

# Annual Report and Accounts 2021-22

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HC 373



# OGI

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The Forestry Commission is the non-ministerial 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 Queen's Birthday Honours:

- Dr Mark Broadmeadow, OBE, Principal Adviser for Climate Change, for services to forestry.
- Josephine Sanderson, MBE, Finance and Business Support Manager, for services to forestry.
- Colin Elford, Wildlife Ranger, BEM, for services to forestry.

And the Queen's New Year Honours:

- Jeremy Dick, MBE, Woodland Officer, for services to forestry.
- Lee Cooper, MBE, Forest Research Worker, for services to forestry.
- Tim Aldous, BEM, Works Supervisor, 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

Never has there been a more important time for trees and forests to help tackle the climate emergency, provide timber for construction and offer a much-needed sanctuary for people and wildlife. The government is committed to creating 30,000 hectares of new woodland per year across the UK by the end of this Parliament. This work is part of the ambition to grow the green economy, combat climate change and leave our environment in a better state for the next generation.

To support these aspirations, the Forestry Commission is undergoing significant growth, something unseen since the organisation's creation in 1919, allowing us to take a leading and pivotal role in the England Trees Action Plan and delivery of the Nature for Climate Fund. We are working with the Department for the Environment and Rural Affairs (Defra), other departments and across the forestry sector to secure England's environmental future.

Forests, woods and trees are at the heart of the Government's agenda for tackling carbon and climate change, to improve the environment and to build the green economy. This is a real opportunity to help achieve something tangible for the benefit of the nation. The target to treble tree planting rates in England is not without challenges; the associated risks are captured in this Annual Report and Accounts and build on some of the risks and issues identified by the recent National Audit Office report.

Last year the UK hosted the 26th climate change conference in Glasgow. The Forestry Commission clearly has a role to play, and we are committed to achieving net zero gas emissions by 2030. We are working to adapt our forests to make them more resilient to the impacts of climate changes. We are working to restore wildlife and recover ecosystems to some of England's most valuable landscapes. By growing trees we are also safeguarding a renewable and sustainable resource.

Never has the focus on plant health been so important as we tackle multiple pests and disease threats. Our trees also face abiotic threats, and last year just one storm, Storm Arwen, created an estimated 1,700 hectares of windblow in England. Staff across the Forestry Commission worked tirelessly to help manage the impact of these storms.

We are lucky to have an extraordinary staff group of some 1,800 people and we are currently recruiting to support, among other things, the England Tree Planting Programme. Many of our staff have been with the Commission much of their careers

and have a wealth of expertise and experience, coupled with a love for forests and sustainable land management that makes us a world leader in forestry. The staff have admirably met continuing challenges presented by life after Covid-19.

I am grateful that we have such a dedicated workforce.

## Purpose and activities of the organisation

### Who we are

The Forestry Commission provides the government's forestry expertise and is responsible for protecting, improving and expanding England's woodlands, connecting more people with forests, woods and trees and increasing their full value. We are a Non-Ministerial Government Department with a Royal Charter and part of Defra, the government department responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities.

There are three main parts of the Forestry Commission. All perform distinct but related functions and have their own governing boards and executive leadership teams, coming together as a group at Forestry Commission level. We are responsible for the management of publicly owned forests, and the regulation of both public and private forestry in England. With over 250,000 hectares, we are the largest single land manager in England.

**Forestry England** manages England's beautiful, diverse, and productive, publicly owned woods and forests. It is the largest provider of home-grown sustainably produced timber in England, selling around 1.2 million tonnes per year. This is nearly half the English-grown annual supply.

These forests are managed to balance multiple aims: carbon capture, flood prevention, providing a positive impact on our mental health and looking after significant areas to conserve and improve biodiversity. The natural capital benefits our forests and diverse landscapes bring to society are valued at £33 billion.

**Forest Research** is Great Britain's principal organisation for forestry and tree related research and is internationally renowned for the provision of evidence and scientific services in support of sustainable forestry. The team operates across Great Britain by agreement with the UK and devolved administrations.

**Forest Services** are the Government's forestry and woodland experts contributing to the Government's 25 Year Environmental Plan objective of being the first generation to leave the environment in a better state than we found it, by encouraging and supporting landowners and the sector to protect, improve, expand and connect people with England's woods and forests.

### Delivery of our objectives in 2021-22

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](http://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, non-executive directors 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's work is aligned with the England Trees Action Plan, published in May 2021. 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 expanding our woodland resources and connecting more people with trees, woods and forests.

### **Protect and Improve**

The Forestry Commission is responsible for maintaining and protecting our forests, woods and trees from increasing threats such as pests, diseases and climate change.

Improving our existing woodlands and how they are managed is essential to ensure they are resilient and deliver valuable ecosystem services now and in the future.

The Forestry Commission is the regulator for the legal felling of trees in England, responsible for assessing applications and for issuing licences. Applications for felling licences increased by 5% since last year, with over 80% of applications now using Felling Licence Online. 3,165 licences have been approved, of which 445 were supporting 10-year woodland management plans.

The Forestry Commission protected our borders from pests and disease.

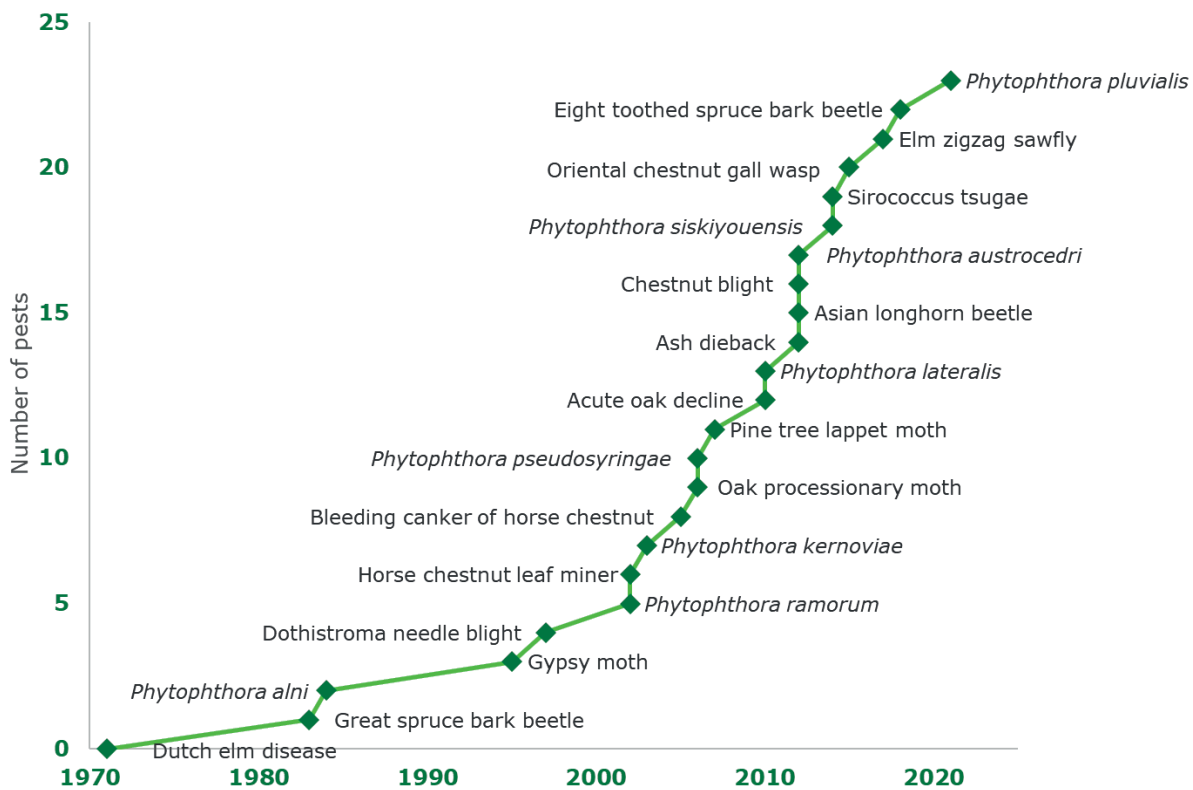
Non-compliant wood material has been intercepted and either re-exported, incinerated or re-packaged, to maintain biosecurity.

### **Pests and diseases**

Over the past two decades we have seen a fourfold increase in the number of exotic pests and diseases affecting our treescape compared to the previous 30 years. Over the past year we have continued to lead on incident management to enable rapid response activities to the recent outbreaks of the eight-toothed spruce bark beetle (*Ips typographus*) and newly identified pathogen *Phytophthora pluvialis*. Furthermore, our surveillance and monitoring activities alongside regulations, incentives and guidance have helped to ensure that the spread and impacts of more established threats including *Phytophthora ramorum* and Oak processionary moth (*Thaumetopoea processionea*) are minimised.

We are currently working with others in the UK Plant Health Service to finalise the refreshed GB Plant Health Biosecurity guide which is due for publication shortly.

## Timeline of new pest and disease emergence



Emergence of new pests and diseases since 1970, showing sharp increase in newly established pests and diseases since 2000.

## Deer and squirrel management

Deer management is crucial to protect young trees, help reduce the impacts of climate change, and can be a sustainable supply of venison. We have been working on developing a new Deer Strategy with government and non-government stakeholders and this is due for publication in 2022-23 following formal consultation. A number of actions from the strategy are already in progress including the development of deer specific woodland incentives and the Forestry Commission led Wild Venison Working Group.

Grey squirrels cause significant damage to our broadleaved and coniferous woodlands; the costs of damage are estimated at between £6 million and £10 million per annum in Great Britain. They out-compete the native red squirrel and spread the squirrel pox virus. In October we appointed a dedicated squirrel policy officer to deliver the England Trees Action Plan squirrel actions. A review of the 2014 Squirrel Action plan showed over half of the actions had been completed or had everything in place for completion and a further third some or significant process had been made. Work is underway with a view to publishing a new Squirrel Action Plan in Spring 2022.

## Improving systems

We are responsible for the regulation of Forest Reproductive Materials (FRM) to ensure that planting stock can be tracked back to its original source of material. This



year we have brought FRM and the Electronic Application for Phytosanitary Certificates (which allow for the export of controlled wood products) systems online to simplify and accelerate the application process.

### **Improving incentives**

The Forestry Commission has secured improvements to the Countryside Stewardship Higher Tier Grant. From 2022, these will support targeted interventions for deer and squirrel control and management, Planted Ancient Woodland Sites restoration and maintenance, places for people, Historic Environment items, veteran tree surgery and small woodland support.

The Farm Woodland Standard launched as part of the Environmental Land Management Sustainable Farming Incentive pilot in autumn 2021. This includes requirements for open space and deadwood creation, and management alongside a condition assessment. 298 pilot participants took up the Farm Woodland Standard.

In 2021-22 the Forestry Commission launched a range of new grant schemes designed to encourage and broaden innovation within the forestry sector. The Woods into Management (WiM) Forestry Innovation Funds have made almost £1 million available to successful applicants, supporting 17 innovative projects aiming to improve the ecological condition of woodlands. In addition, through the Tree Production Innovation Fund (TPIF), over £1 million has been allocated to support 16 projects designed to enhance the quality, quantity and diversity of available planting stock.

### **Expanding**

The England Trees Action Plan sets out government plans to deliver England's contribution to the UK wide tree planting target. Defra has set the annual tree-planting target at 7,500 hectares, a level that has not been reached in the last 50 years and with rates having only risen above 6,000 hectares a year for three of the last 50 years. To help deliver this ambition, Defra and the Forestry Commission have worked fast to launch the new grant schemes in time for the 2021-22 planting season.

The most significant of those is the innovative England Woodland Creation Offer, a flexible and innovative new grant scheme that rewards land managers for the public benefits that their woodland provides. In addition to contributing to capital costs for woodland creation, the grant also includes ten years of annual maintenance payments to help establish the planting, contribution towards infrastructure, and optional contributions for other public benefits. EWCO opened in June 2021 and received over 370 applications by the end of 2021-22. The grant agreements offered in that time will see 1,085 hectares of new woodland created, with a further 1,300 hectares in progress. There are partnerships, such as community forests, which help deliver government funded tree planting with the Forestry Commission continuing to regulate the planting.

We have received 207 applications for the Woodland Creation Planning Grant. This supports applicants in gathering and analysing the information to help them design a UK Forestry Standard compliant woodland.

The Forestry Commission continued managing the HS2 woodland fund, with half of the phase 1 budget of £5 million committed, corresponding to 245 hectares of woodland creation and 77 hectares of PAWS restoration.

The third round of the Urban Tree Challenge Fund will lead to the planting of up to 23,000 large trees in our towns and cities over a two-year period. The first round of the Local Authority Treescapes Fund was over-subscribed and will see over 260,000 additional trees planted outside woodlands in England, supporting local authorities to restore important treescapes that have been neglected or suffered damage, for example as a result of pests and diseases.

Through their design and targeting, these schemes support the wider government levelling up agenda and create woodlands and green spaces close to where people live. Recently published literature review by Forest Research indicates that an increase in greenspace with trees in an urban environment has real impact and can avert and reduce deaths and hospital admissions.

Recognising the different mechanisms for achieving net-zero, in June 2021 we published an interim decision support framework guiding landowners on where to establish trees and where to restore peat. The final guidance and supporting tools will be published in early summer 2022.

To support the delivery of the government's ambitious tree planting target, through the Nature for Climate Fund, we have also:

- worked with Scottish Forestry to update the Woodland Carbon Code
- maintained the Woodland Carbon Guarantee
- commissioned an assessment of future forestry skills demand
- recruited over 140 new roles
- are further modernising the Forestry England nursery at Delamere, which is already home to the most advanced production systems in the UK Forest Nursery sector.

### **Supporting community forests**

The Forestry Commission has also provided support to England's Community Forests under the Nature for Climate Fund as one example of the England Tree Planting Programme's Woodland Creation Partnerships. The Community Forests have already started delivering local woodland creation projects to make our landscapes more resilient to climate change, enhancing wildlife and biodiversity, contribute to net zero, improve quality of life for local people and communities, and engage these communities in woodland creation and care for their woodlands. Each Community Forest has a defined and approved Forest Plan, a spatial plan that is embedded effectively in the relevant local government's policies and is recognised in the National Planning Policy Framework.

### **Supporting innovation in woodland creation**

Last year, four woodland creation projects with the lesser-known tree species Paulownia Phoenix One received Environmental Impact Assessment Consent to allow them to proceed, with a range of conditions attached. Building on this, the Forestry Commission is working with Defra Non-Native Species Secretariat and the Animal

and Plant Health Agency to agree a suitable risk assessment process for controlling the introduction of lesser-known species more widely.

### **Supporting UK economy**

There are many ways in which the Forestry Commission supports the UK economy ranging from encouraging outdoor recreation in England's woods and forests through to supporting the UK venison market and encouraging the use of timber in construction to replace carbon intensive materials such as steel and concrete.

### **Connecting people**

The pandemic has highlighted the great importance of our green spaces to people. Forestry England is working to connect everyone with the nation's forests. Over the past two years we have seen growth in the number of visits people are making to Forestry England forests, which has demonstrated how much people value and care for these special places. Research published by Forest Research in December 2021 valued the mental health benefits of visits to woodlands amounted to £181 million for the whole of the UK and £141 million for England.

### **Issues and risks**

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

#### **Ambitious tree planting targets**

This government's tree-planting target of 7,500 hectares per year in England is ambitious and has not been reached in the last 50 years. The Forestry Commission is working together with partners to ensure there are sufficient resources, a sufficiently trained workforce and landowner engagement through the England Tree Planting Programme. The scale of the challenge should not be underestimated, especially when these targets come with additional objectives such as improving biodiversity or flood alleviation. However, without meeting the wider objectives there is a risk of opposition to widescale woodland creation.

While much has been achieved in a short space of time, there is a risk to delivery of the planting target and sustaining activity longer term. Forestry Commission will continue to work with its stakeholders to improve its processes and will work to review the regulatory framework for woodland creation as committed to in the England Trees Action Plan.

