

Annual Report and Accounts 2020-21

Presented to the House of Commons pursuant to Section 7(3) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 24 June 2021

HC 280



Annual Report and Accounts 2020-21

Presented to the House of Commons pursuant to Section 7(3) of the Government Resources and Accounts Act 2000

Ordered by the House of Commons to be printed on 24 June 2021

HC 280



OGL

© Crown copyright 2021

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/official-documents

Any enquiries regarding this publication should be sent to us at:

Forestry Commission
620 Bristol Business Park
Filton, Bristol
BS16 1EJ

ISBN 978-1-5286-2456-5

CCS0321137210 06/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the APS Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Performance report	2
Overview	2
Foreword by Sir William Worsley, Chair	2
Purpose and activities of the organisation	3
Issues and risks	10
Performance summary	12
Long-term expenditure trends	12
Performance analysis	13
Key performance indicators 2020-21	13
Sustainability report	21
Accountability report	25
Corporate governance report	25
Directors' report	25
Statement of Accounting Officer's responsibilities	26
Governance statement	27
Remuneration and staff report – subject to audit	36
Parliamentary Accountability and Audit Report	50
Losses and special payments – subject to audit	51
Fees and charges – subject to audit	51
Remote contingent liabilities – subject to audit	51
The certificate and report of the Comptroller and Auditor General to the House of Commons	52
Financial statements	57
Consolidated statement of comprehensive net expenditure	57
Consolidated statement of financial position	58
Consolidated statement of cash flows	59
Consolidated statement of changes in taxpayers' equity	60
Notes to the accounts	61

The Forestry Commission is the government department responsible for protecting, improving and expanding England's woodlands and increasing their value for people, nature and the economy. It is made up of three main parts: Forest Services who are the government's expert forestry advisors; Forest Research who deliver internationally-renowned forestry and tree-related research to England, Scotland and Wales; and Forestry England who manage the nation's forests. There is also a small Commissioners' Office.

This Annual Report and Accounts includes Forest Services and the Commissioners' Office (as Core Forestry Commission) and Forest Research.

Forestry England, as a public corporation, produces a separate Annual Report and Accounts.

Honours

The following Forestry Commission nominees were successful in the New Year Honours:

- Dr Anna Brown, MBE. Head of Plant Health, Forestry and Contingency. For services to forest pathology.
- Mark Warn, BEM. Wildlife Ranger. For services to forestry.

Performance report

Overview

The performance report overview provides:

- Foreword by Sir William Worsley, Chair
- the purpose and activities of the Forestry Commission
- the main issues and risks that could affect delivery of objectives
- a performance summary

Foreword by Sir William Worsley, Chair

This has been a challenging year for everyone. We have all been affected and tested in different ways. I am immensely proud of how staff at the Forestry Commission continued to put their heart and soul into their work to keep our forests open, and our business moving, despite all the challenges. We have a crucial role to play in the nation's recovery, as the government focuses its attention on woodland creation and the general public connects with nature in a way I have not seen in my lifetime. We learned a lot so quickly, not least how to work effectively remotely and not at the expense of carrying on our regulatory role. We have delivered our duties within deadlines while following shifting scientific advice and government guidelines on working safely. I am very much looking forward to the country opening up again and excited for the increasing number of visitors that value our green spaces.

The UK left the European Union on 31 January 2020, with the transition period ending on 1 January 2021. New arrangements have been put in place for trade in regulated timber, wood products, bark and forest reproductive material. Despite the pandemic, the

Forestry Commission provided support to the sector through this significant shift. This will help protect the health of our forests while allowing UK to trade efficiently and effectively.

The Forestry Commission has worked tremendously hard on the England Trees Action Plan. While we acknowledge that the tree planting targets set by the government will be a challenge, I have seen and experienced the excitement about the new grants and support that will allow us to deliver this work. This will provide an uplifting strategy for the sector and communities. We will continue to provide advice and guidance on making sure that the right tree is planted in the right place and for the right reason, from the humble conifer to the beautiful broadleaf.

But our focus has not only been on work to support increasing rates of planting trees. The Forestry Commission have worked hard over the past year to make sure our forests are resilient to today's and future challenges. We all need to think actively about the future of our landscapes, and not just assume they will be the same as in the past. Increasing visitor numbers, climate change, introduced pests and diseases all pose a risk to our trees. Well designed and managed woods can improve the environment and make the countryside look better. Simply bringing neglected woodlands back into management is a good first step. Observing and responding to stressed trees is important as healthy trees mean longer lasting, resilient, and productive forests. This allows continuity of enjoyment of the woodlands for generations, including for timber production to provide the wood products that we all need.

It is important that our woodlands are commercially viable, bringing green

jobs and expanding our green economy. The UK is the biggest net importer of timber in the world after China. Actively-managed and productive woodland makes a huge contribution to the economy of the UK and to our collective effort to combat climate change. We must also collectively keep up the focus on woodland resilience to meet the threats from climate change, pests and diseases.

While the year has certainly brought with it many challenges it has also shown us that great change is possible. I am excited about the opportunities this presents us. The 26th United Nations Climate Change Conference meeting in Glasgow this year will provide room for us to share our expertise and commitment on the world stage.

Purpose and activities of the organisation

Who we are

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

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

The Forestry Commission is a non-ministerial Government

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

Delivery of our objectives in 2020-21

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

The Board of Forestry Commissioners provides a collective overview to the Forestry Commission and its agencies. Each agency, as well as Forest Services, has established its own Board comprised of Commissioners and executive staff of the respective organisations. These individual Boards make decisions specific to each organisation. These are underpinned by the Forestry Commission Executive Board which is a Forestry Commission group of executive members championing forestry that meets to provide direction for collective decisions and sharing of knowledge and policy.

Our priorities

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

Protecting

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

Due to climate change and increased globalisation of trade, pests and diseases pose a serious risk to England's forests and woodlands. Together with Defra, the Forestry Commission has worked hard to reduce the number of tree health incidents by mitigating risks and containing outbreaks. In 2020-21 the focus of our work has been on helping our customers manage their woodland when affected by a range of pests and diseases, such as ash dieback, Ramorum disease (*Phytophthora ramorum*), sweet chestnut blight and oak processionary moth (OPM), as well as monitoring and where possible taking action to limit the evolving risks for the other forestry related pests and diseases on the Plant Health Risk Register.

We are seeing the effects of the spread of ash dieback. This will have a big impact on canopy cover, habitat and therefore biodiversity across England. We have developed our advice, working closely with Defra, and our capacity to support the forestry sector as well as landowners with their long term plans for managing their woodlands.

A coordinated response to identifying and eradicating five interceptions of OPM within the UK protected zone were provided, and we worked with Defra to introduce strengthened national legislation to protect oak trees against OPM through movement and import controls. The moth caterpillars are a pest to oak trees and a hazard to both human and animal health. We have also continued work to understand and contain the spread of this pest from

the established population in the London and Surrey area, using evidence to create a risk-based approach. We worked with woodland owners to manage their woods sustainably in light of this pest, and to maintain preparedness for any future outbreaks.

The coronavirus outbreak constrained our focus on sweet chestnut blight, but surveillance has continued across a range of sites to determine the extent of spread of the disease. We are now developing further surveillance plans for the coming year which will help guide the actions that will need to be taken to eradicate or contain it.

There is cautious optimism about our work on trapping and eradication of the Eight-toothed Spruce Bark Beetle (*Ips Typographus*) in Southeast England. We now have three flight periods (Spring 2019, Summer 2019 and Spring 2020) of data which shows that *Ips Typographus* is regularly being caught in spruce forests in the Southeast of England. Although confident of the position on the main outbreak site, we remain extremely concerned about the status of spruce in Kent and East Sussex. Given the evidence we have, we will firm up sanitation felling plans for the Southeast of England that will be cheaper and more effective in the long run, than dealing with another established population.

Aerial surveys to assess and identify *Phytophthora ramorum* disease continued last season, despite COVID-19 restrictions. 20 flights covering over 800,000 hectares of woodland were flown resulting in the identification of 457 target sites, and the issue of 210 Statutory Plant Health Notices (SPHNs). This in turn translated to 23 new 10-kilometre squares recorded as infected (2019-20: nil).

To reduce the risk to our environment and trees we inspected 3,133 consignments of controlled timber, of which five were found to be non-compliant. These were at Grangemouth and Immingham ports, associated with material which came from China, Kuwait, Russia and Turkey. We found a further 87 cases of solid wood packaging materials/dunnage which were non-compliant. These consignments were re-exported or destroyed in a biosecure way.

We have maintained the same level of inspections for goods imported from third countries as well as carrying out checks on high priority wood, wood products and bark imported from the EU from January 2020 as part of the phased new import regime. We prepared and fully engaged with the sector and international partners in readiness for the end of the transition period on 31 December 2020. We continue to implement a prioritised plant passport approach and have carried out compliance audits for the first time. We found no evidence of major non-compliance and are working with Professional Operators to fully comply with the regulations, including the change from an EU to UK format plant passport.

At the Annual Meeting of the Organisation for Economic Co-operation and Development (OECD) Forest Seed and Plant Scheme in September, Amanda Campbell was appointed to the role of Vice-Chair of the OECD Forest Scheme. This gives the UK the opportunity to fully engage with the OECD and signals that we are committed to maintaining the high standards of Forest Reproductive Material regulation in the future.

Our new online portal for felling licence applications, Felling Licence Online, is now embedded in the sector.

Applications for five-year felling licences have increased by 21% since 2019-20 and we are now receiving over 87% of these applications via this online portal. A felling licence demonstrates that trees are authorised for felling and that timber has been legally produced.

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

In the last year we received 998 new reports of alleged illegal felling (2019-20: 586). During the year, from the existing and new reports:

- 38 restocking notices to restock land were served by the Forestry Commission
- 53 enforcement notices to restock land were served by the Forestry Commission
- 6 formal warnings were issued
- 110 active cases were still pending a Forestry Commission decision with the remainder closed or awaiting action

In 41 instances where we believed an incident was particularly serious, we referred the case to Defra Investigation Services (DIS) to consider for prosecution.

- 2 cases investigated by DIS resulted in a summary conviction for illegal felling
- 5 cases resulted in a formal caution
- 32 cases are still being investigated by DIS
- 2 cases were closed without further action.

Improving

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

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

Active woodland management is essential for conserving and enhancing biodiversity, increasing the resilience of the woodland by improving its structure and species diversity, and optimising the value and productivity of the timber crop. We support long-term woodland management planning, which can include a ten year felling licence to permit tree felling to improve the condition and resilience of woodlands in the longer term. In 2020-21 we received 486 Woodland Management Plans covering a total of 40,021 hectares.

In the same period, we issued 2,195 felling licences, of varying lengths, to enable management of woodlands in

England. The percentage of woodland that is actively managed has remained at 59%, totalling 772,000 hectares of woodland.

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

Countryside Stewardship, administered by the Rural Payments Agency, is our main grant programme for woodland improvement. The Higher Tier Grant provides incentives to landowners and managers to actively manage and improve the condition of their woodlands in line with agreed woodland management plans. The Forestry Commission provides expert advice on its delivery for woodlands alongside our partner Natural England. This year the budget for the Higher Tier woodland programme was exceeded, and Defra provided additional funds to cover the increase in commitments. Whilst the level of applications remained similar as in previous years, the average size of applications increased by 40%, demonstrating considerable interest in woodland improvement. Applications through the Countryside Stewardship Woodland Tree Health grant continue to be popular with most of the 202 applications received focusing on ash dieback. The Forestry Commission has instigated and actively participated in the broader programme of Countryside Stewardship simplification, with a number of changes being made in the application, processing and claims

stages of Countryside Stewardship that will be enacted in 2021.

We continue to work with Natural England supporting their development of Biodiversity Net Gain Metric 3.0, which will measure biodiversity gains and losses in relation to development, to ensure that the metric appropriately represents how trees and woodlands contribute to biodiversity.

In April 2020 Forest Services recruited a small team of Deer Officers to deliver on the ground deer management advice and best practice to landowners, managers, agents and practitioners, to raise awareness and help facilitate more effective management. The Deer Officers provide advice and support to Woodland Officers on deer management issues and drive specific actions within Area Teams linked to national strategies. Deer Officers work cooperatively with woodland creation, resilience and tree health staff, developing measures to mitigate deer impacts to woodland creation and management.

A Deer Advisor was also recruited to lead and coordinate the Forestry Commission's deer management activity, ensuring that delivery on the ground has clear strategic direction, and that operational activity and strategic/policy development reflect each other. The Deer Advisor will work to embed deer impact mitigation within critical existing and future policy, regulations and incentives to ensure deer management is effectively represented.

We continued to support the UK Squirrel Accord (UKSA) and are working with the UKSA Director to explore options to put the Accord on a self-funding basis. Work on the draft red squirrel action plan being prepared by the UKSA and Defra continues. Fund

raising by the UKSA to support research into a fertility control for grey squirrels continues and the project is now in its third year. While the pandemic has made things more challenging, it has not prevented an important part of the fieldwork being carried out over the summer. A total of £810,000 has been raised so far, however a further £190,000 needs to be secured for this work which will ultimately benefit red squirrel populations, tree health and wider biodiversity.

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

Expanding

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

Government funding supported the new planting of 2,178 hectares of land with trees in England in 2020-21 (2,330 hectares in 2019-20), despite the restrictions placed due to outbreak of COVID-19. We are now working with Defra to deliver England's contribution to the new government's commitment to increase planting rates across the UK to 30,000 hectares per year by 2025, supported by the Nature for Climate Fund announced in the March 2020 budget.

Forestry Commission is leading on four projects to support these ambitions; these are:

- planting on private land – which will deliver a new suite of grants, regulations and guidance to support tree planting in England launched May 2021
- planting on public land, which will expand the nation’s forests through long term leasehold agreements, and will work with other public landowners and managers to assess and realise the potential for tree planting on their land
- sector capacity, which will work jointly with the forestry sector to develop an upscaled, upskilled and more resilient sector
- promotion and engagement, which will support increased awareness of and interest in woodland creation and long-term management through bespoke engagement with landowners and managers, to build the pipeline of proposals that will support tree planting ambitions.

