investments.

This funding, combined with a steady rise to trading activity from early summer 2020,

particularly supported by the increase in visitor numbers to our sites, has meant that cash reserves were rebuilt ahead of target by the end of 2020-21.

Investment programme

During 2020-21 Forestry England deferred and refocused its investment programme to support the cost control measures the organisation enacted. This meant that out of the 42 approved in principal projects only nine continued to be delivered to the next phase of the Project Lifecycle.

Delamere's £9 million redevelopment

Amid COVID-19, Forestry England and construction firm Willmott Dixon completed, on schedule, the redevelopment of the Delamere Forest visitor centre and its new facilities for the 750,000 visitors that we welcome every year.

The £9 million redevelopment project, the largest we have ever commissioned, has seen the build of a large eco-friendly timber framed visitor welcome building housing a new café, event spaces and toilets with registered Changing Places facilities. There is also a new and improved cycle centre, new access roads and improved car parking, with automatic number plate recognition, for 500 cars.

Sustainability has always been at the forefront of this project design with roof top solar panels, a ground source heat pump, a sustainable drainage system in the car park and infrastructure to enable rainwater harvesting being key parts of the redevelopment project.

Our contractors noted how unusual it was to have a client on site (Forestry England) with an open-door policy, who were approachable and quick to respond. The contract was a success because there was a single timeline and one team, the programme was set out early and risk was agreed at the start. There was flexibility within phases, which allowed the contract

to continue during COVID-19. Even delays that were out with our control, like utilities, could move into a later phase and not delay the programme, when other projects with different clients have had up to 33 weeks of hold-ups to their delivery due to COVID-19.

Delamere Forest is also home to a GoApe high wires course, a successful learning provider for schools and a soon to be opened Forest Holidays cabin development. This redevelopment project is key in helping people better experience the benefits of spending time in nature.



Figure 4: The completed Delamere site

“It’s been with immense pride that we have seen this project continue. Willmott Dixon have been proactive in facing the challenges COVID-19 has brought to us all and quickly found ways of working that let the construction continue while still ensuring government guidelines were met and safely adhered to. To be able to deliver this project on time for the visitors of Delamere Forest, has been an amazing achievement for all those involved.” Paddy Harrop, Forest District Manager.

“It is thanks to the strength of the relationships and collaboration between our team, Forestry England and all our local design and supply chain partners that we have overcome the unprecedented challenges of the last few months, completed the project, and, most importantly, kept everyone safe on site.” Anthony Dillon, managing director for Willmott Dixon in the North.

Investment in new campsite

In 2015-16 an option was granted to Camping in the Forest (CITF) to develop a new campsite at Sherwood, including the provision of funding from Forestry England to enable the development. CITF successfully gained planning consent and have completed works to create the new site. The required landlord investment was paid this year.

Corporate partnerships

This year Forestry England has confirmed £132,000 of corporate support to enable the planting of over 17,000 trees and contribute to wildlife conservation projects across the nation’s forests.

- BNP Paribas, to plant 9,000 trees at the Straits Inclosure, near Alice Holt in South Forest District
- BNP Paribas, to plant 2,000 trees at Ranmore, Surrey and employee volunteering
- DPD Green, the sole corporate supporter for the recovery of Wareham Forest following the devastating fire in May 2020
- Mace, investing in Thames Chase to plant 4,000 trees and create additional habitats for wildlife plus additional fees for employee volunteering and considerable pro bono work
- Ecotricity, in support of tree planting and conservation
- Ground Control, to plant 2,000 trees at West Wood, Farley Mount in Hampshire

Telling our story

Increasing awareness and understanding and sharing what we do; the expertise we bring and the benefits the nation’s forests provide to wildlife and society is key to enabling those benefits to grow. Through the year there has been a wide variety of activities taking place, the highlights of which are below.

Web and social media users

Through the pandemic we have continued to tell the story of Forestry England through our communications, web, and social media teams. These teams have played a critical part in communicating COVID-safe ways of enjoying the forests as well as connecting people to the nation’s forests from their homes.

There was a sharp rise in reach and engagement on the website and social media during the pandemic. We capitalised on this by creating content to engage people, increase their awareness of our brand, and by creating resources to help grow our database quickly. Early signs in 2021 show that the digital surge is slowing down.

Year	Web users	Page views	National social followers and email subscribers
2019	3.3 million	12.5 million	162,000 followers and 290,600 email subscribers
2020	5.2 million	19.6 million	211,000 followers and 380,000 email subscribers
2021 1 Jan to 29 March	958,000 3.8 million projected	2.8 million 11.2 million projected	223,000 followers and 395,000 email subscribers

First ever advertising campaign

Forestry England launched its first ever advertising campaign to introduce Forestry England to the public on the International Day of Forests in March 2020 and ran over April and May 2020, demonstrating the breadth of our work. Despite coinciding with the first lockdown, it was measured to have had impact raising awareness of Forestry England.

Earth Photo

Developed jointly with the Royal Geographical Society (with the Institute of British Geographers), Earth Photo aims to stimulate conversations about the world, its inhabitants and our treatment of both. An expert panel, chaired by award-winning photographer Marissa Roth, selected around 50 works to be exhibited at the Royal Geographical Society, London and at three Forestry England sites. The awards ceremony had to adapt due to the second lockdown and the impact that had on filming and logistics. It was held solely on social media and on-line, in a condensed format.



Figure 5: Earth Photo winner JONK - ‘Coffee Shop, Abkhazia’ (2019)



Figure 6: Earth Photo hosted at Moors Valley Forest and Country Park

‘A Year in the Forest’ ITN/Channel 5 documentary

The four-part series, commissioned by Channel 5 as part of our centenary, will be set in Kielder Forest, showcasing the changing seasons in England's largest working forest managed by Forestry England.

From the story of timber to mountain bike races to the lives of otters, osprey, bats and birds, the series will capture how we look after our forests for people, the economy and nature.

The documentary is due to be screened in 2021 on Channel 5 and narrated by Hugh Bonneville and features a number of Forestry England and Forest Research staff and volunteers; including planting, harvesting and deer management.

This series was not the only filming taking place in Kielder during 2020. The forest also featured in Channel 5's Big Week in the Wild, which is being filmed in different locations across the UK.

Licensing awards

Partnering with Aardman and Studio Canal, Forestry England was shortlisted in the 'live event category' in this year's Licensing Awards for the Shaun the Sheep Glow Trail and Glow Runs campaign.

The trails, hosted at 23 sites, were based on the plot of the Shaun the Sheep film Farmageddon and focused on encouraging families to be more active in the forest, working alongside Sport England and Active Forest and Forest Research colleagues.

Arts Council Funding

Yorkshire Forest District received £95,000 of Arts Council England funding. Over 50 artists have been involved in the arts at Dalby so far, with exciting activities planned to take the contemporary arts programme forward in 2021.

All Our Voices

A three-part series of poetry booklets titled All Our Voices were launched in June 2020. Each booklet contained the final poems from Forestry England's nature writers, Tiffany Francis-Baker and Zakiya Mackenzie, the third consisting of poems submitted by the public and Carol Ann Duffy's commissioned poem, FOREST.

Google Expeditions

Using Google's immersive platform, Google Expeditions, pupils have been learning about sustainable timber production, the importance of plant health, careers in forestry and how woodlands are designed to create habitats for wildlife since the start of January 2020. There are six tours, which include 40 different scenes, with each having supporting commentary which has been approved by local colleagues or forestry experts.

The national lockdown during the COVID-19 period presented an opportunity to promote the tours for home schooling and entertainment.

Wareham Forest Fire

At the blaze in May 2020 at Wareham Forest, Dorset, it took more than 150 firefighters over two weeks to tame the fire, leaving approximately 220 hectares damaged.

One third of the 1,500 hectare forest is designated as a SSSI and is home to rare birds, plants, reptiles and invertebrates. Forestry England worked with wildlife charities to assess the damage to the habitat and help save wildlife species.

The community responded with enthusiasm and energy, supporting a co-ordinated effort to restore this valuable habitat as quickly as possible. Working alongside various partners, thousands of trees will be replanted to replace some of those lost and elsewhere action will accelerate the

restoration of heathland and open areas of the forest, encouraging different species of wildlife and plant-life to return.

A total of over £45,000 has been raised towards this restoration; we received £5,560 from the public appeal and £40,000 from delivery company DPD. Esta Mion, South District Communications and Marketing Manager, says:

“The local community got behind the appeal with a series of individual donations and fundraising - including an online art exhibition - and locally organised collections. Many South England Forest District staff and national colleagues from Corporate Partnerships, and Marketing and Digital teams have worked together to help shape the fundraising appeal. This additional funding wouldn't have been possible without their commitment.”

“Supporting the appeal further, DPD's extra boost will ensure all aspects of the restoration can be carried out. Thanks to their generous support, we're now able to invest in taking steps to ensure this site isn't affected by fire in the same way again.”

Meera Hindocha, Head of Partnerships, adds: “We are delighted to be working with DPD on this important restoration project, which will make such a positive difference for the local community. It really demonstrates how valuable partnerships can be for Forestry England - allowing us to do more for people, nature and wildlife.”



Figure 7: Regenerating heather following the Wareham forest fire (Mark Warn)

Olly Craughan, Head of Corporate Social Responsibility for DPD, comments: “We are so pleased to be working with Forestry England's expert team to bring life back to Wareham Forest. The support the project has already received from the local community shows what an important resource this beautiful landscape is. We look forward to helping plant some of the 79,000 trees that will benefit generations to come.”

Funds raised to help restore the area damaged by fire have also purchased new machinery to create more fire breaks, while additional fire-fighting equipment and animal rescue kits will also be bought.

We are Forestry England.

We are growing the future.

Key performance indicators

The creation of Forestry England as a refreshed and re-energised organisation to care for the nation's forests and increase their value to society provided the opportunity to consider our Key Performance Indicators (KPIs).

Assessment of the existing KPIs illustrated that they needed to be updated to better reflect the current purpose of the organisation and connect better to the operational decision making of the business.

With guidance from the Forestry England Board and Executive Team, we developed a new Performance Evaluation Framework. This Framework sets out the different levels of performance evaluation we will use as an organisation, what is being evaluated and the measures used to evaluate.

Within the Framework, the Key Performance Indicators published within this account are those measures that relate to overall

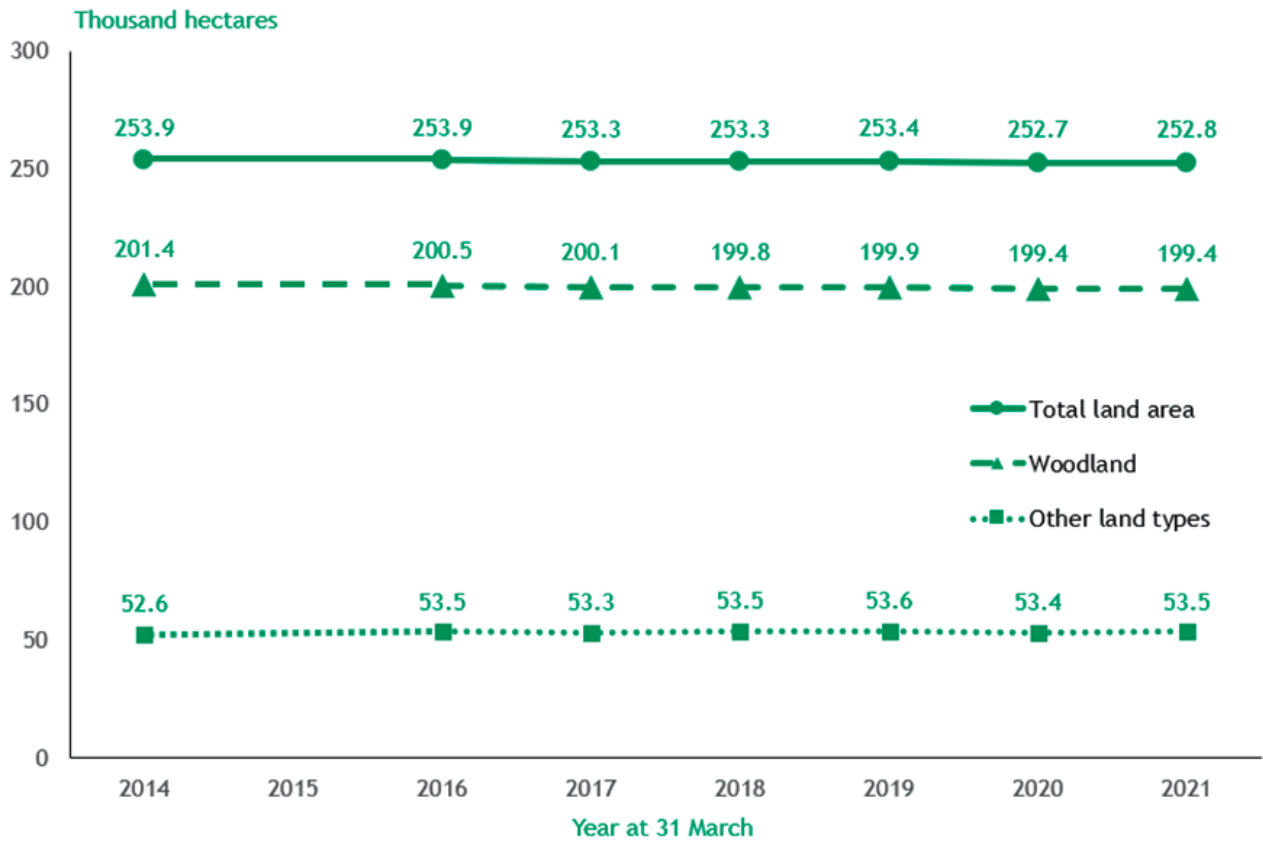
organisational purpose as well as key policy requirements. They are long-term measures, calculated and reported annually.

We have also identified a larger number of strategic indicators that relate to shorter term objectives as well as the 25 Year Environment Plan and the developing England Trees Action Plan.

This 2020-21 year is the first year that we have used this new suite of KPIs.

These Forestry England KPIs are Official Statistics; an essential public asset. They provide a window on society, the economy and on the work and performance of government. They are fundamental to the judgements and decisions made by the public, by government and by an enormous range of other organisations. The new suite of KPIs have been produced with a view to adhering to the Code of Practice for Statistics.

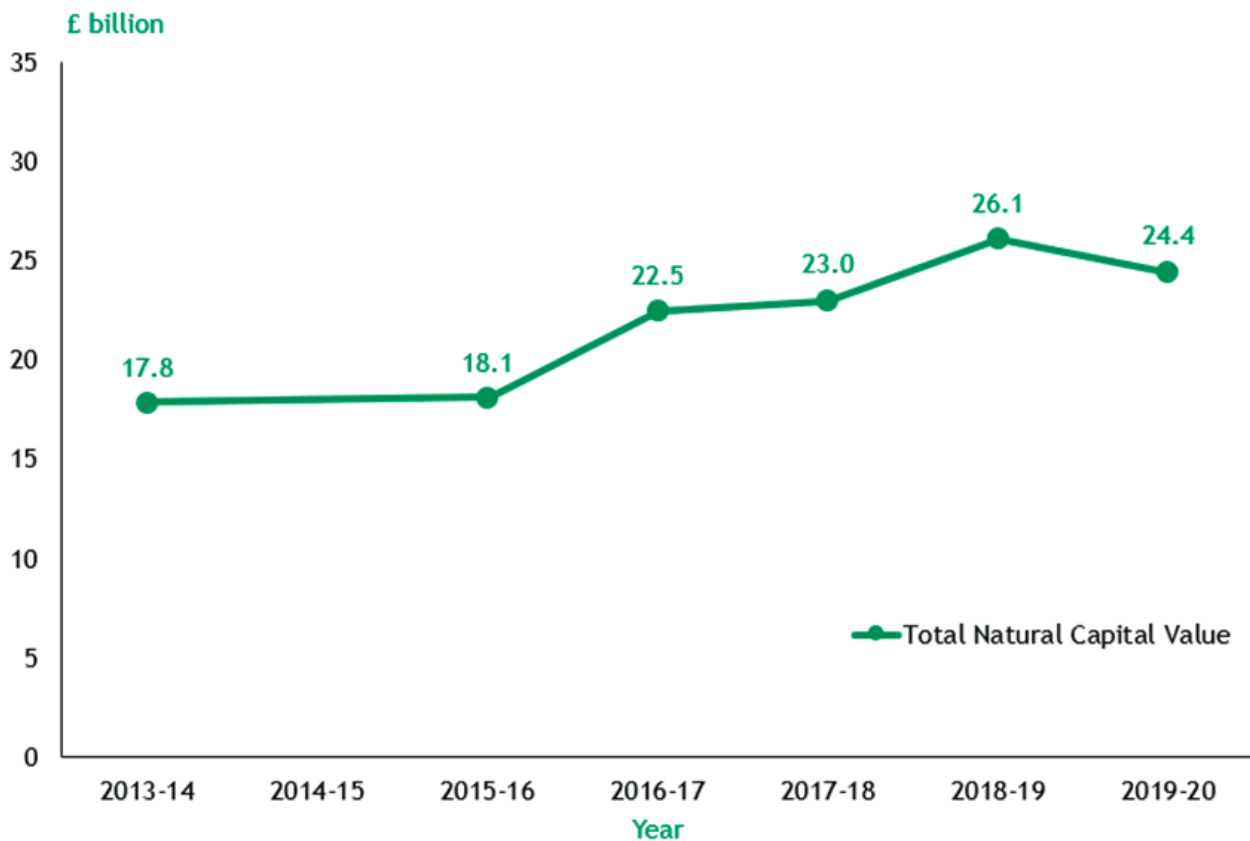
Land area of the nation’s forests held by Forestry England



The total area of the nation’s forests, those forests which are owned freehold or through leasehold by Forestry England, has been maintained. There have been some changes in the makeup of this ownership, for example we have seen a small decrease in leasehold and a small increase in freehold, due largely to the transfer of land at Croxton near Thetford Forest from a

leasehold to freehold ownership. Land purchase for woodland creation such as at Pleasant Farm in Kent account for any increase in total area. This is likely to increase the area further over coming years as Forestry England advances its critical role within the England Tree Planting Programme.