#### **Retention and recruitment of expertise**

In order to retain and recruit the required expertise to deliver Forestry Commission priorities, a change to the pay structure is required. While recruitment has taken place at pace, there is a national shortage of forestry skills. The Forestry Commission is losing valuable skills as a result of the perception of better pay and progression for comparable roles elsewhere. Without a successful pay review the Forestry Commission will fail to retain and attract the required expertise and numbers of staff needed to successfully deliver Government commitments. The Forestry Commission

is continuing to address the pay structure issues through 'Your Offer' Project which has to be cleared through Cabinet Office and HM Treasury with Defra's support.

We are continuing the robust in-year management of vacancies with early careers programmes being introduced and a Management Development Programme to retain current staff and encourage individuals to roles within the Commission. We recently launched the Level 6 Development Woodland Officer apprenticeship, which received over 400 applications for an initial 20 places. Applications for the various apprenticeship schemes run by the Commission are significantly oversubscribed.

### **Future Farming Programme**

It is anticipated that the new regulatory and grant environment introduced through the Future Farming programme (including the new Environmental Land Management Schemes) will support woodland creation and management grants in the future. We are working closely with Defra forestry and Future Farming and Countryside Programme teams to ensure that the future offer takes account of the unique needs of forestry and does provide sufficiently robust and ambitious mechanisms to deliver the England Trees Action Plan commitments. Clarity on the future wider Environmental Land Management scheme offer is critical to private landowners making the permanent decision to change land use to woodland and are encouraging that clarity to be provided as soon as possible.

### **Spending Review 2021**

Successful delivery of policy remains dependent on sustained levels of funding through future spending reviews to support the delivery of increasing ambitions. Spending Review 2021 provided adequate funding to support delivery of the Forestry Commission's contribution to the England Tree Planting and Nature for Climate Fund Programmes. However specific funding for Forest Research in its Estates Capital of contractually agreed and essential works has been left unfunded. The Forestry Commission will continue to engage with Defra on how to manage this funding risk.

The funding baseline incorporated efficiency savings, and further savings will be required in years two and three. The Forestry Commission has not yet received financial assurance to underpin delivery in these periods.

### **Grant functions and systems**

The successful development and deployment of the new Grant Management System remains a critical dependency for Forestry Commission's successful delivery of the Nature for Climate Fund programme target. Failure or significant delay would have detrimental operational and reputational impact.

There is good compliance with the functional standard for grants with ongoing engagement with Cabinet Office and Defra Group forums on grant management. A grants training programme for relevant staff and the rollout of England Woodland Creation Offer 'gold standard' to all other Forestry Commission grants is to be completed by Summer 2022.

## Sector capacity

Domestic availability of seeds and saplings is a risk to meeting the tree planting target. The Forestry Commission is working with the nursery and seeds supply sector to encourage development and adoption of new technologies and ways of working to increase sector capacity, including through the Tree Production Innovation Fund. The aim is to enhance the quantity, quality, diversity and biosecurity of stock in England.

## Tree health

There is a risk of simultaneous or large-scale outbreaks of pests and disease overwhelming our response capability, resulting in significant damage to trees in the public and private sectors and economic and natural capital losses as well as reputational harm. The Forestry Commission continues to work as part of the UK Plant Health Service to manage and mitigate against a number of serious risks highlighted in the UK Plant Health Risk Register, including working towards a revised GB biosecurity strategy, and with Defra to implement the Tree Health Resilience strategy.

Much of England's existing woodland is still currently under-managed, with only 58% in active management. For the government to reach its many objectives for net zero, nature recovery and biodiversity there is a need to manage existing woodlands. The Forestry Commission has launched the Woodlands into Management Forestry Innovation Fund to stimulate the development and testing of new ideas that can help improve the ecological condition of woodlands, and their resilience to climate change, via increased demand for wood and increased levels of woodland management.

## Performance analysis

### Key performance indicators 2021-22

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

We have recently reviewed and improved our KPIs to ensure that these remain good measures of the positive differences we are making in the real world.

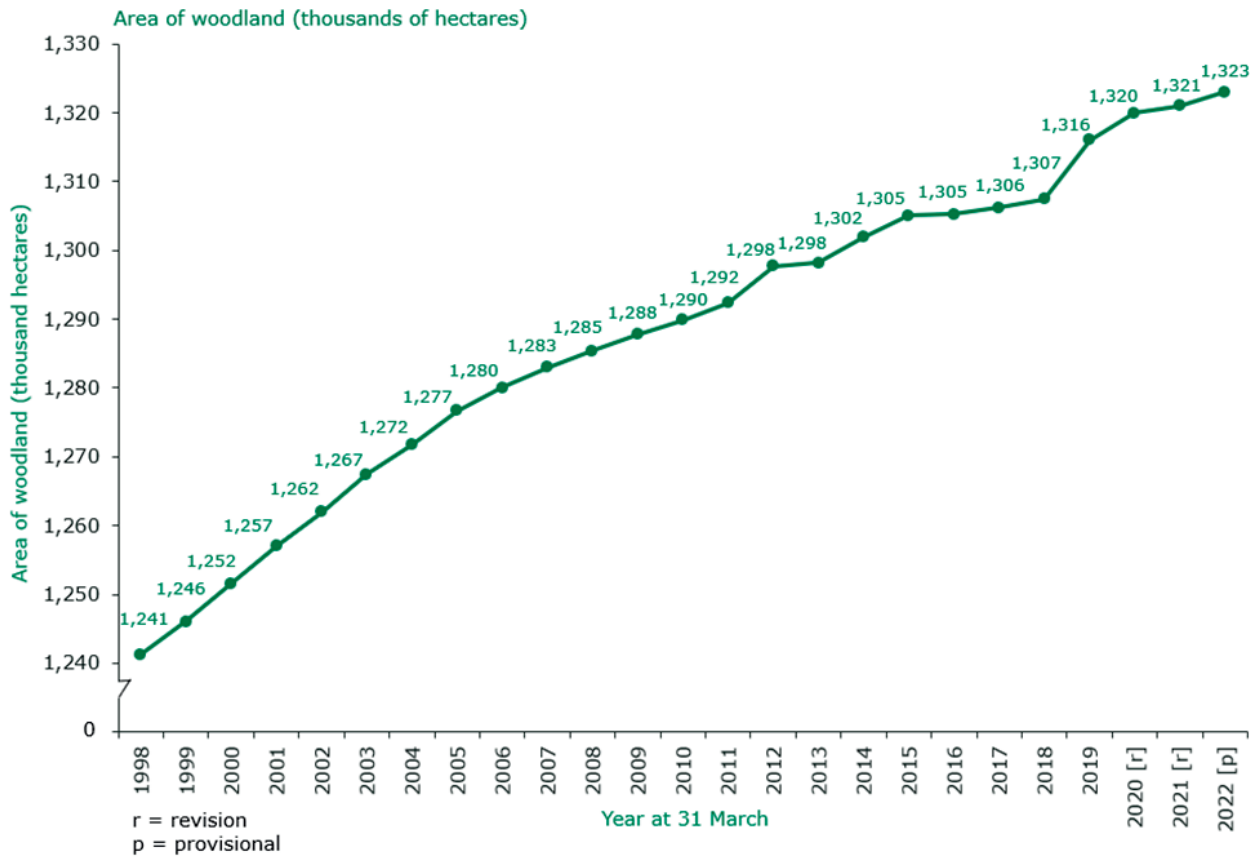
The headline indicators are reported here, and interim updates where data are available will be published quarterly in our Headline Performance Updates. The full suite of indicators will be published annually in the Forestry Commission Key Performance Indicators report on gov.uk.

Together they show our contribution to expanding, protecting, improving and connecting trees 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, the England Trees Action Plan 2021-2024 and the Tree Health Resilience Strategy 2018. The indicators enable monitoring of our key aspirations to plant more trees and increase the area of woodland in England. They also help us monitor progress in bringing more woodlands into management and protecting our treescape from pests and diseases.

The indicators are one of the sources of information for our evidence-based decision making, conveying key trends in forestry in England to all our stakeholders government and non-government. They are produced to adhere to the standards of the Code of Practice for Statistics (Office for Statistics Regulation and UK Statistics Authority, 2022), and the year-end outturns have again each been successfully assured by the Government Internal Audit Agency.

## Expanding and connecting our trees and woodlands

### Area of woodland in England

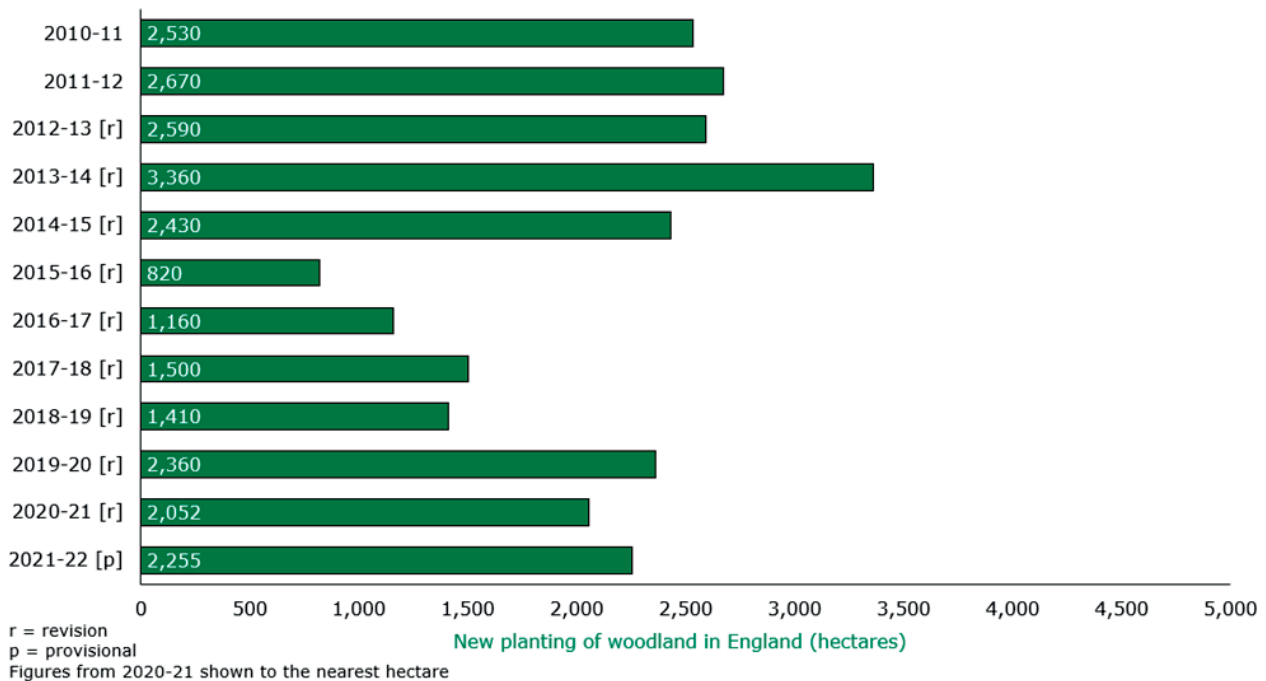


Source: Forestry Statistics 2021 and Provisional Woodland Statistics 2022 (Forest Research), based mainly on the National Forest Inventory and Forestry Commission administrative data.

The area of woodland in England is 1,323 thousand hectares (10.2% of the land area) at 31 March 2022 (provisional statistics). This statistic is scheduled to be confirmed in Forestry Statistics 2022 (published by Forest Research) later in the year. The March 2022 figure is an increase of 2,000 hectares on the previous year.

Woodland area figures at March 2020 and March 2021 have been revised from those published in Forestry Statistics 2021 to take account of updates to the National Forest Inventory.

## New planting of woodland and trees in England



Source: Forestry Statistics 2021 (Forest Research) and Forestry Commission Key Performance Indicators.

A total of 2,255 hectares of new woodland planting was recorded in England in 2021-22. Of this, Government funding supported the planting of 2,022 hectares, corresponding to about 3.4 million trees. New delivery mechanisms supported by the Nature for Climate fund, including the England Woodland Creation Offer launched this year and the Community Forests Trees for Climate Programme launched in 2020-21, played a significant new contribution. 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.

The Forestry Commission's main grant offers (Countryside Stewardship woodland creation grant and English Woodland Creation Offer) supported the creation of 609 hectares of woodland. This is only about 85% of the area planted the previous year, reflecting the transition between the two schemes and the introduction of new alternative delivery mechanisms for woodland creation funded by the Nature for Climate Fund.

In 2021-22 the Woodland Carbon Fund and Countryside Stewardship Woodland Creation Grant closed to new applications and, although the England Woodland Creation Offer has been widely welcomed and the pipeline of applications is strong, it funded a relatively small area of new planting during the financial year 2021-22. This is because the planting season 2021-22 extended beyond March 2022, and because some of the planting will take place in the planting season 2022-23. Therefore, projects that were planted in 2021-22 but did not submit claims in time to meet the reporting deadline will be reported in 2022-23.

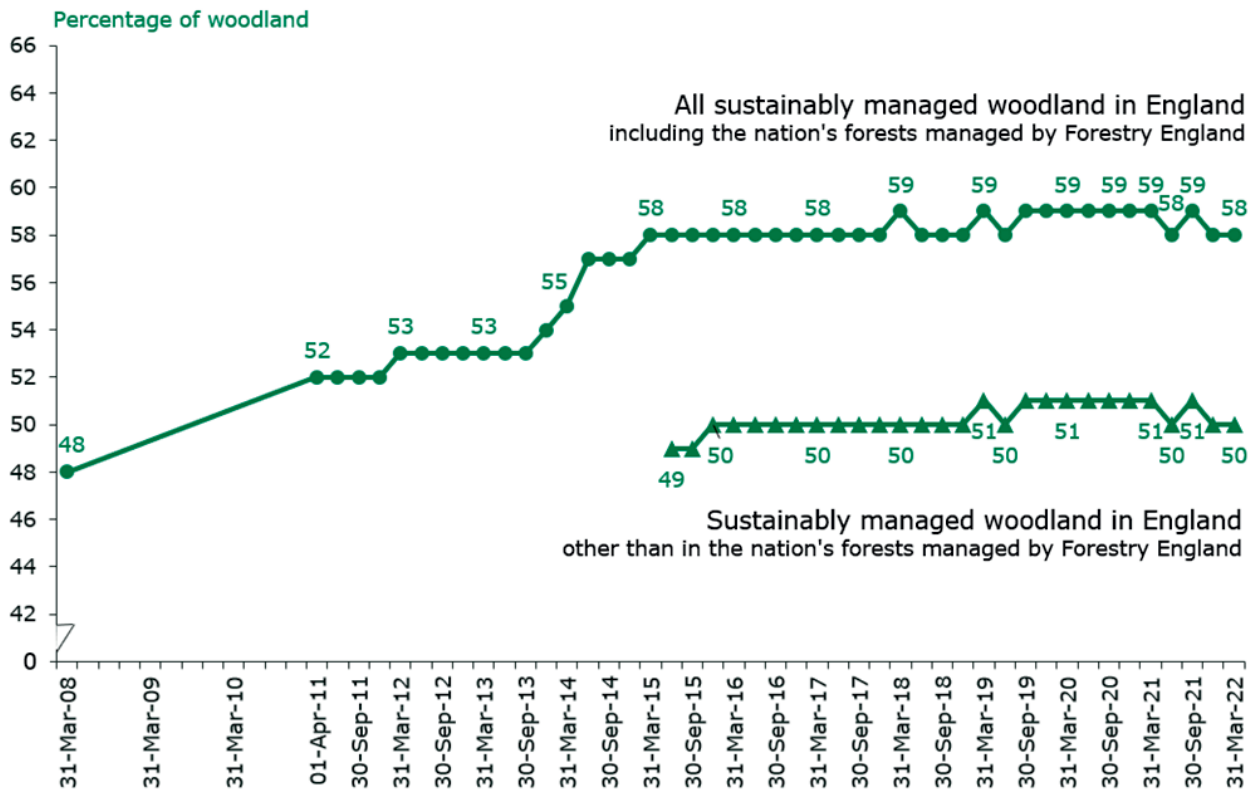
In addition to 2,255 ha of new woodland being planted in 2021-22, Government funding supported the planting of 577,000 trees outside woodland, with Countryside



Stewardship, the Local Authority Treescapes Fund and the Community Forests the largest contributors.

