



Forestry England

Annual Report and Accounts 2021-22

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Contents

| | |
|----------------------------------------------------------------------------------------|----|
| Performance report | 5 |
| Overview | 5 |
| Foreword by Mike Seddon, Chief Executive | |
| Executive | 5 |
| Performance analysis | 9 |
| Key performance indicators | 28 |
| Sustainability | 36 |
| Accountability report | 42 |
| Corporate governance report | 42 |
| Directors' report | 42 |
| Statement of Accounting Officer's responsibilities | 43 |
| Governance statement | 44 |
| Remuneration and staff report | 52 |
| Remuneration report | 52 |
| Staff report | 57 |
| Other accountability matters | 64 |
| Independent auditor's report to the Board of Forestry England and the House of Commons | 65 |
| Financial statements | 71 |
| Statement of Net Comprehensive Expenditure | 71 |
| Statement of financial position | 72 |
| Statement of cash flows | 73 |
| Statement of changes in taxpayers' equity | 74 |
| Notes to the accounts | 75 |

Honours

The following Forestry England nominees were successful in the Queen's Honour list for services to forestry:

Queen's Birthday Honours 2021

- Colin Elford - Wildlife Ranger - BEM - Retired in August 2021
- Josephine Sanderson - Finance and Business Support Manager - MBE - Retired end of June 2020

New Year 2022

- Tim Aldous - Works Supervisor - BEM

Forests care for us. Together we care for forests

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



What we do

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

Why we do it

Forests are vital for the future of our planet. They improve the health and wellbeing of everyone and with careful planning and expert management, the nation's forests will continue to thrive. We are always thinking beyond today, planning and planting forests that will help create a sustainable future. Find out more about us at www.forestryengland.uk.

Forestry England organisational structure

Forestry England manages the nation's forests. We are part of the Forestry Commission which also includes Forest Services who are the government's expert forestry advisors and Forest Research who deliver internationally renowned forestry and tree-related research to England, Scotland and Wales. Forestry England staff are employees of the Forestry Commission and are civil servants.

Our values

Are the beliefs that are most important to us and influence how we behave on a day-to-day basis. Our values should be upheld by everyone, all the time and help guide our decisions day-to-day.

Think beyond a lifetime

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

Do it together

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

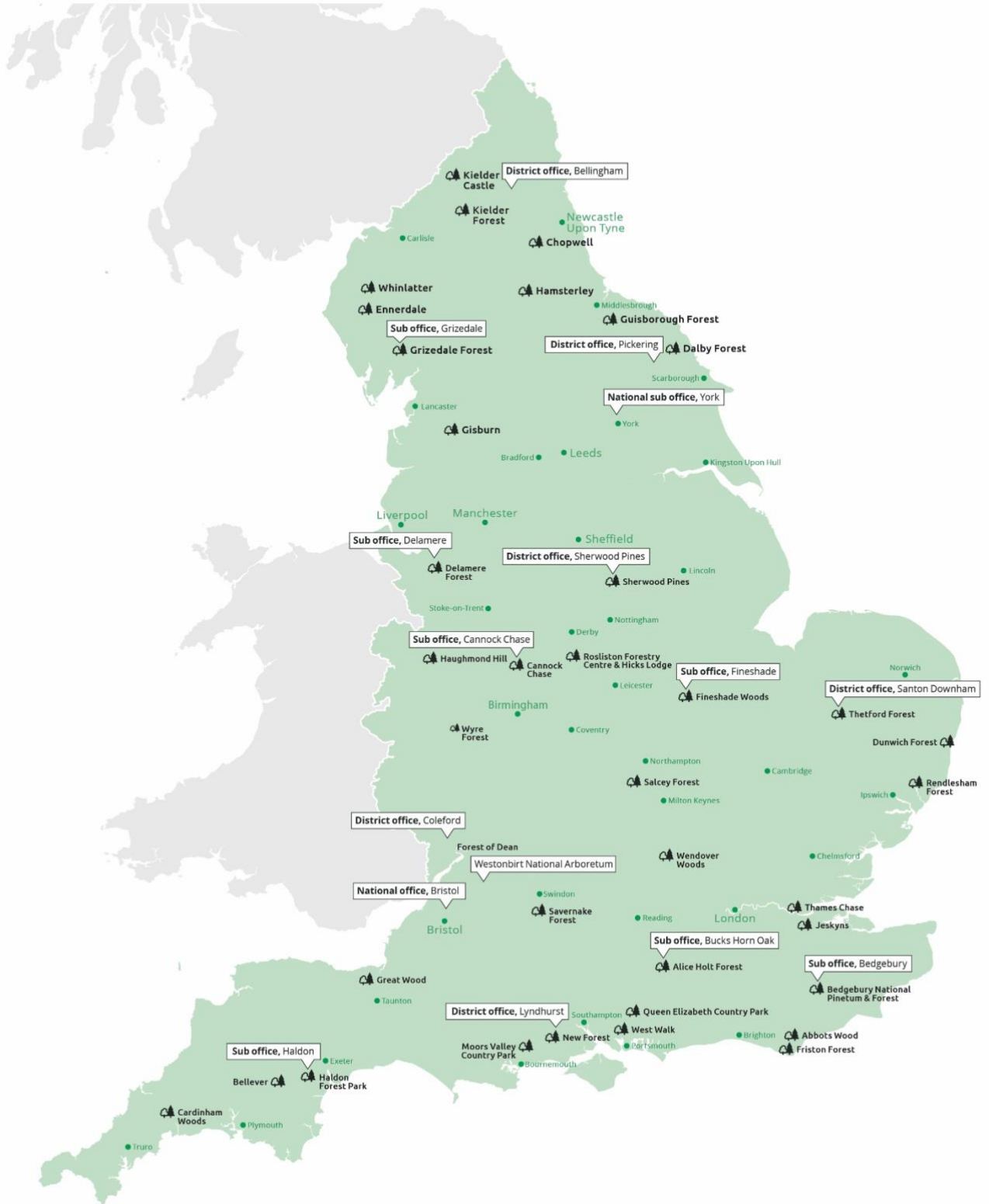
Be adventurous

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

Look out and look after

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

Our main sites and offices



Annual accounts

1 April 2021 - 31 March 2022



363 million
estimated visits
to the nation's forests



107 hectares
of new woodland planted
or committed to since autumn 2021



11.5 million
trees planted



1.1 million
cubic metres of
timber harvested



101,599
hours kindly given
by volunteers



49,126
households
are members
of their local
forest



41%
of people live within a
15 minute drive
to one of the
nation's forests

The nation's forests are vast and include:



199,568
hectares of
woodland



8,154
hectares of
peat bogs



18,907
hectares of
heathland

We planted...

65
different
species
of tree:

30
conifer

35
broadleaf

Seven species reintroduction projects

ongoing in every district
Including beavers,
chequered skipper butterflies,
pine martens and
pool frogs



98%
of SSSIs
(Sites of Specific
Scientific Interest)
are in a **favourable**
or **recovering**
condition



A valuable carbon store:

1.6 million

additional tonnes of CO₂
were sequestered
and added to the existing

46 million

tonnes of CO₂ stored in
living biomass, and nearly

142 million

tonnes of CO₂ stored in soils

Performance report

Overview

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

Foreword by Mike Seddon, Chief Executive

Set within the context of the coronavirus (Covid-19) pandemic I am immensely proud of what Forestry England colleagues, volunteers and business partners have achieved during the last year. People made more than 363 million visits to the nation's forests, participating in both adventurous activity and calmer pursuits, all of which have provided a much needed personal health and wellbeing recharge.

We have maintained a steady supply of timber to industry; increased forest resilience using more diverse tree species and land management techniques; welcomed new supporters and corporate partners, and our work restoring nature has gone from strength to strength. Our partnership with the Roy Dennis Foundation reintroducing sea eagles on the Isle of Wight exemplifies this and has positively captured media and public interest. Exiting 2021-22 Forestry England is in a strong position to drive forward our delivery of public benefits in the nation's forests.

Our exciting strategy **Growing the Future 2021-26**, launched May 2021, gets to the heart of three of society's most pressing issues - the biodiversity crisis; the climate emergency; and lack of human connection with nature. Our plan is aspirational, ambitious and challenging. It establishes clear priorities to guide our work over the next five years.

Our climate and art programmes were fully intertwined this year. We refreshed our commitment to work with Arts Council

England by signing a new memorandum of understanding in Grizedale Forest, which has hosted artists and artworks for over 45 years. Images highlighting the effects of climate change, from Earth Photo, a partnership with the Royal Geographic Society, were displayed at the UN Climate Change Conference in Glasgow (COP26). We also participated in a gathering of business leaders at COP26, signing up to Get Nature Positive.

The nation's forests have a significant role in mitigating the impact of the changing climate and we were excited to launch the Forestry England Woodland Partnership, which, supported by the Government's Nature for Climate fund, aims to create 2,400 hectares of new woodland over the next five years. We also received Nature for Climate funding to restore 827 hectares of peatland in Northumberland and progressed our commitment to phase peat out of tree growing in our nurseries by 2024.

A sustainable approach to managing the nation's forest is at the heart of what we do. An approach that is illustrated by our external accreditation by Forestry Stewardship Council's (FSC) and Programme for the Endorsement of Forest Certification (PEFC) of our forest management, and a new Forestry England Wild Meat brand, increasing the value and understanding of an essential by-product of forest and wildlife management. We have further developed plans to decarbonise our offices; commissioned work to inform how we handle 'scope 3' emissions associated with our activities; and continue to introduce electric vehicles into our fleet.

Without a doubt, there have been some less good, difficult events during the past year that have brought pressure on colleagues, their families and our business partners. These include financial challenges arising from the impact of lockdowns early in the year; flexing with changing Covid-19 regulations; cancelling large visitor events; and Covid-19 and mental health related illness. Beyond Covid-19 as the economy has expanded we have experienced some supply chain issues; struggled to recruit or retain some staff with specialist skills;

experienced one of the worst years for many in terms of outbreaks of tree pests and diseases, and latterly suffered locally significant wind blow during Storm Arwen in the North of England.

Throughout the year Forestry England teams have continued to exemplify and live our values: *Lookout and look after* and *Do it together* have characterised our organisational response to Covid-19 throughout the pandemic and other challenging situations. In tackling those challenges and when pursuing new opportunities and business growth, I have seen colleagues *Be Adventurous*, well-illustrated by the new Pedal and Play, Birmingham 2022 Commonwealth Games trail, at Cannock Chase Forest.

It is, of course, in the nature of people in our business to *Think beyond a lifetime*. This comes into sharp focus as we renew forest plans; create new woodlands, restore semi-natural habitats and reintroduce species; alongside developing the offer for people of the nation's forests as the wishes and needs of communities we serve change.

We have exciting plans for the year ahead, and I would like to share a heartfelt thanks to all Forestry England staff for the energy, commitment and expertise they deploy to turn policies and ideas into action.

Mike Seddon, Chief Executive of Forestry England



The Forestry England Compass

Like all organisations, we have things we want to achieve, and a plan for how we get there. By sharing them we make sure everyone stays focused on doing the things that will have the biggest impact. This diagram shows how everything fits together and we call it the compass.



Our purpose to secure and grow the social, economic and natural capital value of the nation’s forests is at the heart of everything we do.

Growing the Future: 2021-26 is the five-year plan that will enable us to focus our work so that we ultimately achieve our purpose and objectives.

Our objectives give us long-term direction. Growing the Future sets out how we will move forward with these objectives.

Our measures help us understand the difference we are making.

Our leadership behaviours are the positive actions we all take every day when working with others to make Forestry England a

successful organisation and a great place to work.

Our brand is about how we are perceived internally and externally and is unique to us. It includes our visual identity, the experiences we provide, and what we are like to deal with.