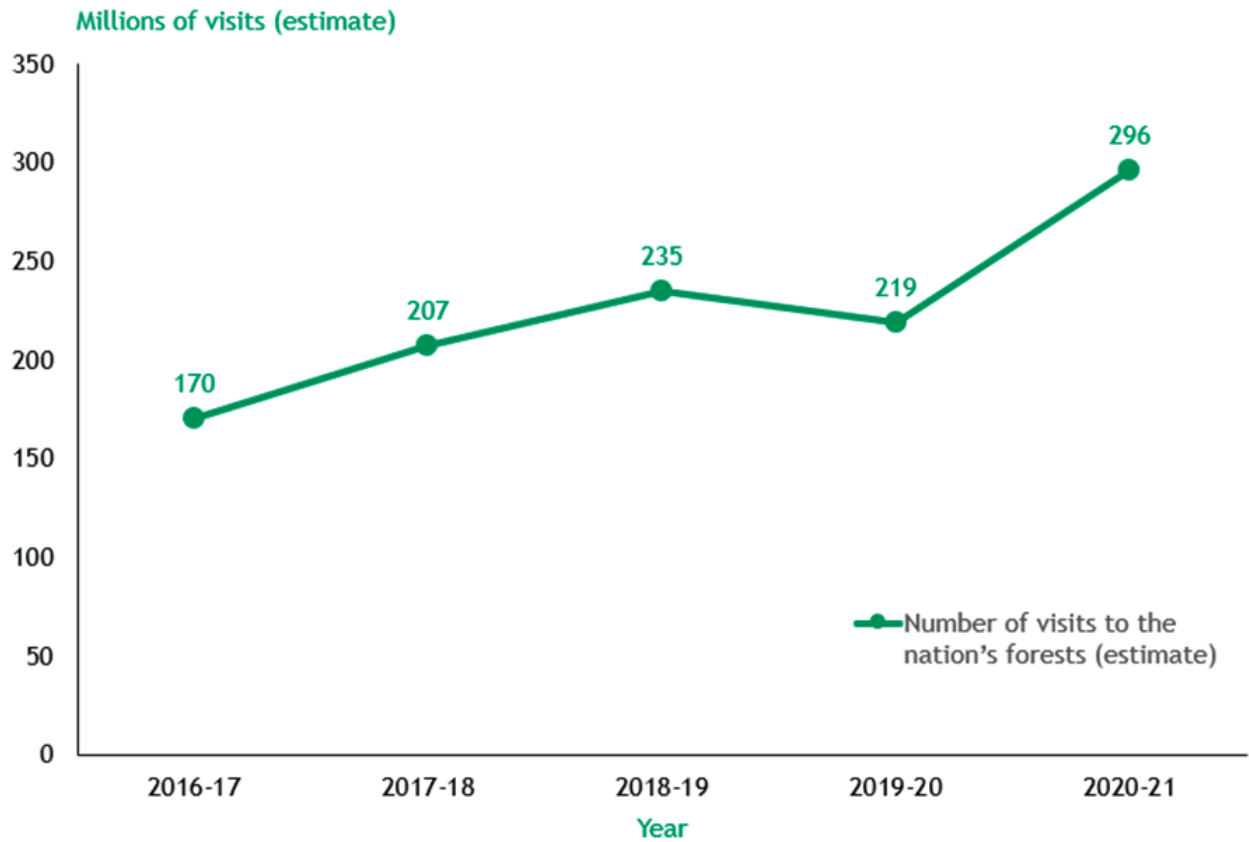
Total natural capital value of the nation's forests



The total calculated natural capital value has slightly decreased this year. Due to the technicalities of our natural capital accounting, this calculation is based upon data from the 2019-20 financial year and published during the 2020-21 financial year. This year's decrease is due largely to the reduction in modelled estimated visits made to the nation's forests during the 2019-20

financial year. Our annual Natural Capital Account illustrates that as the trend of increasing value over time continues in spite of intermittent annual reductions, so the extent and condition of the nation's forests, the natural capital assets also improves. This insight underpins our understanding of the sustainability of our management of the nation's forests.

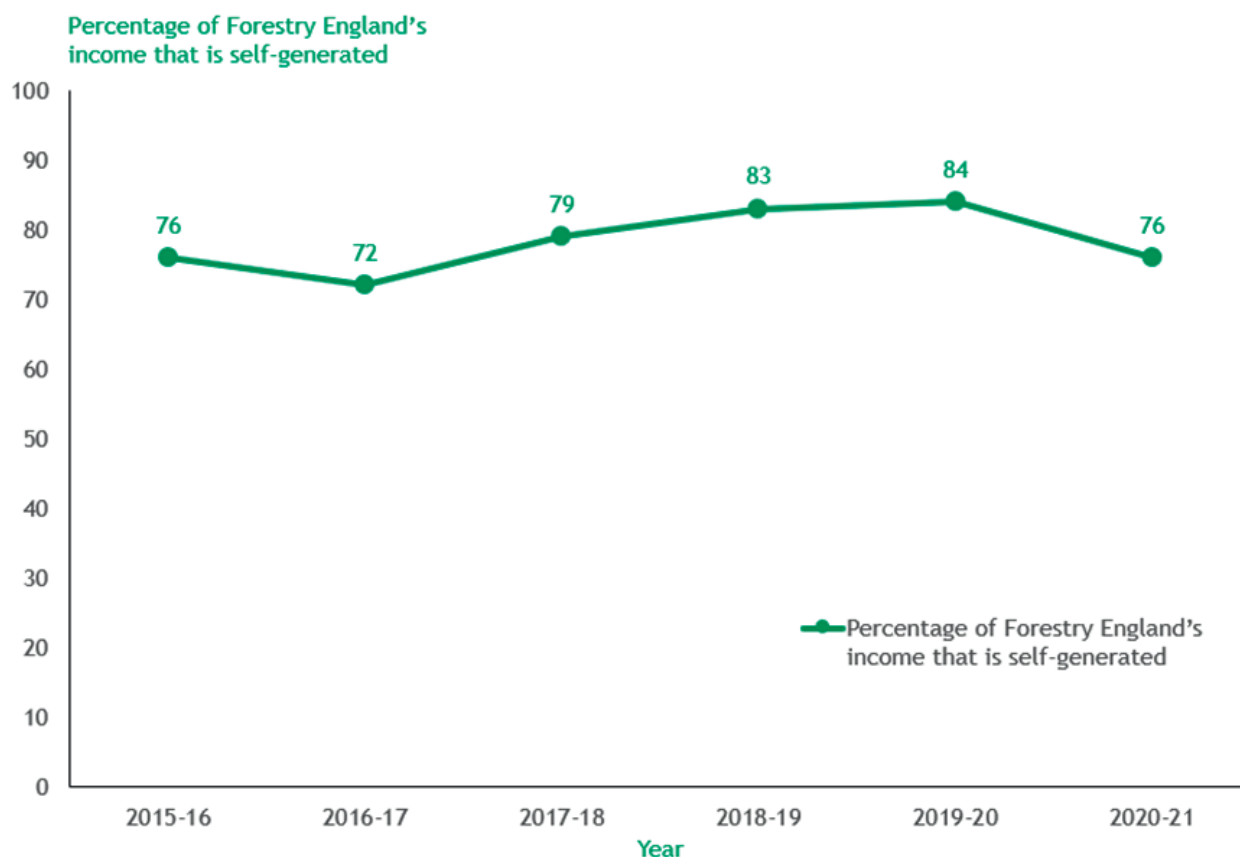
Public engagement - number of visits per annum to the nation's forests managed by Forestry England



The total modelled estimated visits to forests managed by Forestry England is 296 million visits for 2020-21. This is an increase of around 35% on the previous year and continues the upward trend over multiple years of visits made to the nation's forests. Our data shows that this increase was largely driven by repeat visits with the

proportion of people who visited more than once increasing by around 5%. The proportion of visitors who visited once per week increased, while the proportion of those who visited once every three months decreased, further illustrating that those who visited did so more often than those who have visited in the past.

Percentage of Forestry England's income that is self-generated



This indicator shows how much of our income is self-generated and indicates the level of our reliance on government funding. Mineral income and Coronavirus Job Retention Scheme (CJRS) income are classified as public sector income and are not included as self-generated income.

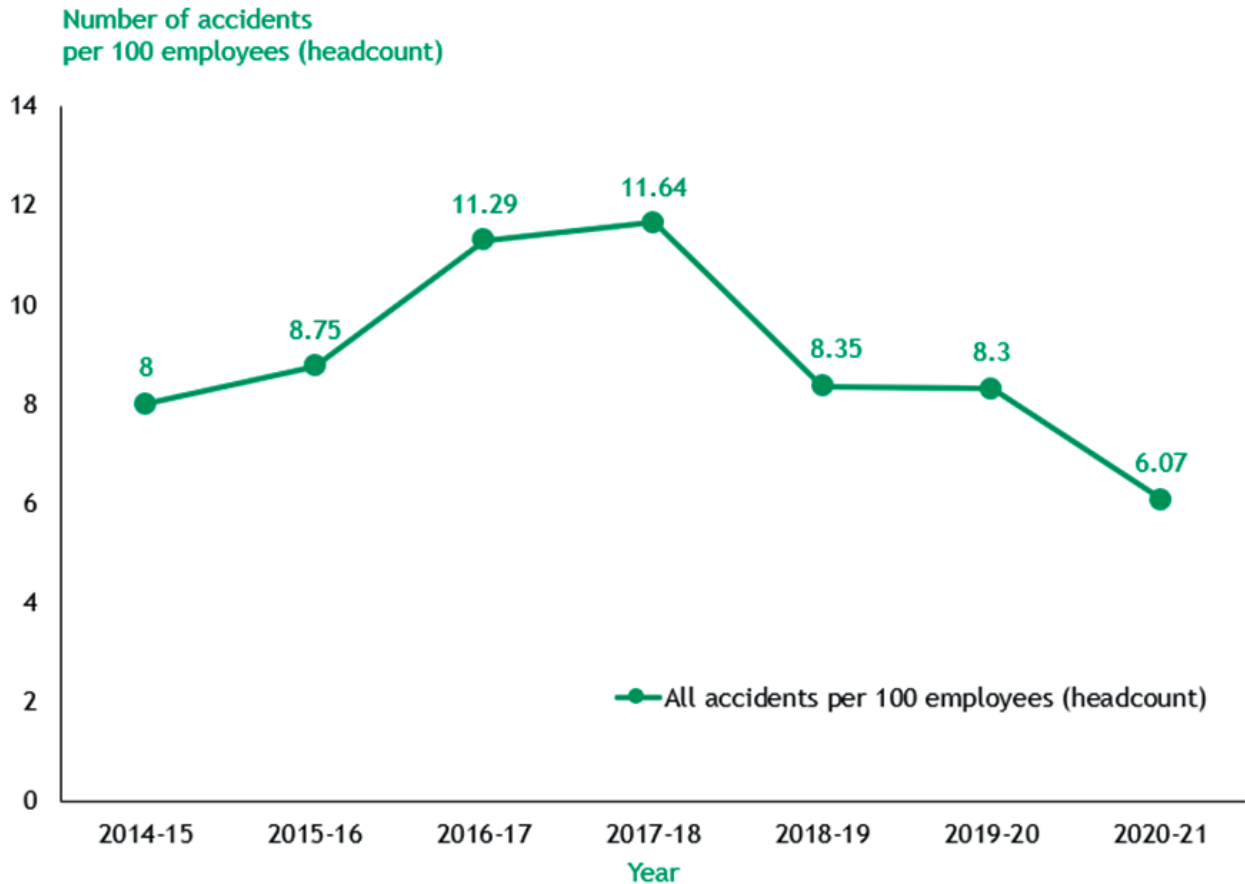
The additional support funding provided by Defra and the Forestry Commission reduced the percentage of self-generated income in 2020-21.

For 2021-22 the plan is to increase the percentage to 83% as the level of government support decreases.

Scheme specific grant increases for example, the England Tree Planting Programme would reduce the percentage of self-generated income and can also alter the composition of funding over time.

Attributable to government	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Percentage of total incoming resources	24%	28%	21%	17%	16%	24%
Consisting of:						
Mineral and CJRS income	4%	2%	4%	4%	4%	5%
Scheme specific Forestry Commission grant funding					3%	3%
Forestry Commission core funding	96%	98%	96%	96%	93%	92%

Health and safety - number of work-related accidents per 100 employees in Forestry England

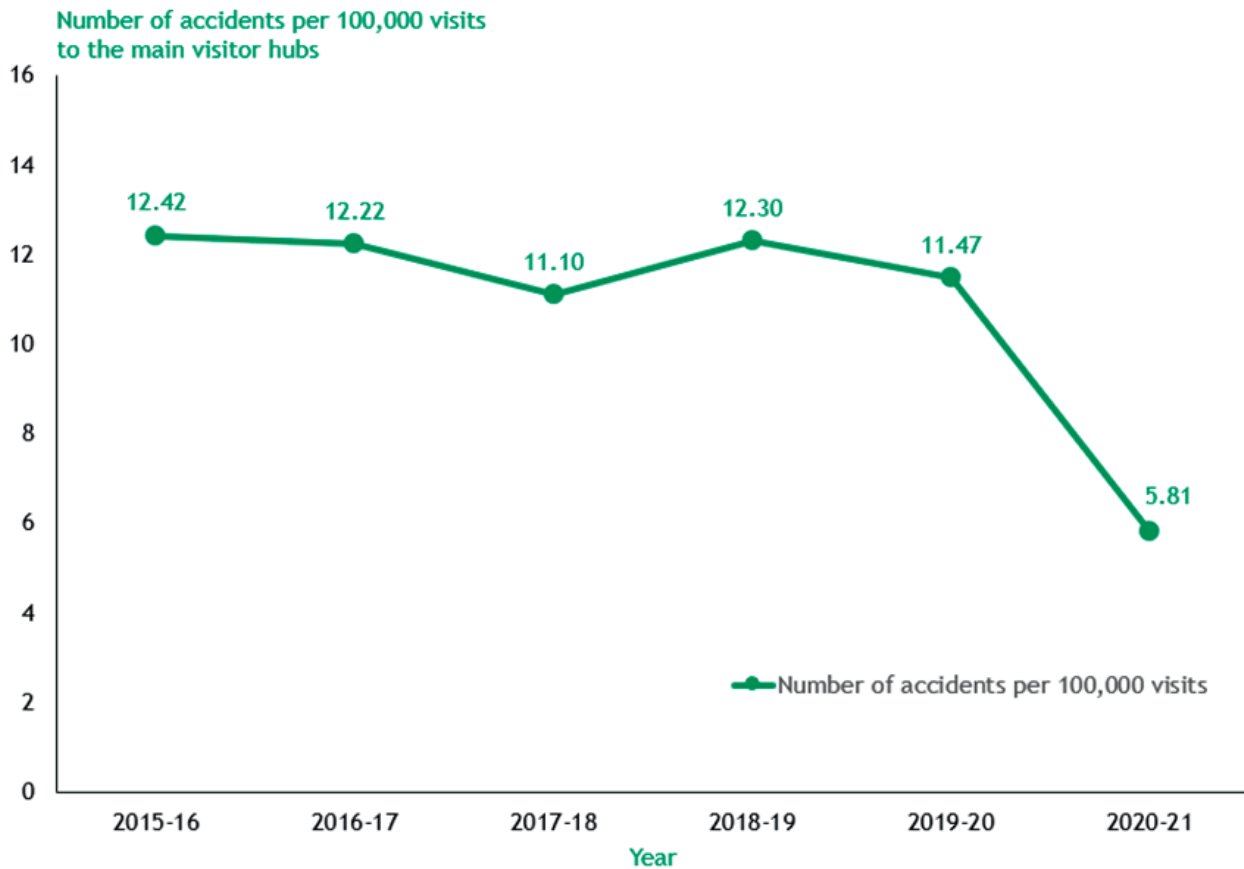


The number of accidents per 100 employees (headcount) was 27% lower in 2020-21 than in the previous year. Staff headcount is only 1.8% higher than it was at the end of 2019-20, and so relatively stable, whereas accidents reported are down to 68 from 84.

The reasons for the decline in reported accidents is unclear: it may be due to the change in system, effectiveness of control measures put in place, reporting culture from managers, remote working and furlough, or natural fluctuation.

This should become clearer as we gather more data in the new system which allows more accurate and live statistical analysis of the data.

Health and safety - number of accidents per 100,000 visits to the main visitor hubs in the nation's forests



The number of accidents per 100,000 visits to main visitor hubs was 49% lower in 2020-21 than during the previous year. There were fewer reported accidents during 2020-21 than previous years, and an increase in estimated visits.

The increase in visits since the easing of lockdown is likely due to Coronavirus travel restrictions on international travel, though

we would have to wait for future studies to confirm or disprove this.

The decrease in reported accidents may also be due to Coronavirus, as people may be less inclined to report accidents at hubs, whether due to the pandemic, or due to a slightly different demographic makeup of visitors during 2020-21.

Operating performance

financial performance is internally managed and measured.

Financial review

The table below draws on the Statement of Comprehensive Income. The row analysis has been rearranged to better reflect how

The inclusion of other government grants within the row 'A' total below reflects the direct relationship between specific grant funding and operating expenditure, rather than being shown under general financing.

From the Statement of Comprehensive Income (SOI)	2020-21 £m	2019-20 £m	2018-19 £m	2017-18 £m	2016-17 £m	2015-16 £m
Total operating income	83.7	88.1	89.8	77.4	73.8	67.1
Other government grants	0.7	0.4	-	-	-	-
Staff costs, purchases and items provided for	(95.5)	(104.5)	(95.6)	(88.5)	(86.5)	(79.0)
Depreciation	(6.1)	(6.0)	(5.8)	(5.2)	(5.1)	(5.9)
A. Relevant operating position for management performance	(17.2)	(22.0)	(11.6)	(16.3)	(17.8)	(17.8)
Funding from the Forestry Commission	24.3	16.0	17.2	19.5	28.0	20.5
B. Relevant net surplus (deficit) for management performance	7.1	(6.0)	5.6	3.2	10.2	2.7
Impairments	(0.5)	(2.5)	(0.6)	(0.5)	(0.1)	(0.1)
Value of felled timber per IAS 41*	(28.9)	(29.6)	(32.8)	(25.7)	(21.9)	(20.0)
Revaluation of biological assets per IAS 41*	101.1	34.4	42.6	155.4	23.8	13.4
Interest and gain or (loss) on sale of assets	(0.1)	3.8	4.4	0.5	-	0.1
Surplus (Deficit) for the year per SOI	78.7	0.1	19.2	132.9	12.0	(3.9)

* See note 1 of the accounts for an explanation of IAS 41.