Forestry Commission has secured funding for the Nature for Climate Fund. To support this work in 2020-21 we have:

- recruited or agreed to the recruitment of 100 new roles primarily in Forest Services to support existing and future woodland creation work
- launched an updated version of the woodland creation planning grant
- developed and launch a leasehold Woodland Partnership offer (led by Forestry England)
- developed and launched a Local Authority Treescape Fund and extension of the Urban Tree Challenge Fund
- developed and finalised a new England woodland creation offer, and a woodland management innovation fund offer, which

launched May 2021. The England Woodland Creation Offer (EWCO) will support landowners and land managers to create new woodland through the Nature for Climate Fund. It will support the creation of over 10,000 hectares of new woodland by end 24/25.

- launched an assessment of the existing forestry workforce to inform the sector development work
- commissioned scoping work to develop a new notification system giving nursery businesses visibility of upcoming tree planting schemes
- commenced improvements works for Forestry England nurseries

We provide many opportunities and support for landowners to create UK Forestry Standard (UKFS) compliant woodland.

In November 2019, the government launched the Woodland Carbon Guarantee, an innovative £50 million scheme to help accelerate woodland planting rates and develop the domestic market for woodland carbon for the permanent removal of carbon dioxide from the atmosphere. The guarantee provides participants with a new long-term income stream, underpinned by government, which is accessed through an online auction process. We held three auctions in 2020 (February, June and October) and had 154 applications, of which 76 were successful, and will help stimulate the creation of 2,314 hectares of new woodland specifically to help mitigate climate change.

The Woodland Carbon Code encourages a consistent approach to woodland carbon projects providing monitoring, reporting and verification processes, including for projects that are successful in being offered Woodland Carbon Guarantee contracts. We have worked with Scottish Forestry, which manages the code on

behalf of England, Scotland and Wales, to update the woodland carbon code and further promote its uptake, particularly for new initiatives that have developed following the declaration of the Climate Emergency by the Westminster Government.

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

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

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

The Woodland Carbon Fund supports the planting of new productive woodland for carbon sequestration. The scheme offers one off capital funding for the creation of new woodland. Last year we received nine applications, averaging at 34.1 hectares.

We deliver the Countryside Stewardship Woodland Creation Grant

jointly with the Rural Payments Agency by providing advice and guidance to landowners who want to create woodland. In 2020-21 we received 161 applications that will, if and when approved, result in 685 hectares of woodland creation and in excess of 1.54 million trees being planted.

The Woodland Creation Planning Grant (WCPG) provides support for the development of a proposal to create productive, multi-purpose woodland. Having an approved woodland creation plan can support applications to other sources of government funding. In 2020-21 we received 130 applications, which will result in a total of 5,703 hectares of new woodland if all plans result in successful woodland creation schemes. The WCPG offer was updated in November 2020 to support a wider range of woodland creation proposals.

We have administered the HS2 Woodland Fund that supports creating new native broadleaf woodland and restoring existing plantations on ancient woodland sites (PAWS) within 25 miles of the HS2 route Phase One. In 2020-21 we received 12 applications. Planting has started or been completed in 30 out of 34 agreements to date. Overall, £5 million is available to be allocated to projects until the end of 2023, £1.474 million of which has been committed to agreements that correspond to 124 hectares of woodland creation and 80 hectares of PAWS restoration. A further £602,401 has been provisionally allocated to schemes in progress, which should result in a further 90 hectares of woodland creation and 14 hectares of PAWS restoration.

Applications for the Urban Tree Challenge Fund in its first year exceeded our expectations and budget, with 20,094 trees planted in 2019-20 and 25,478 trees planted in 2020-21.

A further 5,875 trees are committed to be planted in 2021-22 from the first round of applications. We received further applications in the second year of 2020-21. As a result, 92,663 were planted in 2020-21 and a further 72,892 trees are committed to be planted in 2021-22.

Following the consultation on the England Tree Strategy, we have worked with Defra to develop and publish the strategy: the England Trees Action Plan, in 2021. Through the £500m Nature for Climate Fund, we aim to treble woodland creation rates, reflecting England's contribution to meeting the UK's overall target of planting 30,000 hectares per year by the end of this parliament, as well as doing more than ever before to protect and improve our existing trees and woodlands, and in doing so, contribute to the green economy and improve our national wellbeing. We will be working closely with Defra and other partners to implement this plan over the coming months and years.

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

Northumberland County Council has been working with partners to develop the Great Northumberland Forest as part of the Government's commitments to support a carbon net zero ambition by 2050. The first phase involves the creation of three new forests covering 500 hectares and up to one million trees. The first new forest has been created by Forestry England at Rushy Knowe planting 118,000 trees over 145 hectares, with support from the Forestry Commission's Woodland Carbon Fund. A second 80 hectare site

has been acquired by Forestry England at Monkridge, West Woodburn and is currently in the planning stage, with the planting of 149,000 trees anticipated to start in the autumn of 2021.

The strong demand for new woodland and increase in woodland creation proposals has brought into sharp focus the need to balance ambitions for woodland expansion with the need to protect and recover important existing habitats and species. We are working with Natural England to develop a decision making framework to help ensure the Government's Trees Action Plan and Peat Action Plan commitments are effectively delivered on the ground.

The Forestry Commission are also working with the British Trust for Ornithology, Natural England and others to produce tools which will identify important areas for the recovery of breeding waders based on scientific modelling of Bird Atlas and environmental data sets.

Issues and risks

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

Delivering government policy

The outcome of the 2020-21 Spending Review and Defra Business Planning exercise secured significant additional resources for 2021-22, mostly to support the Forestry Commission's contribution to delivering projects funded by the Nature for Climate Fund, but also to support increased Plant Health activity. Successful delivery of policy remains dependent on sustained levels of funding through future spending reviews to support the delivery of increasing ambitions,

including the England Trees Action Plan published late spring 2021.

Risks to delivery of government ambitions remain. While towards the end of 2020, government supported planting was on track to plant 11 million trees by 2022, the more recent government ambition to plant 75,000 acres (30,000 hectares) of new woodland a year by 2025, to help meet the commitment to net zero emissions by 2050, is extremely challenging. In recent months there has been a slower uptake of woodland creation grants, with land managers citing uncertainty around the future environmental land management offer and transition as reasons to delay.

COVID-19

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

Activities continued where possible in line with Government guidance and additional support mechanisms were provided for staff on volunteering and redeployment programmes, IT, wellbeing, and absent staff.

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

The financial impact of COVID-19 on the commercial operations within both Forestry England and Forest Research has been significant. With support from Defra officials a successful case was made to HM Treasury for financial relief to mitigate the impact.

Forest Services adapted its operations to ensure continued delivery, such as through more desk based decisions, and adapted helicopters for aerial surveillance for plant health. However, there have been some negative impacts such as an increased backlog in felling licences.

Coronavirus is also expected to have a negative impact on woodland creation rates. We continue to work with Defra and the forestry sector to assess the impacts and what might be done to mitigate them.

During 2020-21, Government Internal Audit Agency (GIAA) considered how risks arising from the impact of COVID-19 have been managed to enable the Forestry Commission to move towards a new business as usual, and its preparedness for dealing with future related incidents. They were satisfied that there had been appropriate consideration and response to COVID-19 risks in the areas of governance and incident management, workforce, operations and supply chain, business planning and funding, communications, corporate support, and data and security.

EU exit

The United Kingdom formally left the European Union on 31 January 2020, moving into what is known as a 'Transition Period', which ended on 31 December 2020. The EU and UK agreed upon a Trade and Cooperation Agreement on 24 December 2020, which is now in force. This deal governs arrangements for business, trade and travel. From 1 January 2021, changes to legislation were made to enable retained EU law to operate effectively and to address other deficiencies arising from the UK's withdrawal from the EU. This meant that requirements for the import, export and movement of wood, wood

products and bark from the EU changed. In the period 1 January 2021 to 31 March 2021, inspections of high priority regulated wood and wood products were carried out, although no interceptions of quarantine pests were made. Through this period trade was reported to be at lower than anticipated volumes, due in part to companies having stocked up ahead of the end of the Transition Period and the ongoing impacts of the COVID-19 pandemic. We did see an uplift in the issuing of export phytosanitary certificates which are now required for trade to the EU and to Northern Ireland.

Pests and diseases

There is a risk that an inability to adequately control pests and diseases results in significant damage to trees in the public and private sectors and economic and natural capital losses. *Ips typographus* and oak processionary moth pose particularly significant new risks to the timber industry and wider treescape. The Forestry Commission continues to work closely with the Chief Plant Health Officer to manage and mitigate against a number of serious risks highlighted in the UK Plant Health Risk Register, including the threat of *Xylella fastidiosa*.

Rural Development delivery

The sixth year of the current Rural Development Programme (RDP) saw the move to issuing new Countryside Stewardship agreements after 1 January 2021 under domestic rather than EU regulations. The EU requirement to pay 95% of 2019-20 annual claims by 30 June 2020 was achieved across the RDP including Forest Services legacy grants. Forest Services continues to contribute to the development of the Environmental Land Management scheme. This will replace Countryside Stewardship in

2024-25 following a series of national pilots from 2021.

Cyber security

There continues to be a risk to our technology, data and networks from the growing level of national and international cyber-attacks. Security has been carefully considered and integrated into the rollout of our new IT systems; and is also overseen by the Forestry Commission's Security Risk Management Forum.

Performance summary

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

In addition to the expenditure shown in our accounts, Forestry Commission manages grant schemes on behalf of Defra. These schemes total a further £3.3 million (2019-20: £5.6 million) of public funds that are administered by Forestry Commission staff.

Long-term expenditure trends

Spending Review 2020 provided adequate additional funding to support delivery of the Forestry Commission's contributions to the England Tree Planting Programme, Future Farming & Countryside Programme, and tree health. However, the Forestry Commission was obliged to make further recurrent reductions to its business as usual (BAU) activities to help bridge Defra's continuing funding gap.

The package of agreed savings measures, whilst significant, is not expected to significantly disrupt front line activities in 2021-22, although continued recurrent savings will

inevitably adversely impact on delivery.

It is hoped that a multi-year Comprehensive Spending Review in the autumn of 2021 will provide the necessary financial assurance to underpin delivery.

Performance analysis

Key performance indicators 2020-21

Our range of key performance indicators (KPIs) for Forest Services include the headline indicators set out below.

Forest Services' Five-Year Strategy identified the need to review our KPIs to ensure that these remain good measures of the positive differences we are making in the real world and are improved where necessary. The outcome of the review is an enhanced suite of indicators approved by the Forest Services Board.

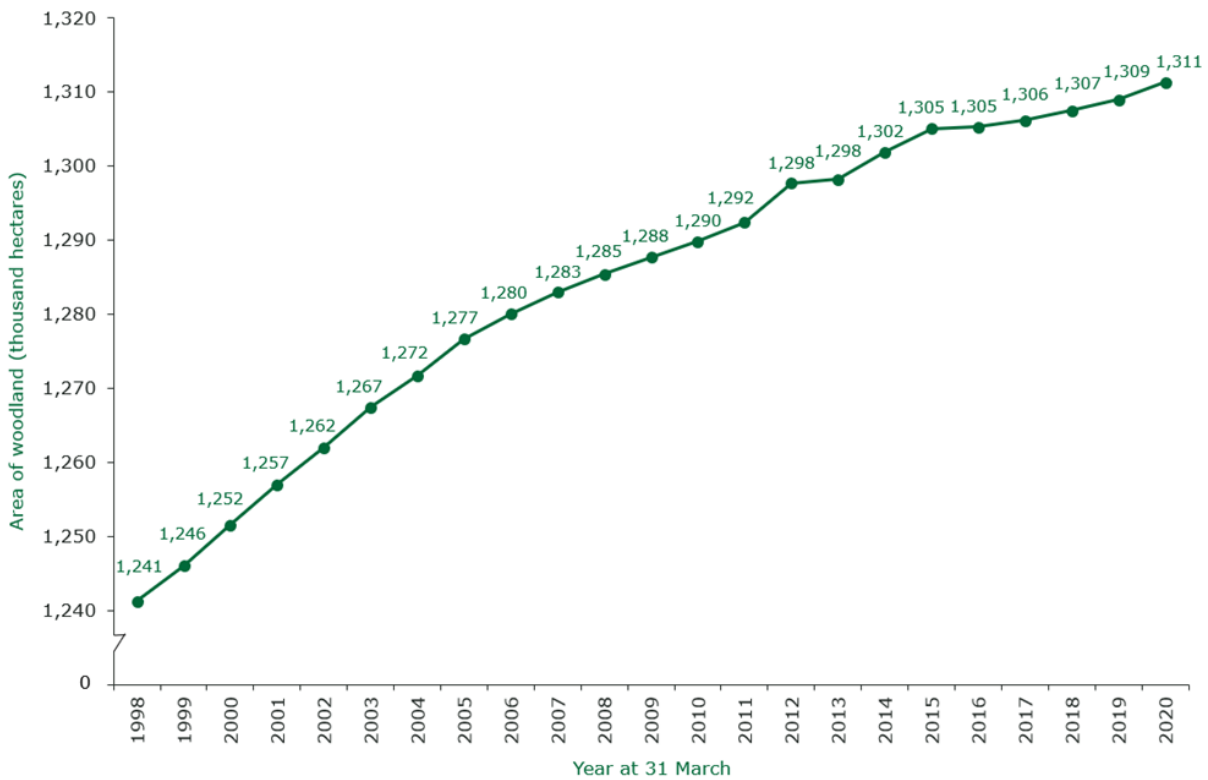
The headline indicators are reported here, and interim updates where data are available will be published quarterly in our Headline Performance Updates. The full suite will be

published annually in the Forestry Commission Key Performance Indicators report available on www.gov.uk.