Priority outcomes

We manage the nation’s forests so they are productive and sustainable. Our management approach is continuously evolving in response to the biodiversity crisis, the changing climate, and the changing needs of society.

In May 2021 we launched **Growing the Future: 2021-26** which sets out our five-year priorities to achieve more, now

and in the future: for wildlife, for people and the climate.

Underlying and enabling our aims in **Growing the Future** is our core business of delivering 250,000 hectares of sustainable, productive, multi-purpose forests for public benefit and over 1,200,000 cubic metres of sustainable timber for the market. Running through our work we tell our story, raising awareness and understanding of what the nation's forests provide for all.

In addition to our published long term Key Performance Indicators, in **Growing the Future 2021-26** we have made five-year commitments, highlights include:

- At least 6,000 hectares of wild areas established
- Improved condition of Sites of Special Scientific Interest (SSSIs), ancient woodlands, open habitats and wetlands
- Visitor and staff demographics representing diverse communities
- One million hours of volunteer time given to the nation's forests
- At least 2,400 hectares of new woodlands created
- More diversity in our tree species and forest structures
- Improved reporting of accidents and near-misses
- Reduced greenhouse gas emissions

The full list of our targets can be found on: <https://www.forestryengland.uk/growing-the-future>

Throughout this second year of the Covid-19 pandemic, the nation's forests and visitor centres have remained open for business; providing a source of exercise and wellbeing for people and sustainable timber for industry. With much of our work taking place outdoors, many staff have continued to work on-site with Covid-19 safe measures in place, the remainder having office/site/home blended working arrangements. Public health controls have had an impact and have led to the postponement of Forest Live concerts and reductions in volunteering and education activities.

The year has seen:

- The first applications to the Woodland Creation Partnership were received in June 2021, with the first 80 hectares being confirmed in York
- The high level of visitor numbers seen through the pandemic has been maintained. Our opportunity now is to continue to attract and retain new and diverse visitors to the nation's forests
- The implementation of the Changing the Way We Work programme has taken learning from lockdown to improve the working environment for our staff
- By the end of 2021-22, we have restarted the investment projects deferred in 2020-21 and delivered £3.6 million of investment in the estate
- A Health & Safety project to further improve awareness, understanding and reporting.

We have finished 2021-22 in a strong financial position, having rebuilt our cash position whilst investing in the nation's forests.

Our natural capital account, reported in November 2021 (for 2020-21), has increased to £32.9 billion. The rise is primarily due to the record-breaking rise in visitor numbers.

Principal risks faced

- Recruitment and retention of staff, particularly in areas of specialist expertise: foresters and civil engineers. The risks this poses is to our capacity to deliver our work programmes and adverse impact on staff wellbeing arising from the workload.
- The shortage of supplies and contractors brings the risk of increased costs and delay in the delivery of work programmes.
- 2021-22 has seen exceptional levels of pest and disease outbreaks that have been managed and afforded through the current budget, but risk diverting resources and delivery away from planned work programmes.
- Covid-19 is still with us requiring management which impacts our visitor

offer, our work programmes, and our staff and volunteers.

Performance analysis

The narrative that follows gives a detailed view of how we have delivered Growing the Future 2021-26 in year one together with the challenges faced over the year.

For Climate

Our vision: Is for the nation's forests to be resilient to climate change, increasing the value of benefits they provide to communities by producing high quality sustainable timber and absorbing more carbon.

Woodland Creation

Forestry England has pursued opportunities for woodland creation with a variety of partners, planting or committing to 107 hectares of new woodland in 2021-22 with a further 1,168 hectares in the pipeline for consideration.

Forestry England Woodland Partnership

107 hectares of new woodland was planted or committed to in 2021-22 through the Woodland Creation Partnership. The Partnership is part of the *England Trees Action Plan* funded through the Nature for Climate fund. It will create significant areas of new accessible woodland over the next five years and be the mechanism through which we will deliver the commitment in Growing the Future to plant at least 2,400 hectares of new, high quality, predominantly broadleaf woodlands.

To deliver this ambition, the partnership was launched in March 2021, offering a leasehold approach to woodland creation. Applications have been received from private and public landowners across England that have been taken through a series of assessments. During this process, some of these applications have proved unsuitable for woodland creation because of site sensitivities, or because we are unable to reach an agreement with landowners.

A partnership with the City of York Council to create the 80 hectare York Community Woodland was the first site which was planted through the woodland partnership.



Figure 1: First trees are planted as part of the woodland creation partnership with York Community Woodland

Pleasant Forest, Kent

Planting began at Pleasant Forest in winter 2021 with a local community planting day and by the time the establishment of the woodland is completed in 2023-24, we will have planted 180,000 trees. Over 60 different tree and shrub species have been selected, including black walnut, atlas cedar, pignut, wild service tree, and coast redwood. We are delighted to be partnering with the Future Trees Trust to establish a sycamore progeny trial.



Figure 2: Pleasant Farm woodland design

Pleasant Forest will become a 119 hectare community forest near Maidstone, Kent, funded in partnership with Pieminster to create a new multi-functional productive woodland. Consultation with local people and partner organisations has informed the approach and design plan. Spread over five plots as pictured in the design above, the new forest will connect to existing trees and woodland to make bigger, better and more connected habitats.

The design for Pleasant Forest was presented with a ‘*highly commended*’ accolade in the woodland creation category at the All England Woodland Resilience Awards, which recognised exemplars of adaptive woodland management. This is an example of how we are integrating forest resilience into woodland creation through careful design and species selection.

National Highways: Lower Thames Crossing

A new 100 hectare woodland is being created at Hole Farm in Brentwood, Essex, in partnership with National Highways as a legacy to the Lower Thames Crossing, a major road infrastructure project. Consultation for the new woodland began in winter 2021 to inform the design and involvement of local people with the new

woodland creation. The woodland will provide a place for people to visit and for wildlife to thrive.

Forest Resilience

Building forest resilience is one of the main mitigations to the impact of climate change that the nation’s forests can take. We expect that climate change related challenges such as tree health and extreme weather events are with us for the long term.

Tree Health

This has been a challenging year with multiple tree pests and disease issues it remains to be seen if this level continues. In total there have been 306 Statutory Plant Health Notices issued that affect the nations forests, including:

- ***Ips typographus***: The larger eight-toothed European spruce bark beetle (*Ips typographus*) is starting to reach forests in Southern England. Frontline staff from Kent and East Sussex have battled to help stop the spread of the *Ips* beetle with sanitation fellings. This pest, if left uncontrolled, is a serious threat to Britain’s spruce-based forestry and timber industries. Following the approach in

continental Europe, *Ips* have been classified as a quarantine pest under 'Plant Health (*Ips typographus*) (England) Order 2019'.

- ***Phytophthora pluvialis***: Previously unrecorded in the UK, Forestry England teams in the South West have completed sanitation fellings in areas affected by this pathogen.
- ***Chalara Ash die-back***: In all of our Forest Districts there is ongoing felling of infected and dangerous trees.

Figures for all Statutory Plant Health Notices issued for pests and diseases in the 2021-22 financial year are as follows:

| Pest or disease | Nation's forests | Private |
|------------------------|------------------|---------|
| <i>C. parasitica</i> | - | 2 |
| <i>Ips typographus</i> | 3 | 7 |
| <i>P. pluvialis</i> | 1 | - |
| <i>P. ramorum</i> | 45 | 248 |

Storm Arwen

Our operations in North England suffered significant disruption to communications, access and power due to wind blow arising from Storm Arwen. The team responded expertly and professionally, with the safety of forest residents, staff and the public being the priority.

The assessment of damage has been complicated by subsequent storm events. Preliminary estimates suggest that somewhere between 500,000 and 800,000 cubic metres may have been damaged, extending over 2,000 hectares. We don't yet have data on the average tree size affected but it wouldn't be unreasonable to assume that the total number of trees damaged lies between 1 and 1.5 million.

Forest resilience research

A partnership with Forest Research has been initiated this year to generate new insight, scientific evidence and decision support tools to help build Forestry England's capacity to increase the resilience of the nation's forests through careful design and species selection. The partnership

agreement will fund almost £900,000 of work with Forest Research over five years.

Forestry England's virtual Forest Resilience Conference

Over 220 people attended Forestry England's virtual Forest Resilience Conference in November as part of the wider COP26 programme, with a range of talks covering policy, research and practice. 80 members of staff attended follow-up site visits, exploring the practical implications of forest resilience. A Forest Resilience Network Group was established to further share experiences and expertise between different districts and functions.

Growing superb forests

Underpinning all our ambitions in Growing the Future and all that Forestry England does is our expertise, experience and delivery in growing superb forests.

Timber

A growing economy has led to strong timber sales with record prices for green logs at £130 per cubic metre for this year and total timber income reaching £56 million by bringing circa 1.1 million cubic metres overbark standing to market. Tree disease has had a significant impact on our planned timber harvesting programmes with somewhere between one-fifth and one-sixth of our timber production resulting from sanitation fellings meaning we have had to change plans quite drastically and often at short notice.

Plant and seed supply

We have continued to modernise our nursery production practices, striving to improve efficiency and increase the resilience of our operations.

Significant progress has been made on two projects that will revolutionise the way that the Plant and Seed Supply unit operates. These projects were made possible due to the allocation of funding from the Nature for Climate Fund. The first, a new seed

processing unit, will house industry leading equipment and enable us to work with a greater range of tree seed species than ever before. The second project will upgrade the growing systems in our glasshouse unit at Delamere nursery. The process automation and expansion of the growing area will ensure that Forestry England can further develop indoor growing methods.



Figure 3: Glasshouse produced Miniplug seedlings - these are suitable for automated plant handling systems.

Through the summer the nursery team transplanted over one million ‘miniplug’ grown trees into the nursery fields. This method of growing helps ensure that we realise a high rate of success from our valuable seed resources whilst reducing pesticide inputs and labour requirements. A new automated transplanting machine was used for the first time in spring 2022, greatly increasing the efficiency of this process.

Following a review of future production requirements, Wykeham nursery closed in March 2022. All affected staff who wish to remain with Forestry England have been successfully redeployed.

In summer 2021, Delamere nursery was audited under the Plant Healthy assurance scheme and passed with flying colours. We continue to work on further improving our biosecurity measures, recently completing the renovation of a quarantine building which will be used for inspecting plant deliveries, and the installation of new footwear washing facilities. Future projects will soon deliver a vehicle washdown unit

and improved fencing to maintain the biosecurity of individual sites at Delamere.

Peat

Over several years we have been trialling alternatives to peat, which remains an important component of seedling growing media. Based on these trials we are confident we can fully transition to non-peat growing media, and we committed to cease purchasing peat for use in our tree nurseries by the end of the current Parliament.

Natural capital

Forestry England’s annual Natural Capital Accounts showed that ecosystem services worth £842 million were delivered to society from the nation’s forests during 2020-21. Recreation is the most significant contributor to this total (£700 million), followed by carbon sequestration (£126 million). The net present natural capital value of the nation’s forests forecast over the next 50 years is an estimated £33 billion. This is a substantial increase compared to the previous reporting year, mainly due to growth in recreation visitor numbers.

We are further embedding the principles of natural capital in our work through the development of operational support tools; early assessment of woodland creation sites so that woodland design can be optimised for natural capital outputs; and, by providing eLearning materials and webinars so that staff have a clear understanding of how their work relates to our natural capital approach.

Civil Engineering

2021-22 has seen the implementation and consolidation of significant changes in the civil engineering function. This has included the delivery of three new frameworks for completing civil engineering works, the implementation of new systems and processes for managing works delivery and the migration of all data to a centralised SharePoint site. In addition to the completion of cyclical auditing, these

changes have significantly strengthened the governance of the civil engineering function and the professionalism with which our works are delivered and managed. Wider external factors, such as increasing fuel and material costs are introducing new commercial challenges which will need to be monitored and managed in the months ahead.