The management response to, and broad impacts of, COVID-19 are highlighted on page 17 under 'High Quality Investments and Sustainable Finance'.

The original plan shown in the table below, was to produce an operating deficit of

£19.1 million before funding from Forestry Commission, row 'A'. Under the COVID-19 likely scenario, the assumptions indicated the planned deficit could rise to £31.1 million, an increase of £12 million above the original plan pre-COVID-19. Control action was taken as per page 17 above and the actual performance delivered is £17.2 million, which is £1.9 million better than the original plan.

Performance	Plan £m	2020-21 £m	Variance £m
Total operating income	91.6	83.7	(7.9)
Other government grants	0.5	0.7	0.2
Staff costs, purchases and items provided for	(104.7)	(95.5)	9.2
Depreciation	(6.5)	(6.1)	0.4
A. Relevant operating position for management performance	(19.1)	(17.2)	1.9
Funding from the Forestry Commission	17.1	24.3	7.2
B. Relevant net surplus (deficit) for management performance	(2.0)	7.1	9.1

For operating income, as highlighted in the preceding sections of the performance report; timber sales performed well, see page 8, while recreation and visitor numbers were much stronger than expected. Other areas of our operation saw reductions in income, notably from the postponement of Forest Live and from the impact of lockdown on businesses on the estate; leading to a reduction in rents, permissions and sales of goods and services. As detailed on page 14 and note 3 of the annual accounts, additional income of £0.7 million was received from the Coronavirus Job Retention Scheme. Note 3 of the accounts shows the year-on-year comparison of income in greater detail.

Other government grants relate to direct grants awarded. The grants cover expenditure on specific activity for the England Tree Planting Programme, Nature for Climate fund and biodiversity. In addition to the grant figure shown in the table above, £2.2 million has been received and deferred for the England Tree Planting programme. The grant deferral recognises that scheme delivery and associated costs will not take place until future years.

Turning to costs, and as discussed on page 17, some operating activities were deferred or stopped including some forest restocking; reductions in site maintenance and necessary road and bridge repairs; and the postponement of Forest Live. As a result of the decisions taken, £2.9 million of planned operating cost was not carried out in 2020-21. As well as the decision to defer, other programmes slipped due to poor weather or other factors outside of management control. A net cost of £2.8 million due to programme slippage has been carried forward for delivery in 2021-22. In total £5.7 million of net cost has now been earmarked for additional planned delivery, to commence in 2021-22.

Note 4 of the accounts contains a greater level of detail on individual cost movements. While staffing cost rose year on year, they did not rise in line with the plan

for the year, as vacancies were frozen. The use of agency staff was also curtailed during the year. Notable movements can be seen as reductions in staff travel and accommodation costs due to lockdown and an increase in computer costs needed to ensure that staff who could work from home were able to. Communications costs covering marketing, publicity, design, publications, and filming were also lower than the previous year as the impact of lockdown significantly reduced this area of activity. In line with our COVID-19 response, planned cost reductions, see page 17, can be seen impacting on Sustainable Forest Management, Forest Estate and Recreation and Public Affairs in Note 4 of the accounts.

Changes in the structure and operation of the Plant and Seed unit, discussed on page 6, have been recognised in the accounts with a redundancy provision of £0.3 million and an anticipated stock write down of £0.9 million which is based on future demand for plants already in the ground. The stock write down also accounts for the increase in the losses and compensation figure in Note 4. Action will be taken to minimise these costs and redeploy staff as far as possible.

As regards general funding from the Forestry Commission, while managing to keep the net in-year position under tight control it was evident that the following year (2021-22) would be a cause for concern; restarting the deferred operational and capital programmes would not be affordable. Defra agreed to provide funding via the Forestry Commission, for specific in-year cost pressures that arose from COVID-19, as well as support funding needed to ensure that programmes could recommence at the start of the new financial year. The additional support funding for restart, of £5.5 million, is included in the financial position.

As shown in the following table, forward look plans, which include the postponement of Forest Live, show that we will target a

relevant net deficit of £6.1 million for 2021-22, row 'B' of the table.

2021-22 plan	2020-21	Plan 2021-22	Change
	£m	£m	£m
Total operating income	83.7	89.3	5.6
Other government grants	0.7	1.3	0.6
Staff costs, purchases and items provided for	(95.5)	(107.0)	(11.5)
Depreciation	(6.1)	(6.4)	(0.3)
A. Relevant operating position for management performance	(17.2)	(22.8)	(5.6)
Funding from the Forestry Commission	24.3	16.7	(7.6)
B. Relevant net surplus (deficit) for management performance	7.1	(6.1)	(13.2)

While income is planned to grow, the expected deficit is caused by higher expenditure, reflecting the impact of COVID-19 deferred programmes and the carry forward of programmes from 2020-21. This will add further pressure on the organisation, as it manages an increased programme of activity in addition to the normal operating plan.

The relief funding from Defra will provide the cash support needed to finance the COVID-19 deferrals and public value investments.

Capital investments

As outlined in the preceding section on page 19 'Investment programme' we took action

to defer investments and refocus the entire investment programme to support the cost control measures the organisation enacted.

Despite the challenges facing everyone during 2020-21 we invested £10.1 million; completing the capital scheme at Delamere, replacing equipment and vehicles, investing in new software for our timber sales package, completing land purchases at Croxton and Monkridge and investing in the new campsite at Sherwood which is now due to fully open in May 2021.

Cash position

Taking operational performance and capital investments together, the impacts on the cash position can be shown as follows:

From the statement of cash flows	2020-21
	£m
Opening balance	22.3
Net cash outflow from operating activities	(3.9)
Net cash outflow from investing activities	(10.1)
Net cash inflow from financing activities	25.0
Closing balance	33.3

The cash balance has increased by £11.0 million and includes the additional Defra relief funding of £5.5 million and deferred grant funding of £2.2 million. This will be used to fund deferred operational

programmes as outlined in the 2021-22 plan and enable investments to be made that were stopped in 2021-22.

Financial risks

It is clear from the impacts of COVID-19 that recreation income is playing a much larger role in financial risk for Forestry England. However, the major strategic financial risk remains the long-term market price and demand for forestry products.

Our long-term business planning indicates a reduction in the current level of timber production volume in the future. This is due to no new commercial forests being planted in the last 40 years and an increased focus on delivering environmental and social benefits through the nation's forests.

Forestry England's developing five-year plan seeks to mitigate the financial consequences of the reduction in timber volume through developing our recreation offer and releasing the commercial potential of other non-forestry developments.

Sustainability

Introduction

Forestry England carries out sustainability reporting in line with the Greening Government Commitments and HM Treasury's Financial Reporting Manual requirements.

Summary of performance

Overall strategy for sustainability

Forestry England produced an Energy and Infrastructure Strategy in 2018. The vision for the strategy is to be carbon-free by 2033 across our estate. By carbon-free we mean transitioning away from avoidable fossil fuel derived energy and in turn reducing our greenhouse gas emissions.

The environmental impacts of our forest management activities 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 meet the requirements of BS EN ISO 14001 2015, to which we are endeavouring to gain certification. The EMS is independently assessed for certification by accredited 14001 assessors.

Principal on-going initiatives are:

- creation of the energy and infrastructure strategy implementation plan
- work on an energy audit of the estate, using collated data to identify higher usage sites to target investment and develop projects to reduce consumption and carbon emissions where business needs allow
- continuing to work with Aveico to provide sustainable business reporting services and cleanse data
- rolling out electric or low emission vehicles through the fleet where possible
- review of energy contracts for data collection and data aggregation services
- increase broadband connection speeds at remote sites
- adopting the use of MS Teams and virtual meetings reducing the need to travel

Sustainable forest management is achieved through conformance to the UK Woodland Assurance Standard (UKWAS), which incorporate UK Forestry Standard (UKFS) requirements, and is independently certified by accredited certification assessors under the Forestry Stewardship Council's (FSC) and Programme for the Endorsement of Forest Certification (PEFC) internationally recognised requirements for sustainable forest management. Forestry England endeavour to plant resilient woodlands in the face of climate change through 'Adaptation Reporting Power: Second round report', and 'Forests for the Future: Planting Resilient Woodlands'.

Carbon sequestration associated with the nation's forests is included in our annual corporate Natural Capital Account.

Greenhouse gas emissions

Forestry England's built estate is actively managed to optimise occupancy and minimise CO₂ emissions from fossil fuel energy use.

Direct emissions from the built estates are being reviewed under the EMS and energy audit of our highest energy usage sites. The audit will feed in to outline business cases for energy efficiency measures. Principles derived from this process will inform energy improvement measures at other sites not included in the original scope.

Having adopted a new reporting system in 2018-19 Forestry England are now able to review site data at a detailed level in a quick, clear access format. 2018-19 was consumed with ensuring the split from Scotland was achieved, and also starting to collate data within the new system. Whilst this has generally proved successful it has identified irregularities in data inputting and consistency regionally. Guidance has been updated and training is ongoing whilst also designing a new data inputting dashboard.

CO₂ emissions from business travel (including fleet and other official business travel) are reduced where possible through ongoing support for flexible working arrangements, (PAS 3000) the provision of audio-conferencing facilities including the recent integration of MS Teams to reduce the need to travel. The COVID-19 Pandemic has fast tracked the uptake of virtual meetings, leading to a significant drop in travel. The travel policy has been updated to align with Office for Low Emission Vehicles requirements for ultra-low emission vehicles (ULEV), wherever possible the

commercial fleet is updated with electric or ULEV vehicles however the market is limited and not able to provide for all requirements at this time.

The effects of COVID-19 have resulted in reductions in some areas and increases in others. Travel was much reduced for the first half of the year following which the increase was significant owing to COVID-19 protocols not allowing car sharing and avoiding public transport. Natural gas consumption has increased primarily due to maintaining heating and ventilation as a COVID-19 protocol. Other heating fuels (Oil, LPG and Biomass) are also up which is in part due to COVID-19 protocols but also a reflection of improved data and the ad hoc nature of bulk deliveries. Whilst this is unreflective of a typical year lessons have been learnt including the fast tracked uptake of virtual meetings through the use of MS Teams. We promote biomass for our own energy supply along with other low and zero carbon technologies in place of fossil fuels where it is appropriate to do so. Biomass makes up approximately 30% of our direct energy use for the estate.

Forestry England is improving its reporting on fugitive emissions and F-gas data. Many existing installations use R404a. We have recently installed our first CO₂ charged system and will look to adapt more in the future. Forestry England's use of heat pumps is likely to become greater as they are a low carbon technology. All new installations seek to use the refrigerant with the lowest global warming potential feasible.

Indirect energy (electricity) emissions are reviewed and under the Crown Commercial Service framework Forestry England has transitioned to a clean renewable tariff electricity supply arrangement, however continues to report carbon on the rolling grid average factor as required.

Performance measure		2017-18	2018-19	2019-20	2020-21
Business travel ¹	Total miles	7,431,126	7,580,130	6,480,385	5,392,735
	tonnes CO ₂ e↑	1,782	2,432	1,880	1,599
	Expenditure (£000)	3,352	1,129	2,923	2,817
Electricity, gas and other heating fuels ²	Consumption (KwH)	4,787,016	5,664,447	5,861,973	6,858,907
	Expenditure (£000)	536	473	489	849
	tonnes CO ₂ e	1,270	1,450	1,196	1,147
	% Renewable	21	19	19	34
Total energy (Scopes 1, 2 and 3) estate and travel	tonnes CO ₂ e	3,052	3,882	3,076	2,746
	Expenditure (£000)	3,888	1,602	3,412	3,666
F-Gas - CO ₂ (e) Δ ³	(Kg)	11	11	8	-
Fugitive emissions F-Gases (GWP) ³	CO ₂ e↑ (T)(GWP)	42	30	30	-
Estate and office waste ⁴	Amount (Tonnes/m ³)	2,326	3,703	4,165	2,947
	Expenditure (£000)	353	384	441	988
Estate and office water ⁴	Quantity (m ³)	493,134	180,742	187,412	159,263
	Expenditure (£000)	84	32	33	152

1. COVID-19 restrictions have caused a large reduction in business travel in 2020-21, with public transport being impacted the most. There have been problems in calculating an accurate financial figure for Business Travel due to issues with the system being used. A new fleet management system planned to be implemented in 2021-22 will allow more accurate recording of costs in future.

2. Better energy data quality alongside increases in natural gas and other heating fuel consumption has driven the overall energy increase. Natural gas has seen an increase at National Office due to COVID-19 protocols. Other fuels have increased due to more accurate reporting and COVID-19 protocols. The inclusion of wood fuel as a renewable source has produced a much higher renewable percentage.

3. No refrigerant loss data provided in 2020-21.

4. Reduced use of facilities and reduced staff numbers at sites due to COVID-19 has caused lower consumption. Better accuracy of current year financial data has resulted in questions over the accuracy of prior year's financial data for estate and office waste and water. During 2021-22, we aim to review historic data as part of a system improvement project.

Waste

Significant reductions in operational waste going to landfill have already been achieved across most of the estate and all locations have recycling in place. A number of material storage facilities have been modernised to meet legal waste storage and segregation requirements. Waste data continues to be in focus for 2020-21 as it has proved difficult to maintain consistency

in reporting across the estate. Some data entry errors have been identified and training is planned to correct this.

Forestry England has a total estate recycling rate of 25% which is a focus of the waste review to improve on.

Fly-tipping continues to be a challenge to deal with across the country.

Forestry England has rewritten its waste guidance emphasising 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 plastic across our offices during 2020.

Use of resources (water, paper and timber)

Forestry England has a combination of mains and private water supplies. These are monitored through meters and efforts are made to identify leaks early and avoid wastage. Water efficient units are used wherever possible however in some instances waterless features are not suitable. Local initiatives, such as rainwater harvesting and micro-irrigation at nurseries, are being explored and water efficient appliances are installed during refurbishment works or as existing appliances fail. Our nurseries are looking at their long-term water needs and ensuring that stored rainwater and efficient irrigation equipment is sufficient to cope as best as possible in drought conditions.

Biodiversity action plan

Since 2015-16 we have delivered an annual Natural Capital Account to help us to measure whether the value of the natural capital (the nation's forests) in our care is increasing or decreasing. Refer to section on page 17 for further information.

Sustainable procurement including food

Forestry England has worked to ensure that sustainable solutions are part of the goods, services and works we purchase. Internal guidance incorporates sustainability at each stage of the procurement cycle, linking to Government Buying Standards where relevant. We require our contractors to contribute towards our aim of being as sustainable as possible and to help reduce waste and energy requirements wherever possible. We encourage innovative solutions

to our requirements. Our food outlets, providing a catering service to the public, are leased to third party providers. These providers are expected to follow sustainable principles and key performance indicators are used to monitor this. This includes using fresh, local, and ethically sourced ingredients, reducing food miles, packaging, waste and increasing composting and recycling.

All timber used by Forestry England must be recorded as certified as coming from legal and sustainable sources, including all construction projects and temporary works. Forestry England is supporting Grown in Britain in their efforts to promote sustainable UK timber.

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: Second round report with a programme of new and continuing work now in place, including:

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

Rural proofing

Forestry England's activities take place predominantly in rural, or semi-rural

environments, but the organisation does not formulate government policy. There is, therefore, no specific internal governance, decision making or assurance process on rural proofing.


We seek to ensure that the impact of our activities balance social, economic and environmental needs. Our commitment to sustainable forest management, as certified under UKWAS, requires us to demonstrate how the results of engagement with local communities and social impacts have been incorporated into management planning and operations. UKWAS also requires that woodlands be integrated into local economies and that communities within or adjacent to the woodlands have equitable opportunities for employment and to provide supplies and services.

Sustainable construction

We employ sustainable building elements as far as possible in all our refurbishments and new build projects. The estate energy audit is identifying energy inefficient sites which investment is being targeted to either through refurbishment or replacement.

Renewable technologies are being integrated into new developments and retrofitted where possible on existing buildings. The introduction of electric vehicle charging is currently being rolled out.

All new build and major refurbishment works will target net zero carbon in operation wherever possible. Embodied carbon is not currently considered.



Mike Seddon
15 June 2021
Accounting Officer
Forestry England

Accountability report

The Accountability report sets out our key 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 in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981, as adapted for the public sector in The Government Financial Reporting Manual 2020-21.

Corporate governance report

This report consists of three sections: the Directors' report, the Accounting Officer's Statement and the Governance Statement.

Its purpose is to explain the composition and organisation of Forestry England's governance structure and how this supports the achievements of the organisation's objectives.

Directors' report

Forestry England is a public corporation and an executive agency of the Forestry Commission, a non-ministerial government department that sits within the Defra Group.

The existing governance structure for Forestry England, and the Forestry Commission as an England-only body, came into existence 1 April 2019. Under the new structure the Forestry Commissioners have established a federated organisation with three distinct organisations responsible for the delivery of the statutory roles and responsibilities of the Commission: Forestry England, Forest Services and Forest Research. The Forestry England Board has been appointed by the Forestry Commissioners to enable it, 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 Countryside Act 1968 in respect of the nation's forests.

The principal leadership roles in the Forestry Commission and Forestry England are:

- Ian Gambles: Chief Executive Officer, Forestry Commission
- Sir William Worsley: Chair of the Forestry Commission and Chair of the Forestry England Board
- Mike Seddon: Chief Executive, Forestry England

The members of the Forestry England Board from April 2020 to March 2021 are as follows:

Board member	Role	Dates	Attendance at Board meetings
Ian Gambles, Chief Executive Forestry Commission	Executive Commissioner	Full year	6/6
Mike Seddon, Chief Executive Forestry England	Executive member	Full year	6/6
Tristram Hilborn, Chief Operating Officer Forestry England	Executive member	Full year	5/6
David Hodson, Finance Director Forestry England	Executive member	Full year	6/6
Sir William Worsley (chair)	Non-executive Commissioner	Full year	6/6
Julia Grant	Non-executive Commissioner	Full year	6/6

Board member	Role	Dates	Attendance at Board meetings
Peter Latham	Non-executive Commissioner	Full year	6/6
Jennie Price	Non-executive Commissioner	Full year	4/6
Gurch Randhawa	Non-executive member	Full year	6/6
Chris Simpson	Non-executive member	From 1 September 2020	3/3

Significant interests held by board members

A register of interests of all Forestry England Board members is maintained and published on our website. Related party transactions are separately disclosed within note 19.