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

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

Expansion of woodland: Area of woodland in England

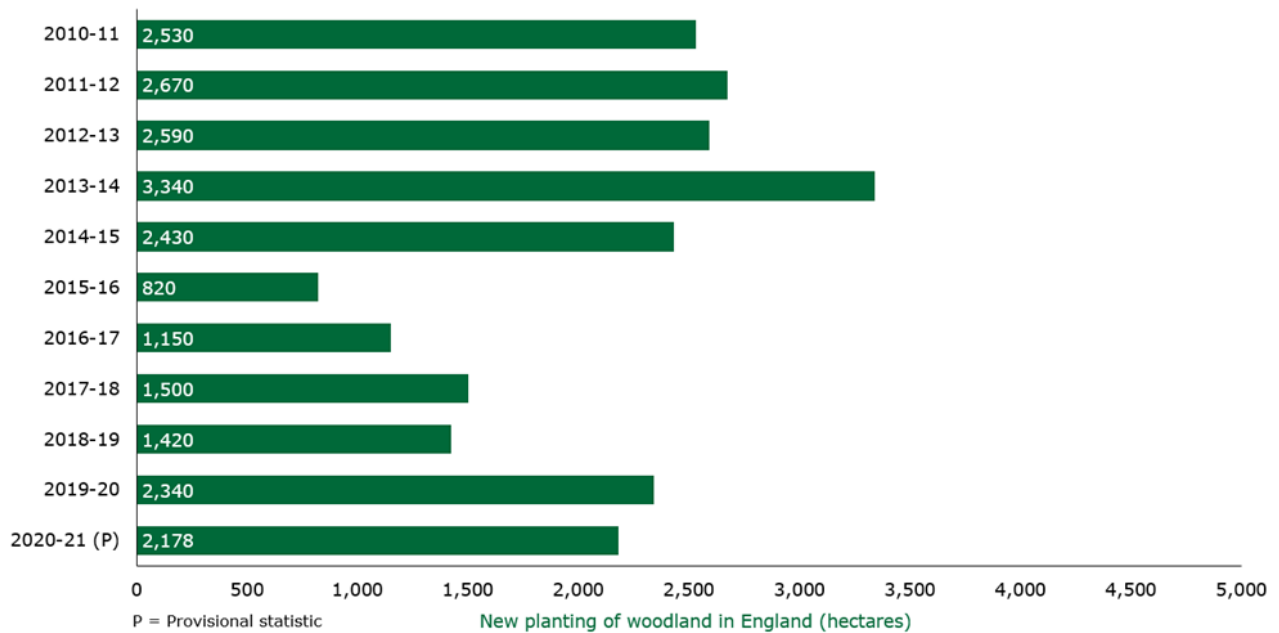


Source: Forestry Statistics 2020 (Forest Research), based mainly on the National Forest Inventory and Forestry Commission administrative data.

The area of woodland in England is 1,311 thousand hectares at 31 March 2020. That is the most recent date for which information is available. The next update of this statistic is due in *Provisional Woodland Statistics: 2021 Edition* (Forest Research). The March

2020 figure is an increase of 2,000 hectares on the previous year, and the total is 10.1% of the land area of England. Over the past ten years the area of woodland has increased by an average of 2,000 hectares per year.

Expansion of woodland: New planting of woodland and trees in England



Source: Forestry Statistics 2020 (Forest Research) and Forestry Commission Key Performance Indicators.

There was a total of 2,178 hectares of recorded new planting of woodland in England in 2020-21, including that with and without central government support.

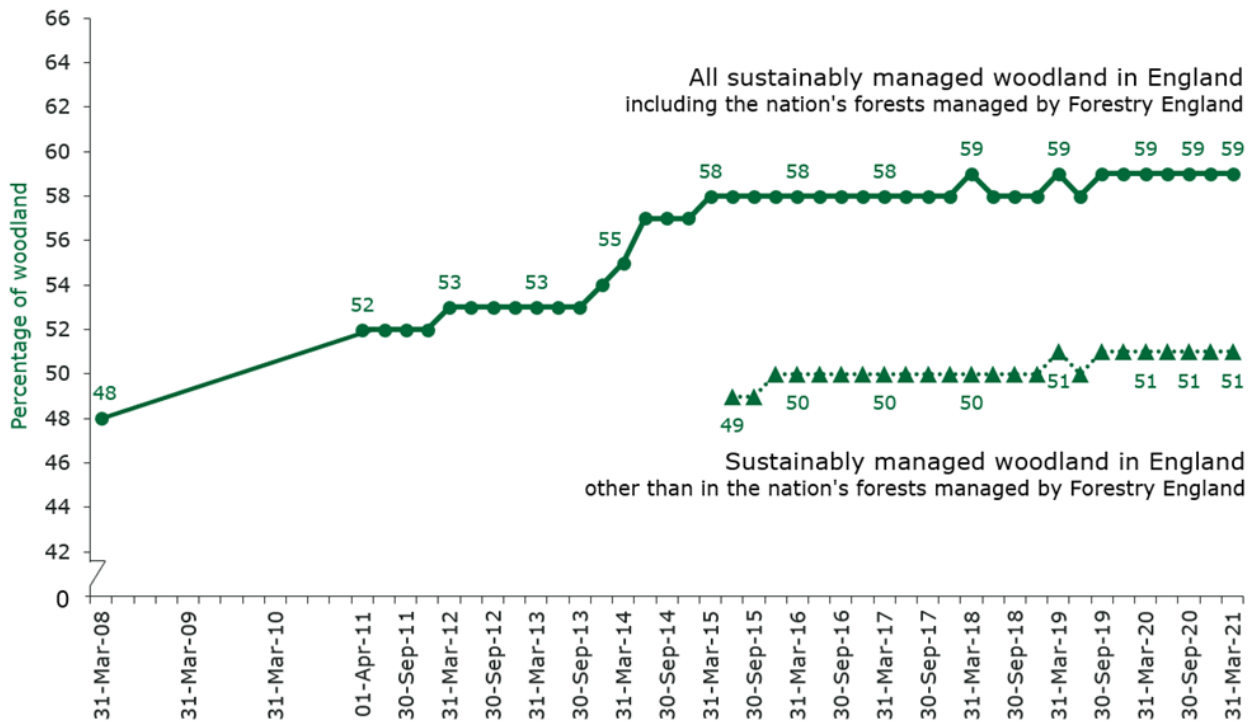
Government funding from all ten counted sources supported the planting of at least 1,892 hectares in 2020-21, corresponding to about 3.8 million trees with a significant new contribution from the Community Forests Trees for Climate Programme funded by the Nature for Climate fund. Other contributions have come with support from the Woodland Carbon Fund, the High Speed 2 Woodland Fund, Forestry England, the Environment Agency, the National Forest Company, and the Northern Forest partnership.

Of this, the Countryside Stewardship woodland creation grant and English Woodland Creation Grant, as a part of

the Rural Development Programme for England, supported the creation of 689 hectares of woodland. This is only 55% of the area planted the previous year, and the smallest area planted with this support since 2016-17.

In 2020-21 applications for the Woodland Carbon Fund and Countryside Stewardship were somewhat constrained by some landowners and agents preferring to wait and see what form support for landowners might take following the UK's exit from the European Union and awaiting the opening of new incentive schemes funded through the Nature for Climate Fund, announced in March 2020. Interest, however, in new planting remains strong as evidenced by management information on the volume of applications to the Woodland Creation Planning Grant.

Improvement of woodland: Percentage of woodland that is sustainably managed



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

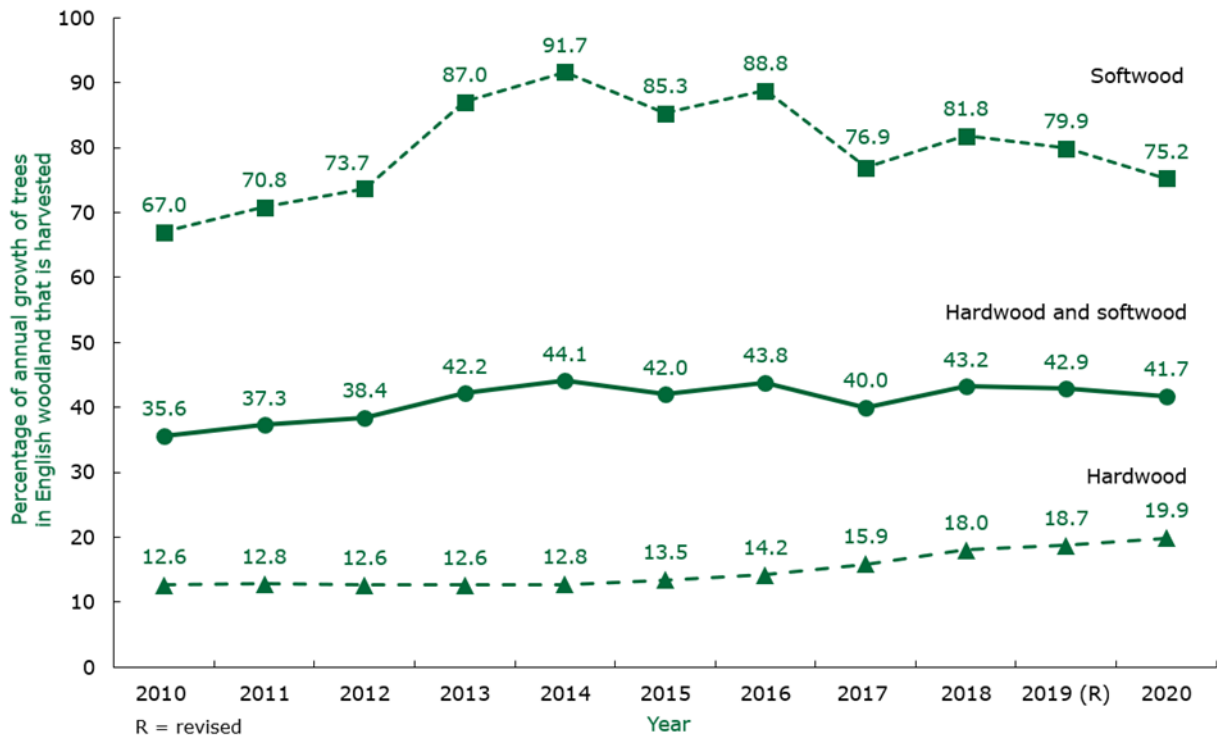
As at 31 March 2021, 59% of all woodland in England was sustainably managed; totalling 770,000 hectares of woodland in management. The equivalent figure for woodland other than in the nation's forests was 51%, totalling 556,000 hectares of woodland in management.

Our definition of 'sustainably managed' is woodland managed to the UK Forestry Standard that has a Woodland Management Plan, or for which we have made a previous grant of felling licence in the last 15 years. It also

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

Evidence suggests markets for timber remain relatively strong. There is scope to further increase the area of woodland sustainably managed to meet demand for UK grown timber, to help manage tree pests and diseases, and to improve woodland resilience.

Improvement of woodland: Percentage of the annual growth of trees in English woodlands that is harvested



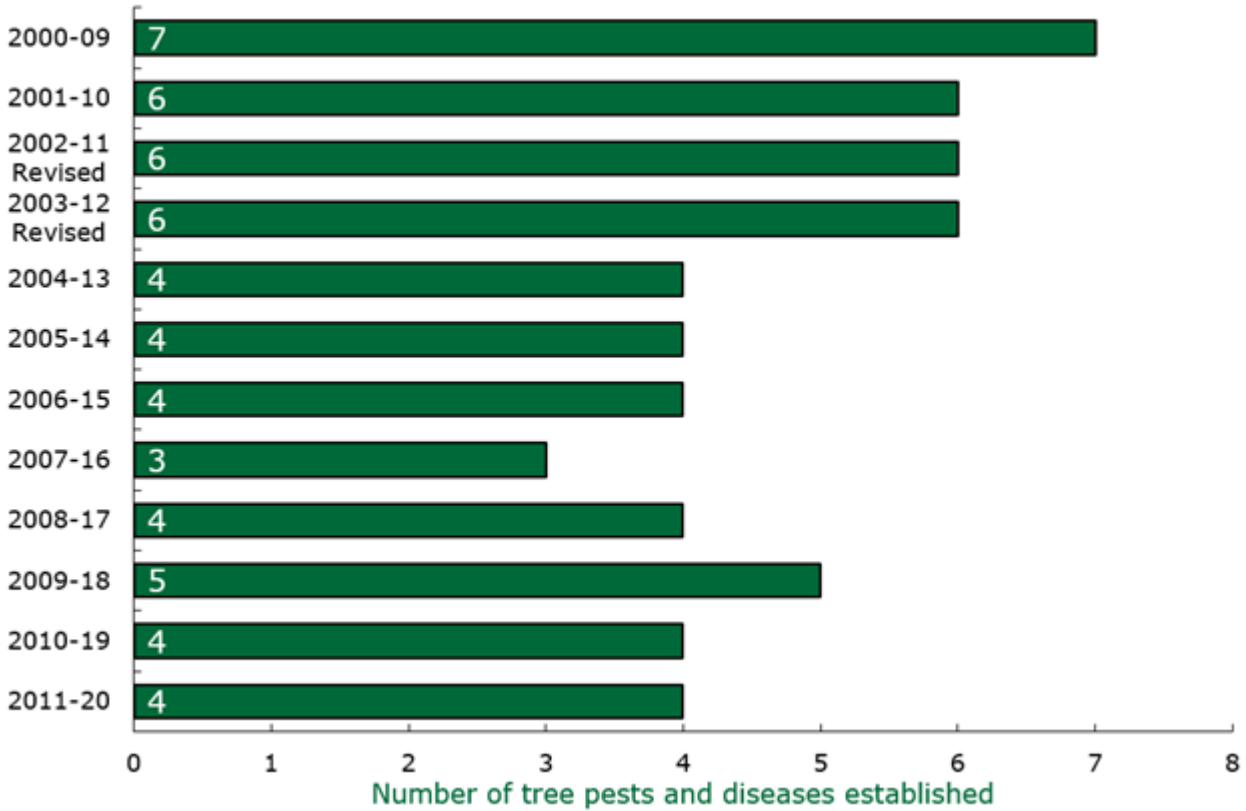
Source: Forest Research statistics on UK wood production and trade and National Forest Inventory team forecasts.