COP26

The climate crisis continues to receive worldwide focus, with the COP26 conference in Glasgow taking place in November 2021. It was important to us to have the nation's forests represented at the conference and were pleased that our Chief Executive was able to attend. Activities at the event included:

- **Inter-agency climate change:** We joined a stand at COP26 to demonstrate the inter-agency commitments to putting nature-based solutions at the forefront of our collective response to the climate change emergency. Forestry England showcased information about Pleasant Forest.
- **Get Nature Positive:** Forestry England is one of 95 British businesses that have pledged to get nature positive by 2030 in a campaign launched by The Council for Sustainable Business (CSB).

We also had activities running on sites and online such as:

- **The Future Forests Collective** programme for businesses who are keen to invest in Forestry England's work by helping us to plant more trees and do more for wildlife and communities. The offer for corporate partners was shared to stakeholders in a short film released just before COP26 and shared further via a targeted campaign on LinkedIn.
- Forestry England online education hub.
- An online hub of climate change resources was created in time for COP26 specifically for teachers, initially aimed at Key Stage 3 students. These link to the four key messages of our climate campaign and how forests play an

important part in combatting the climate crisis.

- **Youth4Climate** attendees discovered more about the impact of climate change on trees, woodlands & forests; made behaviour change pledges and questioned us on the actions we are taking.



Figure 4: Young delegates at Westonbirt COP26 Youth4Climate Summit

COP26 art commissions

Forestry England ran several art commissions to showcase the work we are doing to adapt to a changing climate and to raise awareness about the role of trees and forests at COP26 during November:

- Earth Photo Exhibition:** Images from the category winners were displayed at COP26 simultaneously with images from 2021 entries at Moors Valley Country Park and Forest, (and later at Grizedale Forest). There were 2,663 entries from 267 photographers; three times as many as last year, with a 271% increase in the number of online visits to view the images.
- Treeline:** A film by UK based artist Ruth Maclennan was commissioned of forests and urban treelines, featuring footage from 94 individuals and audio recordings from 265 different locations around the world.
- Natural Error:** A digital commission with Rodell Warner, a USA based artist, compared glitches in technology with nature, seeing both as early indicators of a future larger crisis.

We are for the climate: COP26 and beyond

A communications campaign tied in with the COP26 conference, titled 'We are for the climate' was launched to raise awareness of how the nation's forests are mitigating the impacts of climate change. This took place both digitally and on-site with posters and banners.

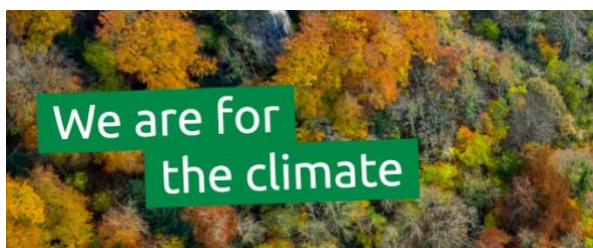


Figure 5: We are for the climate image

For People

Our vision: We want the nation's forests to be a living treasure for all, deeply connected to people's lives and improving the health and wellbeing of the nation.

Our work under Growing the Future aims to attract new audiences, and for visitors to reflect the richness and diversity of the communities served by the nation's forests. By developing and innovating our visitor experiences, we can provide first class customer services with a greater emphasis on inclusion, engagement and accessibility in meeting our ambitious targets.

Partnerships, both long standing and new, are critical to the delivery, development and expansion of our innovative, inclusive visitor offer. Throughout the year we worked closely with our on site business partners to ensure continuity of service for visitors and compliance with the latest government guidance.

Visits to the nation's forests

363 million visits have been made to the nation's forests this year, which is significantly higher than previous years' average figures. This follows the trend of 2020-21 where there was an increase in visitors of 35% compared to the previous year. This continued rise reflects the vital role the nation's forests have played in

people's lives this year as accessible outdoor spaces for recreation, exercise and contemplation.

Forests for Everyone - our visitors

We are ambitious to make a significant cultural shift so that the nation's forests truly feel like an inclusive welcoming place for all. In July 2021 Forestry England led a Forestry Commission wide report that investigated how we could better reflect and serve the communities and society of today. The range of actions are aligned with 'Growing the Future' and we are now starting to resource and implement its recommendations as a priority for 2022-23.

Inclusive woodlands

A design guide has been launched by the Landscape Services team in partnership with The Sensory Trust, to provide practical support for Forestry England staff involved in improving the accessibility of sites for people of all ages, circumstances and backgrounds.

Our visitor offer, events and programmes

The events and programmes that take place in the nation's forests are a central part of Forestry England's recreation offer and a key mechanism in widening our audiences and creating deeper connections. Some of these are national initiatives, however many are bespoke to local forests to meet the requirements of their visitors.

Active Forests

The Active Forests programme has continued to engage people through physical activity of walking, running and cycling as well as a wide range of local activities both self-led and facilitated including group fitness, orienteering, holiday activity clubs and archery. In the financial year across the 18 sites in excess of 1.3 million physical activity visits were recorded. The programme has supported less active people leading to a 49% increase in participants doing more

activity after engaging with Active Forests. Running trails usage is at its highest ever, and organised activity has grown since reintroduction following successive lockdowns. Parkrun returned to sites across the nation's forests with new events being added with 21 parkruns and four junior parkruns.

Forestry England and Sport England have been in partnership since 2014, first piloting and then embedding Active Forests as a financially sustainable programme of physical activity across England. We are working with Sport England on a new partnership agreement, which will see a much broader health and wellbeing focus, reaching previously unrepresented groups and helping those who need it most.

Breeze into the Forest

Breeze into the Forest, launched in partnership with British Cycling, has connected 106 women to nature through free group bike rides. The programme aims to increase wellbeing and confidence, leading to a lifelong cycling habit. Four Ride Leadership Award courses were delivered to over 31 volunteers in our visitor centres (Hamsterley, Cannock Chase, Wendover and Forest of Dean) to train new leaders to operate at 11 different forest sites.

Commonwealth Games legacy project

In association with the Birmingham 2022 Commonwealth Games, we have constructed new purpose built blue grade cycling trail facilities at Cannock Chase Forest, the venue for the mountain bike competition for the Games. Forming part of the Games legacy these facilities will aid cycling skill development.

In addition, an innovative 'Pedal and Play' facility for 3-11 year olds was opened in November 2021 combining learning to ride a bike with play. These initiatives have been delivered with £1 million of external funding in partnership with Sport England, British Cycling, Birmingham City Council, Staffordshire County Council, Cannock District Council and the Birmingham 2022

Commonwealth Games Organising Committee.



Figure 6: Children playing at Pedal and Play in Cannock Chase

Forest Runner

Over 2,500 people engaged in the 5k and 10k Forest Runner series held between September and November, sponsored by Merrel. An influencer campaign was run with groups This Mum Runs, We Go Outside Too and Muslim Runners to promote the events. Planning is now underway to deliver the series again in 2022.



Figure 7: Forest Runner event at Sherwood Pines

Piloting Forests for Wellbeing trails

Pilot wellbeing trails were launched at five sites during Mental Health Awareness Week in May 2021. Notices along the trails prompt people to pause, really notice nature and enjoy a mindful walk.

One of our visitors commented that they “really enjoyed reading the panels out to [their] young children” and that they thought it was “important to promote positive steps to support wellbeing from a young age.”

The trails have also been used by community groups and participants in our Feel Good in the Forest social prescribing project part of the Active Forests programme.

Feel Good in the Forest

In April 2021 ‘Feel Good in the Forest’, began delivering activities at Thames Chase Forest Centre in East London and Chopwell Wood near Newcastle. This initiative aims to improve physical and mental health. The supportive programme of activities, including weekly activities and bespoke group sessions for local community groups, supports participants to become more active, increase their confidence and create social connections. Many participants are referred by social prescribing link workers or local health and social care services and organisations. The impact of Feel Good in the Forest can be seen in the testimonials of participants:



Figure 8: Participants at Feel Good in the Forest in Chopwell Wood

“I attended [Feel Good in the Forest] every week from then on and could feel myself gaining confidence and becoming less anxious each week. I looked forward to Wednesday coming around each week. Eventually, my mental health improved greatly and my physical issues improved

too. Being in the forest brought me back to myself and the world seemed less scary. I realised that what I had been missing in my life prior to the pandemic was NATURE.”

Community payback project

Initial work in partnership with Community Rehabilitation Companies in Greater Manchester and Merseyside, funded by the Ministry of Justice concluded in June 2021. Findings showed increased participation and engagement from service users who benefitted from the forest based work programmes. The extension of the partnership is now being scoped.

“Service users are required to complete an exit questionnaire from CP and the feedback has been great. Compliance is above average and given the times we are working in; it demonstrates that it is an interesting and exciting community payback opportunity for people to attend in the North-West” (CRC).

“My mental health is bad, and I’ve had a rough time lately... I can work with others and get a bit of banter or if I need space, I can work by myself... You can already see the difference to the park we have made, it makes it more worthwhile... Having the Forestry England sign makes us look more professional ...The locals come over and chat to us which doesn’t normally happen. It’s meaningful work.” (Service User).

Trash Free trails

To inspire more people to take care of their favourite trails and connect more with the forest environment we have a new partnership with Trash Free Trails and their ‘A-TEAM’. This passionate group of volunteers are riders, runners and roamers dedicated to leaving a positive trace on their trails and in their communities through removing single-use pollution.

Unauthorised Mountain bike trails

Through the pandemic, there has been an increase in unauthorised mountain bike trail building, which has been a challenge to manage. We have updated guidance for

managing this, sharing our approach at an Institute of Chartered Foresters conference on the subject.

Trail hunting

In light of the legal proceedings involving a director of the Hunting Office, our Board made the decision to continue to suspend all trail hunting licenses in the nation's forests until all legal proceedings are concluded.

Refreshed memorandum of understanding with Arts Council England

Forestry England has signed a refreshed five-year memorandum of understanding with Arts Council England to bring ambitious contemporary artworks to the nation's forests. The ambition of both organisations is to address climate and environmental issues in the context of art and cultural production. Future projects will have a strong focus on biodiversity, climate, peoples' connection to nature, and mental health and wellbeing.

Covid-19

Our visitor offer has been impacted by the pandemic and the associated public health requirements. Our teams have responded quickly and flexibly to ensure we keep our visitors safe whilst enjoying the nation's forests. Learning from 2020-21 enabled us to build greater robustness into our Events programmes to minimise the impact of Covid-19.

Ticketed Events

Our popular ticketed events provide a different experience for our visitors and a source of income to reinvest in the nation's forests. Some of these events include:

Forest Live

Due to Covid-19 related public health controls the 2021 series of Forest Live concerts were postponed to 2022. Headline acts for Forest Live 2021 were rescheduled to June 2022, with 90% of customers

carrying their bookings forward, the remainder being refunded.

"We would like to say a huge thank you to everyone who has worked on a Forest Live concert. Our concerts are only made possible thanks to the staff and volunteers who are dedicated to bringing fantastic live music to audiences in our nation's forests. While it is hugely disappointing that we are going to have another year without Forest Live, it is great news for us and all our ticket holders that all acts have transferred to 2022." Hayley Skipper, Forestry England Director of Operations - Commercial Visitor Development

Winter Illuminated trails

Building on the success of our popular trails at Westonbirt Arboretum and Bedgebury National Pinetum and Forest we have extended our winter lights experience, opening a new trail in Delamere.

- Christmas at Bedgebury sold out, sales peaked at over 115,000 tickets
- Enchanted Christmas at Westonbirt sold out at 45,000 tickets
- Delamere Forest (first year) had final sales of 55,000 tickets

A new agreement with Sony and Raymond Gubbay Limited, who delivered our festive trails at Bedgebury Pinetum and Delamere Forest, will bring illuminated trails to other sites across England.