Personal data related incidents

Forestry England has had one personal data breach involving volunteer data on third party software. The Information Commissioner was notified who has informed Forestry England that no action is required against Forestry England but they will be continuing to investigate the third party. Our volunteers were also informed, but there is no evidence that any of them were directly affected by the breach.

We continue to monitor and assess our information risks to identify and address any weaknesses and ensure continued improvement of our systems.

Supplier payment policy

Forestry England complies with the government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within ten days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2020-21 95.9% (2019-20: 97.9%) of invoices were paid within the due date. Arrangements for handling complaints on payment

performance are notified to suppliers on contract.

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

Auditors

These accounts are audited by the Comptroller and Auditor General. The audit fee was £98,000 (2019-20: £96,065). No fees were charged for other services (2019-20: £nil).

Statement of Accounting Officer's responsibilities

Forestry England is an executive agency of the Forestry Commission. The Chief Executive of Forestry England has been appointed as Accounting Officer for the Forestry England accounts by the Accounting Officer and Chief Executive of the Forestry Commission. Forestry England's framework document sets out the responsibilities of the Accounting Officer.

The Accounting Officer of Forestry England is responsible to the Accounting Officer of the Forestry Commission for monies allocated to Forestry England from the Forestry Commission's account, and is responsible and accountable to Parliament for the use of public money and stewardship of public assets.

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 understandable
- 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 England assets) are set out in Managing Public Money published by HM Treasury.

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

Governance statement

This statement confirms that Forestry England fully complies with the Corporate Governance Code where applicable and relevant.

The Forestry Commission governance context

The Forestry Commission is empowered by The Forestry Act 1967 (as amended) and the Forestry Act 1979 which set out the

principal legislative framework within which the Forestry Commission operates.

The Forestry Commission is a non-ministerial government department that reports to Parliament through Defra ministers and has a Royal Charter, dated 25 March 1920. It is headed by a Board of Commissioners.

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.

Governance framework

The Forestry Commission has been an England only body since 1 April 2019, with Forestry England as its executive agency with responsibility for the management of the nation's forests. As set out in the Directors' report, the Forestry Commissioners have delegated to the Forestry England Board the discharge of their duties and exercise their powers in relation to the nation's forests.

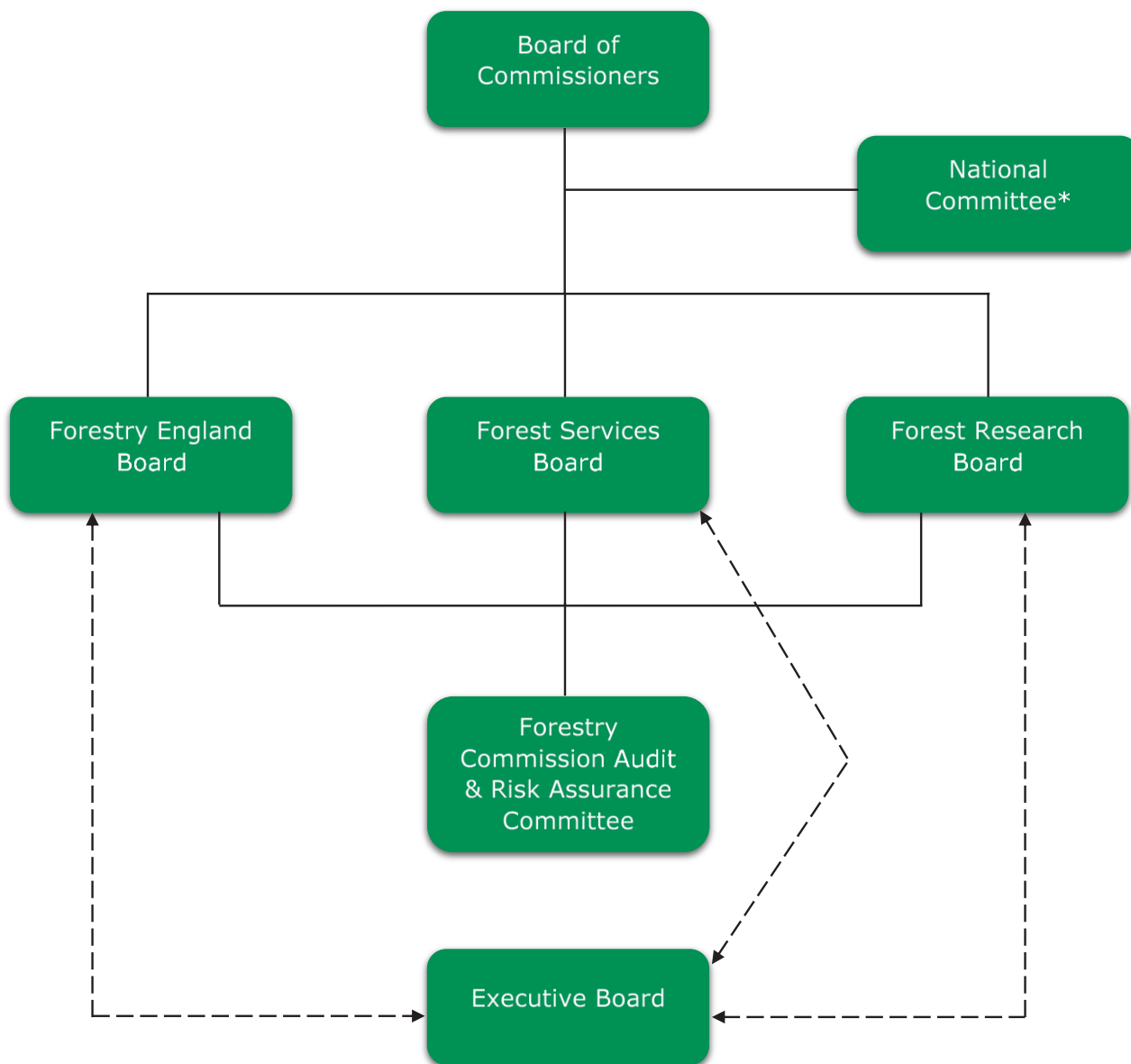
The purpose of the governance structure, shown on the following page, is to enable Forestry England to be fit for the next chapter for the nation's forests, through:

- strong and transparent leadership providing clear strategic direction
- robust, open decision making
- ongoing monitoring of the organisation's performance and financial management
- assurance of compliance with law and policy

The Forestry England Board has one committee, the Audit and Risk Assurance Committee (ARAC). The meeting is shared with Forest Services' and Forest Research's committees in a combined Forestry Commission ARAC.

The division of responsibilities in the structure between the Boards and the executive management functions are set out in the Framework agreements agreed

between the Forestry Commission and Defra (dated 8 May 2020), and the Forestry Commission and Forestry England (dated 20 May 2021).



Key:
 Solid line = Governance board structure
 Dotted line = Executive management structure

* Although the Board of Commissioners has appointed a Committee, as required by the Forestry Act, no activities have been delegated to it and it is not expected to meet. The Board of Commissioners has instead, through administrative action, delegated relevant and appropriate functions to the sub-boards of Forestry England, Forest Services and Forest Research.

** The Executive Board draws upon the executive leadership of all parts of the Forestry Commission to take strategic decisions on common issues.

The Board have covered a wide ranging programme of work across the business including:

- management and performance information
- financial reporting
- business plans approval
- health and safety
- risks and risk management
- COVID-19 pandemic - response and recovery
- 5-year plan development and approval
- joint venture progress and future planning
- vision for nature
- vision for Plant and Seed Supply

Due to the COVID-19 pandemic all meetings in 2020-21 have moved to being held via MS Teams and it has not been possible for the Board to visit forest locations. Learning from this experience it is planned to move to a blended approach with most meetings to be held remotely and approximately two meetings a year to be held at forest locations when this is possible. In the meantime, non-executives have been enabled and encouraged to visit forest sites in individual and paired visits, in compliance with the relevant COVID-19 requirements. These visits inform Board discussions and decision-making by enabling our non-executives to increase their knowledge and understanding of the wide variety of staff expertise, visitor experiences and diverse forest locations that Forestry England has to offer. In addition, the engagement with a wide variety of staff contributes to their ability to assess and monitor the culture within the organisation.

Membership and attendance of the Board is set out in the Directors report.

Audit and Risk Assurance Committee

The system of internal control is a significant part of the governance framework and is designed to provide assurance that Forestry England is compliant with the law in the performance of its

duties and manages its risks effectively, efficiently and economically.

In November 2020 the Forestry Commissioners combined the Forestry England and Forest Services ARAC with the Forest Research ARAC into a single Forestry Commission Audit and Risk Assurance Committee (ARAC). This is the sub-committee to support the Forestry England Board, the Forest Service's Board, the Forest Research Board and the Forestry Commissioners in their responsibilities for issues of risk, control and governance and assurance by:

- reviewing the comprehensiveness of information in meeting the assurance needs of the Commissioners, the Forestry Commission Accounting Officer and Forestry England Accounting Officer, and the Forestry England and Forest Services Boards
- reviewing the reliability and integrity of these assurances
- providing an opinion on how well the Commissioners and Accounting Officers are supported in decision making and in discharging their accountability obligations, particularly in respect of financial reporting

The membership consists of four non-executives drawn from across the three Boards (Forestry England, Forest Services and Forest Research), and is attended by the Government Internal Audit Agency (GIAA) and external auditors from the National Audit Office. The Committee met in September 2020, November 2020 and February 2021. Its focus is on external and internal audit reports, the annual report and accounts, including the governance statement and risk management.

In its meetings this year the committee has considered:

- structural review and evaluation of effectiveness
- GIAA audit plan and reports, including: review of process for updating

Operational Guidance Booklets to Policy, Procedure and Guidance, expenses, use of Government Procurement Card, procurement and letting contracts, cyber-security, safeguarding and compliance, budgetary control and management information, disaster recovery and capital investments

- external audit plan and reports
- risk management processes and risks
- preparation of annual report and accounts, including the governance statement

Performance of the Board

The Forestry England Board undertakes an annual self-assessment against the National Audit Criteria. It completed its first assessment in June 2020 after its first year of operation. Considering that this was a young Board this exercise indicated that it had made a strong start. Two priority areas were identified for strengthening in the next twelve months: setting strategic direction, and strengthening the role, reporting and relationship with its sub-committee, the ARAC. The first of these is being realised through the input, influence and direction of the Board in the development of the five year plan over this year, to be effective from April 2021. The second priority is being addressed through regular reports to the Board by the chair of ARAC.

The development, shaping and performance of the Board and the management information it receives continues to be kept under constant review as its leadership role and responsibilities are further developed and embedded within Forestry England so that it delivers maximum value. To achieve this, the Board has worked closely with the executive team to ensure that the agendas, reports and management information it receives are of quality and relevance to enable the Board to fulfil its responsibilities to the best of its abilities.

Review of effectiveness of governance

The Forestry England Accounting Officer has responsibility for conducting an annual review of the governance framework and provides an annual assurance statement to the Forestry Commission Accounting Officer. This review is informed by the work of internal audit, assurance from executive managers and external auditors in their management letter and other reports.

Annual Financial Assurance Statements are provided by the executive managers across Forestry England on the application of financial controls, the recording of all transactions and any reported incidents of fraud.

The GIAA Head of Internal Audit for Forestry England has prepared an annual report and assurance statement which includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry England.

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

Forestry England applies the principles of HM Treasury's Code of Good Practice for Corporate Governance as appropriate for an executive agency of the Forestry Commission.

The Forestry Commission ARAC, being the sub-committees of the Forestry England, Forest Services and Forest Research Boards, reviews its effectiveness in line with best practice as set out in HM Treasury's Audit Committee Handbook and results will be reported to the Forestry England Board. The effectiveness of the new structure will be kept under review.

Whistleblowing

Forestry England 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.

The whistleblowing policy and procedures have been reviewed and updated in line with similar work taking place across Defra group. A project is currently taking place to increase awareness of the policy and to develop the training for nominated officers and investigators across the Commission.

Forestry England has a dedicated whistleblowing officer to whom a number of approaches have been made, none of which have been deemed as whistleblowing. A range of recommendations from a whistleblowing audit have been made to the business including, strengthening our information security culture, as well as better records systems and processes for dealing with data, as well as to increase awareness of the policy amongst staff and to develop the training for nominated officers and investigators across the Commission. An improvement project is underway to pick the delivery of these recommendations up in 2021-22.

Formal warning

During 2020, we regrettably received a formal warning letter from Forest Services in respect to unauthorised felling by Forestry England.

Forest Services Practice Delivery Note 01 sets out the position concerning the regulation of Forestry England by Forest Services. It is agreed that whilst Forestry England is excepted from the requirement for a felling licence, an approved Forest Plan, setting out felling and restocking proposals will be reviewed, and approved by Forest Services prior to commencement of felling operations. Should felling proposals

need to be amended, and those amendments are in excess of the tolerance thresholds, Forestry England is expected to submit an amendment request at least six weeks in advance of the approval being required. The formal warning relates to an area of 1.34 hectares authorised for thinning only operations in the approved Forest Plan, which had been clear felled. The decision to alter felling operations had been taken by a new member of staff without the required amendment authorisation form having been submitted, and subsequently approved by Forest Services.

We have taken steps to remind teams of the requirements set out within Forest Services Practice Delivery Note 01 such that felling is in compliance. Newly recruited foresters and others who may manage felling works in the nation's forests are also educated swiftly on these regulatory requirements.

Risk management

Forestry England implement the Forestry Commission's Risk Management Policy and are fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks.

Risk Management is an important part of our control environment because it identifies and assesses risks to the delivery of our objectives. At the same time, these controls allow Forestry England to maximise its opportunities. Risk management is the systematic, positive identification, evaluation and treatment of those risks and opportunities. It is a key part of the broader, corporate governance arrangements. Sometimes risks can be viewed negatively, and this can lead to inaction through fear of getting things wrong. Forestry England's approach is to view risk management proactively, positively and empowering to the organisation and its staff.

Forestry England has a cross-function Risk Management Group (RMG) which meets quarterly to consider new and emerging risks from across the organisation, the management of existing active risks, and the effectiveness of all controls and mitigations. Each risk identified has a senior risk owner who is a member of the executive team with the authority to take action. The RMG reports its recommendations to the Executive Team who will consider and agree the content of the corporate risk register. Those risks assessed as high risks are then reported to the ARAC and the Forestry England Board for consideration and review.

Alongside the work of the RMG, specific functional risk registers are maintained and monitored for areas of risk that are being managed at a level acceptable to the organisation e.g. health and safety, reputation management, capital investment projects. When the assessment level for a risk on any of these registers increases beyond the accepted level it will be escalated to the RMG and corporate register for active monitoring at a senior level.

Principal and significant risks

Principal risks

Forestry England has identified in its risk profile the following principal areas of risk in achieving its aims and objectives:

Economic - these risks relate to those financial events which would affect the management of the nation's forests and the impact on the wider economy. This includes opportunities or possible adverse effects relating to timber markets, exchange rates, recreation activities and ticketed events and other non-forestry developments. Risks that carry a significant impact to sustainable finances are clearly identified on the register. Strong financial control mechanisms are in place, monitored by the Board at each Board meeting throughout the year.

Reputational - these risks relate to exposure to events which might undermine the level of confidence in Forestry England held by organisations and the public and the consequences on effective delivery and relationships that might arise. Control mechanisms are in place through expert proactive and reactive management and communications across the organisation and with key stakeholders.

Environmental - these risks relate to the exposure of the nation's forests to climatic and ecological events. This includes implications for the targets of maintaining and enhancing biodiversity, the cultural value and landscape character of the estate, effective protection of the environment, prudent use of natural resources and contribution to government carbon reduction targets. Consideration of changing climate implications is given in assessing the level of all relevant risks. Robust measures and procedures are in place and regularly reviewed to manage the response to specific environmental and climate-related risks, for example fire, flood and tree health.

Social - these risks relate to the implications for the aim of connecting everyone with the nation's forests, improving quality of life, and increasing understanding about forests, woodlands and their management. There is close monitoring of Forestry England events, their take-up and the experience offered through visitor evaluation and performance monitoring.

Safety - the health and safety of those who work on and visit the nation's forests are paramount. Measures to successfully discharge our legal and moral obligations to protecting staff, contractors, volunteers and visitors are developed in conjunction with the wider industry and the regulator. The development of best practice is a process of continuous improvement and innovation.

Effective risk management requires skilled operatives, competent and vigilant

supervision and monitoring, along with regular appraisal and assurance to the business.

Ensuring that training can continue, albeit in different formats, to upskill staff throughout the national pandemic in 2020-21 has been an essential part of maintaining our activities and facilities so that the wider public could continue to enjoy exercise in open spaces safely whilst maintaining the health and safety of our staff in difficult operating conditions.

Significant risks

EU exit

EU Exit introduced a lot of change and transition in the country. For Forestry England the main impact will be in its economic activities such as timber markets, whole supply chain and staffing. These impacts are being incorporated into unit business plans bringing the risk level down, with any remaining risks around currency fluctuations planned for in our long term financial model.

Climate change emergency

The changing climate poses significant threat to the long term business of forestry, to land use, the health and well-being of our environment and society. Forestry England are integrating climate change measures into our national policies, strategies and forest plans and using its expertise in forestry to engage with and influence society and partners on what forestry can do to help combat the challenge of a changing climate, and are taking steps to build resilience in our forests through widening species choice.

Pests and diseases

Existing, emerging and potential pests and diseases as a result of changing climate represent significant risks in forests across Europe, including the nation's forests.

Changing climate and globalised plant trade both pose significant risks around introducing new pathogens, the resilience of our forests and the economic impact on timber production and markets. Biosecurity procedures and controls are used to mitigate the environmental threats together with strong financial management controls to manage the economic impacts.

Forest Holidays

The Forestry Commission's joint venture with Forest Holidays came under significant scrutiny in 2018-19, and a Governance Review was carried out by UK Government Investments at the request of ministers. The review highlighted those areas of major risk and made a series of recommendations to remove or reduce the risk to an acceptable level. Ministers accepted the recommendations made. Action has been taken to fully implement these recommendations by revising key policy and practice to mitigate the level of this risk so that it is now being managed at a tolerated level.