There is an opportunity to considerably increase the hardwood harvest if new markets are developed. The proportion of softwood annual increment that is

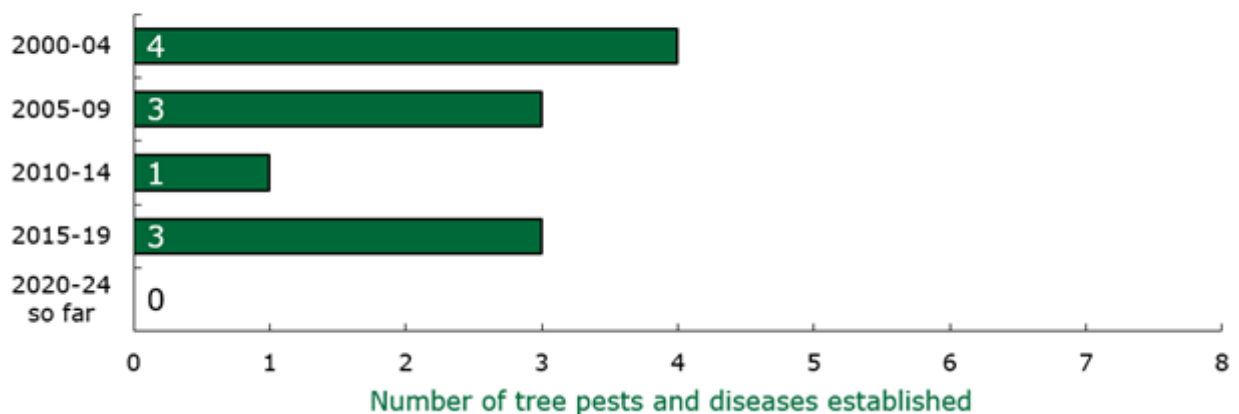
harvested remains high, reflecting strong demand and also the age structure of the conifer woodland resource.

Protection of woodland: Number of tree pests and diseases established in England in the last ten years

Rolling 10-year periods since 2000



Sequence of four 5-year periods since 2000



Source: Forestry Commission administrative data

The number of additional tree pests and diseases becoming established in England within a rolling ten year period fell from a peak of seven in the ten

year period 2000-09 to a low of three in 2007-16.

Four tree pests and diseases became 'established' in England in the most

recent ten-year period 2011-20, namely:

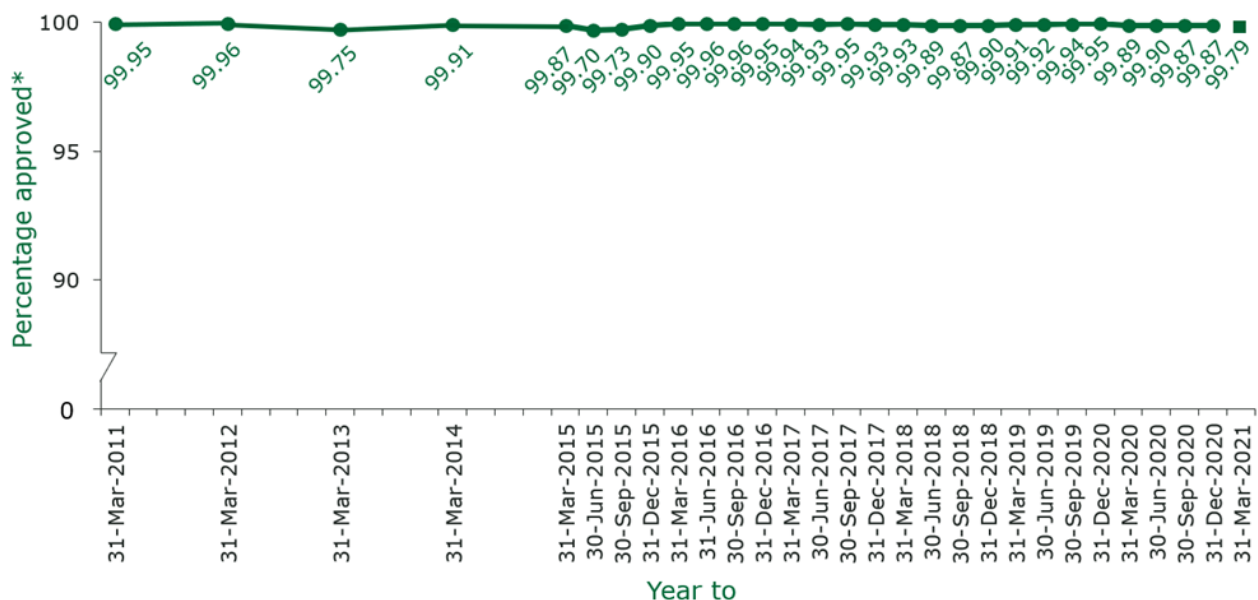
1. *Chalara* dieback of ash (*Hymenoscyphus fraxineus*) considered established in 2012. Ash dieback is present in most parts of the United Kingdom and continues to spread. New planting for replacement of trees lost is included in the support offered by the Local Authority Treescapes Fund.
2. Oriental chestnut gall wasp considered established in 2016. This is a larval pest of sweet chestnut trees present with a distribution limited to southern England and the Midlands. Research is underway to investigate potential biological control of this pest.
3. Sweet chestnut blight caused by the fungus *Cryphonectria parasitica*, has been identified at a number of sites in

England where it is under official control. Ongoing surveillance has identified new outbreak sites in Kent and Nottinghamshire.

4. Elm zigzag sawfly (*Aproceros leucopoda*), considered established in 2018, and continuing to spread in south east England and the east Midlands.

There are other tree pests and diseases, some of which have become established in England. These include for example *Phytophthora ramorum* considered established in 2003, with a limited distribution, and under official control to reduce the spread and intensity. Information on a range of forestry pests in England is available from the pest and disease resources webpage provided by Forest Research.

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



Source: Forestry Commission administrative data.

In the year to 31 March 2021, some 99.79% of known tree felling was carried out with Forestry Commission approval. This and future reports of

this indicator will be based on the date that the application was approved to more accurately reflect the small

proportion of applications that are amended, withdrawn or refused.

Over recent years the figures for tree felling where approval was sought has remained significantly greater than the known level of tree felling undertaken without Forestry Commission approval.

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

Sustainability report

The Forestry Commission carries out sustainability reporting in line with the Greening Government Commitments (GGC) and HM Treasury's Financial Reporting Manual reporting requirements. The environmental impacts of the organisation's forest management support activities on the built estate are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with

performance improvement targets for reducing fossil fuel-based energy and reducing waste and our use of water. Our EMS is designed to conform to BS EN ISO 14001 2015 as we strive for certification under the new standard. All sustainable woodland management activity of Forestry Commission is measured and managed through conformance to the United Kingdom Forestry Standard (UKFS) and is independently certified by accredited UKFS assessors using the UK Woodland Assurance Standard.

Performance measurement		2017-18	2018-19	2019-20	2020-21
Business travel ¹	Total miles	3,180,614	1,259,800	2,751,680	786,046
	tonnes CO ₂ e	752	735	608	198
	Expenditure (£000)	1,102	802	789	274
Electricity, gas and other heating fuels ^{2,3}	Consumption (KwH)	5,643,123	4,347,251	6,642,602	2,606,756
	Expenditure (£000)	392	387	428	201
	tonnes CO ₂ e	1,667	1,417	596	387
Total energy (Scopes 1, 2 and 3) estate and travel	tonnes CO ₂ e	2,419	2,152	1,385	585
	Expenditure (£000)	1,494	1,189	1,217	475
Estate and office waste ⁴	Amount (Tonnes/m ³)	198	1,585	810	115
	Expenditure (£000)	219	133	53	35
Estate and office water ⁴	Quantity (m ³)	18,554	33,421	14,715	11648
	Expenditure (£000)	15	34	23	17

1. COVID-19 restrictions have caused a large reduction in business travel in 2020-21, with public transport being the most impacted. 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 the future.

2. Reduced use of facilities and reduced staff numbers at sites due to COVID-19 has caused lower consumption so far.

3. Consumption and CO₂e values have been reduced by 42,156KwH/10 tonnes CO₂e for solar power generated.

4. Missing waste data for Linnere House will be updated with next year's results. Estimated based on use from last year.

Overview

The Forestry Commission works with others to enable sustainable forest and land management and to manage its

own environmental impacts, whether as a tenant or landlord. Prior year comparison figures include buildings and sites that were part of our Central Services function. Currently, core Forestry Commission independently

occupies and reports on a smaller estate. Elsewhere, Forestry Commission staff occupy Forestry England buildings; the sustainability data of this occupation are included in Forestry England's reports and not currently segregated. All of Forest Research data is included in this report.

There are fluctuations in the data shown due to work to remove hazardous material from the site of the new Forest Research entomology and pathology quarantine laboratory. There has been emergency works on the drains and sewers at Alice Holt resulting in a large removal of sewage.

Summary of future strategy

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

During 2020-21 our main priorities have consisted of:

- working with Aveico to provide energy and waste reporting services and data
- processing collected data, providing managers with information to plan business performance improvement and to inform GGC reporting to Defra
- writing planning, policy and guidance documents for all areas of the business, incorporating sustainability into all relevant areas in combination with Forestry England
- increasing awareness and uptake of the Woodland Carbon Code
- continuing to discharge our regulatory role on tree health, bio-security and other roles
- working through transition to ISO 14001 2015 standard and re-certification
- cooperating with Forestry England to reduce their environmental impacts
- reducing energy needs from fossil fuel derived sources and supporting sustainable wood fuel and renewable energy in the rural sector
- administering grants and delivering advice and regulations, to protect, improve and expand England's woodlands

Cooperation and governance

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

Sustainable business in core Forestry Commission is overseen by the Director of Estates and the Sustainable Business team in Forestry England. They are responsible for formulating and championing the Forestry Commission's environmental policy and delivery through our integrated EMS. Agreed terms of reference are as follows:

- be responsible to the Forestry England Board for the efficient operation of the business sustainability programme
- set priorities and objectives for the business sustainability programme and ensure that these are achieved
- ensure that objectives set for Forestry Commission also meet the requirements of Forestry England and that jointly agreed targets are adopted as policy by managers within these units

- review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness
- ensure that Forestry Commission achieves its commitment to gaining ISO 14001-2015 certification

Greenhouse gas emission

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

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

The COVID-19 crisis has driven emissions down dramatically, with reduced travel and office occupancy. We will endeavour to maintain as many of these benefits as possible in a post COVID-19 environment.

Waste

Forestry England has rewritten its waste guidance which is adopted by

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

Waste is still higher than usual in 2020-21 due to work to remove hazardous material from the site of the new Forest Research entomology and pathology quarantine laboratory. There has also been emergency works on the drains and sewers at Alice Holt resulting in a large removal of sewage.

Resource consumption (water)

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

Sustainable procurement

The Forestry Commission has worked to ensure that sustainable solutions are part of goods, services and works we purchase. Internal guidance 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.

We have focused on our timber policy and specifications. Only timber and timber products originating either from independently verified legal and sustainable sources (such as Grown in

Britain, PEFC/FSC certified timber or woodland products) or from a licensed Forest Law Enforcement Governance and Trade (FLEGT) partner can be used. We have also encouraged the use of sweet chestnut in fencing operations as alternative to treated softwood materials.

Sustainable construction

The Forestry Commission cooperates with landlords in their endeavours to improve the built estate in terms of energy efficiency and sustainable construction.

Climate change adaptation

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

- UKFS climate change guidelines under-pinning our incentives and regulatory functions
- resilience at the core of three of seven programmes of the Science and Innovation Strategy for Forestry in Great Britain
- working closely with the forestry sector to encourage the uptake of adaptation measures through the Climate Change Working Group (CCWG), its Climate Change Accord and Action Plan
- jointly published with the CCWG an actions plan progress report
- published Forestry Commission climate change and forestry position statement
- published Managing England's woodlands in a climate emergency guidance including a greater focus

on diversity of tree species and genetics

Rural proofing

A large proportion of England's forests are situated in rural parts of the country, outside towns of more than 10,000 people. Many businesses that rely on woodland to provide employment and income are also based in rural communities. Working with forestry employers, education providers and trade associations we helped shape the Forestry Skills Plan that will address the shortage of skilled machine operators, chainsaw operators and improve business skills within the sector. A skilled forestry work force increases productivity and benefits rural communities. One of the themes of the plan, talent attraction, is especially important to ensure an expanding workforce is in place to meet the strong demand for timber. Other themes covered by the plan are designed to provide the workforce with practical skills and technical knowledge, education provision and support from employers to keep skills up to date and productivity maximised. This will help woodland owners and managers benefit from the currently high timber prices.



M. Seddon 15 June 2021
Accounting Officer
Forestry Commission

Accountability report

Corporate governance report

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

Directors' report

Relationship with Defra and the wider Defra group

The Defra ministers who had responsibility for the Forestry Commission during the year were:

- George Eustice MP, Secretary of State from 13 February 2020
- Lord Zac Goldsmith, Minister of State from 10 September 2019
- Lord Gardiner, Parliamentary Under Secretary of State from 9 January 2018

Various meetings were held with the Secretary of State and other ministers by the Forestry Commission chair and other Forestry Commission senior staff throughout 2020-21.

Chair and Chief Executive

The Chair of the Forestry Commission, Sir William Worsley, has been in post since 10 February 2020. Ian Gambles was Chief Executive Officer, the senior executive within the Forestry Commission during 2020-21. His replacement, Richard Stanford will arrive in August 2021.

Composition of the management board

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

The membership of the Board of Commissioners during 2020-21 was:

- Sir William Worsley, chair Forestry Commission
- Mary Barkham, non-executive commissioner, term ended 31 October 2020
- Julia Grant, non-executive commissioner
- Liz Philip, non-executive commissioner
- Jennie Price, non-executive commissioner
- Peter Latham, non-executive commissioner
- Julian Evans, non-executive commissioner, from 1 June 2020
- Hilary Allison, non-executive commissioner, from 1 June 2020
- Sandy Storrie, non-executive commissioner, from 1 June 2020
- Ian Gambles, executive commissioner

Significant interests held by Board members

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

Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission in 2020-21 (2019-20: nil).