Figure 9: Delamere Illuminated winter trail 2021
Photo credit - Richard Haughton for MyChristmasTrails

Deepening connections

We want to connect everyone to the nation's forests. In Growing the Future, we have expressed the ambition to deepen connections with nature and the nation's forests.

Volunteering

Approximately 102,000 hours of volunteering were given this year. Volunteering has been recovering following a pause during the height of the Covid-19 pandemic. We appreciate all the work that volunteers do and all the hard work that they put into our organisation. Rod Gentry, one of our volunteers (pictured) in the South Downs National Park, won the National Parks' Volunteer of the Year Award for England and Wales. Rod was chosen by the public for his essential support in balancing the needs of visitors and the management of the nation's forests.



"In managing the Friends of Friston Forest Facebook page, Rod has fostered a sense of community among its diverse user groups. The horse riders, the dog walkers, the runners, the cyclists all find a place they can be visible and have a

voice, and through Rod carefully mediating the chat to keep it local and relevant, people find a common ground - a shared respect for the forest and the wider National Park and a desire to look after it."
Jadie Baker, Community Ranger in South Downs National Park

Shadow Rangers

The Shadow Ranger volunteer scheme supports individuals with an interest in forestry to gain practical experience in roles across all elements of our business. It has run successfully in Central England Forest District for 17 years. Through 2021-22 preparations have been made for a phased rollout of shadow rangers across the



country, with new intakes starting in March 2022.

Figure 10: A current shadow ranger and one of our mentors

"I used my experiences through the Shadow Ranger Scheme to progress onto an apprenticeship as a Visitor Services Assistant." Ex Shadow Ranger Jacob

Education and Learning

Our long term aim of working with school and educational groups is that 'Every child in England benefits from an educational engagement with the nation's forests and understand how Forestry England looks after them'.

To help us achieve this aim, this year we have focused on:

- creating a new forest curriculum, looking at what makes a young person forest literate.
- developing new online educational resources to support those that cannot visit a forest.
- reviewing our forest visits offer, including our "Ranger in a bag", a self-led offer that introduces different career opportunities in the forestry sector.

Learning engagements

During 2021-22 a total of 27,623 young people were engaged in an educational offer in our nation's forests. This is a very

promising turnaround after the impacts of the pandemic last year.

Membership

Membership sales for the year 2021-22 have remained strong and at the end of the financial year there are almost 50,000 households with a membership (around 119k individuals). This is 38% higher than at the end of year previous year, (22% if you exclude Bedgebury, a site where membership was not previously operated by Forestry England).

Growing our membership is an important way that we can deliver our purpose of connecting people with forests. By developing further our connection with members, we can proactively tell our story, and develop a deeper relationship with supporters for the future. This will increase our brand awareness and create an understanding of our work and our cause.

We are continuing to develop a National membership offer for 2022-23 that will enable members to visit forests across England and help us to tell our story.

Forest Fund

The Forest Fund was launched online in December 2021 where we asked people for £10 per square metre of forest to help us care for the nation's forests. The donations will help with woodland creation, woodland restoration and the creation of wild areas.

Individual giving

Our tree planting fundraising partnership with Country Life magazine came to an end in September 2021. In South District, the capability has been set up to receive donations by phone at three car parks in the New Forest. We are working with East and North Districts to make donations possible in three additional car parks.

Reaching wider audiences

Obtaining feature pieces of media coverage is important in helping to increase brand

awareness, engagement and understanding of our work and the nation's forests. We were pleased:

- To feature in three forest focused films, broadcast by Good Morning Britain, covering history, wildlife, recreation and wellbeing
- Channel 5 aired a 4-part series of hour long films called the "Secret Life of the forest", filmed exclusively in Kielder Forest.

Listening to our visitors

Active management of our social media presence both nationally and locally has been a key channel of communication. It has kept visitors updated with the impact on our visitor offer from the changing Covid-19 guidance; informed about improvements to our services; as well as handled the many varied viewpoints that activities evoke.

Listening and responding to our visitors and stakeholders is of utmost importance to us. Although we are always sorry when something has occurred that means someone needs to complain, our approach is to take all complaints as an opportunity to learn and improve our service wherever possible. Nationally, in 2021-22 we received 447 complaints. The top five themes are Hunting, Recreation, Events, Land Management and Site Maintenance.

Web and social media

In the past year, our online audiences have continued to grow, with a 75% increase in web visitors since 2019, our national social supporter network grew by 11%, district social supporter network grew 13%, and our engaged email subscriber network grew by 15% across our social media channels.

Over 1,200 people entered their forest photos in the annual online #AutumnLeafWatch photography competition during September and October, showcasing the beauty and breadth of the nation's forests.

The website has undergone work to make it easier to use by those with physical or cognitive disabilities. We've also improved the visitor information about car parking and disability access.



Figure 11: Photo credit: Daniel Isted, Shortlist winner of #AutumnLeafWatch photography competition through a public vote on Facebook.

For Wildlife

Our vision: The nation's forests will provide the most valuable places for wildlife to thrive and expand in England.

2021-22 saw Forestry England take a deep look at its plan for biodiversity, talking about what we want to deliver, and announcing a grand ambition within "Growing the Future".

Wilding

Working with partners, we have started towards our 2026 target of delivering a further 6,000 hectares of forest wilding, building on our experience at Wild Ennerdale.

Wild Ennerdale is a landscape-scale natural process led restoration project that covers more than 4,000 hectares of land in the

western Lake District, established 17 years ago by four partners, Forestry England, Natural England, National Trust and United Utilities. Natural England is planning to designate the valley, including its conifer forest, as a National Nature Reserve in early 2022. This year:

- the planting of 20,000 native trees (including juniper, rowan, birch, scots pine and mountain willow) has been successful despite summer droughts.
- 15 dedicated volunteers have helped erect fenced enclosures where planting for 5,000 trees can now go ahead next year
- the partnership commenced a public consultation about proposals to reintroduce free-living beavers.

"In Ennerdale there is a positive driving force to create a diverse range of habitats that are just fantastic for the biodiversity."



Peter Ulrich, local ornithologist

Figure 12: Expanding Natural Woodlands

Habitat restoration and condition improvement

SSSI / Planted Ancient Woodland Site (PAWS) condition update

We continue to maintain a high percentage of SSSIs in favourable and recovering conditions. Further analysis shows that we are particularly successful at certain habitat types:

- 89% of our 9,000 hectares of lowland heathland SSSIs are in favourable condition, ahead of the national average of 43%

- 77% of our 8,000 hectares of upland bog SSSIs are in favourable condition, ahead of the national average of 12%
- We also make steady progress on the restoration of our PAWS, with 2,049 hectares worked this year
- On open habitats, we created 2,149 hectares this year. As a percentage of the nation's forests this habitat has increased every year since our open habitats strategy started in 2013; moving from 16.79% to over 18% open habitats, with nearly 3,000 hectares of open habitats created

Peatland restoration

Work has continued on the collection of 55 peat bogs in Northumberland known as The Border Mires. Following on from our successful Defra Funded project in 2020, Forestry England has continued with restoration on a further five Mires in 2021-22. The removal of self-seeded trees and the blocking of drains has improved the condition and hydrology of a further 126 hectares of peatland.

Later in 2021, in partnership with the Border Mire Committee, Forestry England secured over £1 million of funding from the Nature for Climate fund. This will enable a four year project to restore 827 hectares of peatland across nine Mire sites.

“With the world focusing on climate change and the recognition that action must be taken to save the planet, I am proud to say that I work for Forestry England and that I have helped facilitate and worked on the conservation and restoration of these diverse and important habitats. Being involved in the work makes me feel that I am helping to make a difference and having a positive effect for future generations of people and wildlife while contributing to helping to save our planet.”- Wayne Penrose, Ecologist, Forestry England.

North Somerset Council and Network Rail

Forestry England is enabling North Somerset Council and Network Rail to undertake geotechnical works on the escarpments and cliff faces of the Avon Gorge in Bristol. We

are also providing them with an area to undertake habitat compensation works.

Species reintroduction

Each of Forestry England's six forest districts undertook species reintroductions in 2021-22; some highlights include:

- Continuing the restoration of pine martens to the Forest of Dean, white-tailed eagles to the Isle of Wight, pool frogs to East Anglia, alongside delivering the final year of Restoring Ratty - one of the largest water vole reintroductions ever attempted
- 18 chicks successfully fledged from five nests in the nation's forests and two private estates as part of the Northumberland Hen Harrier Protection Partnership
- Notable success from 'Back From The Brink': a five-year Heritage Fund species recovery project with which Forestry England was closely involved. These included ladybird spider translocation in Dorset, accelerating veteran tree development in several locations, restoring open habitats in Thetford, reintroducing chequered skipper butterflies in Rockingham, and monitoring pine marten recovery in Kielder
- Our two captive beaver projects continue to go from strength to strength, and with the public consultation in Wild Ennerdale, we await the government's decision next year on the long term future for beavers in England with enthusiasm

Our People

Our vision: We are one Forestry England. We support each other to work to our values, to be healthy, motivated, engaged experts; enabling us all to make our best contribution. We are a diverse workforce representing the people we serve.

None of our work would be possible without the people that work for Forestry England.

Growing the Future has three major commitments to Our People as we continue to strive to be an employer of choice and for an inclusive workforce that reflects the communities of the country:

- to invest in our staff to enable all to thrive
- to improve our working environment
- and to make more progress under our lookout and look after values.

The major initiatives taking forward these aims are the People Plan, the Health and Safety Culture project and Changing the Way We Work.

Recruitment and retention

As the economy and interest in woodland creation grows we have encountered recruitment and retention issues in specific areas of required expertise, including foresters, land agents, HR and civil engineers. This has been identified as a significant risk.

Investing in staff

Leadership - Professional Manager Programme

We have introduced the Professional Manager Programme, designed with the input of staff. It delivers around 50 hours of learning and development over six months. In this first year over 120 colleagues have joined the programme.

Ofsted

Forestry England had a new provider monitoring visit by Ofsted Inspectors in March 2021 which resulted in an especially positive report. We are anticipating a full inspection will take place within the next 24 months.

Graduate programme

Forestry England currently takes two graduate trainees every year as part of our talent and succession planning. They are trained on the job for over two years,

covering frontline management and national programmes.



Figure 13: Graduates on the Isle of Wight helping with our White-Tailed Sea Eagle species reintroduction project.

Apprentices

Forestry England has 21 apprentices. Two of them were filmed for a video case study by the Institute for Apprentices and Technical Education which was shown at COP26. 15 of the 21 are Forest Operatives receiving training from Forestry England Technical Training staff and are scheduled to complete their apprenticeships at the end of 2021-22. Three of the 15 are also receiving recreational focused training which will make them more versatile across the organisation on completion of their apprenticeship and ensure there are comprehensively trained staff to fill vacant posts.

Forests for Everyone - our staff

A report on the inclusion of Black, Asian, Minority Ethnic and minority religious communities was completed in April 2021. Recommendations to increase inclusivity included improving recruitment processes; targeted external marketing and communication; and developing visitor services. The report and recommendations were approved by the Forestry Commission Executive Board and Commissioners and have been remitted to Forestry England, Forest Research and Forest Service to develop and implement action plans.

People Plan

The Forestry England People Plan is a five year programme of HR projects which has been developed to support the values and strategic direction of Forestry England. It sets out a clear picture of the organisation we wish to be: an outstanding organisation, attracting and retaining the best people and developing individuals, teams and leaders to help us achieve our objectives.

Rainbow Canopy LGBTQ+

Rainbow Canopy has been rebranded and launched during 2021-22. This staff network is committed to fostering an inclusive environment where everyone can be themselves and achieve their best.