Interest in new planting remains strong as evidenced by management information on the volume of applications to the England Woodland Creation grant and Woodland Creation Planning Grant.

### Protecting and improving our trees and woodland: Percentage of woodland that is sustainably managed



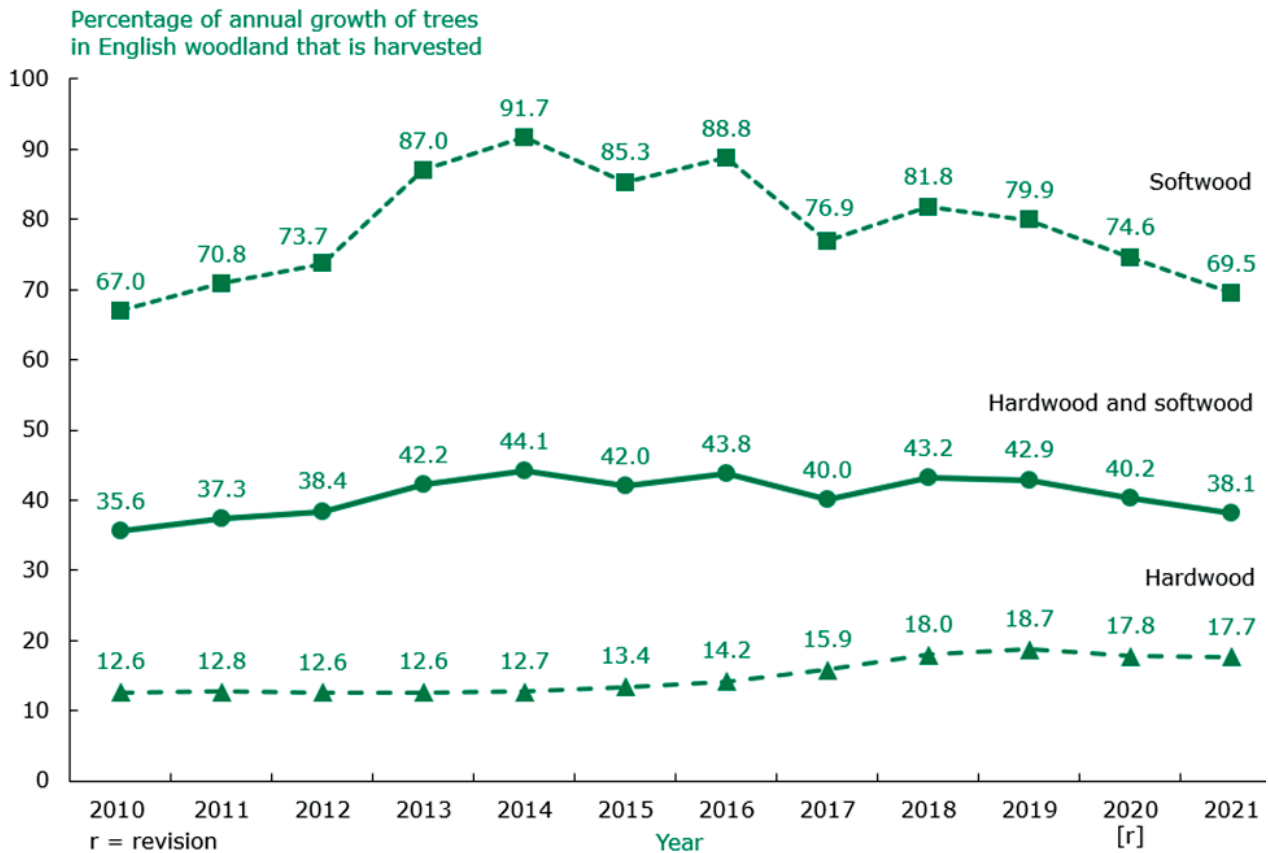
Source: Forestry Commission administrative data and the National Forest Inventory (Forest Research).

As at 31 March 2022, 58% of all woodland in England was sustainably managed (circa 765,000 hectares). The equivalent figure for woodland other than in the nation's forests was 50% (551,000 hectares).

Our definition of 'sustainably managed' is woodland managed to the UK Forestry Standard that has a Woodland Management Plan, or for which we have provided a grant or 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; however, we do not have the data to include this.

Demand for timber and timber products remains high, and there is scope to further increase the area of woodland sustainably managed to meet demand for UK grown timber and reduce England's reliance on timber imports in the face of global supply chain uncertainties. Increasing woods into management will also help to improve woodland resilience in the light of climate change and increasing tree pest and disease pressure.

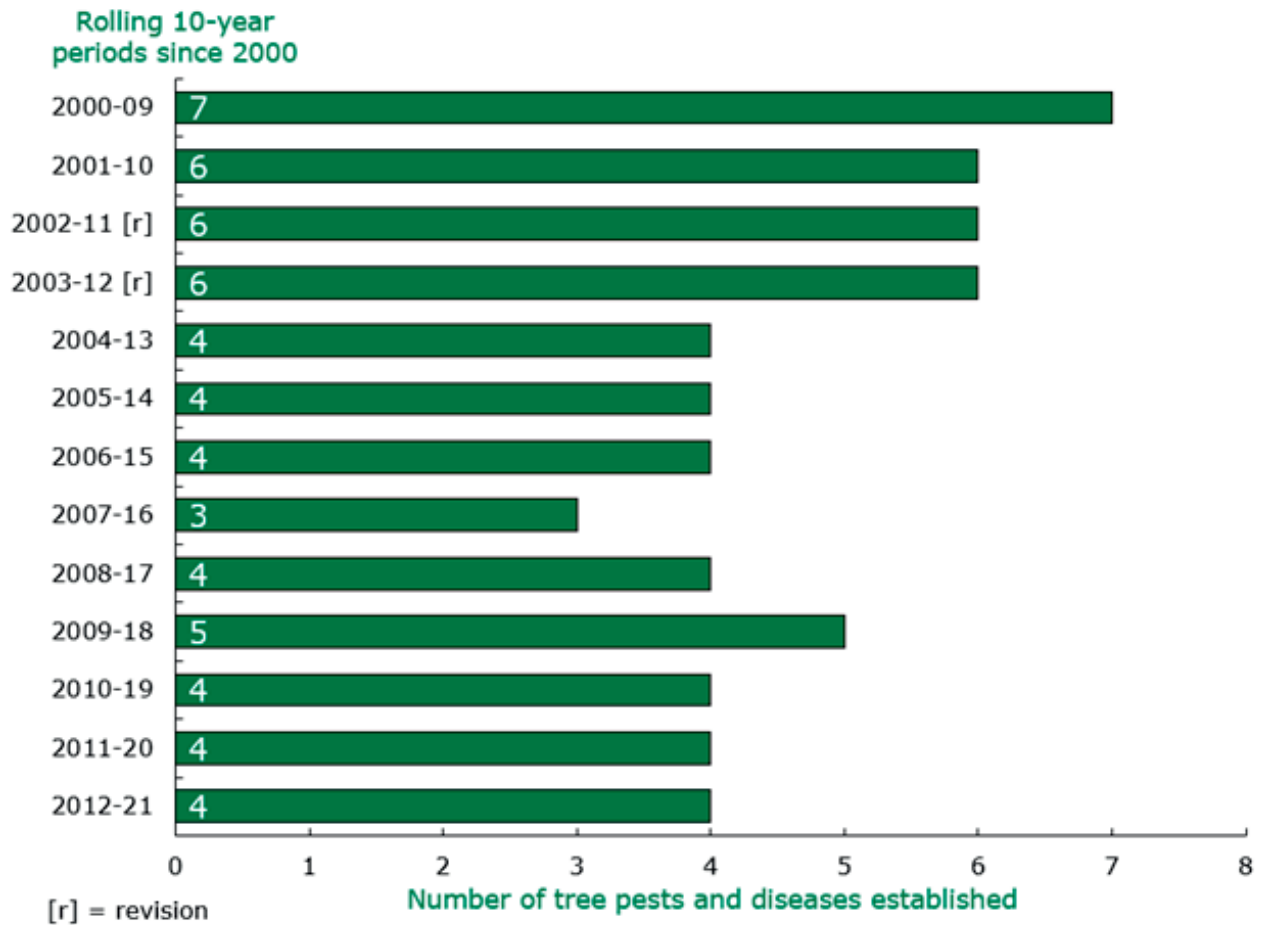
## Percentage of the annual growth of trees in English woodlands that is harvested



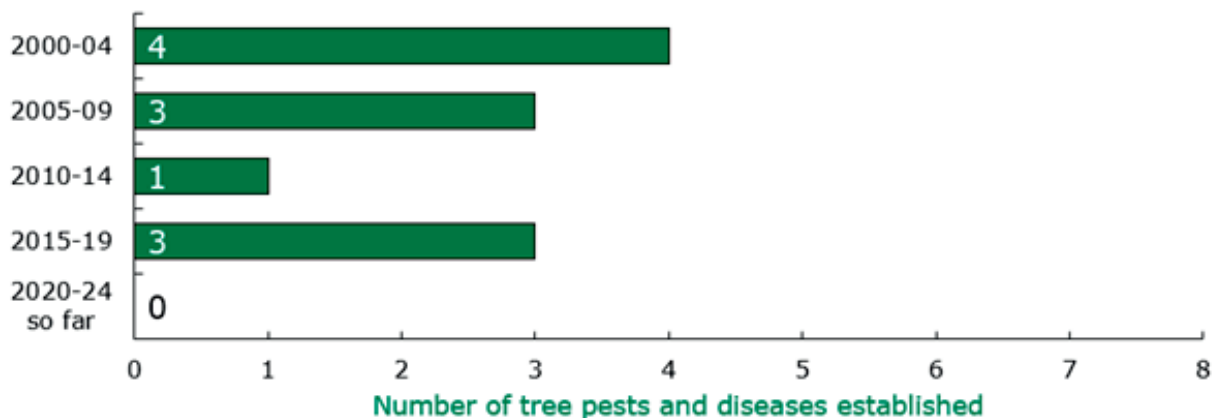
Source: Forest Research statistics on UK wood production and trade and National Forest Inventory team forecasts.

There is an opportunity to considerably increase the hardwood harvest if new markets are developed. The Woods into Management Innovation Fund includes a Timber in Construction Innovation Fund that should help to develop and promote these new markets. The proportion of softwood annual increment that is harvested remains high (circa 70%), reflecting strong demand as well as 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



### 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.

In the most recent ten-year period (2012-22), four tree pests and diseases became 'established' in England:

### **Chalara Ash dieback (*Hymenoscyphus fraxineus*)**

This is present in most parts of the United Kingdom and continues to spread. The Forestry Commission continues to provide guidance, advice and support to landowners to aid management operations via the Local Authority Treescaping Fund.

### **Oriental chestnut gall wasp (*Dryocosmus kuriphilus*)**

The wasp population continues to spread and is now present at over 150 sites across southern England and the Midlands.

### **Sweet chestnut blight (*Cryphonectria parasitica*)**

Surveillance has continued across England to determine the extent of the disease, with a view to removing infected trees where possible, and whilst there have been no significant new findings the infection has re-emerged on several sites previously subject to statutory control measures.

### **Elm zigzag sawfly (*Aproceros leucopoda*)**

This continues to spread across a wide area of southeast England and the East Midlands. The full potential extent of its distribution is unknown, but the expectation is still that it will continue to spread and become a major competitor of other foliage-feeding species on elm trees.

## **Pests and pathogens currently under official control**

### **Oak Processionary Moth (*Thaumetopoea processionea*)**

The Oak Processionary Moth (OPM) was first identified in London in 2006. The caterpillars of OPM infest oak trees, eating their leaves and weakening the tree making it vulnerable to other threats. OPM are also a hazard to human and animal health as their hairs can cause itchy rashes, eye and throat irritations. In 2021-22, the Forestry Commission Plant Health Team issued 2,065 Statutory Plant Health Notices; of these 1,956 sites were funded by the OPM programme and 109 sites were self-funded by landowners or managers.

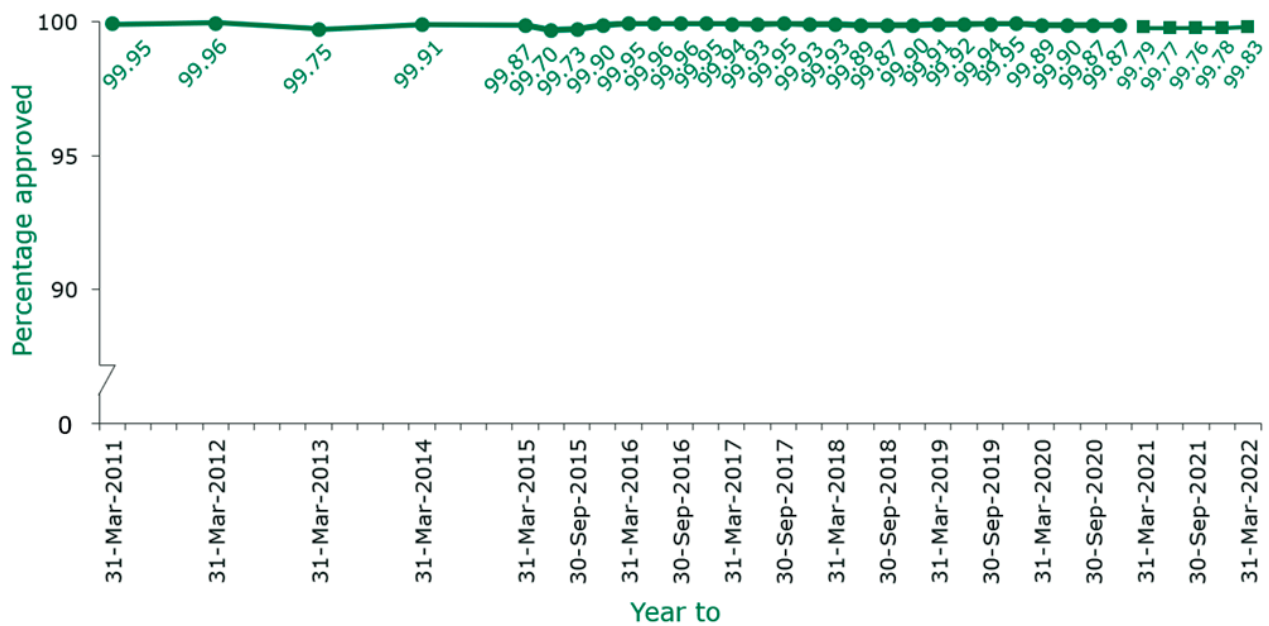
### **Eight-toothed European spruce bark beetle (*Ips typographus*)**

The eight-toothed European spruce bark beetle is a destructive pest that affects spruce and some other conifer trees. If unchecked this pest poses a serious risk to UK's spruce-based forestry and timber industries. In 2021-22, the Forestry Commission Plant Health Team carried out ground surveys at 146 sites, which identified 13 outbreak sites. Eradication works is underway and nearing completion on all 13 sites.

### *Phytophthora pluvialis*

In 2021-22, the Forestry Commission identified the first finding of this pathogen in Europe, as well as the first reported finding on Western Hemlock. It is thought to have a limited known distribution and host range. It was first described in 2013 in the USA from mixed Tanoak and Douglas Fir forests in Western Oregon and is also present in New Zealand on Radiata Pine and Douglas Fir. The pathogen is reported as causing needle cast, shoot dieback, twig, and branch lesions. We have surveyed 1,218 wider environment sites and have identified 12 positive forest blocks, and 51 target sites within those blocks for action.