Supplier payment policy

The Forestry Commission complies with government's better payment practice code. Unless otherwise stated in the

contract, we aim to pay within five days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2020-21 96.1% (2019-20: 99.2%) of invoices for core Forestry Commission and 96.1% (2019-20: 99.3%) of invoices of the Forestry Commission were paid within the statutory 30 days or agreed due date. Arrangements for handling complaints on payment performance are notified to suppliers in contracts.

During the year £31 late payment interest and charges were incurred (2019-20: nil). Throughout 2020-21 we have striven to pay our suppliers within our normal payment terms, but have experienced some delays, particularly where suppliers have refused to move to electronic invoicing.

Auditors

The Forestry Commission's accounts are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The audit fee was £46,000 (2019-20: £45,480). In addition, the notional fee for the audit of the Forest Research Agency was £41,000 (2019-20: £39,000). No fees were charged for other services (2019-20: nil).

Disclosure of audit information to the auditors

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

Statement of Accounting Officer's responsibilities

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

The Chief Executive, Forestry England has been designated by the Forestry Commission Chief Executive Officer as Accounting Officer for that part of the department's accounts relating to the Agency's activities and the associated assets, liabilities and cash flows. The Forestry Commission Chief Executive Officer had continued the designation of the Chief Executive, Forest Research Agency as Accounting Officer for that part of the department's accounts relating to the Agency's activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Forestry Commission Chief Executive Officer's overall responsibility as Accounting Officer for the department's accounts. The relationship between the Accounting Officers, together with their respective responsibilities, is set out in the Defra/Forestry Commission framework document.

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

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- make judgements and estimates on a reasonable basis and prepare the annual report and accounts so that they are fair, balanced and 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 Commission assets) are set out in *Managing Public Money* published by HM Treasury.

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

Governance statement

Introduction and scope of responsibility

Ian Gambles was appointed by the Principal Accounting Officer of Defra as Accounting Officer for the Forestry Commission for 2020-21. Ian Gambles held this position for the entirety of 2020-21 but left before the publication of this Annual Report and Accounts. Mike Seddon, Chief Executive and Accounting Officer of Forestry England, was appointed as interim Accounting Officer of the Forestry Commission until the arrival of the new Forestry Commission Chief Executive Officer in August 2021. The Accounting Officer's financial responsibilities mirror those of the Principal Accounting Officer. He has

responsibility for ensuring that the Forestry Commission's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

This Statement covers the Forestry Commission, comprising Forest Services and the Commissioners' Office, and fully complies with the Corporate Governance Code where relevant and applicable to the Forestry Commission. In addition, our agencies Forestry England and Forest Research publish separate Governance Statements within their Annual Reports.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Forestry Commission is directed, controlled and led. It enables the Forestry Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective outcomes which are also compliant with the law and with policy.

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

and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Forestry Commission throughout 2020-21 up to the date of the production of the annual report and accounts, with the combined Forestry Commission Audit and Risk Assurance Committee (ARAC) operating from November 2020, and accords with HM Treasury guidance.

The governance framework

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

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

Forestry Commission activities in Scotland ceased in April 2019 on

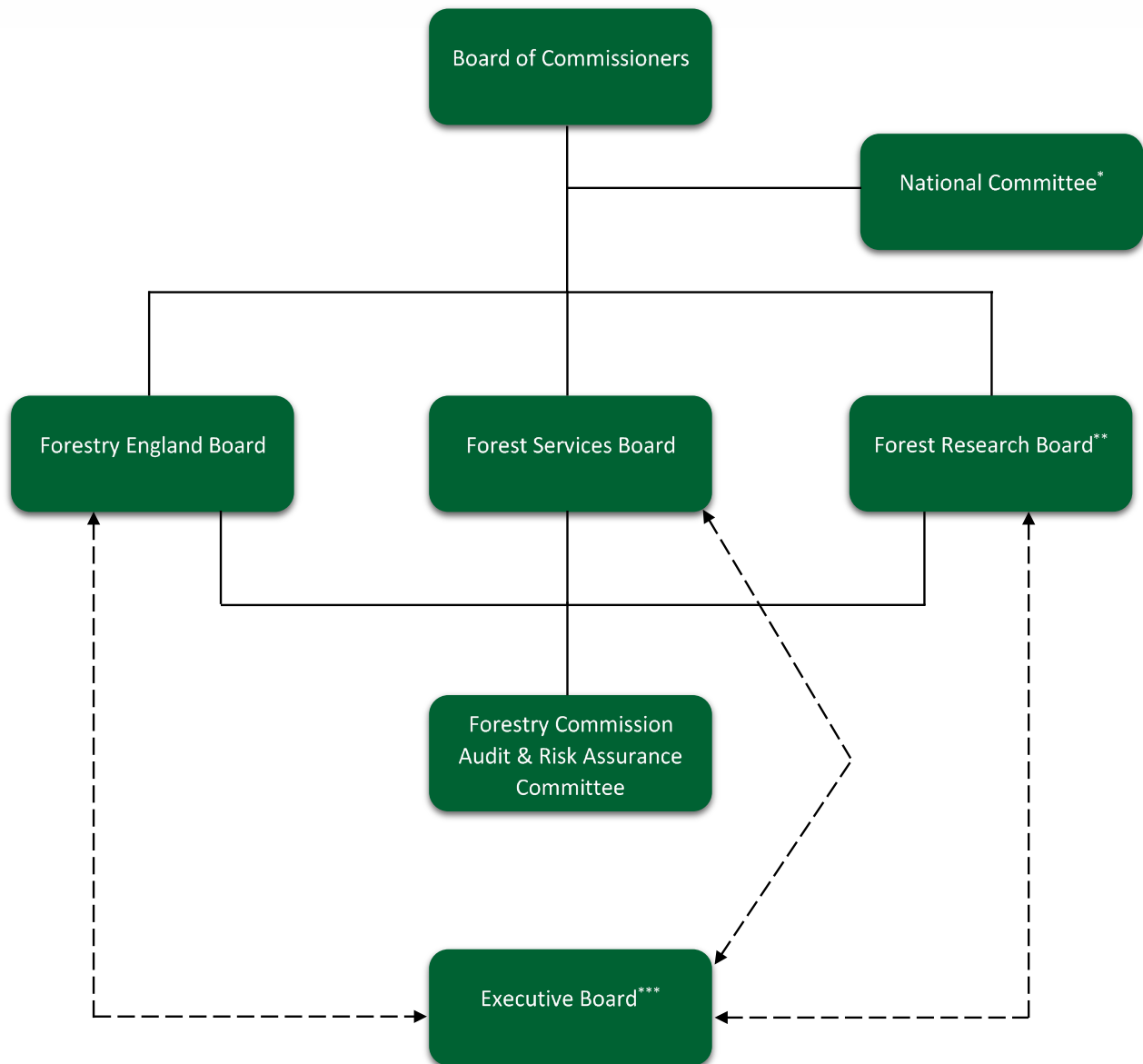
completion of devolution. Forestry Commission activities in Wales became part of Natural Resources Wales in April 2013 and the Forestry Commission has never operated in Northern Ireland.

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

As required under section 2(3) of the Forestry Act 1967, the Commissioners have appointed a National Committee. However, no activities have been delegated to it and it is not expected to meet. They have instead, through administrative action, delegated relevant and appropriate functions to the sub-boards of the delivery arms of the Forestry Commission namely Forestry England, Forest Services and Forest Research. Officials from Defra and the Devolved Administrations act as members of the sub-boards where appropriate. Overall responsibility, however, remains with the Board of Commissioners.

How we operate

The governance structure in operation throughout 2020-21 is outlined below and shows the most numerous interactions between the groups. Further information on the Forest Research Board and the Forestry England Board can be found in their respective Annual Report and Accounts.



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.

** As executive agencies Forestry England and Forest Research produce their own separate Annual Report and Accounts. They include details of their sub-board's duties, membership, and frequency and content of meetings.

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

Forestry Commissioners

The Board of Commissioners consists of a chair and up to ten other members appointed by Her Majesty the Queen. Sir William Worsley has been Chair since 10 February 2020.

The Board of Commissioners is responsible for:

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

government's forestry and woodlands policies in England

- maintaining an overview of corporate risk

The Board of Commissioners met in July and December 2020.

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

The Forest Services Board

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

The main duties of the Forest Services Board are to:

- discharge functions delegated to them by the Board of Forestry Commissioners
- set the strategic direction for Forest Services' activities
- direct the executive in the conduct of business within Forest Services
- ensure that Forest Services' activities contribute to the delivery of relevant Government policy and the Forestry Commission's overall strategic objectives
- approve the strategy and Business Plan for Forest Services and the consolidated Annual Report and Accounts and Corporate Plan for Forestry Commission
- promote forestry policy as a means to deliver wider government

objectives and provide insight to future opportunities for forestry in England

- advocate forestry expertise as a means to maintain the Forestry Commission's reputation and achieve Government's policy and objectives
- regularly receive and review information on financial and operational performance of Forest Services against agreed objectives
- demonstrate high standards of corporate governance at all times, to help the Board to address key financial and other strategic risks faced by the organisation
- ensure adequate systems and internal controls are in place to safeguard resources including by using the independent audit committee
- ensure that any statutory or administrative requirements for the use of public funds are complied with
- ensure that effective relationships are maintained and the Forestry Commission's reputation is upheld with stakeholders, customers, suppliers, employees and other government departments across England, including by establishing links with local delivery teams and Forestry and Woodlands Advisory Committees
- ensure effective communication both internally and externally through focused and consistent messaging showing evidence and accountability for decisions made
- address matters of relevance to the wider Forestry Commission (i.e. Forest Research and/or Forestry England as well as Forest Services)

The Forest Services Board will share information as appropriate with the Forestry England Board, the Forest Research Board and the Forestry Commission Executive Board, ensuring collaboration and cooperative working

on matters that require decision, resolution or co-ordinated action across the Forestry Commission.

The membership of the Forest Services Board during 2020-21 was:

- Sir William Worsley, chair Forestry Commission
- Liz Philip, non-executive commissioner
- Hilary Allison, non-executive commissioner, from 1 June 2020
- Sandy Storrie, non-executive commissioner, from 1 June 2020
- John Lockhart, non-executive member, from 1 August 2020
- Ian Gambles, executive commissioner and Forestry Commission Chief Executive Officer
- Richard Greenhouse, Director Forest Services
- Steve Meeks, Forestry Commission Finance Director
- Steph Rhodes, Forestry Commission England Tree Planting Programme Delivery Director
- Edward Barker, Defra Natural Environment Trees and Landscape Directorate

The Forest Services Board met in June, September, November and December 2020, and February and March 2021.

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

The Forestry Commission Executive Board

The Forestry Commission Executive Board, which is chaired by the Forestry Commission Chief Executive Officer, has the shared purpose to champion forests and forestry in England and beyond. The Executive Board brings the executive leadership of all parts of the Forestry Commission together to

take strategic decisions on matters where Forestry England, Forest Services and Forest Research can achieve more by taking a common approach.

The Forestry Commission Executive Board met in July and December 2020, and January and March 2021. It also met monthly from April to June 2020 to discuss and agree the Forestry Commission's response to COVID-19, and on further occasions to discuss other specific topics such as Offer 2020.

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

Audit and Risk Assurance Committee

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

The Forestry Commission ARAC formally took over the work previously undertaken by the Forestry England and Forest Services ARAC, and the Forest Research ARAC, from 1 November 2020 when the work of both committees was combined into a single ARAC.

Forestry England, Forest Services and Forest Research maintain their own risk registers which are overseen by the ARAC, along with the Forestry Commission Strategic Risk Register which is owned by the Forestry Commission Executive Board.

Through its work the ARAC provides independent assurance to the Board of Commissioners and the sub-boards of Forestry England, Forest Services and Forest Research on those important activities which support the achievement of objectives. Assurance is also provided through review of the annual report and accounts and the findings from work carried out by internal and external auditors. The ARAC operates in accordance with the principles contained in HM Treasury's Audit and Risk Assurance Committee Handbook.

The Forest Research ARAC met in May 2020, and the Forestry England and Forest Services ARAC in September 2020. The Forestry Commission ARAC met in November 2020 and February 2021 and discussed a wide range of issues including:

- risk management
- anti-fraud and corruption arrangements
- security risk
- safeguarding
- reputational risk
- the interim Annual Report and Accounts 2020-21
- external and internal audit strategy and reports
- the draft Governance Statement 2020-21
- a review of the Committee's structure and effectiveness

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

Performance

All of the committees and boards have linkages through shared membership. Each sub-board provides a non-executive commissioner as a member of the ARAC. This ensures a breadth of knowledge and understanding of the

organisation and forestry issues, which enhances the contribution made by non-executives and thus the effectiveness of all the committees. Each board and committee receives relevant reports from the other committees and the non-executives play an active part in agreeing and selecting items for inclusion in agendas.

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

Review of effectiveness

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

Annual Assurance Statements are produced by senior executive managers from across the Forestry Commission, with content supported by the results of the annual programme of GIAA audit assignments, and effectiveness reviews conducted by the sub-boards and the ARAC.

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

The overall opinion is that internal control within the Forestry Commission

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

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

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

Each of the three sub-boards also undertake an annual effectiveness review.

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

Whistleblowing

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

The Whistleblowing policy and procedure has recently been refreshed ensuring it acts as a modern, accessible resource for those requiring it.

The Forestry Commission has a dedicated whistleblowing officer. One case was carried forward to the investigation stage in 2020-21. The case revealed a data breach due to a mistake, but there was very limited opportunity for fraud and no harmful impact was identified as a result of this breach. A range of recommendations have been made to the business that have included refreshed training across teams that deal with sensitive information, strengthening our information security culture, as well as better systems and processes for dealing with data transfers. All of the information governance changes and strengthening will be carried out over this year, COVID-19 related delays notwithstanding. In addition, a procurement issue was raised at year-end and is in the early stages of investigation.

Risk management

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

By adopting its risk management policy, the Forestry Commission recognises risk management as an important function in helping to ensure it achieves its aims and objectives.

The Forestry Commission's arrangements for recording and managing strategic risks received substantial assurance from GIAA following a review during 2020-21.