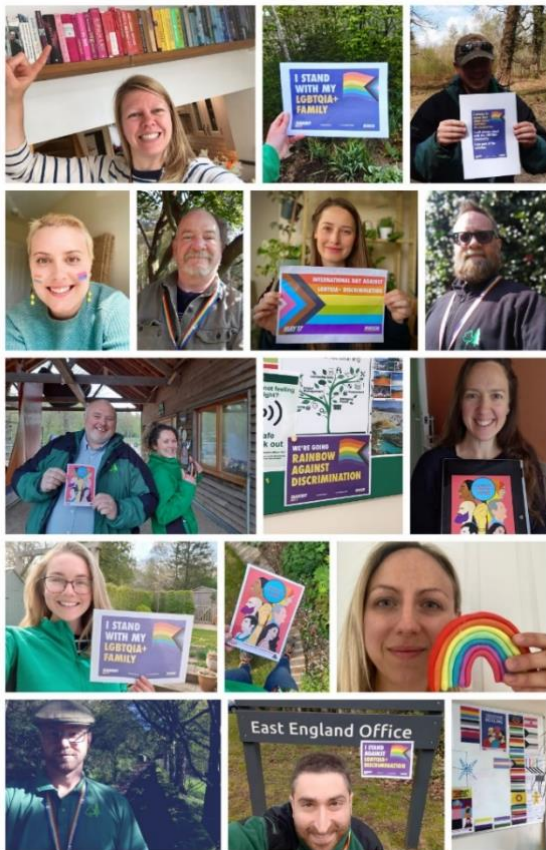


Figure 14: LGBTQ Campaign

Women in Forestry programme

This year the programme has been working to improve welfare facilities for female staff who work away from our standard facilities; helped to introduce female suited PPE; delivered Equally Yours, a board game to help people think around issues of

diversity and inclusion; and introduced ‘Challenge it, change it’ a suite of internal materials which address gender assumptions and negative bias towards women.

Improving the working environment

Changing the Way We Work

Changing the Way We Work is a Forestry Commission wide programme led by Forestry England that has evolved working practices and introduced blended working arrangements. A suite of guidance and training has been developed to help staff working from home to help achieve a healthy work-life balance, set up workspaces effectively, stay connected, and look after mental health.

The programme focussed on the following themes:

- creating a blended working offer
- reducing travel in Forestry England
- a move to virtual and blended meetings where appropriate
- providing staff with the IT equipment and systems required to do their work wherever they are based
- adapting our workplaces to meet changing patterns of use
- maintaining cohesion with our teams through regular site based, face to face as well as online contact

Smarter ways of working

A recent audit by a cross-government team found that The Forestry Commission is what they consider a ‘mature smarter working organisation’. The audit team met with colleagues from Forestry England and Forest Research, particularly noting the very strong leadership commitment to smarter working and several areas where “fantastic work is being done”. This is a strong and welcome assessment of the work done across Forestry Commission to modernise its ways of working led by Forestry England.

Smarter ways of working in a modern Civil Service is: “Providing a flexible and accommodating working environment

whereby people can choose where to work from, to provide the best, most efficient outcome to enable the organisation to meet its objectives in a fast-changing environment.”

Connectivity and network improvement project

The programme continues to improve connections for business sites across the country. Several sites have been successfully upgraded including Whinlatter and Hamsterley. In addition to this, an initial group of 24 sites have been selected for brand new fibre connections.

SharePoint Rollout

As part of the cross-Forestry Commission Valuing our Information project, the preparation for, and the start of the rollout of SharePoint across Forestry England has commenced. This is a two-year project that will ensure more efficient and effective management of our information enabling more effective working practices and decision making. Eight areas of the business have migrated to SharePoint with a further 22 planned to migrate in 2022-23.

Smarter Customer Connections Programme

We have procured a new digital system that will help us to securely hold, understand and make connections in our customer data. With this new system and the insight that it will provide, we can improve our customer service, have a better understanding of our visitors and the people who support us, and make informed business choices that will help us to grow for the future. Replacing legacy systems and providing new software solutions for some of our work that is still largely paper based, this business improvement programme will touch all parts of our business over the next two years.

Health and safety culture project

The culture change project was launched to increase awareness, understanding and reporting of safety issues. Since it was launched in 2021, a consultant report has

identified key priorities and actions that are now being implemented accompanied by an in-depth communications plan that has helped ensure staff are engaged with the messages.

In February 2022, a workshop ran with the Senior Leadership Team to further develop the vision and strategy for health and safety culture which will then be rolled out to wider staff groups.

Our sustainable business

Our vision: Is to put sustainability at the heart of the nation's forests and all that we do.

We are committed to evolving our business. The aims set out in Growing the Future ensure that the valuable benefits delivered by the nation's forests are secure and resilient against environmental and financial impact.

Our day-to-day work relies on hundreds of commercial agreements with third party suppliers and contractors. This year our supply chain has been impacted by Covid-19 resulting in challenges to our delivery. We have absorbed increases in the cost of raw materials whilst also managing shortages of materials or the necessary labour. We have worked to increase both the proportion of self-generated income, and awareness and understanding of the Forestry England brand.

Sustainable Business Policy and Strategy

Forestry England are engaged with the Defra sustainability leadership group who are focusing on reaching the revised Greening Government commitment (GGC) targets up to 2025. We are now working with consultants to refresh our approach to reducing our greenhouse gas emissions, including considering the handling of 'scope 3' emissions. The sustainability report within this Annual Report contains further information.

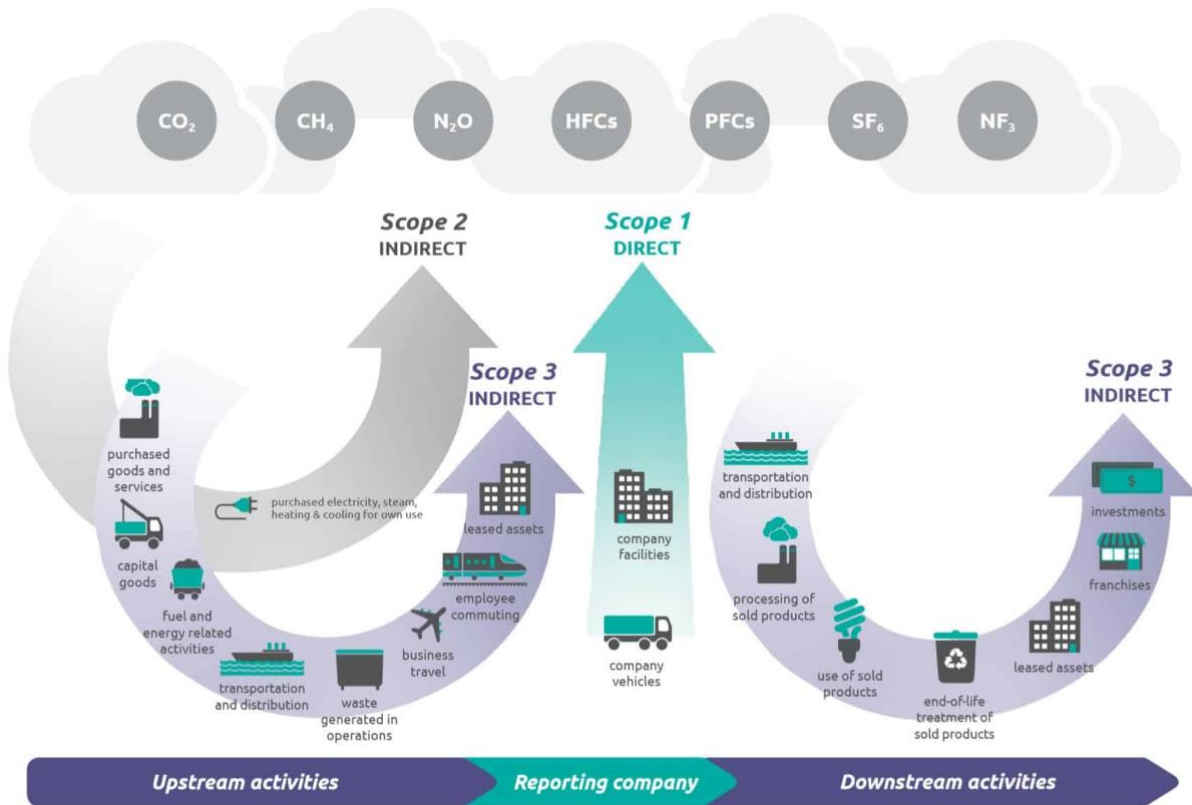


Figure 15: Indirect and direct emissions

Electric vehicles

Forestry England are ahead of Government targets to have at least 25% of our fleet in the category of full electric vehicles by the end 2022. The global shortage of semiconductors used in vehicles has slowed delivery of new fleet during the year. However a further 20 electric vehicles arrived in the last quarter of 2021-22, increasing the overall numbers of electric vehicles being used in the business to 49.

Delamere Forest Visitor Centre

During June 2021 a socially distanced, outdoor event was held to celebrate the completion of the new £9.3 million Forestry England visitor centre at Delamere Forest. Subsequent work includes the introduction of play facilities, redevelopment of the trails and improvements to the event arena area, all of which will help position Delamere Forest to meet the needs of the many hundreds of thousands of visitors who come each year, as well as the income targets in our long-term business plan.

Delamere Forest Visitor Centre was also awarded the following awards:

- Construction News Awards 2021:
- Finalist in the Project of the year under £20million category
- North West Regional Construction Awards 2021:
- Finalist in the Value Award, Sustainability Award and Sub-region Project of the Year - Cheshire, Wirral and Warrington
- Winner of the Value Award

As a result of winning the Value award at the North West Regional Construction Awards 2021, the project was then a finalist and the winner in the Value category at the National Construction awards.

Housing strategy

We are making plans to reinvest in the housing stock that forms part of the nation’s forests. We have completed an assessment of the standard of each property to inform our forward work programme. This work will contribute to our goal of reducing carbon emissions from the nations forests.

Financial sustainability

Financial sustainability is critical to the long-term security of the benefits delivered by the nation's forests. We aim to improve our financial sustainability and resilience with more diverse, robust and long-term income streams. By increasing our commercial income we can invest more in the nation's forests and maximise the public benefit they provide.

Investment Programme

Over the last year, we had 50 diverse projects within our investment portfolio including:

- Forest Visitor Centre developments
- Plant and Seed Supply - including improving our capacity to supply seed and plant stock to support the growth in tree planting across England
- Staff welfare provision - we have 1,500 buildings across the estate and have several projects to refurbish and modernise our facilities
- IT projects - ranging from updating our timber sales platforms to improving our systems to help us engage with visitors to our forests and events
- Net Zero - including solar photovoltaics and hydro-electricity projects to support our aim to be net zero by 2030

New charging structure for third-party activity

In April 2021, a new national charging structure for our third-party permission activity was introduced. This is part of our improvement programme and supports our aim to provide high quality recreation activity sustainably and to generate income where appropriate to reinvest in the nation's forests. Income from permissions goes directly to caring for the nation's forests and managing any impact, such as infrastructure maintenance.

Investments and Joint Ventures

Forest Holidays

Forest Holidays is a successful leisure business operating environmentally sensitive cabins set across eight sites set within the nation's forests. In March 2022 the Forest Holidays Board took a decision to issue a prospectus to the market with a view to seeking a new majority investor. Under terms of the Investment Agreement Forestry England is obliged to support the sale, which completed on 27 April 2022, when Sykes Holiday Cottages acquired the controlling stake in the business.

Camping in the Forest (CiTF)

Forestry England and Forestry and Land Scotland have committed to a new direction for Camping in The Forest (CiTF) by acquiring the business from The Camping and Caravanning Club (CCC). To ensure a seamless transition, the 16 CiTF campsites will be operated by the Club in 2022, maintaining the highest levels of service and experience for customers.