Information and cybersecurity

Information risks continue to have prominence as legislation, expectation and scrutiny are broader and deeper and there continues to be risks from the increased level of national and international cyber-attacks, with impacts on data loss, our reputation, and finances. We have mitigated this by implementing a strong infrastructure for cyber security, business continuity and disaster recovery. These risks are identified and monitored by the Security Forum, with essential training requirements identified and provided for all senior leaders. In addition, we are embedding good information governance approach, including expert UKGDPR and data protection practice into the organisation to strengthen our information security.

COVID-19 future financial sustainability

The COVID-19 pandemic has been the major challenge of the year. The most significant risk it poses is to the organisation's financial sustainability and the impact this has on the organisations ability to deliver on its statutory obligations, goals and ambitions going forward into the next financial year and beyond. To manage and mitigate cost savings have been identified, projects and investments have been deferred combined with additional funding relief sought and new opportunities, innovations and structures are being explored to support growth in finances and delivery of public benefit. Strong financial monitoring and reporting controls are in place.

Wider circumstances and future challenges

The main challenges for Forestry England as an agency of the Forestry Commission during 2021-22 and beyond are as follows.

- re-establishing sustainable finances over the next five year planning period. Living with coronavirus and its impact will continue into 2021-22, illustrated by the postponement of the Forest Live series of concerts. The challenge is to grow and diversify income streams to both achieve this sustainability and deliver on the organisations strategy to deliver greater public benefit through the nation's forests
- anticipating and contributing to government's plans for nature; including the English Tree Planting Programme and England Trees Action Plan, our response including implementation of a new leasehold approach to woodland creation and modernisation of nursery irrigation and biosecurity
- responding to and managing the impacts of the changing climate, including handling the continued biosecurity threat and decreasing carbon emissions on the estate
- attracting and retaining new visitors, volunteers and staff, and increasing

their diversity so people visiting and working in the nation's forests are more reflective of surrounding communities

Remuneration and staff report

subject to audit

The remuneration and staff report sets out Forestry England's 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.

Remuneration report

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.

Executive members of the Forestry England Board hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

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

Details of non-executives who served during the year are:

	Date of current contract	Unexpired term (months*)
Sir William Worsley	10/02/2020	22
Julia Grant	01/11/2019	19
Peter Latham	01/04/2019	12
Jennie Price	01/04/2019	12
Gurch Randhawa	01/05/2019	12
Chris Simpson	01/09/2020	29

*months remaining from 31 March 2021

Remuneration policy

Fees for non-executive Commissioners and members who are not Forestry Commission or Defra employees, are determined in accordance with guidelines prescribed by the Cabinet Office. Remuneration and annual reviews for Senior Civil Servants within the Forestry Commission are determined and moderated as part of the annual Defra moderation process.

As part of this process the following are taken into consideration:

- 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, and if so, whether low or high. The Senior Pay Committee considers the recommendations, determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded

Other Executive 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 members of the Forestry England Board for 2020-21.

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits	Total
		£000	£000	£	£000	£000
Mike Seddon Chief Executive	2020-21	90-95	-	-	93	185-190
	2019-20	85-90 ¹	0-5	-	109	200-205
Tristram Hilborn Chief Operating Officer	2020-21	70-75	-	-	52	120-125
	2019-20	25-30 ²	-	4,500	23	55-60
David Hodson Finance Director	2020-21	65-70	-	-	26	90-95
	2019-20	65-70	-	-	25	85-90

1. Mike Seddon was Chief Operating Officer until 31 July 2019, and Chief Executive from 1 August 2019. The full-year equivalent as Chief Operating Officer is £75-80,000, and as Chief Executive is £90-95,000. Pension benefits in year reflect the impact of the appointment on the final salary pension.
2. Figure quoted is for the period 1 November 2019 to 31 March 2019. The full-year equivalent is £70-75,000.

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.

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 England and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and home to permanent place of work expenses.

Bonuses

Bonuses are based on performance levels attained and are awarded as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2020-21 relate to performance in 2019-20 and the

comparative bonuses reported for 2019-20 relate to performance in 2018-19.

Pension benefits (subject to audit)

	Accrued pension at pension age at 31 March 2021 and related lump sum £000	Real increase/ (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2021 £000	CETV at 31 March 2020 £000	Real increase/ (decrease) in CETV £000	Employer contribution to partnership pension account to nearest £100
Mike Seddon	40 - 45 plus a lump sum of 90 - 95	2.5 - 5 plus a lump sum of 5 - 7.5	800	699	71	-
Tristram Hilborn	20 - 25 plus a lump sum of 35 - 40	2.5 - 5 plus a lump sum of 2.5 - 5	277	237	27	-
David Hodson	15 - 20	0 - 2.5	239	208	17	-

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 ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten 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 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.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% 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) their pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the

website
www.civilservicepensionscheme.org.uk.

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 members of the Forestry England Board received the following remuneration for their services during the period ended 31 March 2021.

	2020-21		2019-20	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir William Worsley*	39	-	6	-
Julia Grant*	12	-	12	1
Jennie Price*	12	-	12	-
Peter Latham*	12	-	12	1
Gurch Randhawa	5	-	7	1
Chris Simpson	5	-	-	-

* Fees disclosed as they are members of the Forestry England Board though are paid for by the Forestry Commission and also disclosed in the Forestry Commission Annual Report and Accounts

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 England in the financial year 2020-21 was £90,000-£95,000 (2019-20: £90,000-£95,000). This was 3.56 times (2019-20: 3.63) the median remuneration of

the workforce, which was £26,014 (2019-20: £25,503).

In 2020-21, no (2019-20: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19,000 to £72,000 (2019-20: £18,000 to £70,000).

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

Staff report

Average number of persons employed

subject to audit

The average number of whole-time equivalent persons employed during the year was as follows:

			2020-21	2019-20
	Permanently employed staff	Others	Total	Total
Directly employed	954	82	1,036	1,001
Other	-	53	53	80
Total	954	135	1,089	1,081

The average number of whole-time equivalent persons, by gender, employed during the year was as follows:

	Directors and senior civil servants on the Forestry England Board		Permanently employed staff		2020-21	2019-20
	Other directors		Others	Total	Total	
Male	3	1	603	62	669	676
Female	-	4	344	72	420	405
Total	3	5	947	134	1,089	1,081

There are two senior civil servants, one is SCS1A, the other is SCS1. None of the 'other directors' are senior civil servants.

We publish our gender pay gap report on the gov.uk website.

Staff costs

subject to audit

			2020-21	2019-20
	Permanently employed staff £000	Others £000	Total £000	Total £000
Salaries	28,774	2,212	30,986	28,674
Social security costs	2,833	192	3,025	2,813
Other pension costs	7,424	585	8,009	7,495
Agency/temporary staff	-	1,622	1,622	2,936
Total	39,031	4,611	43,642	41,918

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 England is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2020-21, employers' contributions of £8,024,000 were payable to the PCSPS (2019-20: £7,600,000) 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 2020-21 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 £92,000 (2019-20: £92,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% of pensionable earnings (2019-20: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 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 £nil (2019-20: £7,400). Contributions prepaid at that date were £nil.

Furlough

Forestry England was able to use the Coronavirus Job Retention Scheme because over 80% of our funding comes from our

commercial trading activity. During 2020-21 a total of 417 members of staff were furloughed and £736,000 was claimed under the Coronavirus Job Retention Scheme.

Staff were furloughed from May to July 2021 as follows:

	People	£000	Claim date
May	339	550	3 June
June	138	161	2 July
July	17	25	31 July

Most of the roles furloughed were those where the main duties of the role could not be completed due to COVID-19 restrictions, or where there were personal constraints on the person's ability to work at the time. We focused resources on safety, legal responsibilities and those parts of the business that were still able to trade. Our commercial recreation work was suspended, and we asked people not to drive to our forests, which meant our recreation work was greatly reduced. Recreation staff were affected more than others as a result. Furloughed staff were considered for redeployment into suitable roles elsewhere within the public sector, but were ultimately not used in this way as they were quickly returned into their roles as changes to government guidance allowed.

Ill-health retirement

Nobody (2019-20: 2) retired early on ill health grounds; the total additional accrued pension liabilities in the year therefore amounted to £nil (2019-20: £nil).

Sickness absence data

Year	Working days lost per staff year
2020-21	3.2
2019-20	7.0
2018-19	5.1

Our vision is that everyone working with Forestry England 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 on several of the working groups. We have continued to deliver safety training to industry managers and main contractors on behalf of the Forestry Industry Safety Accord as well as launching new safety training for our own managers and staff.

Accidents

The following figures set out the reportable incidents in accordance with 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013' in 2020-21 and the preceding years.

RIDDOR incidents per 100 employees	
Year	Number
2020-21	0.45
2019-20	0.28
2018-19	0.59

The RIDDOR incidents during the year were:

- in June 2020 an employee suffered a tick bite that produced a bulls eye rash
- in August 2020 a new member of staff being shown around during induction left the trail. As they returned to the trail they slipped and broke their ankle
- in November 2020 a member of staff tripped on a bramble
- in December 2020 a wildlife ranger was carrying out stalking activities when the sound moderator on their firearm failed and exploded resulting in hearing loss
- in January 2021 an employee was assisting a small team clearing an ex-Christmas Tree site, feeding brush into a tractor-mounted chipper. As the chainsaw operator began felling their third tree the operative in question suddenly changed direction of travel, moving from behind the chipper towards the falling tree. The operative saw the tree and turned to avoid being struck, but in doing so stumbled and fell, resulting in a dislocated hip.

We continue to monitor our health and safety performance and strive to make our woodlands and workplaces safer places. Actions have been taken to help prevent similar injuries in future including clearer communication of existing policies and procedures as well as the introduction of new ones.

Staff turnover percentage

There is a new requirement to report our staff turnover. In future years we will report prior year data for comparison. In 2020-21, Forestry England had a staff turnover percentage of 8.07%.

Reason for leaving	% of staff
Death in service	0.18%
Dismissal for gross misconduct	0.09%
End of fixed term contract	0.55%
Redundancy	0.09%
Resignation	4.68%
Retirement	2.48%

Staff engagement percentage scores

Ensuring we are all motivated and engaged demands effective leadership. Through our staff surveys we find out what needs to be done to improve this for all.

Our most recent staff engagement survey in October 2019 received an excellent response rate of 83%, up 5% from our survey in 2017. Forestry England is improving its engagement with employees, receiving an index score of 82% when people are asked how proud they are to work for Forestry England, whether they would recommend it as a place of work and if they feel a strong sense of belonging to the organisation. This is nearly 10% higher than the civil service average.

Forestry England is recognised by its employees as an Employer of Choice, gaining a score of 3.14 out of 4 compared to a civil service average of 3.01.

Staff policies

At the beginning of March 2020 as the COVID-19 pandemic hit Britain, a small COVID-19 HR response team lead by the HR director was established liaising with the Cabinet Office and Defra on new policy, questions and communications for staff. Weekly meetings with the Forestry Commission Trade Unions were held and in turn emerging policy and guidance was operationalised throughout the organisation to great effect.

During lockdown, 28 meetings each week were attended by the HR COVID-19 response team, over 150 pieces of guidance were read and adapted, implemented and cascaded, and over 75 FAQs were written and kept updated. Since the autumn of 2020, a good deal of time has been taken up engaging with Defra to roll out mass testing for eligible Forestry Commission and Forestry England sites. Policy and process has had to follow quickly behind the mass testing phased launches.

Forestry England continues to adapt to new guidance and lockdown situations, with Covid-19 safe working protocols and workspaces, while providing a safe space for visitors to access the nations forests.

Critical to our success was the high level of wellbeing support used and developed at this time. Staff feedback has proven time and again how helpful such resources have been and continue to be.

Leadership development

Following the results of the staff engagement survey 2019, the Forestry Commission Executive Board asked for a management development programme to be developed which would allow all managers to focus upon improving levels of competence and confidence in leading and inspiring teams.

COVID-19 inevitably slowed the progress of this important work, so it began in

September 2020 with the development of a pan-Forestry Commission project group and engagement with senior stakeholders to begin to shape the programme and approach. The vision, aims and objectives of the programme have now been agreed by the Executive Board and the project group will develop a tender which will go out to the market in Spring 2021. The aim is to offer a modern, innovative blended learning programme, which will use the most up-to-date neuro-scientific approaches to development. The programme will also focus upon critical competences needed to be an exemplar Forestry Commission manager. This will be rolled out to managers and leaders across the business with the most senior staff being offered places from autumn 2021. The intention is to offer the programme to further groups of managers swiftly afterwards.

Training

Following lockdown on 23 March 2020, a decision was taken to place a pause on face-to-face training for the wellbeing of our staff. This enabled our training providers to develop alternative solutions to traditional face-to-face learning and enabled us internally to adapt face-to-face delivery in an innovative way. All staff during the period were encouraged to engage in learning and development activities to progress their continuing professional development (CPD). COVID-19 provided a huge range of learning opportunities for staff. From having to work differently adapting their working styles and practices as well as in the way they undertook their roles during the unfolding global pandemic. Naturally during this period, some routine professional skills and qualification training was disrupted and changed or placed on pause. This will be a focus of attention for the coming year, based upon business needs.

Providers such as Civil Service Learning and HEY Mind, our Mental Health training provider, quickly adapted the learning they offer and were able to deliver it online from

September, making it easier for colleagues with disabilities or caring responsibilities to attend as no travel is required. In fact, accessibility to training and meeting attendance has improved during Covid. Before Covid, some staff were unable to reach meetings due to travel and time constraints. Now, decisions are better because more subject matter experts are in the virtual room, engaging, contributing and making change.

Forestry England worked hard to respond to development needs in respect of their resilience and wellbeing. As a result, many staff have undergone some form of training or learning this year. A range of on-line sessions were offered, including lunch and learn sessions. We have worked hard to ensure on-line reading resources, blogs and videos are available to complement externally provided training, and in-house and informal/impromptu sessions. These have all been critical to the support and development of our staff. This focus upon wellbeing and resilience has been important as both are skill sets which have been required during this challenging time.

Further work has been undertaken to finalise and launch online induction modules, which give a high-level view of all parts of the business to new starters in Forestry England. Work is ongoing to develop additional online learning for the recruitment process and performance and attendance management. This work continues into 2021-22.

2020 was a pivotal year for Technical Training. Following the initial COVID-19 lockdown, Technical Training adopted an agile approach to reviewing and resuming training activities, recognising that a considerably different approach was needed. Essential training has continued to be delivered where required in full compliance with government and Forestry England COVID-19 protocols.

Training is now being delivered in a more sustainable and environmentally friendly

way compared to the past. The introduction of virtual training via MS Teams has resulted in a significant increase in capacity and actual training, with month on month increases compared to previous years. October 2020 saw us deliver training to twice the amount of people compared to the previous year over more subjects.

With the permanent establishment of a dedicated Apprenticeship Manager, the long-term future of the delivery of apprenticeships within Forestry England has been secured, with an organisational ambition and appetite to increase Forestry England's use of apprenticeships for training new staff members and developing exiting personnel. Furthermore, the aspiration to recruit a regular yearly intake at a recurring time of year will allow us to target recruitment by engaging with schools and colleges at an appropriate time which can only help in broadening the demographic of our apprenticeship cohort and ultimately the Forestry England population.

Training analysis continues to cast a critical eye over new training requirement to ensure they are scoped in the most effective way, while the design of new training ensures it is future-proofed to safeguard its durability and availability under any situation. The Training Administration team have adapted well to meet the new challenges, while concurrently adjusting quality processes to encompass the new iTrent Career and Development Module.

Diversity, inclusion and wellbeing

Forestry England continues to strive towards building a diverse and inclusive environment for all staff and visitors.

The Diversity and Inclusion strategy sets out how we are doing this, making sure we fulfil our requirements under the Public Sector Duty Act and the Equality Act 2010: Seeking to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity, and foster good

relations between those who share a protected characteristic and those who do not.

The public body equality duty requires us to demonstrate how we deliver equality outcomes by publishing annual equality information - which enables the public to hold us to account, and publishing equality objectives. Further information about these objectives and how we are achieving this is available via our annually reported Equality Monitoring Report. Current programmes of work to increase the diversity of our workforce include our Women in Forestry Programme, our BAME Inclusion work, the launch of our LGBTQ+ Supporters Network. A review of all workforce policies is underway from an equality, diversity and inclusion perspective.

We will continue to build a culture of trust to encourage staff to update their diversity information which will in turn help us understand the diversity of our workforce and positive steps we can take. In addition to the above objectives, we will continue to review our diversity data sources to take positive steps to meet our public sector equality duties.

COVID-19 has shone the spotlight on the importance of forests and green spaces in supporting people's health and wellbeing. Externally we have continued to promote and inspire people to connect with forests for their health and wellbeing. In response to COVID-19 restrictions, we have developed resources, such as a virtual forest bathing gallery, to enable people to connect with the wellbeing benefits of forests from their homes.

The health and wellbeing of our staff has also continued to be a top priority. Internally, our revised staff wellbeing offer was launched at the end of February 2020 providing greater clarity and structure to the wealth of options available to staff at different stages of their life and in different circumstances. During the COVID-19 pandemic, staff have continued to be

supported to work in new and flexible ways as part of our commitment to embed wellbeing within every aspect of the business. As the Mental Health First Aider Network continues to embed, we have begun refresher training for this group to ensure their skills and knowledge remain up to date. During the autumn of 2020, a dedicated wellbeing communications campaign titled Be Well, Stay Well focused on key elements of personal wellbeing, championed by senior managers across the business and the sharing of personal stories. This campaign has received high engagement at a crucial time and demonstrates the positive cultural progress being made.

iTrent integrated HR and payroll system

The underlying data structure within iTrent is now in line with the underlying data structure within eFinancials, our Finance software. This is helping bring iTrent more in-line with business planning. Work in this area continues, with HR and Finance system teams working in partnership to create new processes to ensure data accuracy. District finance managers now have greater visibility of iTrent data, allowing them to identify areas where iTrent fails to match records held on Finance systems.

As iTrent continues to be embedded within the organisation through employee and manager self-service, a pilot commenced in November 2020 for staff to record flexi and TOIL through the Time & Attendance functionality. This will provide one log in for staff to record annual leave, flexi and TOIL whilst also recording all absences in one place to improve the accuracy of HR data. While the Time and Attendance remains in pilot stage usage is being expanded across the organisation.