### Percentage of known tree felling carried out with Forestry Commission approval



Source: Forestry Commission administrative data.

In the year to 31 March 2022, some 99.83% of known tree felling was carried out with Forestry Commission approval. This indicator is based on the date that a felling licence is approved, and so only accounts for known felling associated with those approvals. Previously, this metric was measured against felling applications received, and as such included metrics for a relatively small proportion of applications that were either 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. However, we continue to see an increasing number of reports of unlicensed tree felling.

When we become aware of illegal felling, we gather relevant evidence to determine if an offence has been committed, and we take appropriate enforcement action where the evidence demonstrates this. We are currently bringing together an in-house enforcement investigation team to address the continuing increase in enforcement cases. Unlicensed tree felling is frequently, although not always, in anticipation of property development, and we continue to explore other means of changing behaviour in this sector to reverse this increasing trend.

## **Alleged Illegal Felling**

The following are not Key Performance Indicators; however we do track and report on the number Alleged Illegal Felling (AIF) cases for the year:

Inhouse investigations:

- 616 AIF reports in 2021-22
- 61 Restocking Notices issued
- 29 Enforcement Notices issued
- 23 formal warnings issued
- 135 active cases were still pending a Forestry Commission decision with the remainder closed or awaiting action

Alleged Illegal Felling, Defra Investigation Services (DIS) referrals:

- 52 cases currently under DIS investigation
- 6 prosecutions
- 1 formal caution issued
- 4 cases closed without action
- 6 criminal investigations concluded with CPS rejection

## 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 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                            |                                 | 2018-19   | 2019-20   | 2020-21   | 2021-22   |
|--|---------------------------------|-----------|-----------|-----------|-----------|
| Business travel                                    | Total miles                     | 2,528,300 | 2,532,524 | 735,928   | 1,528,634 |
|  | tonnes CO <sub>2</sub> e        | 644       | 525       | 186       | 358       |
|  | Expenditure (£000)              | 732       | 792       | 270       | 554       |
| Electricity, gas and other heating fuels           | Consumption (KwH)               | 2,823,085 | 2,456,602 | 2,646,698 | 2,595,169 |
|  | tonnes CO <sub>2</sub> e        | 666       | 595       | 653       | 536       |
|  | Expenditure (£000)              | 246       | 246       | 201       | 254       |
| Total energy (Scopes 1, 2 and 3) estate and travel | tonnes CO <sub>2</sub> e        | 1,310     | 1,120     | 839       | 894       |
|  | Expenditure (£000)              | 977       | 1,038     | 471       | 808       |
| Estate and office waste                            | Amount (Tonnes/m <sup>3</sup> ) | 418       | 779       | 632       | 527       |
|  | Expenditure (£000)              | 44        | 50        | 45        | 51        |
| Estate and office water                            | Quantity (m <sup>3</sup> )      | 7,350     | 14,693    | 11,626    | 7,737     |
|  | Expenditure (£000)              | 9         | 23        | 17        | 11        |
| Paper use  | A4 reams (equivalent)           | 794       | 625       | 280       | 200       |

### 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. Core Forestry Commission staff do not independently occupy any buildings, building related consumption is recorded by building landlords and not apportioned by use. Much of this space is provided in Forestry England buildings; the sustainability data of this occupation is included in Forestry England's

reports and not currently segregated. Forest Research data are included in this report.

There are fluctuations in the waste data shown due to work to remove hazardous and non-hazardous material from the site of the new Forest Research Holt Laboratory.

### **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.

In 2021-22 we have focused on improving data quality using a new data platform and reviewing financial information related to the data collected.

- increasing awareness and uptake of the Woodland Carbon Code
- 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

### **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 CO<sub>2</sub> 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.

CO<sub>2</sub> emissions from business travel are reduced where possible through ongoing support for flexible working arrangements, the provision of audio-conferencing facilities including the 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, but where this is not possible due to capacity or range, efficient alternatives are sought along with consideration of new innovative solutions.

The response to the Covid-19 pandemic has driven emissions down dramatically, with reduced travel and office occupancy. We will endeavour to maintain as many of these benefits as possible through the Changing the Way We Work (CWWW) initiative and the Smarter Working in a modern civil service programme leading on from CWWW in a post Covid-19 environment. We will make sure we monitor CO<sub>2</sub> emissions related to the changed work patterns.

## **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.

Waste is still higher than usual in 2021-22 due to work to remove hazardous and non-hazardous material from the site of the new Forest Research Holt Laboratory. There has also been an increased need for preventative maintenance works on the sewage treatment plant (domestic properties) at Alice Holt resulting in a large removal of tankered waste.

## **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.

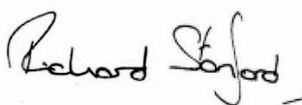
### **Climate change adaptation**

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, remote from 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.



R J A Stanford 27 June 2022  
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 until 12 May 2021
- Lord Benyon, Parliamentary Under Secretary of State from 13 May 2021

Various meetings were held with the Secretary of State and other ministers by the Forestry Commission chair and other Forestry Commission senior staff throughout 2021-22.

#### Chair and Chief Executive

The Chair of the Forestry Commission, Sir William Worsley, has been in post since 10 February 2020. Richard Stanford, Chief Executive Officer was appointed senior executive within the Forestry Commission on 9 August 2021. Ian Gambles, the previous Chief Executive Officer left on 27 May 2021, and Mike Seddon, Chief Executive Officer, Forestry England acted as interim Chief Executive Officer.

#### 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 2021-22 was:

- Sir William Worsley, chair Forestry Commission
- Julia Grant, non-executive commissioner
- Liz Philip, non-executive commissioner, left 31 March 2022
- Jennie Price, non-executive commissioner
- Peter Latham, non-executive commissioner
- Julian Evans, non-executive commissioner
- Hilary Allison, non-executive commissioner
- Sandy Storrie, non-executive commissioner
- Ian Gambles, executive commissioner, left 27 May 2021
- Richard Stanford, executive commissioner, from 9 August 2021

## 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](http://www.gov.uk).

There have been no potential or actual conflicts of interest reported in this year.

## Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission in 2021-22 (2020-21: 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 2021-22 96.3% (2020-21: 96.1%) of invoices for core Forestry Commission and 97.8% (2020-21: 96.1%) of invoices of the Forestry Commission including Forest Research 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 £1 late payment interest and charges were incurred (2020-21: £31). Throughout 2021-22 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 (2020-21: £46,000). In addition, the notional fee for the audit of the Forest Research Agency was £42,000 (2020-21: £41,000). No fees were charged for other services (2020-21: 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 are fair, balanced and understandable, taking personal responsibility for the judgements required to ensure this.

## **Governance statement**

### **Introduction and scope of responsibility**

Richard Stanford was appointed by the Principal Accounting Officer of Defra as Accounting Officer for the Forestry Commission. Richard Stanford held this position from August 2021. Mike Seddon, Chief Executive and Accounting Officer of Forestry England, was appointed as interim Accounting Officer of the Forestry Commission from May until the arrival of the new Forestry Commission Chief Executive Officer, following the departure of Ian Gambles. 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 Corporate Governance Code for central government 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 2021-22 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.

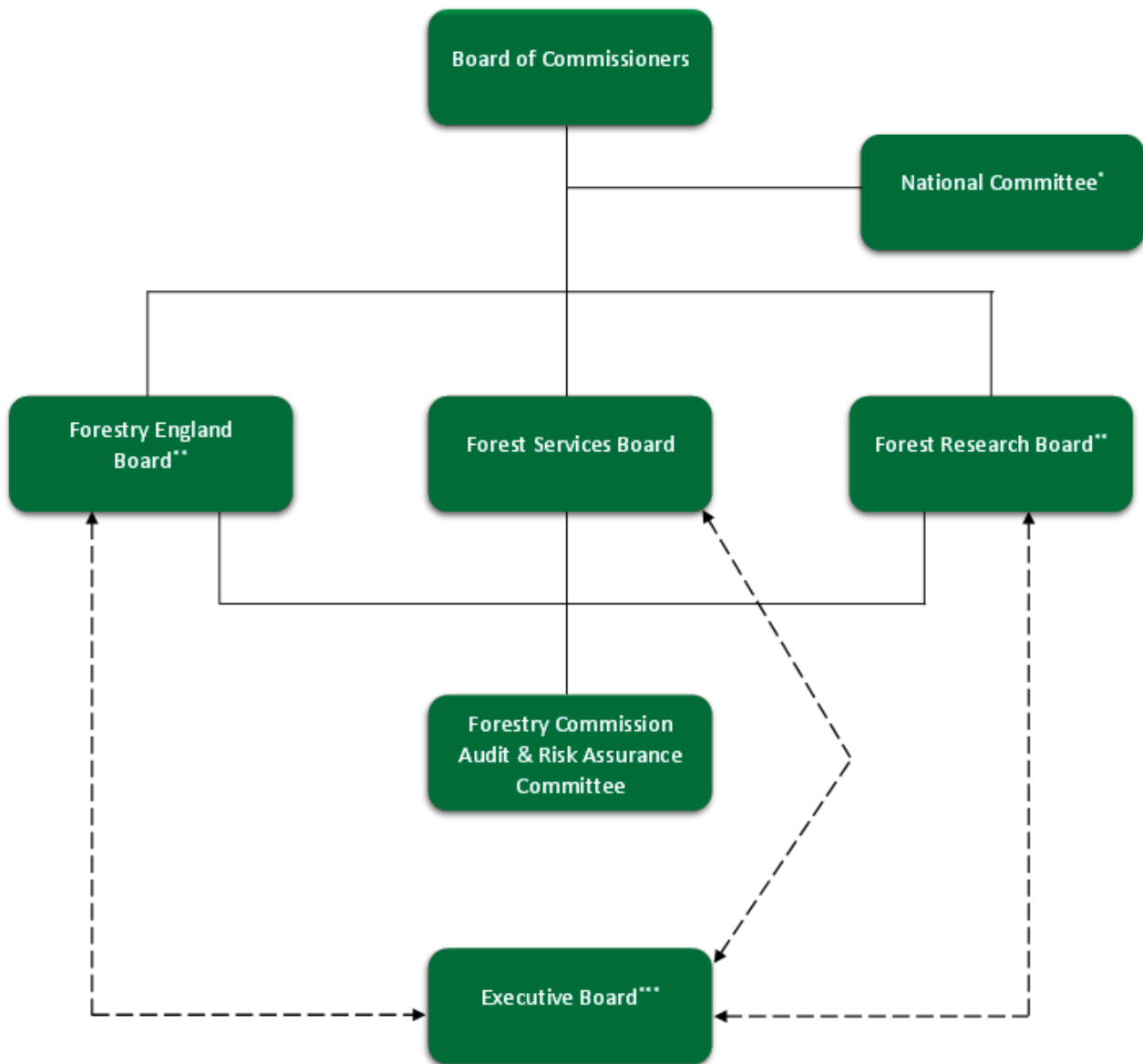
Forestry Commission activities in Scotland ceased in April 2019 on completion of devolution. Forestry Commission activities in Wales became part of Natural Resources Wales in April 2013 and the Forestry Commission has never operated in Northern Ireland.

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 2021-22 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 June and December 2021.

Further information on the Board of Commissioners is available on [www.gov.uk](http://www.gov.uk) and papers for these meetings are accessed by Commissioners on the SharePoint site.

## **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 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 2021-22 was:

- Sir William Worsley, chair Forestry Commission
- Liz Philip, non-executive commissioner
- Hilary Allison, non-executive commissioner
- Sandy Storrie, non-executive commissioner
- John Lockhart, non-executive member
- Ian Gambles, executive commissioner and Forestry Commission Chief Executive Officer, until May 2021
- Mike Seddon, interim Forestry Commission Chief Executive Officer,
- Richard Stanford executive commissioner and Forestry Commission Chief Executive Officer, from August 2021
- Richard Greenhous, Director Forest Services, until Jan 2022
- Anna Brown, interim Director Forest Services, from Jan 2022
- Steve Meeks, Forestry Commission Finance Director, until October 2021
- Jacqueline Davies, interim Forestry Commission Director Finance and Corporate Governance, from Jan 2022

- 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 May, July, October and December 2021 and March 2022.

Papers for these meetings and further information about the Forest Services Board, including membership and attendance, are available on [www.gov.uk](http://www.gov.uk).

### **The Forestry Commission Executive Board**

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

The Forestry Commission Executive Board met in May, July, September and November 2021 and January, and March in 2022.

Papers for these meetings and further information about the Forestry Commission Executive Board, including membership and attendance, are available on [www.gov.uk](http://www.gov.uk).

### **Audit and Risk Assurance Committee**

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

Forestry England, Forest Services and Forest Research maintain their own risk registers which are overseen by the ARAC, along with the Forestry Commission 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 combined ARAC met in June, September and November 2021 and March 2022 to discuss a wide range of issues including:

- risk management
- anti-fraud and corruption arrangements
- security risk
- safeguarding
- reputational risk

- the Annual Report and Accounts 2020-21
- external and internal audit strategy and reports
- 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](http://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.

This Governance Statement covers a period of 2021-22 during which Richard Stanford was not the Accounting Officer. The review for this year therefore has been informed by assurances from Mike Seddon and Ian Gambles.

### **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 2021-22. The case revealed some procurement anomalies that have been investigated and recommended remedial actions have been, or are in the process of being, implemented.

### **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

The Spending Review 2021 (SR21) budget process was protracted over several months and due to staff turnover in both Defra and the Forestry Commission, the process was not smooth. Defra and the Forestry Commission, Forestry England, Forest Services and Forest Research attended the virtual 'Big Room Event' on 22 Mar 2022 where known Indicative Allocations forming the basis of the Quarter zero position were discussed. The baseline has incorporated efficiency savings to assist Defra in bridging funding shortfalls, but further efficiencies will be required in years two and three.

Allocations were forthcoming from some areas, such as the Nature for Climate Fund's allocation for the England Tree Planting Programme which had been discussed well in advance and were able to be agreed. However, some of the Plant Health funding was not finalised and specific areas such as the Estates Capital funding bid for Forest Research for contractually agreed and essential works (£4.1m year 1, £1.5m year 2 and £1.5m year 3) was left unfunded. At the time of writing, the Forestry Commission is in consultation with Defra to determine how to manage this funding risk. The initial Delegated Authority Document based on the quarter zero position was issued to the Accounting Officer, the Forestry Commission Chief Executive on 31 March 2022 with an email of comfort sent 4 April 2022 from Defra. This highlighted the additional funding that had not been captured in the Quarter zero position and several elements are still to be finalised.

## 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 'Your Offer' Project seeks to address issues which are within the Forestry Commission's control subject to discussion and agreement with Defra, the Cabinet Office, Treasury and with Forestry Commission Trade Unions.

## Security

The Forestry Commission Security Risk Management Forum (SRMF) was established in 2019 to drive forward an improved information and security culture across the organisation, covering cyber, information, physical and personnel security. To ensure the forum remains effective, a review of the SRMF terms of reference, membership and improvement plan is planned for 2022-23. The Forestry Commission has submitted the annual Departmental Security Health Check Questionnaire (DSHC) which provides assurance to the Cabinet Office of our compliance against the HMG security standards. The Forestry Commission operates within Defra security framework.

## Covid-19 support schemes

The Forestry Commission has administered no government Covid-19 support schemes and therefore holds no risk of related fraud or error.

## Russia

The Forestry Commission has no investments in Russia or Belarus. More broadly we know that around 4% of timber products imported into UK come directly from Russia or Belarus. A further quantity of timber products originating from Russia and Belarus are processed in EU and other countries before being imported to the UK. The current conflict is changing global timber markets and is having an impact on the availability of some wood product classes to British businesses.

## Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across the Forestry Commission, incorporating a programme of management audits for the application of policy and procedures guidance with summary reports provided for senior management and the ARAC. Assurance mapping was undertaken, and functional standard assessments completed, providing continuous assurance and identifying actions for further improvement and strengthening governance across the Forestry Commission.