Corporate partnerships

This year Forestry England has benefitted from over £750,000 of corporate support to enable the planting of over 424,000 trees and contribute to wildlife conservation projects across the nation's forests. We have also confirmed agreements for over £1.1 million of corporate support from financial year 2022-23 to 2025-26. Some recent highlights of our corporate partnerships programme include:

- Our biggest partnership yet - a five year collaboration with AstraZeneca to plant 1 million trees at various Forestry England sites by 2025 as part of their AZ Forest initiative. Planting has started this year at Thetford Forest
- Our campaign with Pieminister which raised funds to plant over 8,600 trees at Pleasant Forest in Kent and put the Forestry England brand in the shopping basket of 1.5 million UK consumers.

- Our four year partnership with DPD to plant 16,000 trees to support biodiversity and local communities
- Tropic Skincare who have raised funds to plant 7,000 trees at Queen Elizabeth Country Park and supported the installation of a nest cam for Goshawks in the Forest of Dean, as our first Future Forests Collective member

Forestry England Wild Meat

Forestry England Wild Meat is the new brand under which some of our venison and feral wild boar will be sold and a narrative has been created based on sustainability, lead free and naturally wild meat harvested from well-managed forests. We are also working with new partners and game dealers Highland Game and MC Kelly to promote our wild meat and have sold 241,000 kg of wild venison and 14,000 kg of feral wild boar totalling £322,000 since April 2021. This includes selling 1000 kg of wild venison to the East Lancashire Hospital Trust, which the Trust's award-winning catering team has used to create much-loved meals including venison pie and Lancashire venison casserole. These are top-rated by staff and patients. In October 2021 our wild venison



was available to buy from Farm Wilder, a collaboration with MC Kelly to sell highly sustainable and wildlife friendly meat, and Highland Game has rebranded their packaging and truck livery to include the Forestry England logo.

Figure 16: Highland Game has rebranded their packaging and truck livery to include the Forestry England logo

We are Forestry England.

We are growing the future.

Key performance indicators

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

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

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

Within the Framework, the Key Performance Indicators published within this account are those measures that relate to overall organisational purpose as well as key policy

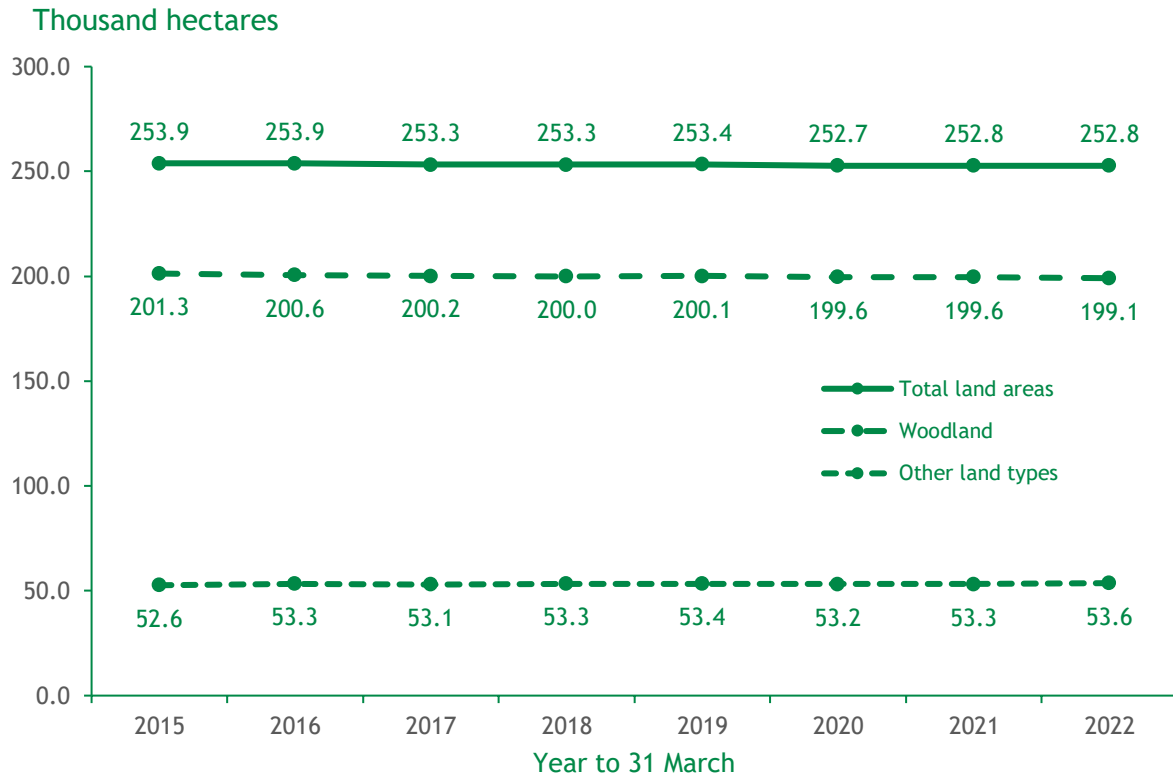
requirements. They are long-term measures, calculated and reported annually.

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

This 2021-22 year is the second year that we have used this new suite of KPIs.

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

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

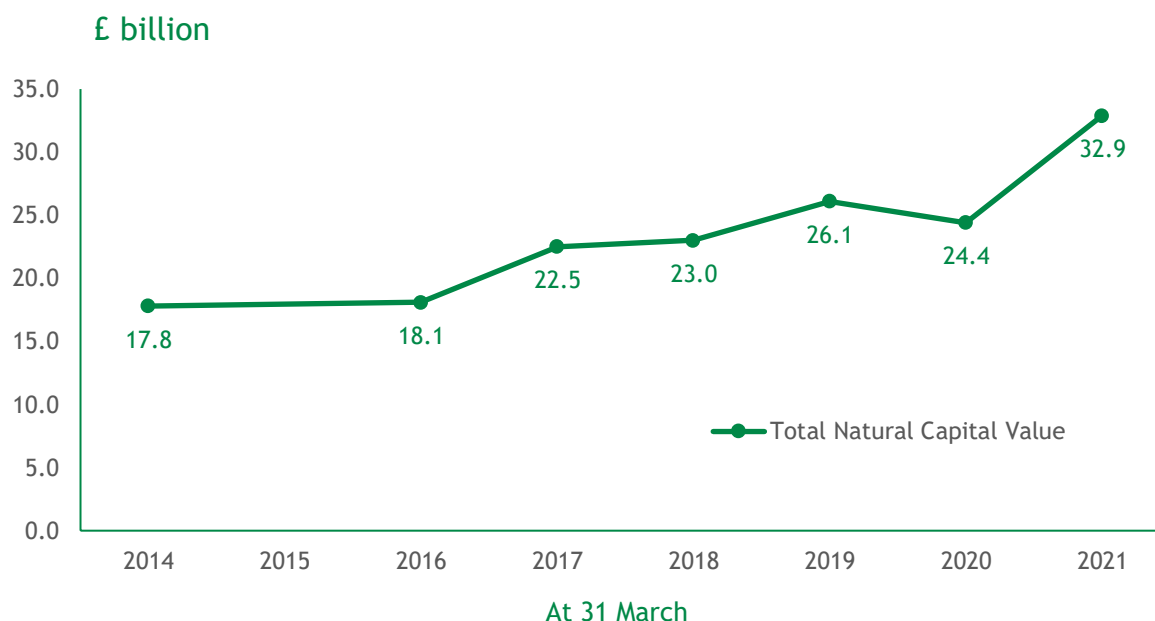


The total area of the nation’s forests - those forests which are owned freehold or through leasehold by Forestry England - has been maintained, with very little change since last year. ‘Woodland’ area has gone down by approximately 400 hectares in line with longer term trends, but this KPI rarely sees substantial annual change, and has broadly remained the same since 2014.

NOTE: ‘Woodland’ here is a broad category that includes some open spaces within

woodlands (for example, recently clearfelled sites), rather than just those areas with current forest cover as of 31/03/2022. The chart shows the area in thousands of hectares. At the end of 2021-22 our total area is 252,785 hectares. Previous years’ woodland and other land types areas have been adjusted due to an amendment in the method of calculation and rounding from the total land areas. The total land areas are unchanged.

Total natural capital value of the nation's forests



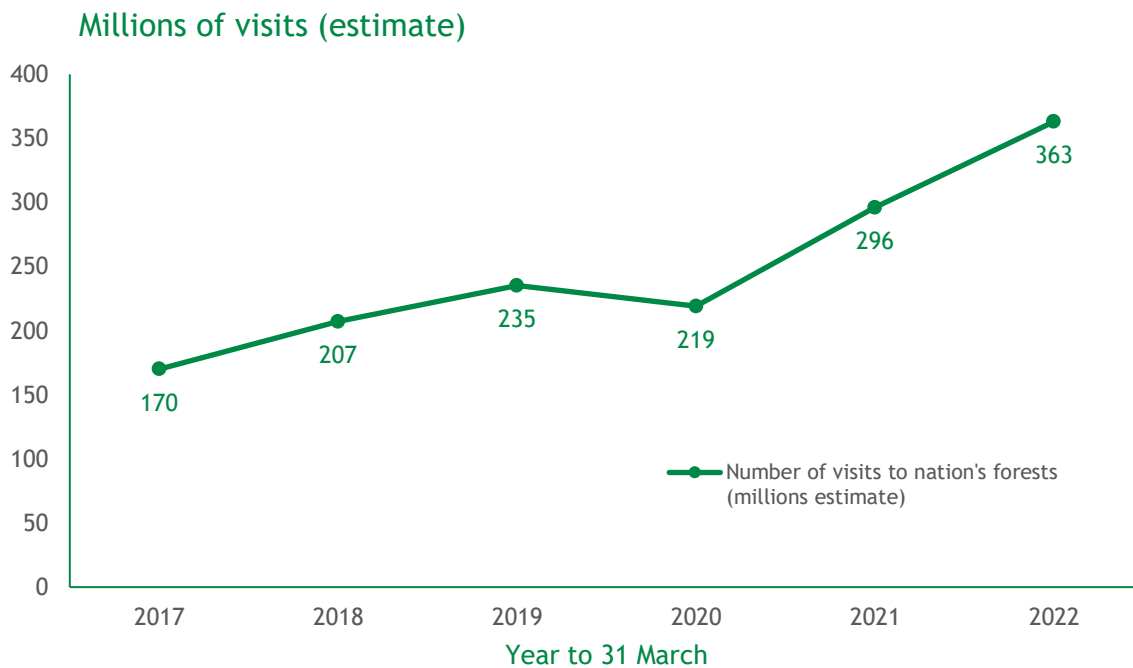
The total calculated natural capital value for the reporting year 2020-21 is **£32.9 billion**. Approximately £22 billion of this is due to recreation and public access, and £11 billion due to carbon sequestration. Due to the timing of producing our natural capital accounts, this figure is based on data from the financial reporting year, and so is always one year behind the Annual Report and Accounts. This year's increase is due largely to the change in the estimated visits number to the nation's forests within 2020-21. The 2020-21 estimated visit numbers saw a substantial increase compared to 2019-20 (see below), and

because the natural capital value is primarily comprised of recreation and carbon sequestration, this has led to the large increase in natural capital accounts valuation.

NOTE: The natural capital accounts include monetary flow figures for each ecosystem service. The total natural capital value is the net present value projected across the next 50 years. The net value of the annual monetary account for 2020-21 is £842 million.

We did not produce a value for 2014-15.