In June 2020, the iTrent Career and Development module was launched. The system enables colleagues to browse the training available online, add themselves to waiting lists and book themselves onto training sessions available. Training is

managed centrally and the system notifies managers and delegates of bookings. More importantly the system will send out reminders four months before mandatory training expires (or reaches its resumption date), so that colleagues can plan to renew their training in a timely manner. Alongside this, a training catalogue has been developed, which is hosted on Roots (the Forestry England intranet), which offers an alternative way for colleagues to browse training available. 'How to' guides have been developed for managers and training coordinators and training sessions in how to use the system are available to enable full integration of this new system. Work is planned to develop the use of management information tools which will allow us to analyse training data for inclusion in a dashboard. This may then be used to assist HR and senior managers with workforce planning and potential training gap analysis.

Workforce policies

Forestry England will enjoy a set of streamlined, user friendly and legally compliant 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 the Forestry Commission, Forestry England and Forest Research.

Another pause due to COVID-19 occurred in this area as critical resources were redeployed to leading the pandemic across the Forestry Commission. The Whistleblowing Policy has been redeveloped with the introduction of a simpler process to better support business decisions. The Discipline and Grievance policies are currently being reviewed with an aim to focus upon early resolutions.

Offer 2020

The aim of the Offer 2020 project is to develop a new employee offer including improvements to pay, benefits, recognition,

learning and development, work-life balance and wellbeing.

In November 2020, we launched a new employee discount site which gives access to a range of exclusive discounts at some of the UK's best known and reputable retailers, visitors attractions and places to eat. We were also launched a new Cycle to Work provider and a staff gym discount scheme.

Following the imposition of a pay pause by Treasury, the project next step will be submitting a paper to Defra to gain agreement in principle to submit a business case to the Cabinet Office towards the end of 2021.

Employee consultation and trade union relationship

Forestry England 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 COVID-19 pandemic, Offer 2020 project, workforce policies, wellbeing, mental health, proposals for Wykeham nursery and health and safety issues.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials 2020-21	Full time equivalent employee number
12	11.3

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	11
51-99%	1
100%	-

Percentage of pay bill spent on facility time

Percentage of total pay bill spent on facility time 0.12%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 196.72%.

Each trade union representative spends 5% of their contractual hours, but the Forestry Commission trade union Chair and Secretary together total one full time person.

Expenditure on consultancy

During the year Forestry England incurred £926,000 consultancy costs (2019-20: £971,000). This was spent on a range of activities, for instance an energy review, a motorsports review, the Cannock Chase mountain biking trails project and environmental planning. No company or individual received in excess of £121,000 for their consultancy services in year

(2019-20: £100,000 for their consultancy services).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the year total £1,623,000 (2019-20: £2,936,000).

Reporting of civil service and other compensation schemes - exit packages subject to audit

No staff members left under voluntary exit or voluntary redundancy terms in the year to 31 March 2021 (2019-20: 2). Compensation payments totalled £nil (2019-20: £28,141).

One staff member left under compulsory redundancy terms in the year to 31 March 2021 (2019-20: 1). Compensation payments totalled £7,841 (2019-20: £25,289).

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 Forestry England has agreed early retirements, the additional costs are met by Forestry England and not by the civil service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the figures above.

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
<£10,000	1	-	-	1	1	1
£10,000-£25,000	-	-	-	1	-	1
£25,000-£50,000	-	1	-	-	-	1
Total number of exit packages	1	1	-	2	1	3
Total cost £	7,841	25,289	-	28,141	7,841	53,430

Other accountability matters

Losses and special payments

(subject to audit)

	2020-21		2019-20	
	Number	£000	Number	£000
Losses	94	1,143	106	994
Special payments	37	78	56	76
Total	131	1,221	162	1,070

The largest loss, totalling £860,000, relates to the potential loss of plant and seed at Wykeham nursery following the decision to close the site.

A loss of £135,000 relates to invoices for 2019-20 seedling dispatch season, where the COVID-19 lockdown in early 2020 negatively impacted upon the customers planting operations. A negotiated agreement to share the cost of the associated invoices was achieved.

Due to uncertainties around COVID-19, Forest Live 2021 has been deferred to 2022. £134,000 of services related to the planned Forest Live 2021 have already been received and therefore are recognised as a loss in 2020-21 and included in the figures above.

Other losses are smaller in value and include:

- Forestry England being liable for £17,200 related to vandalism damage to hired welfare units
- £14,400 for a road traffic accident involving one of our employees
- an employer liability claim for £12,500 relating to noise induced hearing loss
- £12,000 compensation for a tenancy surrender in North England
- a £10,500 payment made in advance for play equipment but the supplier went into administration before we received the equipment.

All other losses and special payments are below £10,000 each.

In 2019-20 a loss of £62,000 was recognised in respect of a supplier impersonation fraud. In 2020-21, £53,000 of this loss was recovered, and is reflected in the figures above and in Losses and Compensation in Note 4.

In March 2020, all Forest Live 2020 events were cancelled, in accordance with government guidance on containing the COVID-19 coronavirus outbreak. All ticket income was refunded, and steps were taken to mitigate or avoid costs relating to the programme. Costs that could not be avoided or deferred to the 2021 programme were accounted for in 2019-20 and are included in the losses figure for that year.

Remote contingent liabilities

(subject to audit)

In addition to contingent liabilities reported within the meaning of IAS 37, Forestry England 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 nine remote contingent public liability claims which are deemed remote either due to a different entity being the liable party or through lack of evidence of liability.

Two employer liability claims are deemed to be remote contingent liabilities due to the evidence not supporting the claim.



Mike Seddon
15 June 2021
Accounting Officer
Forestry England

Independent auditor's report to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Forestry England for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Income, 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. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 England affairs as at 31 March 2021 and of the surplus for the year then ended; and
- 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), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities/ public interest entities. I am independent of Forestry England in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that Forestry England's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Forestry England's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual 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 certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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, based on the work undertaken in the course of the audit:

- 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; and

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

Matters on which I report by exception

In the light of the knowledge and understanding of Forestry England and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability Report. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework

and for being satisfied that they give a true and fair view

- internal controls as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error
- assessing Forestry England's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by Forestry England will not continue to be provided in the future

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud.

My procedures included the following:

- inquiring of management, Forestry England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Forestry England's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Forestry England's controls relating to the Forestry Act 1967
- discussing among the engagement team and involving relevant internal and or external specialists, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals
- obtaining an understanding of Forestry England's framework of authority as well as other legal and regulatory frameworks that Forestry England operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Forestry England. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money and relevant employment, taxation and pensions legislation

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance

with relevant laws and regulations discussed above;

- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities.
 This description forms part of my certificate.

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

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.

Report

I have no observations to make on these financial statements.

Gareth Davies 21 June 2021

Comptroller and Auditor General
 National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London SW1W 9SP

Financial statements

Statement of comprehensive income

for the year ended 31 March 2021

	Note	2020-21 £ 000	2019-20 £ 000
Revenue from contracts with customers	3	72,836	76,928
Other operating income	3	10,884	11,212
Total operating income		83,720	88,140
Staff costs	4	(43,642)	(41,918)
Purchase of goods or services	4	(52,052)	(62,147)
Depreciation, amortisation and impairment charges	4	(6,148)	(5,957)
Provisions expense	4	222	(597)
Value of felled timber	5 & 6	(28,958)	(29,634)
Impairment of property, plant and equipment	5	(500)	(2,470)
Total operating expenditure		(131,078)	(142,723)
Operating deficit before gain on revaluation of biological assets		(47,358)	(54,583)
Gain on revaluation of biological assets	6	101,139	34,364
Operating surplus/(deficit)		53,781	(20,219)
Funding from the Forestry Commission		24,345	16,014
Capital funding from the Forestry Commission		573	-
Grants from the Forestry Commission		86	436
Interest on land transaction		24	309
(Loss)/gain on sale of assets		(114)	3,512
Surplus for the year		78,695	52
Other comprehensive income			
Net gain on revaluation of property, plant and equipment	5	184,779	111,734
Net gain/(loss) on revaluation of financial assets	7	3,787	(3,265)
Net gain/(loss) on revaluation of partnership lease receivables	9	1,739	(111)
Comprehensive surplus for the year		269,000	108,410

The notes on pages 71 to 101 form part of these accounts.

Statement of financial position

as at 31 March 2021

	Note	31 March 2021 £ 000	31 March 2020 £ 000
Non-current assets			
Property, plant and equipment	5	2,408,964	2,240,269
Intangible assets		736	379
Biological assets	6	458,776	369,633
Financial assets	7	16,270	12,265
Trade receivables, financial and other assets	9	11,720	8,041
Total non-current assets		2,896,466	2,630,587
Current assets			
Assets held for sale		21	-
Inventories		3,230	2,996
Trade receivables, financial and other assets	9	18,376	25,525
Cash and cash equivalents	10	33,272	22,264
Total current assets		54,899	50,785
Total assets		2,951,365	2,681,372
Current liabilities			
Trade payables, financial and other liabilities	11	(14,396)	(14,474)
Provisions	13	(377)	(104)
Total current liabilities		(14,773)	(14,578)
Total assets less current liabilities		2,936,592	2,666,794
Non-current liabilities			
Trade payables, financial and other liabilities	11	(21,081)	(19,723)
Provisions	13	(463)	(1,023)
Total non-current liabilities		(21,544)	(20,746)
Total assets less total liabilities		2,915,048	2,646,048
Taxpayers' equity and other reserves			
General fund		597,005	516,534
Revaluation reserve		2,318,043	2,129,514
Total taxpayers' equity and other reserves		2,915,048	2,646,048



Mike Seddon 15 June 2021
Accounting Officer, Forestry England

The notes on pages 71 to 101 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2021

	Note	2020-21 £ 000	2019-20 £ 000
Cash flows from operating activities			
Operating surplus/(deficit) for the year		53,781	(20,219)
Adjustment for non-cash transactions	4	5,926	6,554
Value of felled timber	5 & 6	28,958	29,634
Impairment of property, plant and equipment	5	500	2,470
Gain on revaluation of biological assets	6	(101,139)	(34,364)
Decrease in plant and seed (biological assets)	6	869	(324)
(Increase) in inventories		(234)	(285)
Decrease/(increase) in trade and other receivables	9	5,074	(4,518)
Less movements in partnership lease receivables	9	1,739	(111)
Increase in trade and other payables	11	1,280	3,303
Less finance lease additions	5	(537)	(208)
Use of provisions	13	(65)	(80)
Net cash outflow from operating activities		(3,848)	(18,148)
Cash flows from investing activities			
Purchases of non-financial assets		(8,923)	(12,763)
Proceeds from disposal of non-financial assets		573	5,383
(Increase)/decrease in capital receivables	9	(354)	2,675
Investment in financial asset		(218)	-
Landlord's investment in CITF campsite		(1,250)	-
Asset reclassified to receivables		-	250
Interest on land transaction		24	309
Net cash outflow from investing activities		(10,148)	(4,146)
Cash flows from financing activities			
Funding from the Forestry Commission		24,345	16,014
Capital funding from the Forestry Commission		573	-
Grants from the Forestry Commission		86	436
Net cash inflow from financing activities		25,004	16,450
Net increase/(decrease) in cash and cash equivalents in the period		11,008	(5,844)
Cash and cash equivalents at the beginning of the period	10	22,264	28,108
Cash and cash equivalents at the end of the period	10	33,272	22,264

The notes on pages 71 to 101 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2021

	General fund £000	Revaluation reserve £000	Taxpayers' equity £000
Balance at 31 March 2019	516,069	2,021,569	2,537,638
Comprehensive surplus for the year	108,410	-	108,410
Net gain on revaluation of property, plant and equipment	(111,734)	111,734	-
Net gain on revaluation of financial assets	3,265	(3,265)	-
Realised element of revaluation reserve	524	(524)	-
Balance at 31 March 2020	516,534	2,129,514	2,646,048
Comprehensive surplus for the year	269,000	-	269,000
Net gain on revaluation of property, plant and equipment	(184,779)	184,779	-
Net gain on revaluation of financial assets	(3,787)	3,787	-
Realised element of revaluation reserve	37	(37)	-
Balance at 31 March 2021	597,005	2,318,043	2,915,048

The notes on pages 71 to 101 form part of these accounts.

Notes to the accounts

Note 1: Statement of accounting policies

These financial statements have been prepared on a going concern basis and in accordance with the accounts direction issued by the Forestry Commission and the 2020-21 Financial Reporting Manual (FReM) issued by HM Treasury. The FReM applies International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted for the public sector. Forestry England accounting policies have been selected based on a judgement of the most appropriate treatment to the particular circumstances of the entity to ensure a true and fair view. The particular policies selected by Forestry England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

In line with HM Treasury Financial Reporting Guidance, the information presented in these financial statements is based on the assumption that Forestry England will continue to provide existing services in the future, with no legislation changes currently expected.

As approximately 69% of Forestry England's income comes from timber sales, the principal financial risk and uncertainty facing Forestry England is the long-term market price and demand for forestry products. Our underlying income from timber sales for the next five years remains constant at circa £49 million.

Other significant income streams include car parking and admissions, ticketed events and rent for which there are no plans to sell land or change function of use, and government grant income, and therefore these revenue streams are also forecast to stay consistent.

Our longer-term business planning indicates a reduction in the current level of timber production volume in the future. This is due to no new commercial forests being planted in the last 40 years and an increased focus on delivering environmental and social benefits through the nation's forests. Forestry England business plans seek to mitigate the financial consequences of the reduction in timber volume through developing our recreation offer, and releasing the commercial potential of other non-forestry developments.

In addition to a steady forecast income stream, the strength of Forestry England's Statement of Financial Position as at 31 March 2021, along with Taxpayers' Equity of £585 million and a robust long-term financial plan, provides compelling evidence that for the twelve months from approval of the Annual Report and Accounts 2020-21, there are sufficient resources to cover all expected expenditure items. Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets.

1.2 Funding

Forestry England receives funding from the Forestry Commission. Funding is equal to the agreed annual subsidy limit and is accounted for through the Statement of Comprehensive Income.

1.3 Public corporation dividend

Forestry England pays a dividend to the Forestry Commission, reflecting the expected rate of return on funding provided. This is disclosed in the Statement of Comprehensive Income. The dividend rate has been agreed with HM Treasury and is set at zero per cent whilst Forestry England is loss-making. If Forestry England makes a surplus before revaluation gains on biological assets, HM Treasury's real rate of 3.5 per cent will apply.

1.4 Employee benefits

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) or Alpha. These are defined benefit, contributory, public service occupational pension schemes. Forestry England accounts for the schemes as defined contribution plans and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from the employee's services by payment amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS or Alpha. In respect of the defined contribution schemes, Forestry England recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Performance pay

The Performance Pay review for the Senior Staff Grades are undertaken by Defra within the stipulated Cabinet Office guidelines with the aim of paying any agreed Senior Civil Servant pay award in Autumn. Any base pay increases awarded will be backdated to the pay settlement date of 1 April 2020. The reviews and moderation are undertaken across the Defra group based on Performance reviews, position in the salary range and cross group moderation.

1.5 Contingent liabilities

Forestry England discloses contingent liabilities in accordance with IAS 37. Where applicable, it also discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts. Where applicable, amounts reported to Parliament are separately noted.

1.6 Property, plant and equipment

Legal ownership of all land and buildings is vested in the secretary of state together with the legal ownership of the timber and other tangible fixed assets. Where Forestry England is the principal beneficial user of assets owned by the secretary of state or Forestry Commissioners these are treated as property, plant and equipment assets of the agency. Property, plant and equipment are revalued annually as at 31 March.

See also 'Land and Buildings Leased to Customers' at 1.8 below, and 'Leases' at 1.14 below.

Nation's forests

The nation's forests comprises freehold afforested land (including land improvements) and the value of trees that have not been apportioned to biological assets under IAS 41 (Agriculture). Valuation of the nation's forests is complex and relies on judgements and estimation techniques. Details of these are set out in note 2 Critical Accounting Estimates and Judgements.

Nation's forests land

Nation's forests land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the nation's forest land at five-yearly intervals. Following a public procurement exercise in 2017, Savills, Chartered Surveyors were appointed as the Forestry England's valuers as from the full valuation as at 31 March 2018. In accordance with Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the nation's forests land is valued at fair value using market value for existing use. In the intervening years between professional valuations, custom indices are used to restate land values.

Trees not apportioned to biological assets

Trees falling outwith the definition of biological assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Savills, Chartered Surveyors, in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate tree values.

Other land

Non-forest land is shown at fair value. Professionally qualified staff members employed by Forestry England undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the nation's forests (31 March 2018). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. The work of internal

chartered surveyors is reviewed by Savills. A full valuation took place on 31 March 2018.

Other land has been categorised into its component parts and during intervening years between the five yearly full valuations, the most appropriate indices are applied to the relevant components to reflect their fair value as detailed below.

- Open land - custom indices provided by Savills, Chartered Surveyors
- Agricultural land - Farmland Market Index provided by the RICS Rural Land Survey
- Telecom masts - indices provided by Strutt and Parker, Chartered Surveyors
- Wayleaves - index provided by the Energy Networks Association
- Quarries and mineral workings - internal chartered surveyors undertook full valuations based on the capitalisation of the future cash inflows taking into account the reserve levels in the individual quarries
- Car parks, trails and picnic areas - indices provided by the Office for National Statistics (ONS) using the relevant Producer Price Index
- Community woodlands - internal chartered surveyors assessed the components of the woodlands and determined that the woodlands consist of three main components which are listed below together with the associated valuation methodology
 - Land - internal chartered surveyors determined that the land is agricultural in nature, and therefore, the Farmland Market Index provided by the RICS Rural Land Survey is the most appropriate valuation method
 - Landscaping and planting - custom indices provided by Savills, Chartered Surveyors
 - Infrastructure - consists mainly of paths and determined by internal chartered surveyors that the ONS indices applied to car parks, trails and picnic areas above is the most appropriate valuation method.

Dwellings and other buildings

Dwellings and other buildings are shown at fair value less accumulated depreciation. The threshold for capitalisation of buildings is £10,000.

Professionally qualified staff employed by Forestry England undertake a full revaluation of dwellings and other buildings at five-yearly intervals coinciding with that for the nation's forests and other land (31 March 2018). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS standards for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 31 March 2018 and Savills, Chartered Surveyors, reviewed this.

During intervening years between the five yearly full valuations, indices provided by Savills are used to reflect the fair value of dwellings and other buildings. The indices provided are forest district specific and are based on Savill's knowledge of the market to support properties valued at market value. Additional indices are provided for DRC valued properties based on the Building Cost Information Service (BCIS) All-in Tender Price Index.