## Wider circumstances and future challenges

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

- addressing our outdated pay structure to prevent the loss of Forestry skills. Demand for foresters is growing rapidly, and there is a real risk the net-zero targets and the associated Nature for Climate Fund will be impacted by a lack of forestry expertise
- managing the continued financial and operational impact of Covid-19 ensuring that robust business continuity processes are continually refreshed to support operational capability
- working with Defra to determine clarity over Environmental Land Management for landowners to meet the Government's commitment to create 30,000 hectares per 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
- working with Defra teams to streamline the regulatory process to encourage woodland creation
- ensuring that Forest Research's pan GB outputs are protected
- 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 countermeasures; and
- mitigating and adapting to climate change as an organisation and through the delivery of our functions

Throughout 2022-23 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

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](http://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                        | 10                       |
| Hilary Allison      | 01/04/2020                        | 12                       |
| Julian Evans        | 01/04/2020                        | 12                       |
| Julia Grant         | 01/11/2019                        | 7                        |
| Peter Latham        | 01/04/2022                        | 36                       |
| John Lockhart       | 01/08/2020                        | 16                       |
| Liz Philip          | 01/04/2019                        | -                        |
| Jennie Price        | 01/04/2022                        | 36                       |
| Sandy Storrie       | 01/04/2020                        | 12                       |

\* months remaining from 31 March 2022

## 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 2021. 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     |
| <b>Ian Gambles</b>   | <b>2021-22</b> | 15-20 <sup>1</sup> | -              | -                                  | 6                                    | 20-25    |
| Chief Executive Officer  | 2020-21        | 90-95              | -              | -                                  | 29                                   | 120-125  |
| <b>Richard Stanford</b>  | <b>2021-22</b> | 85-90 <sup>2</sup> | -              | -                                  | 34                                   | 115-120  |
| Chief Executive Officer  | 2020-21        | -                  | -              | -                                  | -                                    | -        |
| <b>Steve Meeks</b>   | <b>2021-22</b> | 45-50 <sup>3</sup> | -              | -                                  | 19                                   | 65-70    |
| Finance Director   | 2020-21        | 75-80              | -              | -                                  | (79) <sup>4</sup>                    | (10)-(5) |
| <b>Jacqueline Davies</b>   | <b>2021-22</b> | 15-20 <sup>5</sup> | -              | -                                  | 3                                    | 20-25    |
| Interim Director Finance and Corporate Governance  | 2020-21        | -                  | -              | -                                  | -                                    | -        |
| <b>Richard Greenhous</b>   | <b>2021-22</b> | 60-65 <sup>6</sup> | -              | -                                  | 15                                   | 75-80    |
| Director Forest Services   | 2020-21        | 75-80              | 0-5            | -                                  | 36                                   | 110-115  |
| <b>Jo Ridgway</b>  | <b>2021-22</b> | 70-75              | -              | -                                  | 23                                   | 90-95    |
| HR Director  | 2020-21        | 70-75              | -              | -                                  | 25                                   | 95-100   |
| <b>Steph Rhodes</b>  | <b>2021-22</b> | 65-70              | -              | -                                  | 35                                   | 100-105  |
| Head of Policy and Strategy Forest Services/<br>England Tree Planting Programme Director | 2020-21        | 65-70              | -              | -                                  | 38                                   | 100-105  |
| <b>Anna Brown</b>  | <b>2021-22</b> | 15-20 <sup>7</sup> | -              | -                                  | 10                                   | 25-30    |
| Interim Director Forest Services   | 2020-21        | -                  | -              | -                                  | -                                    | -        |

1. Chief Executive Officer until 27 May 2021. Full year equivalent £100-105,000. (Michael Seddon was the interim CEO between May and August 2021. He is CEO of Forestry England and his salary details are reported in their accounts.)
2. Chief Executive Officer from 9 August 2021. Full year equivalent £130-135,000.
3. Finance Director until 31 October 2021. Full year equivalent £70-75,000.
4. Corrections by MyCSP to historic allowance calculations.
5. Interim Director Finance and Corporate Governance from 4 January 2022. Full year equivalent £70-75,000.
6. Director Forest Services until 17 January 2022. Full year equivalent £75-80,000.
7. Interim Director Forest Services from 11 January 2022. Full year equivalent £70-75,000.

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

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, to 22 October 2021
- Nick Clinton, Interim Finance Director of Forest Research, from 8 November 2021

#### 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 2021-22.

### 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 2021-22 (nil in 2020-21).

### 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 lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director of the Forestry Commission in the financial year 2021-22 was £130-135,000 (2020-21: £115-120,000). This was 4.87 times the lower quartile remuneration of the workforce, which was £27,235, 4.11 times (2020-21: 3.39) the median remuneration of the workforce, which was £32,270 (2020-21: £34,650) and 3.45 times the upper quartile remuneration of the workforce, which was £38,380.

The full year equivalent percentage change from 2021-22 of the highest paid director is 12.7%. The average percentage change from 2021-22 in respect of the employees as a whole is (2.4)%.

In 2021-22, no (2020-21: nil) employees received remuneration in excess of the highest-paid director. The remuneration of the lowest paid employees is £22,000 (2020-21: £19,000).

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 2021-22 – subject to audit

|                   | Accrued pension at pension age at 31 March 2022 and related lump sum<br>£000 | Real increase (decrease) in pension and related lump sum at pension age<br>£000 | CETV at 31 March 2022<br>£000 | CETV at 31 March 2021<br>£000 | Real increase (decrease) in CETV<br>£000 | Employer contribution to partnership pension account to nearest £100 |
|-------------------|--|---|-------------------------------|-------------------------------|--|--|
| Ian Gambles       | 25-30  | 0-2.5   | 513                           | 505                           | 4  | -  |
| Richard Stanford  | 0-5  | 0-2.5   | 27                            | -                             | 20                                       | -  |
| Steve Meeks       | 40-45 plus a lump sum of 120-125   | 0-2.5 plus a lump sum of 2.5-5  | 990                           | 950                           | 20                                       | -  |
| Jacqueline Davies | 35-40 plus a lump sum of 70-75   | 0-2.5 plus a lump sum of 0  | 687                           | 663                           | -  | -  |
| Richard Greenhous | 25-30 plus a lump sum of 40-45   | 0-2.5 plus a lump sum of 0  | 374                           | 352                           | 4  | -  |
| Jo Ridgway        | 5-10   | 0-2.5   | 139                           | 111                           | 15                                       | -  |
| Steph Rhodes      | 20-25  | 0-2.5   | 260                           | 228                           | 18                                       | -  |
| Anna Brown        | 20-25 plus a lump sum of 30-35   | 0-2.5 plus a lump sum of 0-2.5  | 334                           | 325                           | 6  | -  |

### 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 1/80<sup>th</sup> 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 1/60<sup>th</sup> 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](http://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 2022.

|                     | 2021-22      |                  | 2020-21      |                  |
|---------------------|--------------|------------------|--------------|------------------|
|                     | Fees<br>£000 | Expenses<br>£000 | Fees<br>£000 | Expenses<br>£000 |
| Sir William Worsley | 39           | 2                | 39           | -                |
| Dr Mary Barkham     | -            | -                | 7            | -                |
| Julia Grant         | 12           | -                | 12           | -                |
| Liz Philip          | 12           | 1                | 12           | -                |
| Jennie Price        | 12           | -                | 12           | -                |
| Peter Latham        | 12           | 1                | 12           | -                |
| Sandy Storrie       | 12           | 1                | 12           | -                |
| Julian Evans        | 12           | -                | 12           | -                |
| Hilary Allison      | 12           | -                | 10           | -                |
| John Lockhart       | 8            | -                | 5            | -                |

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

## Staff report

### Number of Senior Civil Servants by band

| Band | Number of Senior Civil Servants |
|------|---------------------------------|
| 2    | 2                               |
| 1    | 2                               |

### Average number of persons employed – subject to audit

|                     | 2021-22                           |               | 2020-21      |              |
|---------------------|-----------------------------------|---------------|--------------|--------------|
|                     | Permanently employed staff Number | Others Number | Total Number | Total Number |
| Forestry Commission | 326                               | 41            | 367          | 272          |
| Forest Research     | 234                               | 41            | 275          | 250          |
| <b>Total</b>        | <b>560</b>                        | <b>82</b>     | <b>642</b>   | <b>522</b>   |

### Staff costs – subject to audit

|  | 2021-22                         |              | 2020-21       |               |
|--|---------------------------------|--------------|---------------|---------------|
|  | Permanently employed staff £000 | Others £000  | Total £000    | Total £000    |
| <b>Core</b>                                  |                                 |              |               |               |
| Wages and salaries                           | 11,897                          | 539          | 12,436        | 9,410         |
| Social security costs                        | 1,274                           | 46           | 1,320         | 1,027         |
| Other pension costs                          | 3,219                           | 104          | 3,323         | 2,456         |
| Inward secondments                           | -                               | -            | -             | 53            |
| Agency and temporary staff                   | -                               | 502          | 502           | 490           |
| <b>Total gross staff cost</b>                | <b>16,390</b>                   | <b>1,191</b> | <b>17,581</b> | <b>13,436</b> |
| Recoveries in respect of outward secondments | -                               | -            | -             | (31)          |
| <b>Total net staff cost</b>                  | <b>16,390</b>                   | <b>1,191</b> | <b>17,581</b> | <b>13,405</b> |
| <b>Forest Research</b>                       |                                 |              |               |               |
| Wages and salaries                           | 8,469                           | 1,182        | 9,651         | 9,048         |
| Social security costs                        | 927                             | 103          | 1,030         | 989           |
| Other pension costs                          | 2,266                           | 297          | 2,563         | 2,328         |
| Inward secondments                           | -                               | -            | -             | -             |
| Agency and temporary staff                   | -                               | 607          | 607           | 175           |
| <b>Total gross staff cost</b>                | <b>11,662</b>                   | <b>2,189</b> | <b>13,851</b> | <b>12,540</b> |
| Recoveries in respect of outward secondments | -                               | -            | -             | (31)          |
| <b>Total net staff cost</b>                  | <b>28,052</b>                   | <b>3,380</b> | <b>31,432</b> | <b>25,945</b> |

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 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2021-22, employers' contributions of £5,740,000 were payable to the PCSPS (2020-21: £4,656,000) 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 2021-22 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 £38,000 (2020-21: £33,000) 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 £400 (2020-21: £600), 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 (2020-21: nil) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2020-21: £nil).



## Staff composition

|                 | Directors and senior civil servants Number | Permanently employed staff Number | Others Number | 2021-22 Total Number | 2020-21 Total Number |
|-----------------|--|-----------------------------------|---------------|----------------------|----------------------|
| Core            |  |                                   |               |                      |                      |
| Male            | 1  | 181                               | 22            | 204                  | 155                  |
| Female          | 4  | 140                               | 19            | 163                  | 117                  |
| Total           | 5  | 321                               | 41            | 367                  | 272                  |
| Forest Research |  |                                   |               |                      |                      |
| Male            | 2  | 132                               | 21            | 155                  | 142                  |
| Female          | -  | 100                               | 20            | 120                  | 108                  |
| Total           | 2  | 232                               | 41            | 275                  | 250                  |
| Consolidated    | 7  | 553                               | 82            | 642                  | 496                  |

Details of the Forestry Commission 2021-22 Gender Pay Gap report is available from [www.gov.uk](http://www.gov.uk).

## Sickness absence data

| Year    | Working days lost per staff year |
|---------|----------------------------------|
| 2021-22 | 6.0                              |
| 2020-21 | 3.3                              |
| 2019-20 | 7.3                              |

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 2021-20 (2020-21: nil).

## Staff turnover

In 2021-22, Forest Services and Commissioner's Office had a staff turnover percentage of 13.4%, Forest Research had a staff turnover of 16.2%.

| Reason for leaving              | 2021-22 | 2020-21 |
|---------------------------------|---------|---------|
| End of fixed term contract      | 0.27%   | 1.58%   |
| Redundancy                      | -       | 0.40%   |
| Retirement                      | 2.45%   | 0.79%   |
| Resignation                     | 3.54%   | 1.19%   |
| Resignation – less than 2 years | 5.72%   |         |
| Transfer                        | 1.09%   | -       |
| Other                           | 0.27%   | -       |

'Resignation – less than 2 years' is a newly measured reason for 2021-22.

### **Compensation for loss of office – subject to audit**

No members of staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2022 (2020-21: 3). They received a total compensation payment of £nil (2020-21: £59,679).

No members of staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2022 (2020-21: 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 |         |
|-------------------------------|-----------------------------------|---------|-----------------------------------|---------|--|---------|
|                               | 2021-22                           | 2020-21 | 2021-22                           | 2020-21 | 2021-22                                    | 2020-21 |
| <£10,000                      | -                                 | 1       | -                                 | 2       | -  | 3       |
| £10,000 - £25,000             | -                                 | -       | -                                 | -       | -  | -       |
| £25,000 - £50,000             | -                                 | -       | -                                 | 1       | -  | 1       |
| £50,000 - £100,000            | -                                 | -       | -                                 | -       | -  | -       |
| £100,000 - £150,000           | -                                 | -       | -                                 | -       | -  | -       |
| £150,000 - £200,000           | -                                 | -       | -                                 | -       | -  | -       |
| Total number of exit packages | -                                 | 1       | -                                 | 3       | -  | 4       |
| Total resource cost / £       | -                                 | £2,637  | -                                 | £59,679 | -  | £62,316 |

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.

### People Strategy

In August 2021, the Forestry Commission launched its first People Strategy.

The ambitious strategy sets out a four-year plan of improvements on leadership and training, wellbeing, diversity and inclusion, resourcing and development, changing the way we work and our reward offer. The People Strategy is pivotal to helping us achieve our exciting Forestry Commission wide plans.

The strategy was informed by the views of our people and aims to ensure staff feel motivated, confident and well-supported at work. It seeks to encourage a positive team culture where you can thrive and be yourself.

## **Covid-19**

Many Forestry Commission staff had to work from their normal workplace throughout the pandemic due to the nature of their roles, but we allowed anyone who needed to work from an office to do so for reasons of wellbeing.

Blended working was implemented summer 2021 as part of the Changing the Way We Work project which saw team and individual conversations assessing what roles were eligible for blended working and the most appropriate work patterns for individuals and their team. The new ways of working, which included guidance on when and how to travel as well as the introduction of and training for blended meetings, began Autumn 2021 so we are many months down the pathway of being back in the workplace.

Critical to our continued success was the high level of wellbeing support developed throughout this time. Staff feedback has proven time and again how helpful such resources have been and continue to be. Wellbeing remains a key priority within the Forestry Commission People Strategy.

## **Wellbeing**

The health and wellbeing of our staff remains a high priority. Results from the most recent staff survey revealed 78% agreed they knew how to access support for their health and wellbeing if they needed it. Internally, the continued promotion of the wellbeing offer is being refreshed to reflect a more holistic and balanced view of health, to include physical and financial wellbeing not only mental health. The new wellbeing communications campaign will publicise a wider range of wellbeing topics, providing opportunities to drive wellbeing engagement across all business areas through a variety of mediums including blogs, newsletters, and lunch and learn sessions.

To support the Mental Health First Aider Network, we continue to offer refresher training to ensure their skills and knowledge remain up to date. We also offer courses for Mental Health Awareness and Personal Resilience, helping to further embed wellbeing and continue the positive cultural progress being made.

## **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 programme, developed during 2020-21 and aimed at current line managers, launched in November 2021 and the current plan is to deliver 12 learning groups comprising 25 participants from pay bands 3, 4, 5 and 5 Ops from across Forestry England, Forest Services, Forest Research and the Commissioners' Office. Focusing on strengths, personal impact and encouraging a coaching approach, we anticipate that participation in the programme will encourage and enable a culture change across our business. It will allow leaders and managers to focus upon improving levels of competence and confidence in leading and inspiring teams, fostering exemplar behaviours, placing continuing professional development (CPD), at its core.