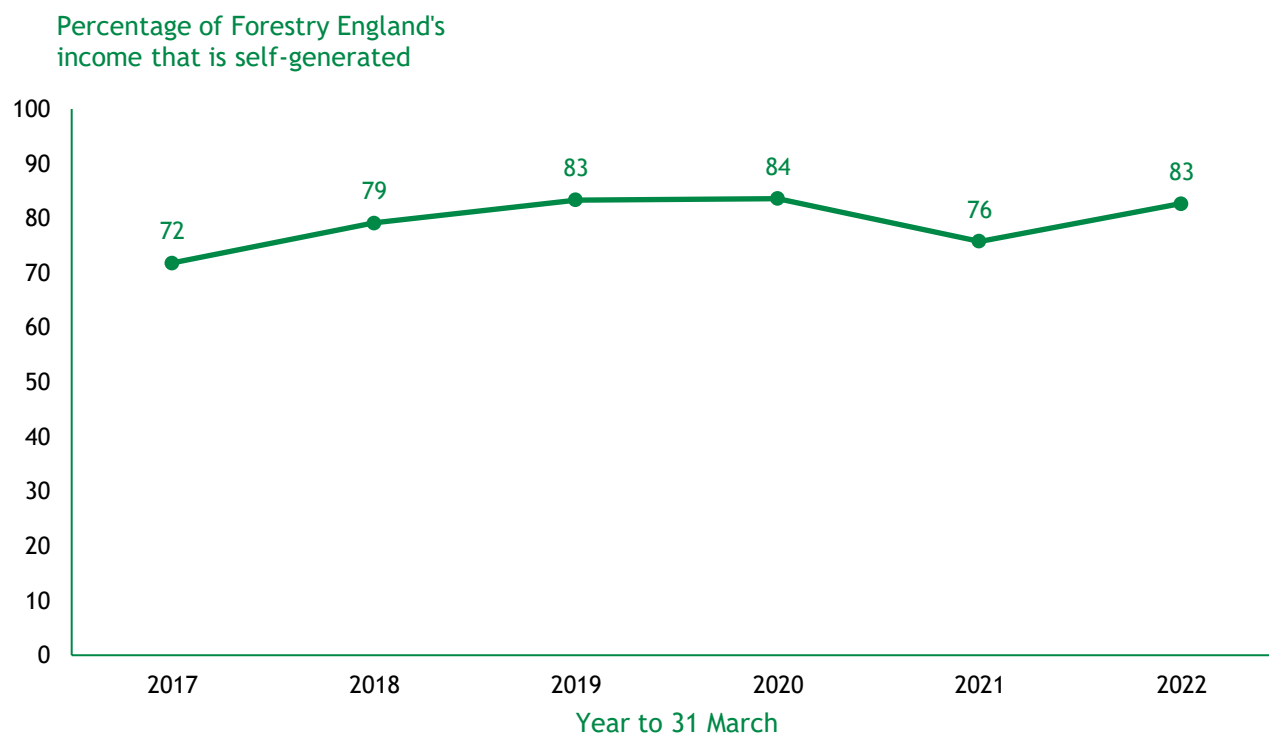
Public engagement - number of visits to the nation's forests managed by Forestry England per annum



The total modelled estimated visits to forests managed by Forestry England is 363 million visits for 2021-22. This is the second consecutive year to see a substantial increase compared to the previous year, with estimated visits to our entire estate rising from 296 million in 2020-21 to 363 million this reporting year.

Although we cannot determine the precise reasons for this increase, the survey results that inform this measure suggest that the bulk of this increase has been driven by more people visiting between once a month and twice a week, and that fewer people this year are saying that they do not visit our woodlands for outdoor recreation visits when choosing to visit forests.

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



This indicator shows how much of our income is self-generated and indicates the level of our reliance on government funding. Mineral income is classified as public sector income and is not included as self-generated income.

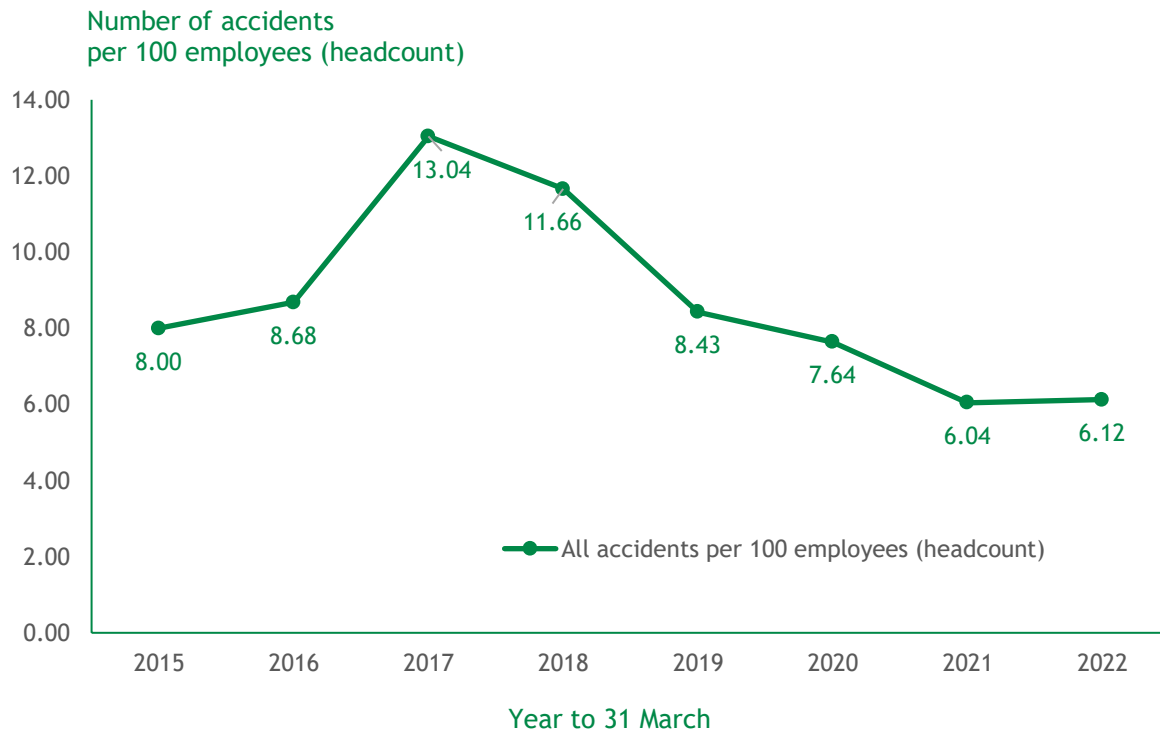
Due to Covid-19, the additional support funding provided by Defra and the Forestry Commission reduced the percentage of

self-generated income in 2020-21. Scheme specific grants, for example the England Tree Planting Programme, would reduce the percentage of self-generated income and can also alter the composition of funding over time.

In 2021-22 we self-generated £93 million of income (83% of total), compared to £82 million in 2020-21 (76% of total).

| Attributable to government | 2016 17 | 2017 18 | 2018 19 | 2019 20 | 2020 21 | 2021 22 |
|----------------------------------------|---------|---------|---------|---------|---------|---------|
| Percentage of total incoming resources | 28% | 21% | 17% | 16% | 24% | 17% |
| Consisting of: | | | | | | |
| Mineral and CJRS income | 1% | 1% | 1% | 1% | 1% | 1% |
| Scheme specific Defra grant funding | | | | 0% | 1% | 0% |
| Forestry Commission core funding | 28% | 20% | 16% | 15% | 22% | 16% |

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



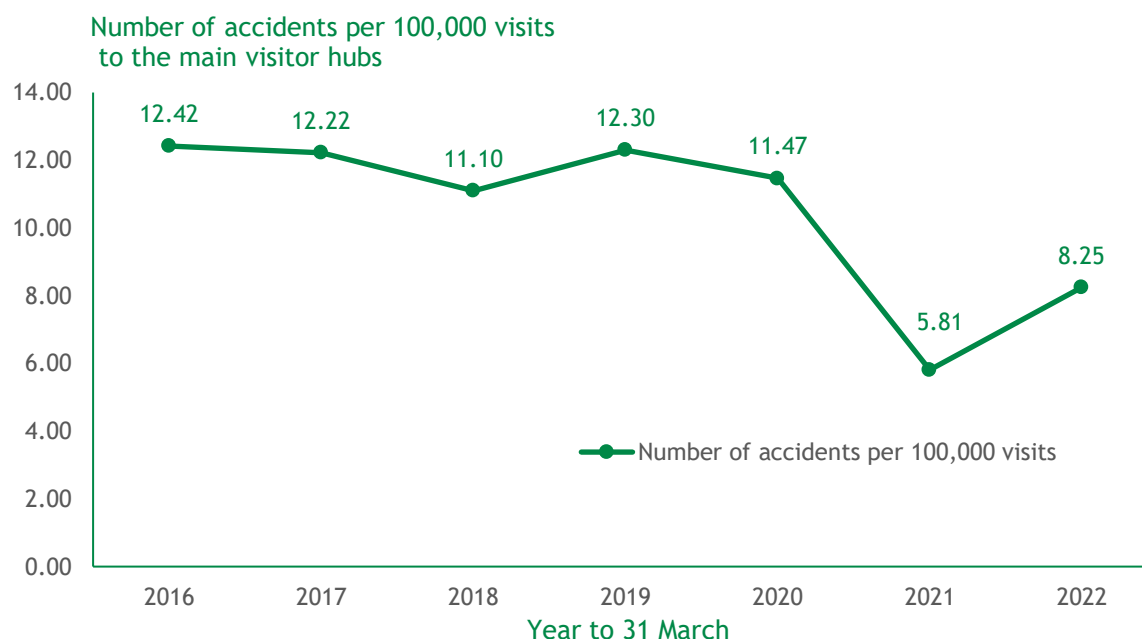
The number of accidents per 100 employees (headcount) for the financial year 2021-22 was 6.12. Staff headcount is approximately 5% higher than it was at the end of 2020-21, and so is relatively stable, whereas accidents reported are up slightly to 72, from 68.

The proportional increase in accidents reported (5.9%) is slightly higher than the proportional increase in headcount, meaning that the staff accident rate this year is slightly higher than last year's. At this point, there is no reason to believe that this slight increase is part of a trend, and small fluctuations will always occur on a year-to-year basis.

The long-term trend shows a general decline in the accident rate with a peak in 2016-17. We moved to the Airsweb system for collating and reporting accident figures in August 2020, which has improved our reporting accuracy since its introduction.

NOTE: Previous years' accident rates have been amended due to subsequent updates to end-of-year headcounts. Some of the revisions have led to substantial percentage changes in reported accident rates, but the general trends are unchanged.

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



The public accident rate is calculated from the total number of accidents over the financial year divided by the total visits to main hubs, per 100,000 visits. The accident rate for 2021-22 was 8.25 per 100,000 visits. There were substantially more public accidents reported during 2021-22 compared to the previous financial year (59% increase), compared to a smaller proportional increase to the estimated visits to hubs (7%). This translates to a higher public accident rate.

The increase in visits to hubs after the easing of Covid-19 lockdowns that occurred in the second half of 2020, has been maintained into 2021-22. We are at this point unable to determine what the precise driver of this is.

2020-21's public accident total was anomalously low. This is due to visit numbers being high, whilst the number of accidents reported was low, and is likely the result of the change in staffing and resourcing at hubs during lockdowns, even when sites were open. The number of public

accidents in 2021-22 is more in line with figures prior to 2020-21.

Overall, this means that the 2021-22 public accident rate is 42% higher than that for 2020-21, but still substantially lower than previous years. Understanding the anomalous nature of a year dominated by Covid-19 restrictions (2020-21) means that this increase, though substantial, cannot be seen as indicative of any deeper trend.

Operating performance

Financial review

The table below draws on the Statement of Net Comprehensive Expenditure. The row analysis has been rearranged to better

reflect how financial performance is internally managed and measured.