Ministerial direction

No ministerial directions were given during the year.

Significant governance and risk issues

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

Other governance and risk issues are as follows.

Financial review

Spending Review 2020 resulted in additional funding in 2021-22 to take forward the Forestry Commission's contributions to the England Tree Planting Programme, Future Farming & Countryside Programme, and dealing with tree health pest outbreaks.

However, the baseline has required the Forestry Commission to absorb inflationary and other pressures, and to assist Defra in bridging funding shortfalls which will require difficult decisions to continue to live within our means. This followed previous reductions imposed on the Forestry Commission budget in 2018-19, 2019-20 and 2020-21.

The cancellation of Comprehensive Spending Review 2020 (CSR20) led to a one year settlement for 2021-22 and uncertainty of future funding streams, particularly with regard to the Forestry Commission's contribution to England Tree Planting Programme, and Future Farming and Countryside Programme, where staffing commitments have necessarily been made.

Pay

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

to discussion and agreement with Forestry Commission Trade Unions and the Cabinet Office. The ability to take this work forward has been negatively impacted by the government's introduction of the 'pay pause' in 2021-22.

Knowledge and information management

A four year project was approved by the Executive Board in November 2020 to further help our understanding of the value of knowledge and information management in supporting our decision making, and to identify and introduce necessary improvements including the use of the latest technologies.

Security

The Forestry Commission Security Risk Management Forum (SRMF) has been established to oversee the introduction of an improved information security culture across the organisation, covering cyber, information, physical and personnel security. The Forestry Commission operates within Defra security framework.

Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across the Forestry Commission, incorporating lessons learned from an internal review of the Urban Tree Challenge Fund.

Wider circumstances and future challenges

The main challenges for the Forestry Commission as an England only body during 2021-22 and beyond are:

- managing the continued financial and operational impact of COVID-19, particularly on Forestry

England and Forest Research; ensuring that robust business continuity processes are introduced, and that measures are taken to ensure that the Forestry Commission is able to return to full operational capability once the threat has lifted

- playing an effective part in the delivery of the Government's 2019 manifesto commitment to create 30,000 hectares a year of new woodland across the UK by the end of this Parliament
- securing sufficient funding from Defra to support the delivery of the Forestry Commission's business and corporate plan targets at a time of significant financial constraint across the department and government in general
- managing the transition to achieve success in a post EU exit environment
- handling the transition from Countryside Stewardship to the Environmental Land Management scheme, with a focus on securing the benefits of moving away from the Common Agricultural Policy
- continuing to develop an appropriate response to the increasing threat of cyber security attacks
- handling the continued biosecurity threat and the potential substantial cost of counter-measures; and
- mitigating and adapting to climate change as an organization and through the delivery of our functions

Throughout 2021-22 the Forestry Commission will remain focused on managing these challenges either directly, or in partnership with other bodies across the Defra group and wider government, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations.

Overall, the governance arrangements for the Forestry Commission are working effectively.

Remuneration and staff report – subject to audit

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

Employment contracts

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

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

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

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

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

	Date of current contract / letter	Unexpired term (months*)
Sir William Worsley	10/02/2020	22
Hilary Allison	01/04/2020**	24
Julian Evans	01/04/2020**	24
Julia Grant	01/11/2019	19
Peter Latham	01/04/2019	12
John Lockhart	01/08/2020	28
Liz Philip	01/04/2019	12
Jennie Price	01/04/2019	12
Sandy Storrie	01/04/2020**	24
Mary Barkham***	01/11/2017	-

* months remaining from 31 March 2021

** Appointment formally confirmed 4 June 2020 due to COVID-19 related delays

*** Mary Barkham's contract ended on 31 October 2020

Remuneration policy

Fees for non-executive Commissioners and members who are not Forestry Commission or Defra employees, and remuneration for senior civil servants, are determined in accordance with guidelines prescribed by the Cabinet Office. The Performance Pay reviews for 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.

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

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

The following sections provide details of the remuneration and pension interests of the civil servants who are members of the Forestry Commission Executive Board and the Forest Services Board.

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Ian Gambles	2020-21	90-95	-	-	29	120-125
Chief Executive Officer	2019-20	110-115 ¹	5-10	-	33	150-155
Steve Meeks	2020-21	75-80	-	-	(79)	(10)-(5)
Finance Director	2019-20	75-80	-	-	25	100-105
Richard Greenhous	2020-21	75-80	0-5	-	36	110-115
Director Forest Services	2019-20	70-75	0-5	-	34	110-115
Jo Ridgway	2020-21	70-75	-	-	25	95-100
HR Director	2019-20	55-60 ²	-	-	22	75-80
Steph Rhodes	2020-21	65-70	-	-	38	100-105
Head of Policy and Strategy Forest Services/ England Tree Planting Programme Director ³	2019-20	55-60	-	-	23	80-85

- Figure quoted is full time to 31 January 2020 and reduced to four days per week from 1 February 2020
- Figure quoted is four days per week to 29 February 2020, and full time from 1 March 2020
- England Tree Planting Programme director from 14 September 2020

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

increase or decrease due to a transfer of pension rights.

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

Forest Research Annual Report and Accounts

- James Pendlebury, Chief Executive of Forest Research

- Meirion Nelson, Finance Director of Forest Research

Forestry England Annual Report and Accounts

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

The salary and pension entitlements of the members of the Forest Research Board and Forestry England Board are borne and disclosed in each of the agencies Annual Report and Accounts 2020-21.

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Forestry Commission and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were paid in 2020-21 (nil in 2019-20).

Bonuses

Bonuses are based on performance levels attained and are made as part of

the appraisal process. Bonuses relate to the performance in the year prior to which they become payable to the individual. The bonuses reported in 2020-21 relate to performance in 2019-20 and the comparative bonuses reported for 2019-20 relate to performance in 2018-19.

Fair pay disclosure – subject to audit

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

The banded remuneration of the highest-paid director of Forestry Commission in the financial year 2020-21 was £115-120,000 (2019-20: £115-120,000). This was 3.39 times (2019-20: 3.46) the median remuneration of the workforce, which was £34,650 (2019-20: £33,970).

In 2020-21, no (2019-20: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £19,000 to £78,000 (2019-20: £17,000 to £79,000).

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

Disclosure of salary, pension and compensation information for 2020-21 – 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
Ian Gambles	20-25	0-2.5	498	450	28	-
Steve Meeks	35 - 40 plus a lump sum of 115 - 120	0 plus a lump sum of 0	950	998	(82)	-
Richard Greenhous	25 - 30 plus a lump sum of 40 - 45	0 - 2.5 plus a lump sum of 0 - 2.5	352	319	17	-
Jo Ridgway	5-10	0-2.5	111	83	17	-
Steph Rhodes	15-20	0-2.5	227	197	20	-

Civil Service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal

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

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

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

The partnership pension account is 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** or **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for board members show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Cash equivalent transfer values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to

the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not

include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Remuneration of non-executives – subject to audit

The non-executive Forestry Commissioners received the following remuneration for their services during the year ended 31 March 2021.

	2020-21		2019-20	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir William Worsley ¹	39	-	6	-
Sir Harry Studholme ²	-	-	35	5
Dr Mary Barkham ³	7	-	25	3
George McRobbie	-	-	12	-
Julia Grant	12	-	12	1
Liz Philip	12	-	12	3
Jennie Price	12	-	12	-
Peter Latham	12	-	12	1
Sandy Storrie	12	-	-	-
Julian Evans	12	-	-	-
Hilary Allison	10	-	-	-
John Lockhart ⁴	5	-	-	-

1. Sir William Worsley is Chair from 10 February 2020
2. Sir Harry Studholme was Chair until 9 February 2020
3. Mary Barkham's contract ended on 31 October 2020
4. John Lockhart, from 1 August 2020

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

COVID-19 restrictions dramatically reduced business travel with a corresponding reduction in expenses claimed by non-executives.

Staff report

Number of Senior Civil Servants by band

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

Average number of persons employed – subject to audit

	2020-21		2019-20	
	Permanently employed staff Number	Others Number	Total Number	Total Number
Forestry Commission	230	42	272	255
Forest Research	225	25	250	241
Total	455	67	522	496

Staff costs – subject to audit

	2020-21			2019-20
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Core				
Wages and salaries	8,445	965	9,410	8,492
Social security costs	938	89	1,027	914
Other pension costs	2,241	215	2,456	2,253
Inward secondments	-	53	53	86
Agency and temporary staff	-	489	489	738
Total gross staff cost	11,624	1,811	13,435	12,483
Recoveries in respect of outward secondments	(31)	-	(31)	(53)
Total net staff cost	11,593	1,811	13,404	12,430
Forest Research				
Wages and salaries	8,441	607	9,048	8,429
Social security costs	934	55	990	894
Other pension costs	2,176	152	2,328	2,205
Agency and temporary staff	-	175	175	113
	11,551	989	12,541	11,641
Total gross staff cost	23,175	2,800	25,976	24,124
Recoveries in respect of outward secondments	(31)	-	(31)	(53)
Total net staff cost	23,144	2,800	25,945	24,071

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as **alpha** are unfunded

multi-employer defined benefit schemes but Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2020-21, employers' contributions of £4,656,000 were payable to the PCSPS (2019-20: £4,364,000) 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 £33,000 (2019-20: £32,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £600 (2019-20: £700), 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. Contributions prepaid at that date were £nil.

Ill-health retirement

No one (2019-20: nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2019-20: £nil).

Staff composition – subject to audit

	Directors and senior civil servants Number	Permanently employed staff Number	Others Number	2020-21 Total Number	2019-20 Total Number
Core					
Male	3	132	20	155	142
Female	2	93	22	117	113
Total	5	225	42	272	255
Forest Research					
Male	3	127	12	142	144
Female	-	95	13	108	97
Total	3	222	25	250	241
Consolidated	8	447	67	522	496

Details of the Forestry Commission 2020-21 Gender Pay Gap report is available from www.gov.uk.

Sickness absence data

Year	Working days lost per staff year
2020-21	3.3
2019-20	7.3
2018-19	7.6

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

Accidents and reportable incidents

There were no reportable accidents (those causing incapacity for more than 7 days) in 2020-21 (2019-20: nil).

Staff turnover

There is a new reporting requirement to show our staff turnover. In future years we will report prior year data for comparison. In 2020-21, Forest Services and Commissioner's Office had a staff turnover percentage of 3.96%, Forest Research had a staff turnover of 9.90%.

Reason for leaving	% of staff
End of fixed term contract	1.58%
Redundancy	0.40%
Retirement	0.79%
Resignation	1.19%

Compensation for loss of office – subject to audit

Three members of staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2021 (2019-20: 21). They received a total compensation payment of £59,679 (2019-20: £1,175,569).

One member of staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2021 (2019-20: 1).

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
<£10,000	1	-	2	-	3	-
£10,000 - £25,000	-	1	-	4	-	5
£25,000 - £50,000	-	-	1	5	1	5
£50,000 - £100,000	-	-	-	9	-	9
£100,000 - £150,000	-	-	-	2	-	2
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	1	1	3	20	4	21

Total resource cost / £	£2,637	£18,030	£59,679	£1,164,156	£62,316	£1,182,462
--------------------------------	---------------	----------------	----------------	-------------------	----------------	-------------------

Forestry Commission Central Services staff who have departed in 2019-20 due to the restructuring of corporate services have their exit package costs shared between Forestry Commission, Scottish Forestry and Forestry and Land Scotland. The total costs are disclosed here for transparency purposes.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the

additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Staff policies

At the beginning of March 2020 as the COVID-19 pandemic hit the UK, 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 three members of the HR COVID-19 four person 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 sites. Policy and process has had to follow quickly behind the mass testing phased launches.

In line with the easing of lockdown one we were delighted to reopen sites, providing spaces for the public to use, coping with extremely high numbers of visitors and new audiences, introducing new COVID-19 secure workplace guidelines. The Forestry Commission 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. Wellbeing is a key priority within the soon to be launched Forestry Commission People Strategy.

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. The ambition of this programme is to encourage and enable a culture change which will allow all managers to focus upon improving levels of competence

and confidence in leading and inspiring teams, fostering exemplar behaviours, with continuing professional development at its core.

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 continues to develop the programme, working with Civil Service Learning to develop a bespoke programme. 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 pause 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 2020, 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-19. Before COVID-19, some staff were unable to reach meetings due to travel and time constraints.

HR worked hard to respond to staff development needs in respect of personal 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. We have continued to work tirelessly throughout the year 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 FE and FS. Work is ongoing

to develop additional online learning for the recruitment process and performance and attendance management. This work continues into 2021-22.

Diversity, inclusion and wellbeing

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

Our Diversity and Inclusion strategy sets out how we are doing this, making sure we fulfil our requirements under 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. A more ambitious Diversity and Inclusion strategy is due to launch in April 2021. This is in line with significant societal changes in recent times.

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](#) available on gov.uk. Current programmes of work to increase the diversity of our workforce include our Women in Forestry Programme and our LGBTQ+ Supporters Network. A review of all workforce policies is underway from an equality, diversity and inclusion perspective.

In 2020 we launched a new Inclusion Ambassadors programme as part of our zero tolerance approach to any form of discrimination, bullying and harassment. Our staff are trained to

tackle both conscious and unconscious discrimination and promote inclusion within their teams, using regular 'conversation starters' to increase knowledge and understanding of diversity alongside inclusive practice.

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.

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. To ensure all staff had the tools they needed, we ran resilience workshops for 180 employees to enable them to increase their own resilience during the pandemic.

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

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

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

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

Another pause due to COVID-19 occurred in this area, as critical resources were redeployed to leading the workforce elements of the pandemic across the Forestry Commission. The Whistleblowing Policy has been redeveloped with the introduction of a simpler process to support business decisions. The Discipline and Grievance policies are currently being reviewed with an aim to focus upon early resolutions. All workforce policies have policy owners with agreed timelines during 2021-22 for delivery. Work in this area is much needed and welcomed by managers

and staff alike. There is a good deal of change required to modernise.

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, we will be to submit a business case to the Cabinet Office towards the end of 2021.