Covid-19 inevitably impacted the delivery of the programme, but we were able to continue by moving some of the face-to-face sessions to online delivery. We have

had good feedback from the first learning group which completed the programme with their Graduation event in April 2022. The Leadership Development team are working to evaluate the effectiveness of the programme and swiftly put in place improvements for future participants. Rollout will continue throughout 2022 and into 2023. The intention over time is to adapt this offer, developing it to meet the needs of different staff groups.

Modules developed specifically for the Professional Managers Programme include Commercial Skills Awareness, Project Management Skills Awareness and HR Awareness. These sessions are all run as facilitated online sessions to allow discussion, questions and feedback.

## **Training**

Following lockdown in March 2020, much of the HR learning and development offer has moved to online delivery. This includes the Civil Service learning offer from the Government Campus, (which is still branded as Civil Service Learning), and colleagues have responded well to this change in delivery and approaches to their learning and CPD.

This has meant that accessibility of training and meeting attendance has improved. Online attendance makes it easier for some staff previously unable to attend training or meetings, due to caring and other responsibilities outside of work. There remains the question as to how online delivery impacts the quality of the learning experience, with much feedback identifying a preference for face to face delivery.

Further work has been undertaken to provide additional online modules to complement the online induction, which gives a high-level view of all parts of the business to new starters in Forestry Commission. These include online learning for the recruitment process, commercial services and contract management and the important area of knowledge and information management. This work continues into 2022-23 with further modules and online training being developed on performance, attendance management and financial awareness.

## **Changing the way we work**

The Forestry Commission wide 'Changing the Way We Work Project' was launched in early 2021 and looked at alternative ways of working and the protocols, guidance and advice needed by managers and staff so that colleagues could work effectively from home and balance their work and home needs whilst the pandemic was still a consideration. The project aimed to provide a legacy: a new approach to blended working arrangements. A range of online training sessions were developed and offered, including a useful 'Managing online meetings' workshop and 'lunch and learn' sessions to help colleagues understand and adapt to using Microsoft Teams online tools.

## **Diversity, inclusion and wellbeing**

The Forestry Commission is committed to and recognise the value of a diverse and inclusive workforce and we want to ensure that every member of staff feels truly valued and included.

Our Diversity and Inclusion strategy sets out how we are doing this, making sure we fulfil our requirements under the Equality Act 2010, namely seeking to eliminate unlawful discrimination, harassment and victimisation, advance equality of opportunity, and foster good relations between those who share a protected characteristic and those who do not. The diversity and inclusion strategy is endorsed by the Executive and is a key part of the People Strategy.

Over 40 Inclusion Ambassadors have been trained to tackle both conscious and unconscious discrimination and promote inclusion using regular 'conversation starters' to increase knowledge and understanding of diversity alongside inclusive practice.

An 'Equally Yours' board game has been introduced, with the aim of helping staff discuss issues of diversity and inclusion openly, and better understand their colleagues, visitors, and communities. Over 40% of staff have now attended an Equally Yours session.

Four employee networks are in place to encourage discussion of real-life issues. We also consult these groups about proposed changes that effect Diversity and Inclusion. These groups are:

- Rainbow Canopy (plus LGBTQ+ supporters)
- Disability and Carers Network
- Women in Forestry
- Ethnicity and Religion Allies group

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 February 2022, iTrent Employee Self-Service was upgraded to a modern, more user-friendly version than previously available, providing a significantly more positive experience for employees when booking holiday, claiming expenses, and more.

In May 2022 Multi-Factor Authentication was implemented resulting in an easier login experience which will also be more secure than ever.

It is planned that over the course of 2022-23, iTrent will receive several quality-of-life upgrades, making it a more reliable and efficient HR Information System. The system will be supplemented with additional functions to assist the HR team in managing internal processes, as well as user-facing functions to formalise and consolidate existing processes such as the logging and booking of Flexitime and Time Off In Lieu.

In the first quarter of 2022, HR's Management Information offer and capabilities were reviewed and subsequently consolidated, streamlined, and formalised. As a result, accurate HR data can now be provided with a quicker turnaround for the business, and regular and automated data can be actively monitored without the need for recipients to report issues.

Work is beginning in 2022-23 to make use of this strengthened Management Information framework to provide a user-facing HR Management Information portal which will allow a wider audience across the business to self-serve real-time data to support their management and planning.

### **Workforce policies**

The Forestry Commission continues to develop a streamlined, user friendly and legally compliant set of workforce policies that enable efficient business decisions in respect of employees.

All workforce policies have policy owners with agreed timelines during 2021-22 for delivery with Governance, ER, Wellbeing Policies reviewed and published. Resourcing constraints have meant that Reward and Inclusivity Policies are delayed pending recruitment of both the Reward and Diversity Managers. Recruitment policies will be reviewed in line with a wider project to review resourcing methods in Forestry Commission.

### **Your Offer**

The aim of the Your Offer project is to develop a new employee offer including improvements to pay, benefits, recognition, learning and development, work-life balance and wellbeing.

The project has helped improve the employee offer in several ways including the introduction of a new employee discount site, a new Cycle to Work and gym discount scheme as well as the learning and development and blended working offers set out above.

The Your Offer project will also be submitting a business case to the Cabinet Office in mid-2022, with the aim of reforming the current Forestry Commission pay structure.

### **Employee consultation and trade union relationship**

The Forestry Commission continues to have a productive and respectful relationship with the Forestry Commission trade unions with a Tier 1 Forestry Commission Trade Unions staff council meeting held twice each year for the whole Forestry Commission. Tier 2 staff council meetings are held at least twice yearly for Forestry England, Forest Services and Forest Research. Key issues discussed include the Covid-19

pandemic, Your Offer project, workforce policies, organisational design, wellbeing, mental health, and health and safety issues. Ad-hoc meeting for some projects are also held regularly to facilitate collaborative working to develop policies and practices that work for our organisation and our employees.

### Trade union facility time (Core only)

#### Relevant union officials

| Number of employees who were relevant union officials during 2021-22 | Full-time equivalent number |
|--|-----------------------------|
| 11   | 10.2                        |

#### Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0%                 | 1                   |
| 1-50%              | 8                   |
| 51-99%             | 1                   |
| 100%               | 1                   |

#### Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time was 0.34%.

#### Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 247.74%.

#### Expenditure on consultancy

During the year Forestry Commission incurred £196,000 on consultancy services related to the Nature for Climate Fund (2020-21: £87,000).

#### Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the period total £502,000 (2020-21: £664,000).

#### Off-payroll engagements

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



**Table 1:** Highly paid off-payroll worker engagements as at 31 March 2022, earning £245 per day or greater.

|  |   |
|--|---|
| Number of existing engagements as of 31 March 2022                             | 8 |
| Of which...  |   |
| Number that have existed for less than one year at time of reporting           | 6 |
| Number that have existed for between one and two years at time of reporting    | 2 |
| Number that have existed for between two and three years at time of reporting  | 0 |
| Number that have existed for between three and four years at time of reporting | 0 |
| Number that have existed for four or more years at time of reporting           | 0 |

**Table 2:** All highly paid off-payroll workers engaged at any point during the year ended 31 March 2022, earning £245 per day or greater.

|   |   |
|---|---|
| Number of off-payroll workers engaged during the year ended 31 March 2022             | 8 |
| Of which...   |   |
| Not subject to off-payroll legislation  | 6 |
| Subject to off-payroll legislation and determined as in-scope of IR35                 | - |
| Subject to off-payroll legislation and determined as out-of-scope of IR35             | 2 |
|   |   |
| Number of engagements reassessed for compliance or assurance purposes during the year | - |
| Of which: number of engagements that saw a change to IR35 status following review     | - |

**Table 3:** For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022.

|  |    |
|--|----|
| Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.   | 1  |
| Total number of individuals on payroll and off payroll that have been deemed "board members, and/or senior officials with significant financial responsibility", during the financial year. This figure should include both on-payroll and off-payroll engagements | 30 |

## **Parliamentary Accountability and Audit Report – subject to audit**

The parliamentary accountability and audit report brings together the main parliamentary accountability documents within the annual report and accounts.

### **Losses and special payments – subject to audit**

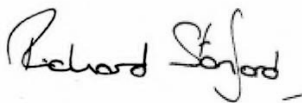
Total losses and special payments for the Forestry Commission and Group, across 19 payments is £32,000.

### **Fees and charges – subject to audit**

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

### **Remote contingent liabilities – subject to audit**

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



R J A Stanford 27 June 2022  
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 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: the Forestry Commission and its Group's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Forestry Commission and its Group's affairs as at 31 March 2022 and its 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 (UK) (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. I am independent of the Forestry Commission and its Group 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 the Forestry Commission and its Group'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 the Forestry Commission and its Group'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 for the Forestry Commission and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial 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 financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the Forestry Commission and its Group 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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Forestry Commission 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;

- 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; and
- assessing the Forestry Commission and its Group'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 the Forestry Commission and its Group 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.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

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. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Forestry Commission and its Group's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, the Forestry Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Forestry Commission and its Group'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 the Forestry Commission and its Group's controls relating to the Forestry Commission's compliance

with the Government Resources and Accounts Act 2000 and Managing Public Money;

- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including property valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Forestry Commission and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Forestry Commission and its Group's framework of authority as well as other legal and regulatory frameworks in which the Forestry Commission and its Group operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Forestry Commission and its Group. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Forestry Act 1967, employment law, pensions and tax legislation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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](http://www.frc.org.uk/auditorsresponsibilities) This description forms part of my certificate.

**Other auditor's responsibilities**

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    01 July 2022**  
**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 2022

|   | Note | 2021-22<br>Core<br>£000 | 2021-22<br>Consolidated<br>£000 | 2020-21<br>Core<br>£000 | 2020-21<br>Consolidated<br>£000 |
|---|------|-------------------------|---------------------------------|-------------------------|---------------------------------|
| Revenue from contracts with customers                           | 3    | (1,352)                 | (15,589)                        | (1,918)                 | (13,884)                        |
| <b>Total operating income</b>                                   |      | <b>(1,352)</b>          | <b>(15,589)</b>                 | <b>(1,918)</b>          | <b>(13,884)</b>                 |
| Staff costs   | 2    | 17,581                  | 31,432                          | 13,435                  | 25,976                          |
| Other operating expenditure                                     | 2    | 58,530                  | 71,060                          | 39,102                  | 47,176                          |
| <b>Total operating expenditure</b>                              |      | <b>76,111</b>           | <b>102,492</b>                  | <b>52,537</b>           | <b>73,152</b>                   |
| <b>Net operating expenditure</b>                                |      | <b>74,759</b>           | <b>86,903</b>                   | <b>50,619</b>           | <b>59,268</b>                   |
| <b>Other comprehensive expenditure</b>                          |      |                         |                                 |                         |                                 |
| Net (gain)/loss on revaluation of property, plant and equipment | 4    | -                       | (587)                           | -                       | 109                             |
| <b>Comprehensive net expenditure for the period</b>             |      | <b>74,759</b>           | <b>86,316</b>                   | <b>50,619</b>           | <b>59,377</b>                   |

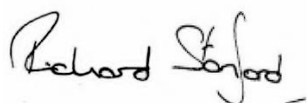
All income and expenditure is derived from continuing operations.

*The notes on pages 69 to 90 form part of these accounts*

## Consolidated statement of financial position

as at 31 March 2022

|   | Note | 31 March<br>2022 |                      | 31 March<br>2021 |                      |
|---|------|------------------|----------------------|------------------|----------------------|
|   |      | Core<br>£000     | Consolidated<br>£000 | Core<br>£000     | Consolidated<br>£000 |
| <b>Non-current assets</b>                       |      |                  |                      |                  |                      |
| Property, plant and equipment                   | 4    | -                | 22,510               | -                | 19,930               |
| Intangible assets                               | 5    | 1,721            | 1,748                | 1,108            | 1,145                |
| Investment in associate                         |      | -                | 75                   | -                | 75                   |
| Trade receivables, financial and other assets   | 7    | 5                | 5                    | 8                | 26                   |
| <b>Total non-current assets</b>                 |      | <b>1,726</b>     | <b>24,338</b>        | <b>1,116</b>     | <b>21,176</b>        |
| <b>Current assets</b>                           |      |                  |                      |                  |                      |
| Inventories                                     |      | -                | 32                   | -                | 57                   |
| Trade receivables, financial and other assets   | 7    | 2,560            | 7,912                | 779              | 2,466                |
| Cash and cash equivalents                       | 8    | 893              | 4,501                | 6,472            | 11,008               |
| <b>Total current assets</b>                     |      | <b>3,453</b>     | <b>12,445</b>        | <b>7,251</b>     | <b>13,531</b>        |
| <b>Total assets</b>                             |      | <b>5,179</b>     | <b>36,783</b>        | <b>8,367</b>     | <b>34,707</b>        |
| <b>Current liabilities</b>                      |      |                  |                      |                  |                      |
| Trade payables, financial and other liabilities | 9    | (13,827)         | (17,380)             | (16,131)         | (19,683)             |
| Provisions                                      | 11   | (9)              | (17)                 | -                | (9)                  |
| <b>Total current liabilities</b>                |      | <b>(13,836)</b>  | <b>(17,397)</b>      | <b>(16,131)</b>  | <b>(19,692)</b>      |
| <b>Total assets less current liabilities</b>    |      | <b>(8,657)</b>   | <b>19,386</b>        | <b>(7,764)</b>   | <b>15,015</b>        |
| <b>Total non-current liabilities</b>            |      | <b>-</b>         | <b>-</b>             | <b>-</b>         | <b>-</b>             |
| <b>Total assets less total liabilities</b>      |      | <b>(8,657)</b>   | <b>19,386</b>        | <b>(7,764)</b>   | <b>15,015</b>        |
| <b>Taxpayers' equity</b>                        |      |                  |                      |                  |                      |
| General fund                                    |      | (8,657)          | 11,555               | (7,764)          | 7,711                |
| Revaluation reserve                             |      | -                | 7,832                | -                | 7,305                |
| <b>Total taxpayers' equity</b>                  |      | <b>(8,657)</b>   | <b>19,386</b>        | <b>(7,764)</b>   | <b>15,015</b>        |



R J A Stanford 27 June 2022  
Accounting Officer  
Forestry Commission

The notes on pages 69 to 90 form part of these accounts

## Consolidated statement of cash flows

for the year ended 31 March 2022

|  | Note | Core<br>£000    | 2021-22<br>Consolidated<br>£000 | Core<br>£000    | 2020-21<br>Consolidated<br>£000 |
|--|------|-----------------|---------------------------------|-----------------|---------------------------------|
| <b>Cash flows from operating activities</b>                            |      |                 |                                 |                 |                                 |
| Net operating expenditure  |      | (74,759)        | (86,903)                        | (50,619)        | (59,268)                        |
| Adjustment for intercompany transactions                               |      | (10,360)        | -                               | (8,395)         | -                               |
| Adjustment for non-cash transactions                                   | 2    | 802             | 4,786                           | 744             | 1,722                           |
| Decrease in inventories  |      | -               | 25                              | -               | 53                              |
| (Increase)/decrease in trade receivables, financial and other assets   | 7    | (1,778)         | (5,424)                         | (223)           | 2,814                           |
| Increase/(decrease) in trade payables, financial and other liabilities | 9    | (2,304)         | (2,303)                         | 6,870           | 8,184                           |
| Less movement in Defra supply creditor                                 | 9    | 6,507           | 6,507                           | (5,671)         | (5,671)                         |
| Use of provisions  | 11   | -               | (1)                             | (55)            | (64)                            |
| <b>Net cash outflow</b>  |      | <b>(81,892)</b> | <b>(83,313)</b>                 | <b>(57,349)</b> | <b>(52,230)</b>                 |
| <b>Cash flows from investing activities</b>                            |      |                 |                                 |                 |                                 |
| Purchase of property, plant and equipment                              | 4    | -               | (5,926)                         | -               | (7,587)                         |
| Purchase of intangible assets  | 5    | (843)           | (843)                           | (336)           | (373)                           |
| Proceeds on disposal of non-current assets                             |      | -               | -                               | -               | -                               |
| <b>Net cash outflow</b>  |      | <b>(843)</b>    | <b>(6,769)</b>                  | <b>(336)</b>    | <b>(7,960)</b>                  |
| <b>Cash flows from financing activities</b>                            |      |                 |                                 |                 |                                 |
| Funding from Defra   |      | 88,164          | 94,583                          | 66,051          | 71,198                          |
| Repayment of prior year Defra creditor                                 |      | (11,008)        | (11,008)                        | (5,337)         | (5,337)                         |
| <b>Net cash inflow</b>   |      | <b>77,156</b>   | <b>83,575</b>                   | <b>60,714</b>   | <b>65,861</b>                   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>            |      | <b>(5,579)</b>  | <b>(6,507)</b>                  | <b>3,029</b>    | <b>5,671</b>                    |
| <b>Cash and cash equivalents at the beginning of the period</b>        | 8    | <b>6,472</b>    | <b>11,008</b>                   | <b>3,443</b>    | <b>5,337</b>                    |
| <b>Cash and cash equivalents at the end of the period</b>              | 8    | <b>893</b>      | <b>4,501</b>                    | <b>6,472</b>    | <b>11,008</b>                   |