Expenditure on infrastructure

To maximise the environmental, social and economic benefits of the nation's forests, Other Land, Biological Asset Timber and Other Timber, Forestry England improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed as they occur. Forestry England takes the view that the professional valuations of its land and timber properly recognise the contribution that infrastructure items make to land values. It also considers that the annual

revaluation by indexation reflects improvements made through new infrastructure.

Subsequent expenditure

Subsequent costs are 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 England 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 charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Vehicles, machinery and equipment

Vehicles, machinery and equipment are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by Forestry England. In the intervening years between professional valuations, values are restated using indices provided by the Office for National Statistics. The normal threshold for

capitalisation of plant and machinery is £3,000.

Office machinery and equipment

Office machinery and equipment is shown at fair value less subsequent depreciation. Values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of assets is £2,000.

Assets under construction

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

Revaluation reserve

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 directly in equity; all other decreases are charged to the Statement of Comprehensive Income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Income and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

1.7 Depreciation

Land (nation's forests and non-forest land), together with the value of trees not apportioned to biological assets, are not depreciated.

Assets under construction are not depreciated until the asset under

construction is capable of operating in the manner intended by management.

Depreciation is provided on all other tangible fixed assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Lease premium	unexpired term of the lease
Freehold buildings	over 1 to 60 years
Buildings held under a finance lease	lesser of unexpired term of lease and 60 years
Plant and machinery	over 3 to 16 years
Plant and machinery held under a finance lease	lesser of unexpired term of lease and 16 years
Information technology	over 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

1.8 Land and buildings leased to customers

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy. Operating

lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

1.9 Government grants receivable

Capital grants from the government are recognised at their fair value and treated in accordance with IAS 20. Amounts are credited to deferred income and released to the Statement of Comprehensive Income to equal the depreciation charge over the life of the asset.

Where the grant contributes to only part of the cost of the asset, only that proportion is released from deferred income.

Grants of a revenue nature are credited to income to match them with the expenditure to which they relate.

1.10 Subsidiaries, associates and joint ventures

Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.20).

The investments in Forest Holidays Group Limited and Camping in the Forest (CiTF) LLP are accounted for under the requirements of IAS 39 and are treated as financial assets within note 7. Further details of the investments are included within the financial commentary section. The investments and associated balances are included in the following areas of the financial statements:

Investment	Investments within note 8
Partnership loan	Trade and other receivables within note 9
Partnership lease	Trade and other receivables within note 9

1.11 Biological assets

Trees growing on nation's forests land are apportioned to biological assets or the

nation's forests. Apportionment is determined by a strategic assessment that identifies the primary ministerial objective that the land is held to meet. Trees growing on areas that are primarily held in support of the government's objective of making a positive contribution to the economy (generate income) are apportioned to biological assets under IAS 41 (Agriculture). The remaining trees are apportioned to the nation's forests and are outwith the scope of IAS 41.

Biological assets are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals, with the last full valuation carried out as at 31 March 2018. As detailed above, the valuation was carried out by Savills, Chartered Surveyors in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income in the year of revaluation.

Holdings of plants and seed are accounted for as biological assets under IAS 41. They are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

1.12 Inventories

Consumable materials and supplies are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

1.13 Revenue recognition

Operating income relates directly to the operating activities of Forestry England. 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.

1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a finance lease) are borne by Forestry England, the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5 per cent.

Assets held under finance leases are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in Forestry England. The policies and procedures for carrying out revaluations are those set out in 1.6 above.

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases are

charged on a straight-line basis over the lease term.

1.15 Provisions

Forestry England provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. The increase in the provision due to passage of time is recognised in the Statement of Comprehensive Income.

Provision for bad and doubtful debts is made on a sliding scale according to age as follows:

0-6 months overdue	No provision
6-12 months overdue	20% provision
12-15 months overdue	50% provision
15+ months overdue	75% provision

Additional provision of up to 100% is made in specific cases, where recovery of the debt is deemed extremely unlikely.

1.16 Value added tax (VAT)

Forestry England is not separately registered for VAT and is included within the overall VAT registration of the Forestry Commission. To comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Income is net of VAT. These accounts report any VAT due to or from HM Revenue and Customs at the year-end as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Income in the year in which it is incurred.

1.17 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 England Management Board. In applying IFRS 8, management has determined that Forestry England operates as one operating segment.

1.18 Foreign currency translation

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which Forestry England operates ('the functional currency'). The functional currency and the presentational currency of the financial statements is GB pounds sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the banking transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

1.19 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an

asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

1.20 Financial assets

Classification

Forestry England classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. Forestry England does not trade in derivatives and does not apply hedge accounting.

Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is calculated using the expected credit loss model as specified by IFRS 9. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a loan or

receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Available for sale financial assets comprise investments.

Recognition and measurement

Financial assets are recognised when Forestry England becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and Forestry England has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Income.

Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of

loans and receivables is established when there is objective evidence that Forestry England will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Income when Forestry England's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forestry England establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and

option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Forestry England assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the Statement of Comprehensive Income on equity instruments are not reversed through the Statement of Comprehensive Income.

1.21 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Government Banking Service and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are transferred to the Forestry Commission and shown in its accounts within borrowings in current liabilities on the Statement of Financial Position.

1.22 Financial liabilities

Classification

Forestry England classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification

of its financial liabilities at initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. Forestry England does not trade in derivatives and does not apply hedge accounting.

Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the reporting date. These are classified as non-current liabilities. Forestry England's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

Financial liabilities are recognised when Forestry England becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Income.

Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.23 Effective in these financial statements

All International Financial Reporting Standards (IFRS), interpretations and amendments effective at 31 March 2021 have been adopted in these statements.

1.24 Effective for future financial years

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 England are outlined below. None have been adopted early.

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

- IFRS 16 - Leases. This standard is effective from 2022-23. It will supersede all existing IFRS standards on leases. It will result in a uniform accounting treatment for most leases, with the distinction between operating and finance leases removed.
- IFRS 17 - Insurance Contracts. This standard is effective from 2023-24. 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, but that impact has been assessed as immaterial. Operating

leases commitments for future years total £4.0 million. The impact of implementation of IFRS 16 in 2022-23 will therefore be limited to the addition of up to £4.0 million as finance lease assets with a related finance lease liability, and is expected to be lower, as some of these operating leases will not be classified as finance leases under IFRS 16.

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

Note 2: Critical accounting estimates and judgements

The preparation of financial statements requires Forestry England to make estimates.

Critical accounting judgements and sources of estimation uncertainty

In the application of Forestry England's accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying Forestry England's accounting policies and that have the most

significant effect on the amounts recognised in the financial statements.

Classification of the nation's forests and biological assets

Forestry England retains and manages its woodlands and forests to meet agreed ministerial objectives, primarily for Social, Environmental and Economic reasons (set out in 'A Strategy for England's Trees, Woods and Forests').

Social and environmental areas generate a significant proportion of the agency's annual timber income. However, the planned felling of this timber (and resulting sales income) is to maintain and enhance the areas' contribution to Social and Environmental objectives. Where land is classed as a specific Social and Environmental category such as 'Special Protection Area', 'Area of Outstanding Natural Beauty' or as a 'National Park' it is deemed appropriate that such woodland fall outwith the scope of IAS 41.

Woodland retained and managed to meet economic objectives will primarily generate benefit to Forestry England from timber sales. Consequently, these areas are regarded as within the scope of IAS 41. The electronic land management records for each forest district were analysed to identify all afforested or woodland areas subject to a social or environmental designation. Trees growing on these areas were deemed to fall outwith the scope of IAS 41. The balance of each forest district's afforested or woodland areas were deemed to fall within the standard. Management considers that the administrative costs of accounting and valuing each individual area of land are prohibitive. It considers that reliable accounting and valuation estimates can be obtained by expressing the land areas in percentage terms. For example, if a district comprised 100 hectares and 70 hectares was designated for Social and Environmental purposes then reasonable information can be derived from estimating that 70 per cent of the district's trees were

outwith IAS 41. The remaining 30 per cent of trees would fall within IAS 41.

Land designations are not subject to frequent change. Management therefore considers that a detailed review of the designations should take place periodically. A full review of land designations was carried out in 2019-20, resulting in the following designated Biological Assets areas, as a percentage of each District:

Forest District	31 March 2020 %	31 March 2013 %
Central	15.1	12.5
East	6.6	6.3
North	53.4	56.2
Yorkshire	0.7	3.3
South	8.2	8.1
West	16.1	15.1
Total nation's forest	22.9	23.8

Management recognises that land use and designations may change over time. It shall therefore carry out an annual review to consider whether changes such as major sales or acquisitions of land may materially affect the analysis and its accounting and valuation estimates. Where material changes have occurred, the analysis shall be updated for that year. Retrospective adjustments shall not be made prior to the current year.

Valuation of the nation's forests and biological assets

There is a high degree of estimation uncertainty inherent in the valuation of the nation's forests and biological assets. The external valuers considered that reasonably accurate valuations of biological assets could only be obtained by extensive analysis of crops. This would be costly and time consuming.

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the nation's forests took place on 31 March

2018. As the valuation basis (Existing Use Value) would be the same as Fair Value, it is reasonable to assume that this can form the basis of the IFRS valuation, provided that forest and woodland could be componentised between land, biological assets outwith IAS 41, and biological assets under IAS 41.

It was determined that the estimate of the biological assets' worth could be obtained by deducting a land valuation from the value of the whole to estimate the timber value. As part of the professional valuation, an average land value per hectare for the nation's forests was determined in each forest district. This was applied to the total estate to give a land valuation which was deducted from the total woodland values to derive a value for trees in each forest district.

Once the timber value was ascertained the nation's forests was componentised into land and biological assets falling within the scope of IAS 41 and those falling outwith its scope. Land and biological assets falling outwith the scope of IAS 41 have been treated in accordance with IAS 16 and remain classed as the nation's forests, with the impact that the large majority of Land and Timber still fall within this classification.

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2020-21 woodland disposals, the cost of sales percentage was calculated as 4.5 per cent of the Fair Value. Management

considers that the incorporation of any ad-hoc actual disposal costs in the cost of sales percentage, post November 2012, would distort the true cost of sales figure for the period when Forestry England was acquiring and disposing of woodlands.

Forestry England shall monitor and review costs of sales annually and update its estimated point-of-sale costs where material.

Other land

Other land primarily includes specialist land holdings for which there are no, or limited, external markets. Management considers that Forestry England's internal professionally qualified staff members are best placed to value this land. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

To achieve greater independence to the other land valuation process during intervening years between formal professional valuations, management reviewed the components of Other Land and obtained external professional input into the valuations of the components of other land. The other land valuation now includes valuations that are based on indices provided by external Chartered Surveyors. These indices are reviewed by internal Chartered Surveyors to ensure that they are reasonable and consistent with internal valuation knowledge. Accounting policy note 1.6 details the components of other land and together with the source of the valuation.

Dwellings and other buildings

Other buildings primarily include specialist buildings held for operational activities and for which there are no active external markets. Management considers that

Forestry England's internal professionally qualified staff members are best placed to value these buildings. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of dwellings and other buildings are obtained where active markets operate.

To achieve greater independence to the other buildings valuation process during

intervening years between formal professional valuations, management reviewed the components of other buildings and obtained external professional input into the valuation process. The other buildings valuation now includes valuations that are based on indices provided by external Chartered Surveyors. These indices are reviewed by internal Chartered Surveyors to ensure that they are reasonable and consistent with internal valuation knowledge. Accounting policy note 1.6 details the components of other buildings together with the source of the valuation.

Note 3: Income

	2020-21	2019-20
	£000	£000
Revenue within scope of IFRS 15		
Timber - standing sales	35,836	35,527
Timber - direct production	16,840	15,276
Plant and seed	2,496	3,146
Christmas trees	251	645
Game	215	539
Ticketed events	734	6,187
Car parking and admissions	10,162	7,863
Car parking - memberships	1,276	791
Deeds of grant	29	40
Other sales of goods or services	436	1,031
Radio masts and wayleaves	1,091	1,151
Permissions	946	1,809
Administrative income and recharges	1,025	1,510
Corporate services charges	1,499	1,413
	72,836	76,928
Other income		
Retail and leisure rents	3,877	4,510
Residential rents	1,154	1,109
Agricultural rents	333	319
Mineral extraction rents and royalties	606	722
Other rents	782	1,094
Coronavirus Job Retention Scheme government grant	736	-
Grants and other funding	3,396	3,458
	10,884	11,212
Total	83,720	88,140

Note 4: Staff and other costs

	2020-21	2019-20
	£ 000	£ 000
Staff costs		
Wages and salaries	30,986	28,674
Social security costs	3,025	2,813
Other pension costs	8,009	7,495
Agency and temporary staff	1,622	2,936
	43,642	41,918
Purchase of goods or services		
Travel and subsistence	584	1,688
Staff transfers	132	173
Computer costs	5,313	4,520
Accommodation and office services	4,133	4,682
Communication	502	1,284
Training	496	762
Losses and compensation	1,054	381
Legal expenses	666	640
Auditors' remuneration - audit work	98	97
Shared central services	1,213	1,069
Sustainable forest management	24,913	28,001
Forest estate	2,717	3,305
Forest Live 2020 and 2021 sunk costs	134	687
Recreation and public affairs	9,036	13,690
	50,991	60,979
Rentals under operating leases		
Land and buildings	625	659
Plant and machinery	436	509
	1,061	1,168
Non-cash costs		
Depreciation of property, plant and equipment	6,122	5,957
Amortisation of intangible assets	26	-
Provisions		
Provided in year	540	742
Provisions not required written back	(760)	(147)
Unwinding of discount	(2)	2
	5,926	6,554
Total	101,620	110,619

Further analysis of staff costs is available in the Staff Report on page 52.

Note 5: Property, plant and equipment

	Land and buildings £000	VME £000	OME £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2020	2,246,486	19,689	1,523	5,053	2,272,751
Additions	3,115	3,685	117	2,164	9,081
Reclassifications	6,189	-	75	(6,285)	(21)
Disposals	(410)	(884)	-	(111)	(1,405)
Fellings	(17,831)	-	-	-	(17,831)
Write off	-	-	-	-	-
Revaluation	184,398	526	(25)	-	184,899
Impairment	(495)	-	(5)	-	(500)
At 31 March 2021	2,421,452	23,016	1,685	821	2,446,974
Depreciation					
At 1 April 2020	21,420	10,627	435	-	32,482
Charged in year	3,937	2,016	169	-	6,122
Disposals	-	(714)	-	-	(714)
Revaluation	(44)	172	(8)	-	120
At 31 March 2021	25,313	12,101	596	-	38,010
Carrying value					
At 31 March 2021	2,396,139	10,915	1,089	821	2,408,964
At 31 March 2020	2,225,066	9,062	1,088	5,053	2,240,269
Asset financing					
Owned	2,287,003	10,114	1,089	821	2,299,027
Finance leased	109,136	801	-	-	109,937
Total	2,396,139	10,915	1,089	821	2,408,964

	Land and buildings £000	VME £000	OME £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2019	2,146,055	18,247	1,436	6,026	2,171,764
Additions	5,157	3,018	36	4,381	12,592
Reclassifications	4,282	-	41	(4,573)	(250)
Disposals	(16)	(1,890)	-	(610)	(2,516)
Fellings	(17,457)	-	-	-	(17,457)
Write off	-	-	-	(171)	(171)
Revaluation	110,935	314	10	-	111,259
Impairment	(2,470)	-	-	-	(2,470)
At 31 March 2020	2,246,486	19,689	1,523	5,053	2,272,751
Depreciation					
At 1 April 2019	18,093	10,514	268	-	28,875
Charged in year	3,939	1,852	165	-	5,956
Disposals	-	(1,874)	-	-	(1,874)
Revaluation	(612)	135	2	-	(475)
At 31 March 2020	21,420	10,627	435	-	32,482
Carrying value					
At 31 March 2020	2,225,066	9,062	1,088	5,053	2,240,269
At 31 March 2019	2,127,962	7,733	1,168	6,026	2,142,889
Asset financing					
Owned	2,116,512	8,466	1,088	5,053	2,131,119
Finance leased	108,554	596	-	-	109,150
Total	2,225,066	9,062	1,088	5,053	2,240,269

Land and buildings are constituted as follows:

	Nation's forests £000	Other land £000	CITF and FH land £000	Dwellings and other buildings £000	Total £000
Cost or valuation					
At 1 April 2020	1,827,597	267,378	19,207	132,304	2,246,486
Additions	1,124	1,991	-	-	3,115
Reclassifications	(21)	-	-	6,210	6,189
Disposals	(410)	-	-	-	(410)
Fellings	(17,831)	-	-	-	(17,831)
Revaluation	178,465	(633)	3,661	2,905	184,398
Impairment	-	-	-	(495)	(495)
At 31 March 2021	1,988,924	268,736	22,868	140,924	2,421,452
Depreciation					
At 1 April 2020	-	-	-	21,420	21,420
Charged in year	-	-	-	3,937	3,937
Revaluation	-	-	-	(44)	(44)
At 31 March 2021	-	-	-	25,313	25,313
Carrying value					
At 31 March 2021	1,988,924	268,736	22,868	115,611	2,396,139
At 31 March 2020	1,827,597	267,378	19,207	110,884	2,225,066
Asset financing					
Owned	1,879,788	268,736	22,868	115,611	2,287,003
Finance leased	109,136	-	-	-	109,136
Total	1,988,924	268,736	22,868	115,611	2,396,139

	Nation's forests £000	Other land £000	CITF and FH land £000	Dwellings and other buildings £000	Total £000
Cost or valuation					
At 1 April 2019	1,734,583	262,799	17,071	131,602	2,146,055
Additions	720	2,953	-	1,484	5,157
Reclassifications	-	-	-	4,282	4,282
Disposals	(16)	-	-	-	(16)
Fellings	(17,457)	-	-	-	(17,457)
Revaluation	109,767	1,626	2,136	(2,594)	110,935
Impairment	-	-	-	(2,470)	(2,470)
At 31 March 2020	1,827,597	267,378	19,207	132,304	2,246,486
Depreciation					
At 1 April 2019	-	-	-	18,093	18,093
Charged in year	-	-	-	3,939	3,939
Revaluation	-	-	-	(612)	(612)
At 31 March 2020	-	-	-	21,420	21,420
Carrying value					
At 31 March 2020	1,827,597	267,378	19,207	110,884	2,225,066
At 31 March 2019	1,734,583	262,799	17,071	113,509	2,127,962
Asset financing					
Owned	1,719,043	267,378	19,207	110,884	2,116,512
Finance leased	108,554	-	-	-	108,554
Total	1,827,597	267,378	19,207	110,884	2,225,066

Savills, Chartered Surveyors, carried out a professional valuation of the nation's forests as at 31 March 2018. The next professional valuation is due on 31 March 2023. In the intervening

years, the assets are revalued using specialist forestry indices developed and provided by Savills.