Employee consultation and trade union relationship

The Forestry Commission continues to have a productive and respectful relationship with the Forestry Commission trade unions. To encourage employee consultation and communication, a Tier 1 Forestry Commission Trade Unions staff council meeting is held twice each year for the whole Forestry Commission. Tier 2 staff council meetings are held no less than twice yearly for Forestry England, Forest Services and Forest Research. Key issues discussed include the COVID-19 pandemic, Offer 2020 project, workforce policies, organisational design, wellbeing, mental health, and health and safety issues.

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials during 2020-21	Full-time equivalent number
22	21.01

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	21
51-99%	0
100%	1

Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time 0.29%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 103.34%.

Expenditure on consultancy

During the year Forestry Commission incurred £87,000 on consultancy services largely related to Offer 2020 (2019-20: £35,000).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the period total £664,000 (2019-20: £891,000). The reduction in spend is partly due to conversion of agency resource to

permanent positions and partly due to further reduction in Rural Development Programme for England legacy grant workload as commitments expire.

Off-payroll engagements

Defra are required to disclose information in their annual report and accounts relating to the review of tax arrangements of public sector employees. Information relating to off-payroll engagements for Forestry Commission is reported below for consistency with Defra's annual report and accounts.

Table 1: For all off-payroll engagements as of 31 March 2021, for more than £245 per day and that last for longer than six months.

No. of existing engagements as of 31 March 2021	2
Of which...	
No. that have existed for less than one year at time of reporting	2
No. that have existed for between one and two years at time of reporting	Nil
No. that have existed for between two and three years at time of reporting	Nil
No. that have existed for between three and four years at time of reporting	Nil
No. that have existed for four or more years at time of reporting	Nil

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, for more than £245 per day and that last for longer than six months.

No. of new engagements between 1 April 2020 and 31 March 2021	2
Of which...	
No. assessed as caught by IR35	Nil
No. assessed as not caught by IR35	2
No. engaged directly and are on the departmental payroll	Nil
No. of engagements reassessed for consistency/assurance purposes during the year	Nil
No. of engagements that saw a change to IR35 status following the consistency review	Nil

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021.

Number of off-payroll engagements of board members and/or senior officials with significant financial responsibility, during the financial year.	Nil
Number of individuals that have been deemed 'board members and/or, senior officials with significant financial responsibility', during the financial year. This figure should include both off-payroll and on-payroll engagements	28

Parliamentary Accountability and Audit Report

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

variances between the Estimate and outturn.

Losses and special payments – subject to audit

Total losses and special payments for the Forestry Commission, across 11 payments is £567,000.

This value is driven by a Forest Research loss of £478,000, relating to an EU Research Executive Agency ThermoLIDAR project following liquidation of the company running the project. Legal efforts continue to recoup this loss.

Fees and charges – subject to audit

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

Remote contingent liabilities – subject to audit

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



M. Seddon 15 June 2021
Accounting Officer
Forestry Commission

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

Opinion on financial statements

I certify that I have audited the financial statements of the Forestry Commission and its Group for the year ended 31 March 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. 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 Group and of the Forestry Commission's affairs as at 31 March 2021 and of the Group and Forestry Commission's net operating expenditure 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 for 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 Commission 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 Commission'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 Commission'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 Chief Executive as 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 Commission 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 Chief Executive as 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 Commission'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 Commission 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 Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Forestry Commission'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 Commission'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, posting of unusual journals and;
- Obtaining an understanding of the Forestry Commission and the Group's framework of authority as well as other legal and regulatory frameworks that Forestry Commission and the Group 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 Commission. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money and 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 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

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2021

	Note	2020-21		2019-20	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Revenue from contracts with customers	3	(1,918)	(13,884)	(3,148)	(15,378)
Total operating income		(1,918)	(13,884)	(3,148)	(15,378)
Staff costs	2	13,435	25,976	12,483	24,124
Other operating expenditure	2	39,102	47,176	28,184	35,776
Total operating expenditure		52,537	73,152	40,667	59,900
Net operating expenditure		50,619	59,268	37,519	44,522
Other comprehensive expenditure					
Net (gain)/loss on revaluation of property, plant and equipment	4	-	109	-	(93)
Net gain on revaluation of Euro receivable		-	-	-	(15)
Comprehensive net expenditure for the period		50,619	59,377	37,519	44,414

All income and expenditure is derived from continuing operations.

The notes on pages 61 to 80 form part of these accounts

Consolidated statement of financial position

as at 31 March 2021

	Note	31 March 2021		31 March 2020	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Non-current assets					
Property, plant and equipment	4	-	19,930	-	13,372
Intangible assets	5	1,108	1,145	1,001	1,001
Investment in associate		-	75	-	75
Trade receivables, financial and other assets	7	8	26	15	28
Total non-current assets		1,116	21,176	1,016	14,476
Current assets					
Inventories		-	57	-	110
Trade receivables, financial and other assets	7	779	2,466	549	5,278
Cash and cash equivalents	8	6,472	11,008	3,443	5,337
Total current assets		7,251	13,531	3,992	10,725
Total assets		8,367	34,707	5,008	25,201
Current liabilities					
Trade payables, financial and other liabilities	9	(16,131)	(19,683)	(9,261)	(11,400)
Provisions	11	-	(9)	(59)	(59)
Total current liabilities		(16,131)	(19,692)	(9,320)	(11,459)
Total assets less current liabilities		(7,764)	15,015	(4,312)	13,742
Non-current liabilities					
Trade payables, financial and other liabilities	9	-	-	-	(99)
Total non-current liabilities		-	-	-	(99)
Total assets less total liabilities		(7,764)	15,015	(4,312)	13,643
Taxpayers' equity					
General fund		(7,764)	7,711	(4,312)	6,082
Revaluation reserve		-	7,305	-	7,561
Total taxpayers' equity		(7,764)	15,015	(4,312)	13,643



M. Seddon 15 June 2021
Accounting Officer
Forestry Commission

The notes on pages 61 to 80 form part of these accounts

Consolidated statement of cash flows

for the year ended 31 March 2021

	Note	2020-21 Core £000	2020-21 Consolidated £000	2019-20 Core £000	2019-20 Consolidated £000
Cash flows from operating activities					
Net operating expenditure		(50,619)	(59,268)	(37,519)	(44,522)
Adjustment for intercompany transactions		(8,395)	-	(7,380)	-
Adjustment for non-cash transactions	2	744	1,722	883	2,254
Decrease in inventories		-	53	-	18
(Increase)/decrease in trade receivables, financial and other assets	7	(223)	2,814	557	(1,253)
Increase/(decrease) in trade payables, financial and other liabilities	9	6,870	8,184	(5,298)	(5,632)
Less movement in Defra supply creditor	9	(5,671)	(5,671)	5,214	5,214
Less movement in Euro receivable not passing through the OCS		-	-	-	15
Use of provisions	11	(55)	(64)	(691)	(707)
Net cash outflow		(57,349)	(52,230)	(44,234)	(44,613)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(7,587)	-	(1,651)
Purchase of intangible assets	5	(336)	(373)	(174)	(174)
Proceeds on disposal of non-current assets		-	-	146	146
Net cash outflow		(336)	(7,960)	(28)	(1,679)
Cash flows from financing activities					
Funding from Defra		66,051	71,198	49,929	51,629
Repayment of prior year Defra creditor		(5,337)	(5,337)	(10,551)	(10,551)
Net cash inflow		60,714	65,861	39,378	41,078
Net increase in cash and cash equivalents		3,029	5,671	(4,884)	(5,214)
Cash and cash equivalents at the beginning of the period	8	3,443	5,337	8,327	10,551
Cash and cash equivalents at the end of the period	8	6,472	11,008	3,443	5,337

The notes on pages 61 to 80 form part of these accounts

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2021

	Note	General fund £000	Revaluation reserve £000	Core Taxpayers' equity £000	General fund £000	Revaluation reserve £000	Consolidated Taxpayers' equity £000
Balance at 31 March 2019		(4,746)	143	(4,603)	3,455	7,673	11,128
Net Defra funding		44,592	-	44,592	46,292	-	46,292
Notional charges							
Auditors' remuneration	2	45	-	45	84	-	84
Defra corporate services	2	553	-	553	553	-	553
Comprehensive net expenditure for the year		(37,519)	-	(37,519)	(44,414)	-	(44,414)
Intercompany adjustments		(7,380)	-	(7,380)	-	-	-
Net gain on revaluation of Property, plant and equipment	4	-	-	-	(93)	93	-
Euro receivable		-	-	-	(15)	15	-
Realised element of revaluation reserve		143	(143)	-	220	(220)	-
Balance at 31 March 2020		(4,312)	-	(4,312)	6,082	7,561	13,643
Net Defra funding		55,043	-	55,043	60,190	-	60,190
Notional charges							
Auditors' remuneration	2	46	-	46	87	-	87
Defra corporate services	2	473	-	473	473	-	473
Comprehensive net expenditure for the period		(50,619)	-	(50,619)	(59,377)	-	(59,377)
Intercompany adjustments		(8,395)	-	(8,395)	-	-	-
Net gain on revaluation of Property, plant and equipment	4	-	-	-	109	(109)	-
Realised element of revaluation reserve		-	-	-	147	(147)	-
Balance at 31 March 2021		(7,764)	-	(7,764)	7,711	7,305	15,016

The notes on pages 61 to 80 form part of these accounts

Notes to the accounts

NOTE 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2020-21 government Financial Reporting Manual (FRoM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs.

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

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

1.1 Significant judgements and estimation uncertainty

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

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

1.2 Accounting convention

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

1.3 Going concern

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

The statement of financial position at 31 March 2021 shows taxpayer's equity of £7.7 million (at 31 March 2020 £6 million). In common with other public bodies across government, the future funding for our liabilities will be sourced from our parent department (Defra funding formed 98% of our 2020-21 funding). Parliament approves this funding annually.

Forestry Commission's funding for 2021-22 is included within the Defra estimates which have already been approved by Parliament. A three-year government spending review (SR21) is commencing in the summer of 2021 to

determine future funding for government departments including Defra for the period 2022-23 to 2024-25. Continued support of the Forestry Commission from 2022-23 onwards will be considered and reviewed as part of this Spending Review.

Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.4 Basis of consolidation

These accounts comprise a consolidation of the Forestry Commission delivery and management units, Forest Services and Commissioners' Office, as the Core, and Forest Research, an executive agency of the Forestry Commission. Transactions between entities within the consolidation boundary have been eliminated. Grants that include an element of co-financing from the European Union are accounted for by Defra.

The nation's forests in England are managed by Forestry England, an executive agency of Forestry Commission, which has been classified by the Office for National Statistics as a public corporation. As a public corporation, the assets (including the nation's forests), liabilities, income and expenditure of Forestry England are not consolidated in the accounts of Forestry Commission, or Defra. Forestry England produces its own Annual Report and Accounts, which are available on www.gov.uk.

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

Forestry Commission makes an annual funding payment, equal to the agreed

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

1.6 Administrative and programme expenditure

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

1.7 Property, plant and equipment

Legal ownership of all land and buildings is vested in ministers. Legal ownership of the timber, including uncut trees, is vested in the Forestry Commissioners and accounted for by Forestry England. Legal ownership of other tangible assets is vested in the Forestry Commissioners and accounted for in Forestry Commission, Forest Research and Forestry England as appropriate.

1.7.1 Recognition and valuation

Freehold land and buildings are subject to professional valuation at no more than five yearly intervals. These valuations are carried out by

professionally qualified staff members, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors (RICS) Red Book. The most recent valuation was carried out on 31 March 2018 and was reviewed by Savills, Chartered Surveyors.

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

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

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

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

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

- Office machinery and equipment – £2,000

1.7.2 Subsequent expenditure

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

1.7.3 Valuation movements

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

1.7.4 Depreciation

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

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

- Buildings – 1 to 60 years
- Vehicles, machinery and equipment – 4 to 20 years
- Office machinery and equipment – 3 to 20 years

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

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

1.8 Intangible non-current assets

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

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

The Forestry Commission expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred.

Capitalisation of internally developed software is contingent on fulfilment of the criteria noted in IAS 38 (Intangible Assets) and includes capitalisation of internal IT employee costs on projects. Internally developed software assets are valued at depreciated replacement

cost and amortised over an estimated useful economic life of seven years.

1.9 Income

Operating income relates directly to the operating activities of the Forestry Commission. Income is accounted for in accordance with the five stage model set out in IFRS 15 Revenue from contracts with customers and is recognised when performance obligations are satisfied.

1.10 Government grants receivable

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

1.11 Directly funded grants payable

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

1.12 Co-funded grants payable

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

transactions are reflected in the accounts of Defra.

1.13 Foreign currency transactions

The function and presentational currency of the Forestry Commission is sterling.

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

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

1.14 Financial instruments

1.14.1 Financial assets

The Forestry Commission discloses receivables and other financial assets with a positive fair value in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables are valued in accordance with IFRS 9 Financial Instruments, as adapted for Government. Receivables have been impaired in accordance with the expected credit loss model below;

Age of debtor (months)	Provision
0-6	0%
7-12	20%
13-15	50%
16+	75%

Aged debtors are individually analysed based on known history. Newly aged receivables with good payment policy may not be discounted and known

cases where recovery is not expected will be fully provided for.

1.14.2 Financial liabilities

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

1.15 Cash and cash equivalents

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

1.16 Pensions

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

Although the Principal Civil Service Pension Scheme (PCSPS) is an unfunded defined benefit schemes, in accordance with explicit requirements in the FReM, departments, agencies and other bodies account for the schemes as if they were defined contribution plans. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the government actuary at four-yearly intervals.

1.17 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. In addition,

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

1.18 Provisions

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

1.19 Subsidiaries, associates and joint ventures

Investments held in subsidiaries, associates or joint ventures that are outside the consolidation boundary, and where Forestry Commission does not exercise in-year budgetary control, are accounted for in accordance with HM Treasury's Financial Reporting Manual. Where such an investment is in another public sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39.