The notes on pages 69 to 90 form part of these accounts

## Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2022

|  | Note | General fund<br>£000 | Revaluation reserve<br>£000 | Core Taxpayers' equity<br>£000 | General fund<br>£000 | Revaluation reserve<br>£000 | Consolidated Taxpayers' equity<br>£000 |
|--|------|----------------------|-----------------------------|--------------------------------|----------------------|-----------------------------|--|
| <b>Balance at 31 March 2020</b>              |      | <b>(4,312)</b>       | -                           | <b>(4,312)</b>                 | <b>6,082</b>         | <b>7,561</b>                | <b>13,643</b>                          |
| 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 year   |      | (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)                       | -                                      |
| <b>Balance at 31 March 2021</b>              |      | <b>(7,764)</b>       | -                           | <b>(7,764)</b>                 | <b>7,711</b>         | <b>7,305</b>                | <b>15,016</b>                          |
| Net Defra funding                            |      | 83,663               | -                           | 83,663                         | 90,082               | -                           | 90,082                                 |
| Notional charges                             |      |                      |                             |                                |                      |                             |  |
| Auditors' remuneration                       | 2    | 46                   | -                           | 46                             | 88                   | -                           | 88                                     |
| Defra corporate services                     | 2    | 517                  | -                           | 517                            | 517                  | -                           | 517                                    |
| Comprehensive net expenditure for the period |      | (74,759)             | -                           | (74,759)                       | (86,316)             | -                           | (86,316)                               |
| Intercompany adjustments                     |      | (10,360)             | -                           | (10,360)                       | -                    | -                           | -                                      |
| Net gain on revaluation of                   |      |                      |                             |                                |                      |                             |  |
| Property, plant and equipment                | 4    | -                    | -                           | -                              | (587)                | 587                         | -                                      |
| Realised element of revaluation reserve      |      | -                    | -                           | -                              | 60                   | (60)                        | -                                      |
| <b>Balance at 31 March 2022</b>              |      | <b>(8,657)</b>       | -                           | <b>(8,657)</b>                 | <b>11,555</b>        | <b>7,832</b>                | <b>19,387</b>                          |

The notes on pages 69 to 90 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 2021-22 government Financial Reporting Manual (FRM) issued by HM Treasury and are in accordance with directions issued by HM Treasury.

#### 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 2022 shows taxpayer's equity of £11.7 million (at 31 March 2021 £7.7 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 99% of our 2021-22 funding). Parliament approves this funding annually.

Forestry Commission's funding for 2022-23 is included within the Defra estimates which have already been approved by Parliament. A three-year government spending review (SR21) to determine future funding for government departments including Defra for the period 2022-23 to 2024-25 is ongoing. Continued support of the Forestry Commission from 2023-24 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](http://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 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 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The assets, to be described as “right of use” assets, will be presented under Property, Plant and Equipment. Under HM Treasury’s Financial Report Manual, the standard is effective from 1 April 2022.

The Forestry Commission has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below.

IFRS 16 will be implemented using the cumulative catch-up method; as a result, comparatives will not be restated. On the date of transition to IFRS 16, the Forestry Commission will recognise a lease liability and a right-of-use asset.

The lease liability will be measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options the Forestry Commission is reasonably certain to exercise and any termination options the Forestry Commission is reasonably certain not to exercise.

The right-of-use asset will initially be measured at the value of the lease liability, adjusted for:

- any lease payments made before the commencement date
- any lease incentives received
- any incremental costs of obtaining the lease
- any costs of removing the asset and restoring the site at the end of the lease

As a practical expedient for existing operating leases recognised on transition, the latter two elements will not be included in the asset value.

Where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), provided all other relevant criteria are met, apart from containing consideration, such leases are in the scope of IFRS 16. In this situation, the right-of-use asset will be initially measured at its current value in existing use or fair value, depending on whether the right-of-use asset is held for its service potential. A lease liability will be recognised in accordance with IFRS 16 and based on the value of remaining lease payments discounted at the incremental rate of borrowing advised by HM Treasury. The difference between the carrying amount of the right-of-use asset and lease liability will be included as part of the adjustment to the opening balances of taxpayers' equity and other reserves.

Current 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. For the arrangements within the scope of IFRS 16, we expect the impact of implementation to be:

- an increase in assets and liabilities of approximately £0.02 million and £0.02 million respectively
- an increase in depreciation expense and interest expense replacing the current operating lease expense currently included in purchase of goods or services
- a reduction in surplus for the year in the periods immediately following transition to IFRS 16, driven by interest expense charged in respect of the new leases being 'frontloaded' when compared to the previously straight-line operating lease expense
- within the cash flow statement, depreciation will be presented within cash flows from operating activities and cash flows from financing activities in respect of the payment of lease liabilities and interest expense. The timing of cash flows will remain unchanged.

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

**NOTE 2 Staff and other costs**

|   | 2021-22       |                | 2020-21       |               |
|---|---------------|----------------|---------------|---------------|
|   | Core          | Consolidated   | Core          | Consolidated  |
|   | £000          | £000           | £000          | £000          |
| <b>Staff costs</b>                                |               |                |               |               |
| Wages and salaries                                | 12,436        | 22,087         | 9,410         | 18,458        |
| Social security costs                             | 1,320         | 2,350          | 1,027         | 2,017         |
| Other pension costs                               | 3,323         | 5,886          | 2,456         | 4,784         |
| Agency and temporary staff                        | 502           | 1,109          | 542           | 717           |
|   | <b>17,581</b> | <b>31,432</b>  | <b>13,435</b> | <b>25,976</b> |
| <b>Other costs</b>                                |               |                |               |               |
| Travel and subsistence                            | 543           | 1,384          | 142           | 205           |
| Staff transfers                                   | 19            | 19             | 11            | 11            |
| Corporate services charges                        | 1,574         | 1,574          | 805           | 805           |
| Computer costs                                    | 35            | 2,564          | 17            | 2,061         |
| Accommodation and office services                 | 494           | 2,658          | 128           | 1,409         |
| Communication                                     | 139           | 278            | 135           | 250           |
| Training  | 165           | 264            | 85            | 124           |
| Losses and compensation                           | 7             | 33             | 6             | 573           |
| Legal expenses                                    | 54            | 78             | 236           | 245           |
| Partnerships and publicity                        | 15,110        | 17,587         | 4,442         | 7,206         |
| Private woodland grants                           | 11,222        | 11,222         | 3,204         | 3,204         |
| Research and development                          | 4             | 4              | 47            | 47            |
| Other expenditure                                 | 1,080         | 1,327          | 2,239         | 2,453         |
|   | <b>30,446</b> | <b>38,992</b>  | <b>11,497</b> | <b>18,593</b> |
| Forestry England funding                          | 27,282        | 27,282         | 26,775        | 26,775        |
| Forestry England capital grants                   | -             | -              | 86            | 86            |
|   | <b>27,282</b> | <b>27,282</b>  | <b>26,861</b> | <b>26,861</b> |
| <b>Non-cash costs</b>                             |               |                |               |               |
| Depreciation                                      | -             | 1,336          | -             | 917           |
| Amortisation                                      | 230           | 240            | 229           | 229           |
| Impairment of property, plant and equipment       | -             | 2,596          | -             | -             |
| Loss on disposal of property, plant and equipment | -             | -              | -             | 2             |
| Provisions  |               |                |               |               |
| Provided in year                                  | 9             | 9              | 11            | 29            |
| Not required and written back                     | -             | -              | (15)          | (15)          |
| Notional charges                                  |               |                |               |               |
| Auditors' remuneration                            | 46            | 88             | 46            | 87            |
| Defra corporate services                          | 517           | 517            | 473           | 473           |
|   | <b>802</b>    | <b>4,786</b>   | <b>744</b>    | <b>1,722</b>  |
| <b>Total</b>                                      | <b>76,111</b> | <b>102,492</b> | <b>52,537</b> | <b>73,152</b> |

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

**NOTE 3 Income**

|  | Core<br>£000 | 2021-22<br>Consolidated<br>£000 | Core<br>£000 | 2020-21<br>Consolidated<br>£000 |
|--|--------------|---------------------------------|--------------|---------------------------------|
| <b>Revenue from contracts with customers</b>       |              |                                 |              |                                 |
| Forest Research MOU income from:                   |              |                                 |              |                                 |
| Scotland   | -            | 4,079                           | -            | 4,079                           |
| Wales  | -            | 907                             | -            | 907                             |
| Other charges to public sector forestry bodies in: |              |                                 |              |                                 |
| Scotland   | 349          | 2,881                           | 349          | 2,853                           |
| England  | (129)        | 1,364                           | 552          | 1,874                           |
| Wales  | 78           | 542                             | -            | 597                             |
|  | <b>298</b>   | <b>9,773</b>                    | <b>901</b>   | <b>10,310</b>                   |
| Project and partnership income                     | 653          | 653                             | 652          | 652                             |
| EU income  | -            | 55                              | -            | (17)                            |
| Other income                                       | 401          | 5,108                           | 365          | 2,939                           |
| <b>Total</b>                                       | <b>1,352</b> | <b>15,589</b>                   | <b>1,918</b> | <b>13,884</b>                   |

Internal income from Forest Research of £9,904,000 (2020-21: £9,122,000) was removed on consolidation.

**NOTE 4 Property, plant and equipment**

|  | Land<br>£000 | Buildings<br>£000 | Plant and<br>machinery<br>£000 | Office<br>machinery<br>£000 | Assets under<br>construction<br>£000 | Total<br>£000 |
|--|--------------|-------------------|--------------------------------|-----------------------------|--------------------------------------|---------------|
| <b>Cost or valuation</b>                       |              |                   |                                |                             |                                      |               |
| At 1 April 2021                                | 1,443        | 18,403            | 7,503                          | -                           | 7,410                                | 34,759        |
| Additions                                      | -            | -                 | 1,286                          | -                           | 4,640                                | 5,926         |
| Reclassifications                              | -            | 5,673             | 551                            | -                           | (6,224)                              | -             |
| Disposals                                      | -            | (212)             | (389)                          | -                           | (2,334)                              | (2,935)       |
| Revaluation                                    | 118          | 866               | 100                            | -                           | -                                    | 1,084         |
| Impairment                                     | -            | -                 | -                              | -                           | -                                    | -             |
| <b>At 31 March<br/>2022</b>                    | <b>1,561</b> | <b>24,730</b>     | <b>9,051</b>                   | <b>-</b>                    | <b>3,492</b>                         | <b>38,834</b> |
| <b>Depreciation</b>                            |              |                   |                                |                             |                                      |               |
| At 1 April 2021                                | -            | 11,280            | 3,549                          | -                           | -                                    | 14,829        |
| Charged in year                                | -            | 555               | 781                            | -                           | -                                    | 1,336         |
| Reclassifications                              | -            | -                 | -                              | -                           | -                                    | -             |
| Disposals                                      | -            | (84)              | (359)                          | -                           | -                                    | (443)         |
| Revaluation                                    | -            | 545               | 57                             | -                           | -                                    | 602           |
| <b>At 31 March<br/>2022</b>                    | <b>-</b>     | <b>12,296</b>     | <b>4,028</b>                   | <b>-</b>                    | <b>-</b>                             | <b>16,324</b> |
| <b>Carrying value<br/>At 31 March<br/>2022</b> | <b>1,561</b> | <b>12,434</b>     | <b>5,023</b>                   | <b>-</b>                    | <b>3,492</b>                         | <b>22,510</b> |
| At 31 March 2021                               | 1,443        | 7,123             | 3,954                          | -                           | 7,410                                | 19,930        |
| <b>Asset financing</b>                         |              |                   |                                |                             |                                      |               |
| Owned  | 1,561        | 12,434            | 5,023                          | -                           | 3,492                                | 22,510        |
| Leased   | -            | -                 | -                              | -                           | -                                    | -             |
| <b>Total</b>                                   | <b>1,561</b> | <b>12,434</b>     | <b>5,023</b>                   | <b>-</b>                    | <b>3,492</b>                         | <b>22,510</b> |
| <b>Asset ownership</b>                         |              |                   |                                |                             |                                      |               |
| Core   | -            | -                 | -                              | -                           | -                                    | -             |
| Forest Research                                | 1,561        | 12,434            | 5,023                          | -                           | 3,492                                | 22,510        |
| <b>Total</b>                                   | <b>1,561</b> | <b>12,434</b>     | <b>5,023</b>                   | <b>-</b>                    | <b>3,492</b>                         | <b>22,510</b> |

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 is usually valued at five-year intervals. Professionally qualified staff employed by Forestry England undertook the full valuation at 31 March 2022. In the intervening years, revaluations are on the basis of indices provided by the Office for National Statistics or internal professional staff, as appropriate.