Other Land, Dwellings, and Other Buildings were valued as at 31 March 2018 by professionally qualified staff employed by Forestry England. The results of this valuation were also subject to professional review by Savills. The next professional valuation is due on 31 March 2023. In the intervening years, the assets are revalued using the indices detailed in note 1.6.

Camping in the Forest LLP and Forest Holidays LLP (CITF and FH) land represents the land element of our freehold reversionary interest in sites currently leased to the aforementioned LLPs. The buildings element of this freehold reversionary interest is recognised as a finance lease receivable, and disclosed as a 'partnership lease' in Note 9. An annual valuation of the freehold reversionary interest is undertaken by independent external valuers, currently Avison Young. These values are then disclosed as freehold land and finance lease receivables in proportion to the net book values of land and buildings at the inception of the lease (2006).

Vehicles, machinery and equipment (VME) is usually valued at five-year intervals. A professional valuation took place on 31 March 2016. Professionally qualified staff employed by Forestry England undertook the valuation. In the intervening years, revaluations are on the basis of indices provided by the Office for National Statistics or internal professional staff, as appropriate. Due to the procurement of a new fleet management system and significant asset deliveries arriving at year-end the decision has been made to delay the full revaluation to 31 March 2022.

Office machinery and equipment (OME) was restated to current value at 31 March 2021 using an index provided by the Office for National Statistics.

Assets under construction (AUC) are not depreciated until completed.

Note 6: Biological assets

	2020-21 £000	2019-20 £000
At 1 April	369,633	347,124
Fellings	(11,127)	(12,177)
Movements on plant and seed	(869)	323
Reclassified as held for sale	-	-
Disposals	-	(1)
Gains and losses arising from changes in fair value	101,139	34,364
At 31 March	458,776	369,633
Carrying value		
Plant and seed	3,252	4,121
Timber	455,524	365,512
Total	458,776	369,633

Timber growing in the nation's forests is categorised as biological assets, or as other timber, depending on the strategic objective the land is held to meet. Other timber is outwith the scope of IAS 41, and not included in the disclosures above.

The approximate area of the land in the nation's forests, where the timber growing is within the scope of IAS 41, is as follows:

	At 31 March 2021 Area in hectares	At 31 March 2020 Area in hectares
North	31,543	31,795
Yorkshire	124	123
Central	3,288	3,289
East	2,045	2,050
West	5,608	5,608
South	2,304	2,308
Total	44,912	45,173

Savills Chartered Surveyors carried out a full valuation of the nation's forests, including biological assets, at 31 March 2018. The next full valuation is due for 31 March 2023. In the intervening years, the assets are revalued using specialist indices developed and provided by Savills. Apportionment of biological assets was carried out by Forestry England staff using the judgements and estimates outlined in Note 2.

The fair value of biological assets is driven by the open market value of woodlands and forests. These values are determined by a number of factors, all of which are subject to considerable volatility. Forestry England has little control over these factors and consequently cannot materially affect the amounts recognised in the Statement of Comprehensive Net Income as gains or losses on revaluation of biological assets. To mitigate this, Forestry England maintains regular conversation with its valuers to gauge market movements during the course of the year.

Note 7: Financial assets

	CITF £000	Forest Holidays £000	Total £000
At 1 April 2020	2,625	9,640	12,265
Additional investment	-	218	218
Revaluation	1,070	2,717	3,787
At 31 March 2021	3,695	12,575	16,270
At 1 April 2019	2,880	12,650	15,530
Revaluation	(255)	(3,010)	(3,265)
At 31 March 2020	2,625	9,640	12,265

Camping in the Forest LLP (CITF) is a limited liability partnership between the Forestry Commissioners, the Scottish Government, Natural Resources Wales and the Camping and Caravanning Club. The combined interest of the government bodies is held within a limited liability partnership with designated members representing each public organisation. The partnership has existed since 2006, in its current form since 2012, and with the addition of the public holdings limited liability partnership in 2019, following full devolution of Scottish forestry.

Forest Holidays Ltd is a limited liability company in which the Forestry Commissioners hold an equity interest, alongside the Scottish Government and Natural Resources Wales. The combined equity interest, representing 11.56% of the total, is held within a limited liability partnership with designated members representing each public organisation. The majority investor is Phoenix Equity Partners. The arrangement has existed since 2006, with a restructuring in 2012, refinancing in 2017, and with the addition of the public holdings limited liability partnership in 2019, following full devolution of Scottish forestry.

The carrying values at year end represent the fair value of these investments.

The fair values are dependent on the prevailing conditions of the UK economy, especially the leisure industry: changes in tourism habits, particularly changes in the 'staycation' market, could positively or negatively impact on future valuations. The fair values are also affected by the current performance and future business plans of each organisation.

Changes in the fair value of investments are disclosed within Other Comprehensive Income in the Statement of Comprehensive Income.

Note 8: Financial instruments

Financial instruments

	31 March 2021			31 March 2020		
	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	-	16,270	16,270	-	12,265	12,265
Trade and other receivables (excluding prepayments)	28,180	-	28,180	31,841	-	31,841
Cash and cash equivalents	33,272	-	33,272	22,264	-	22,264
Total assets	61,452	16,270	77,722	54,105	12,265	66,370
	Liabilities at fair value through the profit and loss statement £000	Other financial liabilities £000	Total £000	Liabilities at fair value through the profit and loss statement £000	Other financial liabilities £000	Total £000
Finance lease liabilities	-	3,045	3,045	-	2,704	2,704
Trade and other payables (excluding statutory liabilities)	-	28,279	28,279	-	27,368	27,368
Total liabilities	-	31,324	31,324	-	30,072	30,072

Note 9: Trade receivables, financial and other assets

	31 March 2021	31 March 2020
	£000	£000
Amounts falling due within one year		
Trade receivables	11,533	11,319
Provision for impairment of trade receivables	(131)	(175)
Trade receivables - net	11,402	11,144
VAT receivable	157	1,080
Other receivables	511	6,040
House purchase and other loans to employees	32	19
Prepayments and accrued income	5,854	6,827
Partnership lease	420	415
	18,376	25,525
Amounts falling due after more than one year		
House purchase and other loans to employees	18	29
Prepayments and accrued income	739	33
Landlord's investment in CITF campsite	1,500	250
Partnership lease	9,463	7,729
	11,720	8,041
Total current and non-current	30,096	33,566

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

As at 31 March 2021, trade receivables of £552,000 (2019-20: £1,596,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Despite the situation with COVID-19, the majority of our customers have maintained a strong trading position, particularly our timber debtors who have experienced a strengthening market due to high demand for timber products. Our large rental tenants have also fared better than anticipated, and whilst some rent deferral agreements were made in 2020, that will result in increased invoice levels for 2021-22, they have paid all rental sums due and hopefully can look forward to the coming year with positivity.

Note 10: Cash and cash equivalents

	2020-21	2019-20
	£000	£000
At 1 April	22,264	28,108
Net change in balances	11,008	(5,844)
At 31 March	33,272	22,264

	31 March 2021	31 March 2020
Held at		
Government Banking Service	33,261	22,247
Commercial banks and in hand	11	17
Total	33,272	22,264

Note 11: Trade payables and other liabilities

	31 March 2021	31 March 2020
	£000	£000
Amounts falling due within one year		
Trade payables	3,124	4,741
Other payables	850	791
Other taxation and social security payables	753	705
Accruals	3,759	3,314
Other deferred income	2,356	1,295
Contract liabilities	3,398	3,420
Finance lease payables	95	87
Payments received on account	59	121
	14,394	14,474
Amounts falling due after one year		
Other deferred income	18,067	17,098
Payments received on account	64	8
Finance lease payables	2,950	2,617
	21,081	19,723
Total current and non-current	35,475	34,197

Deferred income falling due after one year includes donated assets, government and EU grant income, which is released to fund depreciation, of £15,167,000 (2019-20: £15,651,000).

Further information on contract liabilities is provided in Note 12.

Note 12: Contract balances

	31 March 2021	31 March 2020
	£000	£000
Contract assets	-	-
Contract liabilities	3,398	3,420

Contract liabilities predominantly relate to Forest Live and standing sales timber contracts. Forest Live happens in summer, with tickets going on sale in autumn of the previous year. All ticket income and related booking fees are disclosed as a contract liability. Some timber standing sales contracts include regular payments, whether or not the timber is felled and removed. Where timber has not been felled, the income received under these contracts is recognised as a contract liability.

Significant changes in contract liabilities in the period were as follows:

	Contract liabilities £000
At 1 April 2020	3,420
Recognised as income during the period	(3,420)
Recognised as contract liabilities during the period	3,398
At 31 March 2021	<u>3,398</u>

Included within the closing contract liabilities at 31 March 2021 is £2,157,000 of Forest Live 2021 ticket income that has been deferred to Forest Live 2022. All other income disclosed within contract liabilities is expected to be received in the coming year, this is for a variety of deferred revenue from contracts with customers such as membership income, timber income and radio mast income.

Note 13: Provisions for liabilities and charges

	Early departures £000	Legal claims £000	Other £000	Total £000
Balance at 31 March 2020	428	697	2	1,127
Provided in year	369	171	-	540
Provisions not required written back	-	(758)	(2)	(760)
Provisions utilised in year	(32)	(33)	-	(65)
Unwinding of discount	(2)	-	-	(2)
Balance at 31 March 2021	763	77	-	840
Expected timing of discounted cash flows				
Not later than one year	349	28	-	377
Later than one year and not later than five years	76	49	-	125
Later than five years	338	-	-	338
Total	763	77	-	840

	Early departures £000	Legal claims £000	Other £000	Total £000
At 1 April 2019	427	151	32	610
Provided in year	49	693	-	742
Provisions not required written back	-	(117)	(30)	(147)
Provisions utilised in year	(50)	(30)	-	(80)
Unwinding of discount	2	-	-	2
Balance at 31 March 2020	428	697	2	1,127
Expected timing of discounted cash flows				
Not later than one year	24	80	-	104
Later than one year and not later than five years	74	617	2	693
Later than five years	330	-	-	330
Total	428	697	2	1,127

Early departure costs

Forestry England meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry England provides for this in full when the early retirement programme becomes binding on Forestry England by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury stipulated rate of (0.95)%.

Note 14: Capital commitments

Amounts contracted for but not provided for in the accounts were as follows:

	31 March 2021 £000	31 March 2020 £000
Land and buildings	50	6,273
Other	1,066	2,559
Total	1,116	8,832

The land and building capital commitments at 31 March 2021 relate to the Somerset Deer Larder and the Haldon Forest Centre. Other capital commitments relate to software development, including the development of our sales recording package for timber. Fewer capital projects have been committed to during 2020-21 due to uncertainties during the COVID-19 pandemic.

Note 15: Commitments under leases

Operating lease commitments

Total future minimum lease commitments under operating leases are as follows:

	31 March 2021 £000	31 March 2020 £000
Land		
Not later than one year	2	3
Later than one year but not later than five years	5	9
Later than five years	76	132
	83	144
Buildings		
Not later than one year	382	377
Later than one year but not later than five years	1,329	1,343
Later than five years	2,350	2,421
	4,061	4,141
Plant and machinery		
Not later than one year	37	95
Later than one year but not later than five years	-	37
Later than five years	-	-
	37	132
Total	4,181	4,417

Finance lease commitments

Total future minimum lease commitments under finance leases are as follows:

	31 March 2021 £000	31 March 2020 £000
Land		
Not later than one year	169	173
Later than one year but not later than five years	618	630
Later than five years	3,827	3,895
	4,614	4,698
Less interest element	(2,224)	(2,266)
Present value of obligations	2,390	2,432
Plant and machinery		
Not later than one year	142	115
Later than one year but not later than five years	237	173
	379	288
Less interest element	(15)	(16)
Present value of obligations	364	272
Total present value of obligations	2,754	2,704

Note 16: Other financial commitments

At 31 March 2021, Forestry England have entered into non-cancellable contracts for 'Enchanted Christmas' at Westonbirt and for Forest Live events. We have also entered into non-cancellable contracts for our new finance system and other IT systems for which payment will be due over the coming five years. The payments to which the agency is committed are analysed by the period during which the commitment expires as follows.

	31 March 2021 £000	31 March 2020 £000
Not later than one year	434	2,942
Later than one year but not later than five years	455	2,651
Total	889	5,593

Note 17: Lease receivables**Operating lease receivables**

Total future minimum lease receivables under non-cancellable contracts are as follows:

	31 March 2021	31 March 2020
	£000	£000
Land and buildings		
Not later than one year	5,884	4,740
Later than one year but not later than five years	12,982	12,736
Later than five years	96,135	73,231
Total	115,001	90,707

Forestry England leases land and buildings under agreements that terminate between April 2020 and March 2127.

Finance lease receivables

Total future minimum lease receivables under the Forest Holidays buildings lease are as follows:

	31 March 2021	31 March 2020
	£000	£000
Buildings		
Not later than one year	420	415
Later than one year but not later than five years	1,680	1,659
Later than five years	25,622	25,716
Total	27,722	27,790
Less interest element	(17,839)	(19,646)
Present value of obligations	9,883	8,144

Note 18: Contingent liabilities disclosed under IAS 37

In 2001 Forestry England acquired 51 hectares of land at Sefton Meadows from Sefton Council. On 27 August 2009 Forestry England was served a notice by the Environment Agency that the site had been classified as a contaminated special site under Part 2A of the EPA 1990. This is a result of the industrial development and other operational practices undertaken on the land prior to its acquisition by Forestry England.

Forestry England has appointed Wardell Armstrong to prepare a Statement of Remediation and is working closely with the Environment Agency to this end.

This has been classified as a contingent liability in line with IAS 37 due to the uncertainty regarding Forestry England's legal liability and due to the absence of a sufficiently reliable estimate of the amount of the possible obligation.

Note 19: Contingent assets disclosed under IAS 37

Forestry England are progressing the conversion of a 139 hectare site at Shirebrook from a management agreement to a lease from Nottinghamshire County Council. We are also progressing the conversion of the land at Mostyn Vale from a management agreement to a lease from Manchester City Council.

This has been classified as a contingent asset in line with IAS 37.

Note 20: Related party transactions

The Forestry Commission is regarded as a related party. During the year, Forestry England received £26,775,000 from the Forestry Commission (2019-20: £16,014,000), of which £18,250,000 is annual subsidy funding, £5,500,000 is COVID-19 relief, and the remainder is grants related to the Woodland Carbon Fund for Rushy Knowe, the England Tree Planting Programme and for peatland restoration. At 31 March 2021, £2,081,000 remained outstanding to Forestry England, but has since been received.

Forestry England has had material transactions with various government departments and other central government bodies, including HM Revenue & Customs, Forest Research, Natural Resources Wales, Forestry and Land Scotland and the Heritage Lottery Fund.

The following additional activities were carried out with related parties:

2020-21	Ground rent received £000	Income from other services £000	Landlord's investment £000	Purchases from related party £000	Amount owed (to)/by related party £000
Entities sponsored by Defra	-	45	-	222	(32)
Forest Holidays	771	38	-	221	3
Camping in the Forest	370	64	1,250	-	23
MHR	-	-	-	65	-
National Forest Company	-	46	-	-	8
NHS England	-	-	-	3	-
Scouts Association	-	3	-	-	-
William Robinson Gravetye Charity	-	9	-	-	-
Total	1,141	205	1,250	511	2

2019-20	Ground rent received £000	Income from other services £000	Landlord's investment £000	Purchases from related party £000	Amount owed (to)/by related party £000
Entities sponsored by Defra	-	100	-	159	55
Forest Holidays	746	305	-	-	3
Camping in the Forest	395	58	-	-	-
MHR	-	-	-	99	-
Trebartha Estates	-	-	-	2	-
North York Moors National Park Trust	-	16	-	4	-
Total	1,141	479	-	264	58

All balances were unsecured and all transactions were carried out at arms' length.

Forest Holidays and Camping in the Forest are considered to be related parties for the purpose of these accounts. Mike Seddon, Chief Executive Forestry England, was a director of Camping in the Forest between February 2019 and September 2019, and was replaced by Hayley Skipper,

Director of Operations - Commercial Visitor Development, from October 2019. Mike Seddon became a director again in December 2019.

Following full devolution of forestry, two separate limited liability partnerships (LLPs) were created to effectively manage the interests of the public sector holdings in Forest Holidays and Camping in the Forest. Forest Holidays Public Sector Holdings LLP was incorporated on 30 April 2019, while Camping in the Forest Public Sector Holdings LLP was incorporated on 4 September 2019. Each LLP has a designated member from Natural Resources Wales, Forestry and Land Scotland, and the Forestry Commission.

Sir William Worsley, Chair, was Chair of the National Forest Company until May 2020. Transactions between Forestry England and the National Forest Company have been disclosed. The outstanding invoice at 31 March 2021 was paid in full in April 2021.

Jennie Price, Commissioner, is a consultant at MHR Ltd. Transactions between Forestry England and MHR have been disclosed. Jennie is also Chair Elect of Trustees of the Scouts Association. Transactions between Forestry England and the Scouts Association have been disclosed.

Transactions with NHS England have been disclosed as Gurch Randhawa is a member of the Clinical Advisory Group, NHS England.

Peter Latham retired as Chair of James Latham plc in August 2017; he holds over 6% of the shares in the company, with the Latham family holding approximately 50%. The Forestry Commission received income of £2,900 from James Latham plc during 2020-21 for import inspection fees, of which £1,900 was outstanding at 31 March 2021. There were no transactions between Forestry England and James Latham plc.

Transactions with the William Robinson Gravetye Charity are disclosed as Julia Grant, Commissioner, is a trustee and the Chair.

Note 21: Events after 31 March 2021

In accordance with the requirements of IAS 10, events after 31 March 2021 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. The authorised date for issue 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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