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

1.20 Value Added Tax

The Forestry Commission is registered for Value Added Tax (VAT). To comply with the government accounting

regulations and normal commercial practice, income and expenditure shown in the Consolidated Statement of Comprehensive Net Expenditure is net of VAT. Any VAT due to or from HM Revenue and Customs at the year-end is included in the Forestry Commission accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure in the year in which it is incurred.

1.21 Segmental reporting

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

1.22 Impending application of newly issued Accounting Standards not yet effective

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

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

- IFRS 16 – Leases. The implementation of this standard has been deferred and is effective from our 2022-23 accounts. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.
- IFRS 17 – Insurance Contracts. This standard is effective from the 2023-24 accounts. This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities.

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

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

NOTE 2 Staff and other costs

	2020-21		2019-20	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Staff costs				
Wages and salaries	9,410	18,458	8,492	16,921
Social security costs	1,027	2,017	914	1,808
Other pension costs	2,456	4,784	2,253	4,458
Agency and temporary staff	542	717	824	937
	13,435	25,976	12,483	24,124
Other costs				
Travel and subsistence	142	205	781	1,393
Staff transfers	11	11	2	2
Corporate services charges	805	805	925	925
Computer costs	17	2,061	110	1,850
Accommodation and office services	128	1,409	46	1,398
Communication	135	250	196	280
Training	85	124	53	130
Losses and compensation	6	573	65	83
Legal expenses	236	245	285	316
Partnerships and publicity	4,442	7,206	3,886	5,980
Private woodland grants	3,204	3,204	1,999	1,999
Research and development	47	47	12	12
Other expenditure	2,239	2,453	2,000	2,207
	11,497	18,593	10,360	16,575
Rentals under operating leases				
Land and buildings	-	-	491	497
	-	-	491	497
Forestry England funding	26,775	26,775	16,014	16,014
Forestry England capital grants	86	86	436	436
	26,861	26,861	16,450	16,450
Non-cash costs				
Depreciation	-	917	4	1,241
Amortisation	229	229	188	189
Loss on disposal of property, plant and equipment	-	2	3	97
Provisions				
Provided in year	11	29	92	92
Not required and written back	(15)	(15)	(2)	(2)
Notional charges				
Auditors' remuneration	46	87	45	84
Defra corporate services	473	473	553	553
	744	1,722	883	2,254
Total	52,537	73,152	40,667	59,900

1. Further analysis of staff costs is located in the Staff Report on page 42.

NOTE 3 Income

	2020-21		2019-20	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Revenue from contracts with customers				
Forest Research MOU income from:				
Scotland	-	4,079	-	4,079
Wales	-	907	-	907
Other charges to public sector forestry bodies in:				
Scotland	349	2,853	1,806	4,429
England	552	1,874	285	1,571
Wales	-	597	47	149
	901	10,310	2,138	11,135
Project and partnership income	652	652	720	720
EU income	-	(17)	-	182
Other income	365	2,939	290	3,341
Total	1,918	13,884	3,148	15,378

Internal income from Forest Research of £9,122,000 (2019-20: £7,068,000) was removed on consolidation.

NOTE 4 Property, plant and equipment

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2020	1,417	18,734	5,630	-	1,897	27,678
Additions	-	-	1,924	-	5,663	7,587
Reclassifications	-	4	146	-	(150)	-
Disposals	-	-	(208)	-	-	(208)
Revaluation	26	(335)	11	-	-	(298)
At 31 March 2021	1,443	18,403	7,503	-	7,410	34,759
Depreciation						
At 1 April 2020	-	11,076	3,230	-	-	14,306
Charged in year	-	404	514	-	-	918
Disposals	-	-	(206)	-	-	(206)
Revaluation	-	(200)	11	-	-	(189)
At 31 March 2021	-	11,280	3,549	-	-	14,829
Carrying value At 31 March 2021	1,443	7,123	3,954	-	7,410	19,931
At 31 March 2020	1,417	7,658	2,400	-	1,897	13,372
Asset financing						
Owned	1,443	7,123	3,914	-	7,410	19,891
Leased	-	-	40	-	-	40
Total	1,443	7,123	3,954	-	7,410	19,931
Asset ownership						
Forest Research	1,443	7,123	3,954	-	7,410	19,931
Total	1,443	7,123	3,954	-	7,410	19,931

Land and Buildings were valued as at 31 March 2018 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Street, FRICS who was Head of Estates. The results of this valuation were also subject to professional review by Savills, Chartered Surveyors. The next professional valuation is due on 31 March 2023. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

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

Depreciation expense above has been charged in other operating expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2019	1,380	18,537	5,298	33	1,168	26,416
Additions	-	-	529	-	1,122	1,651
Reclassifications	-	380	13	-	(393)	-
Disposals	-	(288)	(143)	(33)	-	(464)
Revaluation	37	105	(67)	-	-	75
At 31 March 2020	1,417	18,734	5,630	-	1,897	27,678
Depreciation						
At 1 April 2019	-	10,342	2,931	31	-	13,304
Charged in year	-	778	463	-	-	1,241
Disposals	-	(52)	(138)	(31)	-	(221)
Revaluation	-	8	(26)	-	-	(18)
At 31 March 2020	-	11,076	3,230	-	-	14,306
Carrying value						
At 31 March 2020	1,417	7,658	2,400	-	1,897	13,372
At 31 March 2019	1,380	8,195	2,367	2	1,168	13,112
Asset financing						
Owned	1,417	7,658	2,322	-	1,897	13,294
Leased	-	-	78	-	-	78
Total	1,417	7,658	2,400	-	1,897	13,372
Asset ownership						
Forest Research	1,417	7,658	2,400	-	1,897	13,372
Total	1,417	7,658	2,400	-	1,897	13,372

NOTE 5 Intangible assets

	Software licences £000	Internally developed £000	Assets Under Construction £000	Total £000
Cost or valuation				
At 1 April 2020	40	10,101	-	10,141
Additions	37	336	-	373
At 31 March 2021	77	10,437	-	10,514
Amortisation				
At 1 April 2020	40	9,100	-	9,140
Charged in year	-	229	-	229
At 31 March 2021	40	9,329	-	9,369
Carrying value				
At 31 March 2021	37	1,108	-	1,145
At 31 March 2020	-	1,001	-	1,001
Asset financing				
Owned	37	1,108	-	1,145
Total	37	1,108	-	1,145
Asset ownership				
Core	-	1,108	-	1,108
Forest Research	37	-	-	37
Total	37	1,108	-	1,145

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

Intangible assets are all owned, rather than leased.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Internally Developed Software asset class. The carrying amount at 31 March 2021 is £330,000 and is being amortised over eight more years.

NOTE 6 Financial instruments
Financial instruments by category

Consolidated	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	-	75	75	-	75	75
Trade and other receivables (excluding prepayments)	1,785	-	1,785	5,362	-	5,362
Cash and cash equivalents	11,008	-	11,008	5,337	-	5,337
Less provision for impairment	(57)	-	(57)	(57)	-	(57)
Total assets	12,736	75	12,811	10,642	75	10,717

Consolidated	Other financial liabilities		Other financial liabilities	
	£000	Total £000	£000	Total £000
Finance lease liabilities	20	20	149	149
Trade and other payables (excluding statutory liabilities)	8,337	8,337	5,192	5,192
Total liabilities	8,357	8,357	5,341	5,341

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

NOTE 7 Trade receivables, financial and other assets

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade receivables	286	1,383	531	3,966
Provision for impairment	(57)	(57)	(57)	(57)
Trade receivables - net	229	1,326	474	3,909
VAT receivable	397	397	1	1
Other receivables	16	20	12	15
House purchase and other loans to employees	5	8	7	10
Prepayments and accrued income	132	715	55	1,343
	779	2,466	549	5,278
Amounts falling due after more than one year				
House purchase and other loans to employees	8	14	11	19
Prepayments and accrued income	-	12	4	9
	8	26	15	28
Total current and non-current	787	2,492	564	5,306

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

Trade receivables of £246,000 were past due but not impaired as of 31 March 2021. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	2020-21		2019-20	
	Core £000	Consolidated £000	Core £000	Consolidated £000
At 1 April	3,443	5,337	8,327	10,551
Net change in balances	3,029	5,671	(4,884)	(5,214)
At 31 March	6,472	11,008	3,443	5,337
	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Held at				
Government Banking Service	6,472	11,008	3,443	5,337
Total	6,472	11,008	3,443	5,337

NOTE 9 Trade payables and other current liabilities

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade payables	407	1,443	600	887
Other payables	287	290	222	232
VAT payable	-	46	-	356
Other taxation and social security	272	272	209	209
Accruals	4,157	5,806	2,637	3,594
Deferred income	-	-	256	256
Contract liabilities	-	394	-	237
Finance lease payables	-	20	-	50
Payments received on account	-	404	-	242
Defra Supply creditor	11,008	11,008	5,337	5,337
	16,131	19,683	9,261	11,400
Amounts falling due after more than one year				
Finance lease payables	-	-	-	99
	-	-	-	99
Total current and non-current	16,131	19,683	9,261	11,499

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

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

	31 March 2021 £000	31 March 2020 £000
GBP Sterling	19,494	11,383
Euro	134	105
US Dollar	41	-
New Zealand Dollars	14	11
Total	19,683	11,499

NOTE 10 Contract balances

	31 March 2021 £000	31 March 2020 £000
Contract liabilities	394	237

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

NOTE 11 Provisions for liabilities and charges

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
Balance at 31 March 2020	59	-	59	59	-	59
Provided in year	5	6	11	5	24	29
Not required written back	(14)	(1)	(15)	(14)	(1)	(15)
Utilised in year	(50)	(5)	(55)	(50)	(14)	(64)
Balance at 31 March 2021	-	-	-	-	9	9
Expected timing of discounted cash flows						
Not later than one year	-	-	-	-	9	9
Total	-	-	-	-	9	9

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
At 1 April 2019	660	-	660	676	-	676
Provided in year	92	-	92	92	-	92
Not required written back	(2)	-	(2)	(2)	-	(2)
Utilised in year	(691)	-	(691)	(707)	-	(707)
Balance at 31 March 2020	59	-	59	59	-	59
Expected timing of discounted cash flows						
Not later than one year	59	-	59	59	-	59
Total	59	-	59	59	-	59

Early departure costs

The Forestry Commission meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Forestry Commission provides for this in full when the early retirement programme becomes binding on the Forestry Commission by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury-stipulated rate of (0.95)% (2019-20 (0.5)%).

NOTE 12 Commitments under leases

Operating leases

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

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Land				
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	22	-	26
Later than five years	-	-	-	4
	-	29	-	37
Buildings				
Not later than one year	496	496	486	486
Later than one year and not later than five years	167	167	567	567
	663	663	1,053	1,053
Total	663	692	1,053	1,090

Finance leases

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

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Plant and machinery				
Not later than one year	-	21	-	50
Later than one year and not later than five years	-	-	-	100
	-	21	-	150
Interest element	-	(1)	-	(1)
Present value of obligations	-	20	-	149

NOTE 13 Capital commitments

There were £426,000 contracted capital commitments at 31 March 2021 (2019-20: £3,077,000) for an entomology and pathology quarantine laboratory at Forest Research.

NOTE 14 Other financial commitments

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	2,138	2,138	4,290	4,290
Later than one year but not later than five years	4,222	4,222	4,979	4,979
Later than five years	488	488	-	-
Total	6,848	6,848	9,269	9,269

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

NOTE 15 Contingent liabilities disclosed under IAS 37

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

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

The Forestry Commission's liabilities under the Woodland Carbon Guarantee are contingent on others deciding to exercise their rights to sell the Woodland Carbon Units to the Government. The limit of this liability under the Guarantee at 31 March 2021 is £16.6 million. This contingent liability is backed by Defra and, if realised, will be funded as part of the Defra Spending Review process.

NOTE 16 Operating lease receivables

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

	31 March 2021		31 March 2020	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	5	-	5
Later than one year but not later than five years	-	20	-	20
Later than five years	-	58	-	63
Total	-	83	-	88

NOTE 17 Consolidated related-party transactions

Forestry Commission's agency Forestry England is regarded as a related party. During the year, Forestry Commission provided an annual subsidy of £26,775,000 to Forestry England (2019-20 £16,014,000).

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

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

Woodland Grants

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

Recipient	2020-21 £000	2019-20 £000
Sir William Worsley, Forestry Commissioner (chair)	33	30

James Hutton Institute

Ian Gambles, Chief Executive during 2020-21, is a director of the James Hutton Institute, a charitable company limited by guarantee, which delivers fundamental and applied science to drive the sustainable use of land and natural resources.

Transactions in year are as follows:

	2020-21 £000	2019-20 £000
Sales	78	130
Purchases	17	24

Forest Research made purchases of £17,000 plus VAT from James Hutton Institute in relation to a project focussing on global threats from *Phytophthora* (2019-20: £24,000). Sales invoices for £78,000 plus VAT (2019-20: £130,000 plus VAT) were raised for grants for Plant Health Centre projects and a review of evidence summaries. Sales of £5,000 plus VAT were outstanding to Forest Research as at 31 March 2021 (2019-20: Nil).

James Latham PLC

Peter Latham, non-executive commissioner, is a retired Chair of James Latham PLC a timber distribution company. Transactions in year are as follows:

	2020-21 £000	2019-20 £000
Sales	3	3

There were sales of £2,000 outstanding as at 31 March 2021 (2019-20: £1,000).

Lockhart Garratt Ltd

John Lockhart, non-executive member, is a director of Lockhart Garratt Ltd, a Forestry and environmental planning consultancy whose clients will receive funding and grant support from the Forestry Commission. Transactions in year are as follows:

	2020-21 £000	2019-20 £000
Purchases	3	3

There were no outstanding transactions as at 31 March 2021 (2019-20: Nil).

Others

Some members of the Forestry Commission Executive Board and the Forest Services Board are also members of the Forestry England Board, and are directors or trustees of organisations for which Forestry England had transactions throughout the year. Details of these transactions can be found in the Forestry England Annual Report and Accounts 2020-21.

Key management compensation

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

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

NOTE 18 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 for issue date is the date of the Comptroller and Auditor General's audit certificate.

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

CCS0321137210

978-1-5286-2456-5