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



|                          | Land<br>£000 | Buildings<br>£000 | Plant and<br>machinery<br>£000 | Office<br>machinery<br>£000 | Assets under<br>construction<br>£000 | Total<br>£000 |
|--------------------------|--------------|-------------------|--------------------------------|-----------------------------|--------------------------------------|---------------|
| <b>Cost or valuation</b> |              |                   |                                |                             |                                      |               |
| 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)         |
| Impairment               | -            | -                 | -                              | -                           | -                                    | -             |
| <b>At 31 March 2021</b>  | <b>1,443</b> | <b>18,403</b>     | <b>7,503</b>                   | <b>-</b>                    | <b>7,410</b>                         | <b>34,759</b> |
| <b>Depreciation</b>      |              |                   |                                |                             |                                      |               |
| At 1 April 2020          | -            | 11,076            | 3,230                          | -                           | -                                    | 14,306        |
| Charged in year          | -            | 404               | 514                            | -                           | -                                    | 918           |
| Reclassifications        | -            | -                 | -                              | -                           | -                                    | -             |
| Disposals                | -            | -                 | (206)                          | -                           | -                                    | (206)         |
| Revaluation              | -            | (200)             | 11                             | -                           | -                                    | (189)         |
| <b>At 31 March 2021</b>  | <b>-</b>     | <b>11,280</b>     | <b>3,549</b>                   | <b>-</b>                    | <b>-</b>                             | <b>14,829</b> |
| <b>Carrying value</b>    |              |                   |                                |                             |                                      |               |
| <b>At 31 March 2021</b>  | <b>1,443</b> | <b>7,123</b>      | <b>3,954</b>                   | <b>-</b>                    | <b>7,410</b>                         | <b>19,930</b> |
| At 31 March 2020         | 1,417        | 7,658             | 2,400                          | -                           | 1,897                                | 13,372        |
| <b>Asset financing</b>   |              |                   |                                |                             |                                      |               |
| Owned                    | 1,443        | 7,123             | 3,914                          | -                           | 7,410                                | 19,890        |
| Leased                   | -            | -                 | 40                             | -                           | -                                    | 40            |
| <b>Total</b>             | <b>1,443</b> | <b>7,123</b>      | <b>3,954</b>                   | <b>-</b>                    | <b>7,410</b>                         | <b>19,930</b> |
| <b>Asset ownership</b>   |              |                   |                                |                             |                                      |               |
| Core                     | -            | -                 | -                              | -                           | -                                    | -             |
| Forest Research          | 1,443        | 7,123             | 3,954                          | -                           | 7,410                                | 19,930        |
| <b>Total</b>             | <b>1,443</b> | <b>7,123</b>      | <b>3,954</b>                   | <b>-</b>                    | <b>7,410</b>                         | <b>19,930</b> |

**NOTE 5 Intangible assets**

|                          | Software<br>licences<br>£000 | Internally<br>developed<br>£000 | Assets Under<br>Construction<br>£000 | Total<br>£000 |
|--------------------------|------------------------------|---------------------------------|--------------------------------------|---------------|
| <b>Cost or valuation</b> |                              |                                 |                                      |               |
| At 1 April 2021          | 77                           | 10,437                          | -                                    | 10,514        |
| Additions                | -                            | 843                             | -                                    | 843           |
| <b>At 31 March 2022</b>  | <b>77</b>                    | <b>11,280</b>                   | <b>-</b>                             | <b>11,357</b> |
| <b>Amortisation</b>      |                              |                                 |                                      |               |
| At 1 April 2021          | 40                           | 9,329                           | -                                    | 9,369         |
| Charged in year          | 10                           | 230                             | -                                    | 240           |
| <b>At 31 March 2022</b>  | <b>50</b>                    | <b>9,559</b>                    | <b>-</b>                             | <b>9,609</b>  |
| <b>Carrying value</b>    |                              |                                 |                                      |               |
| <b>At 31 March 2022</b>  | <b>27</b>                    | <b>1,721</b>                    | <b>-</b>                             | <b>1,748</b>  |
| At 31 March 2021         | 37                           | 1,108                           | -                                    | 1,145         |
| <b>Asset financing</b>   |                              |                                 |                                      |               |
| Owned                    | 27                           | 1,721                           | -                                    | 1,748         |
| <b>Total</b>             | <b>27</b>                    | <b>1,721</b>                    | <b>-</b>                             | <b>1,748</b>  |
| <b>Asset ownership</b>   |                              |                                 |                                      |               |
| Core                     | -                            | 1,721                           | -                                    | 1,721         |
| Forest Research          | 27                           | -                               | -                                    | 27            |
| <b>Total</b>             | <b>27</b>                    | <b>1,721</b>                    | <b>-</b>                             | <b>1,748</b>  |

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

**NOTE 6 Financial instruments**
**Financial instruments by category**

| Consolidated  | 31 March 2022                 |                            |               | 31 March 2021                 |                            |               |
|---|-------------------------------|----------------------------|---------------|-------------------------------|----------------------------|---------------|
|   | Loans and receivables<br>£000 | Available for sale<br>£000 | Total<br>£000 | Loans and receivables<br>£000 | Available for sale<br>£000 | Total<br>£000 |
| Financial assets                                    | -                             | 75                         | <b>75</b>     | -                             | 75                         | <b>75</b>     |
| Trade and other receivables (excluding prepayments) | 5,611                         | -                          | <b>5,611</b>  | 1,785                         | -                          | <b>1,785</b>  |
| Cash and cash equivalents                           | 4,501                         | -                          | <b>4,501</b>  | 11,008                        | -                          | <b>11,008</b> |
| Less provision for impairment                       | -                             | -                          | -             | (57)                          | -                          | <b>(57)</b>   |
| <b>Total assets</b>                                 | <b>10,112</b>                 | <b>75</b>                  | <b>10,187</b> | <b>12,736</b>                 | <b>75</b>                  | <b>12,811</b> |

| Consolidated   | Other financial liabilities |               | Other financial liabilities |               |
|--|-----------------------------|---------------|-----------------------------|---------------|
|  | £000                        | Total<br>£000 | £000                        | Total<br>£000 |
| Finance lease liabilities                                  | -                           | -             | 20                          | <b>20</b>     |
| Trade and other payables (excluding statutory liabilities) | 12,364                      | <b>12,364</b> | 8,337                       | <b>8,337</b>  |
| <b>Total liabilities</b>                                   | <b>12,364</b>               | <b>12,364</b> | <b>8,357</b>                | <b>8,357</b>  |

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.

'Financial Assets' represents an available-for-sale asset - Forest Research's share of C-Cure Solutions Ltd.

On 1 April 2022 C-Cure board entered into a sales and purchase agreement. The agreement, which will be followed by an orderly winding-up of C-Cure, will continue over the next 18 months, with an anticipated distribution of funds to Forest Research to crystallise over this period. The ultimate distribution of funds to Forest Research, from this event in 2022-23, is still uncertain, but is likely to be in the region of £22,000.

**NOTE 7 Trade receivables, financial and other assets**

|   | 31 March<br>2022 |                      | 31 March<br>2021 |                      |
|---|------------------|----------------------|------------------|----------------------|
|   | Core<br>£000     | Consolidated<br>£000 | Core<br>£000     | Consolidated<br>£000 |
| <b>Amounts falling due within one year</b>          |                  |                      |                  |                      |
| Trade receivables                                   | 664              | 5,286                | 286              | 1,383                |
| Provision for impairment                            | -                | -                    | (57)             | (57)                 |
| <b>Trade receivables - net</b>                      | <b>664</b>       | <b>5,286</b>         | <b>229</b>       | <b>1,326</b>         |
| VAT receivable                                      | 87               | 87                   | 397              | 397                  |
| Other receivables                                   | 10               | 12                   | 16               | 20                   |
| House purchase and other loans to employees         | 5                | 11                   | 5                | 8                    |
| Prepayments and accrued income                      | 1,794            | 2,514                | 132              | 715                  |
|   | <b>2,560</b>     | <b>7,910</b>         | <b>779</b>       | <b>2,466</b>         |
| <b>Amounts falling due after more than one year</b> |                  |                      |                  |                      |
| House purchase and other loans to employees         | 5                | 5                    | 8                | 14                   |
| Prepayments and accrued income                      | -                | -                    | -                | 12                   |
|   | <b>5</b>         | <b>5</b>             | <b>8</b>         | <b>26</b>            |
| <b>Total current and non-current</b>                | <b>2,565</b>     | <b>7,915</b>         | <b>787</b>       | <b>2,492</b>         |

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

Trade receivables of £1,632,000 were past due but not impaired as of 31 March 2022. These relate to a number of customers for whom there is no recent history of default.

**NOTE 8 Cash and cash equivalents**

|                        | 2021-22      |                      | 2020-21      |                      |
|------------------------|--------------|----------------------|--------------|----------------------|
|                        | Core<br>£000 | Consolidated<br>£000 | Core<br>£000 | Consolidated<br>£000 |
| At 1 April             | 6,472        | 11,008               | 3,443        | 5,337                |
| Net change in balances | (5,579)      | (6,507)              | 3,029        | 5,671                |
| <b>At 31 March</b>     | <b>893</b>   | <b>4,501</b>         | <b>6,472</b> | <b>11,008</b>        |

|                            | 31 March<br>2022 |                      | 31 March<br>2021 |                      |
|----------------------------|------------------|----------------------|------------------|----------------------|
|                            | Core<br>£000     | Consolidated<br>£000 | Core<br>£000     | Consolidated<br>£000 |
| <b>Held at</b>             |                  |                      |                  |                      |
| Government Banking Service | 893              | 4,501                | 6,472            | 11,008               |
| <b>Total</b>               | <b>893</b>       | <b>4,501</b>         | <b>6,472</b>     | <b>11,008</b>        |

**NOTE 9 Trade payables and other current liabilities**

|   | 31 March 2022 |                      | 31 March 2021 |                      |
|---|---------------|----------------------|---------------|----------------------|
|   | Core<br>£000  | Consolidated<br>£000 | Core<br>£000  | Consolidated<br>£000 |
| <b>Amounts falling due within one year</b>          |               |                      |               |                      |
| Trade payables                                      | 797           | 1,584                | 407           | 1,443                |
| Other payables                                      | 363           | 373                  | 287           | 290                  |
| VAT payable   | -             | 180                  | -             | 46                   |
| Other taxation and social security                  | 335           | 335                  | 272           | 272                  |
| Accruals  | 7,831         | 9,212                | 4,157         | 5,806                |
| Contract liabilities                                | -             | 424                  | -             | 394                  |
| Finance lease payables                              | -             | -                    | -             | 20                   |
| Payments received on account                        | -             | 771                  | -             | 404                  |
| Defra Supply creditor                               | 4,501         | 4,501                | 11,008        | 11,008               |
|   | <b>13,827</b> | <b>17,380</b>        | <b>16,131</b> | <b>19,683</b>        |
| <b>Amounts falling due after more than one year</b> |               |                      |               |                      |
|   | -             | -                    | -             | -                    |
| <b>Total current and non-current</b>                | <b>13,827</b> | <b>17,380</b>        | <b>16,131</b> | <b>19,683</b>        |

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 2022<br>£000 | 31 March 2021<br>£000 |
|---------------------|-----------------------|-----------------------|
| GBP Sterling        | 17,372                | 19,494                |
| Euro                | 8                     | 134                   |
| US Dollar           | -                     | 41                    |
| New Zealand Dollars | -                     | 14                    |
| <b>Total</b>        | <b>17,380</b>         | <b>19,683</b>         |

**NOTE 10 Contract balances**

|                      | 31 March 2022<br>£000 | 31 March 2021<br>£000 |
|----------------------|-----------------------|-----------------------|
| Contract liabilities | 424                   | 394                   |

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

**NOTE 11 Provisions for liabilities and charges**

|   | Core                     |               |               | Consolidated             |               |               |
|---|--------------------------|---------------|---------------|--------------------------|---------------|---------------|
|   | Early departures<br>£000 | Other<br>£000 | Total<br>£000 | Early departures<br>£000 | Other<br>£000 | Total<br>£000 |
| Balance at 31 March 2021                        | -                        | -             | -             | -                        | 9             | 9             |
| Provided in year                                | -                        | 9             | 9             | -                        | 9             | 9             |
| Utilised in year                                | -                        | -             | -             | -                        | (1)           | (1)           |
| <b>Balance at 31 March 2022</b>                 | <b>-</b>                 | <b>9</b>      | <b>9</b>      | <b>-</b>                 | <b>17</b>     | <b>17</b>     |
| <b>Expected timing of discounted cash flows</b> |                          |               |               |                          |               |               |
| Not later than one year                         | -                        | 9             | 9             | -                        | 17            | 17            |
| <b>Total</b>                                    | <b>-</b>                 | <b>9</b>      | <b>9</b>      | <b>-</b>                 | <b>17</b>     | <b>17</b>     |

|   | Core                     |               |               | Consolidated             |               |               |
|---|--------------------------|---------------|---------------|--------------------------|---------------|---------------|
|   | Early departures<br>£000 | Other<br>£000 | Total<br>£000 | Early departures<br>£000 | Other<br>£000 | Total<br>£000 |
| At 1 April 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)          |
| <b>Balance at 31 March 2021</b>                 | <b>-</b>                 | <b>-</b>      | <b>-</b>      | <b>-</b>                 | <b>9</b>      | <b>9</b>      |
| <b>Expected timing of discounted cash flows</b> |                          |               |               |                          |               |               |
| Not later than one year                         | -                        | -             | -             | -                        | 9             | 9             |
| <b>Total</b>                                    | <b>-</b>                 | <b>-</b>      | <b>-</b>      | <b>-</b>                 | <b>9</b>      | <b>9</b>      |

## 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 2022 |                      | 31 March 2021 |                      |
|---|---------------|----------------------|---------------|----------------------|
|   | Core<br>£000  | Consolidated<br>£000 | Core<br>£000  | Consolidated<br>£000 |
| <b>Land</b>                                       |               |                      |               |                      |
| Not later than one year                           | -             | 7                    | -             | 7                    |
| Later than one year and not later than five years | -             | 15                   | -             | 22                   |
|   | -             | <b>22</b>            | -             | <b>29</b>            |
| <b>Buildings</b>                                  |               |                      |               |                      |
| Not later than one year                           | 261           | 261                  | 496           | 496                  |
| Later than one year and not later than five years | -             | -                    | 167           | 167                  |
|   | <b>261</b>    | <b>261</b>           | <b>663</b>    | <b>663</b>           |
| <b>Other leases</b>                               |               |                      |               |                      |
|   | -             | -                    | -             | -                    |
| <b>Total</b>                                      | <b>261</b>    | <b>283</b>           | <b>663</b>    | <b>692</b>           |

### Finance leases

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

|                                     | 31 March 2022 |                      | 31 March 2021 |                      |
|-------------------------------------|---------------|----------------------|---------------|----------------------|
|                                     | Core<br>£000  | Consolidated<br>£000 | Core<br>£000  | Consolidated<br>£000 |
| <b>Plant and machinery</b>          |               |                      |               |                      |
| Not later than one year             | -             | -                    | -             | 21                   |
|                                     | -             | -                    | -             | <b>21</b>            |
| Interest element                    | -             | -                    | -             | (1)                  |
| <b>Present value of obligations</b> | -             | -                    | -             | <b>20</b>            |

## NOTE 13 Capital commitments

There were £970,000 contracted capital commitments at 31 March 2022 (2020-21: £426,000) for an entomology and pathology quarantine laboratory at Forest Research.

**NOTE 14 Other financial commitments**

|   | 31 March 2022 |                      | 31 March 2021 |                      |
|---|---------------|----------------------|---------------|----------------------|
|   | Core<br>£000  | Consolidated<br>£000 | Core<br>£000  | Consolidated<br>£000 |
| Not later than one year                           | 16,471        | 16,471               | 2,138         | 2,138                |
| Later than one year but not later than five years | 10,940        | 10,940               | 4,222         | 4,222                |
| Later than five years                             | 1,854         | 1,854                | 488           | 488                  |
| <b>Total</b>                                      | <b>29,265</b> | <b>29,265</b>        | <b>6,848</b>  | <b>6,848</b>         |

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 2022 is £18.8 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 2022 |                      | 31 March 2021 |                      |
|---|---------------|----------------------|---------------|----------------------|
|   | Core<br>£000  | Consolidated<br>£000 | Core<br>£000  | Consolidated<br>£000 |
| Not later than one year                           | -             | 5                    | -             | 5                    |
| Later than one year but not later than five years | -             | 20                   | -             | 20                   |
| Later than five years                             | -             | 53                   | -             | 58                   |
| <b>Total</b>                                      | <b>-</b>      | <b>78</b>            | <b>-</b>      | <b>83</b>            |



## 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 and other grant income of £27,282,000 to Forestry England (2020-21 £26,775,000).

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, 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  | 2021-22<br>£000 | 2020-21<br>£000 |
|--|-----------------|-----------------|
| Sir William Worsley, Forestry Commissioner (chair) | 18              | 33              |

### 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:

|           | 2021-22<br>£000 | 2020-21<br>£000 |
|-----------|-----------------|-----------------|
| Sales     | 30              | 78              |
| Purchases | 8               | 17              |

Sales invoices for £30,000 plus VAT (2020-21: £78,000 plus VAT) were raised for grants for Plant Health Centre projects and a review of evidence summaries.

There were no outstanding transactions as at 31 March 2022 (2020-21: £5,000).

### 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:

|       | 2021-22<br>£000 | 2020-21<br>£000 |
|-------|-----------------|-----------------|
| Sales | 4               | 3               |

There were sales of £1,000 outstanding as at 31 March 2022 (2020-21: £2,000).

### 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 2022

In accordance with the requirements of IAS 10, events after 31 March 2022 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.