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

| From the Statement of Net Comprehensive Expenditure (SOCNE) | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|------------------------------------------------------------------|---------------|---------------|--------------|---------------|----------------|---------------|
| | £m | £m | £m | £m | £m | £m |
| Total operating income | (94.0) | (83.7) | (88.1) | (89.8) | (77.4) | (73.8) |
| Other government grants | (0.5) | (0.7) | (0.4) | - | - | - |
| Staff costs, purchases and items provided for | 99.7 | 95.5 | 104.7 | 95.6 | 88.3 | 86.6 |
| Depreciation | 6.7 | 6.1 | 6.0 | 5.8 | 5.2 | 5.1 |
| A. Relevant operating position for management performance | 11.9 | 17.2 | 22.0 | 11.5 | 16.2 | 17.9 |
| Funding from the Forestry Commission | (18.2) | (24.3) | (16.0) | (17.2) | (19.5) | (28.0) |
| B. Relevant net surplus for management performance | (6.3) | (7.1) | 6.0 | (5.6) | (3.3) | (10.2) |
| Impairments | 1.5 | 0.5 | 2.5 | 0.6 | 0.5 | 0.1 |
| Value of felled timber per IAS 41 | 31.6 | 29.0 | 29.6 | 32.8 | 25.7 | 21.9 |
| Revaluation of biological assets per IAS 41 | (65.6) | (101.1) | (34.4) | (42.6) | (155.4) | (23.8) |
| Interest and gain or (loss) on sale of assets | 0.2 | 0.1 | (3.8) | (4.4) | (0.5) | (0.0) |
| Surplus for the year per SOCI | (38.5) | (78.7) | (0.1) | (19.2) | (132.9) | (12.0) |

2021-22 shows a significant growth in income. Increased timber prices helped to offset the revenue (volume reduction) impacts from both Storm Arwen and sanitation fellings, while rapid growth in recreation activities, including expanding offers such as the Christmas lights events, further improved our income.

Forest Live events will recommence in 2022-23 which will have a further positive impact on income generation.

As planned, our operating costs increased as a result of reinstating programmes, including recruitment, that had been deferred as a result of Covid-19 in 2020-21. However, during the year we experienced

issues with staff recruitment and contractor and supply availability which meant that costs were lower than planned for the year.

Programmes that could not be delivered in 2021-22 will be carried forward for delivery in 2022-23.

Stronger performance in income generation along with a reduction in planned costs meant that a relevant surplus of £6 million was generated for the year.

The surplus will be used to afford carry forward of programmes into 2022-23, with any balance being reinvested in the estate.

Capital investments

Our investment programme was largely put on hold during Covid-19 uncertainty. Some programmes are taking time to get back up to speed and there are also delays to availability of vehicles due to world-wide microchip shortages. Despite this, during 2021-22 we completed the purchase of land at Winkleigh Wood, invested £500,000 in our timber sales recording software, replaced £2.7 million of forwarders, tractors and many other vehicles. We invested in a Community Shelter and the Quarantine House at Westonbirt with help from external funding, refurbished offices at Delamere, and invested in electric vehicle charging capabilities, with more charging capabilities planned for future years.

As highlighted elsewhere in the report we invested £6.9 million in buying out the Camping and Caravanning Club partnership share of Camping in the Forest.

Financial risks

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

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

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

As with many other businesses at this time, there are short to medium term risks around inflation, contractor availability, supply availability and staff recruitment. Wider economic impacts could also reduce

discretionary spend in households, leading to a reduction in recreation income. While mitigation measures will be taken as and when issues arise, the likely impact is on the ability to deliver operational programmes, including capital investments in the short term.

Sustainability

Introduction

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

Summary of performance

Overall strategy for sustainability

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

The environmental impacts of our forest management activities are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel-based energy and reducing waste and our use of water. Our EMS is designed to meet the requirements of BS EN ISO 14001 2015, to which we are endeavouring to gain certification.

Principal on-going initiatives are:

- work on an energy audit of the estate, using collated data to identify higher usage sites to target investment and develop projects to reduce consumption and carbon emissions where business needs and resources allow
- continuing to work with our data services provider to provide sustainable business reporting services, this has seen the adoption of a new platform within

the year and significant review of previously reported figures.

- rolling out electric or low emission vehicles throughout the fleet where possible in line with government targets and provision of back of house charging infrastructure.
- increase broadband connection speeds at remote sites and provide hardware to facilitate smarter working, adopting the use of MS Teams and virtual meetings to reduce travel and remote working as normal practice
- Organisational project to review and seek to measure our indirect scope 3 emissions. This work will develop a carbon reduction strategy across all three emissions scopes.

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

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

Greenhouse gas emissions

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

Direct emissions from the audit sample of the built estate are being reviewed under the EMS and energy audit of our highest energy usage sites. The audit will feed in to outline business case for energy efficiency measures. Principles derived from this process will inform energy improvement

measures at other sites not included in the original audit sample.

Having adopted a new reporting system in 2018-19 Forestry England is now able to review site data at a detailed level in a quick, clear accessible format. 2018-19 was consumed with ensuring the split from Scotland was achieved. Data from 2017-18 includes figures from prior to devolution from Scotland, as such they comprise a wider scope than subsequent years and are not comparable. Within 2021-22 we have moved to a new reporting platform with our data service provider. This allows for checking and cleansing of data at input along with near live outputs. During this migration, errors were found in 2018-19 onwards some of which have now been restated using financial information, alongside areas for further investigation. This financial year also sees the inclusion of operational fuel used in machinery across the estate. Data quality is now significantly better than in previous years.

CO_{2e}[↑] emissions from business travel (including fleet and other official business travel) are reduced where possible through ongoing support for flexible working arrangements, (PAS 3000) the provision of audio-conferencing facilities including the recent integration of MS Teams to reduce the need to travel. The Covid-19 pandemic has fast tracked the uptake of virtual meetings, leading to a significant drop in travel. The travel policy has been updated to align with Office for Low Emission Vehicles requirements for ultra-low emission vehicles (ULEV), wherever possible the commercial fleet is updated with electric or ULEV vehicles however the market is limited and not able to provide for all requirements at this time.

The effects of Covid-19 have resulted in reductions in some areas and increases in others. Overall travel levels have remained lower than usual due to Covid-19 and the impact of remote working. Fleet and car travel is nearing pre-pandemic levels, however public transport use has remained considerably lower.

Natural gas use is expected to be back to pre-pandemic levels of consumption. Other heating fuels (Oil, LPG and Biomass) consumption is likely to return to nearer pre pandemic levels, however some energy data (Biomass) is missing at the time of reporting resulting in lower than usual full year consumption. Whilst again this is unreflective of a typical year, lessons learnt from the pandemic continue to be applied including virtual meetings using MS Teams. We promote biomass for our own energy supply along with other low and zero carbon technologies in place of fossil fuels where it is appropriate to do so.

Since April 2020 under the Crown Commercial Service Framework Forestry England has transitioned to a clean renewable “green” tariff electricity supply arrangement for the majority of our electric meters. We can now provide a dual report of carbon emissions; using location based and a market-based factor. Location based (grid average) as used in our energy reporting enables us to identify the impact of changing consumption levels. Whilst

market-based emissions reflect our decision to purchase a verified REGO (Renewable Energy Guarantees of Origin) backed Clean Renewable tariff via EDF. This purchasing decision to move to a green tariff has resulted in 736 fewer tonnes CO₂e this year (a reduction of 96%) this figure has not been netted from our total emissions in the performance table.

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

| Performance Measurement | | 2018 19 | 2019 20 | 2020 21 | 2021 22 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------|-----------|-----------|-----------|
| Total energy from estate (<i>Total - all energy bought and consumed</i>) | Consumption (kWh) | 5,415,954 | 5,756,819 | 6,213,286 | 5,447,581 |
| | tCO2e ↑ | 1,127 | 1,120 | 1,047 | 909 |
| | Expenditure (£000) | £566 | £746 | £719 | £801 |
| Renewables (excl wood fuel) | Generation (kWh) | 60,289 | 67,000 | 46,078 | 75,487 |
| | tCO2e avoided | 19 | 19 | 12 | 17 |
| Operational Fuel | Consumption (kWh) | - | - | - | 5,264,662 |
| | tCO2e ↑ | - | - | - | 1350 |
| | Expenditure (£000) | - | - | - | £372 |
| Business Travel - <i>includes all travel</i> | Total miles | 6,322,328 | 5,808,019 | 4,491,171 | 4,984,860 |
| | tCO2e ↑ | 1,562 | 1,688 | 1,359 | 1,401 |
| | Expenditure (£000) | £1,126 | £1,410 | £1,111 | £1044 |
| Domestic flight | tCO2e ↑ | 34 | 26 | 1 | 2 |
| International flight | tCO2e ↑ | 15 | 5 | 0 | 0 |
| Total energy (Scopes 1, 2 and 3) estate and travel - <i>total of all energy and travel</i> | tCO2e ↑ | 2,689 | 2,808 | 2,407 | 3,659 |
| | £000 | £1,691 | £2,156 | £1,831 | £2,216 |
| Fugitive emissions -FGas - CO ₂ (e) Δ | tCO2e | 38 | 9 | 0 | 42 |
| Waste minimisation and management (Estate and office waste) excl sewage | Total waste - Tonnes/m ³ | 3,703 | 4,165 | 2,947 | 1,539 |
| | Expenditure (£000) | £1,005 | £1,062 | £996 | £937 |
| | tCO2e ↑ | | | | 312 |
| Incinerated | Tonnes | - | - | - | 320 |
| ICT waste recycled / reuse | Tonnes | - | - | - | 5 |
| Hazardous | Tonnes | - | - | - | 31 |
| Estate and office water | Quantity (m ³) | 180,742 | 187,412 | 159,263 | 100731 |
| | Expenditure (£000) | £89 | £101 | £154 | £174 |
| Paper | Reams | N/A | N/A | N/A | 911 |
| Notes | | | | | |
| <ul style="list-style-type: none"> Data in italics have now been restated. Expenditure restated as previous reported figures were estimated. Consumption restatements are due to system data quality review. 2021-22 includes some estimated data due to partial reporting omissions (Water and Waste) In 2021-22 we have moved some Forestry Commission data into the Forestry England report to reflect ownership (Linmere House) more accurately Operational fuels have been included in the report for the first time in 2021-22 Table now reflects new data requirement for breakdown of travel and waste. Further breakdown not yet available for water (abstracted/ purchased). Data is for all Forestry England operated sites. Where Forestry Commission occupy part of a site their use is not apportioned, it is all captured here. | | | | | |

Waste

Waste data continues to be in focus for 2021-22 the new reporting platform has been implemented to reduce user input error. During the migration to the new system data errors were identified and the review of these is ongoing. This year's figures do not include animal bi-products nor sewage.

Forestry England has a reported total estate recycling rate of 39% which is a focus of the waste review to improve on. Forestry England has rewritten its waste guidance emphasising the importance of practising reduction through procurement as we strive to improve towards the latest GGC targets.

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

Use of scarce resources (water, paper and timber)

Forestry England has a combination of mains and private water supplies. These are monitored through meters and invoice payments and efforts are made to identify leaks early and avoid wastage of potable water. A water consumption review is due to take place in 2022-23 following migration of data to the new reporting systems. This will extend to include sewage as it is directly linked to water use. Water efficient units are used wherever possible however in some instances waterless features are not suitable and can impact discharge consent conditions. Local initiatives, such as rainwater harvesting and micro-irrigation at nursery facilities have been installed, future water efficiency projects will be identified after the water data review. Water efficient appliances are installed during refurbishment works or as existing appliances fail.

Biodiversity plan

Biodiversity recovery is a core part of Forestry England's purpose. As part of our Growing the Future strategy "Our vision is that the nation's forests will provide the most valuable places for wildlife to thrive

and expand in England". We have developed a detailed biodiversity plan to underpin this ambition, which will be publicly released in summer 2022. In addition, since 2015-16 we have delivered an annual Natural Capital Account to help us to measure whether the natural capital value of the nation's forests in our care is increasing or decreasing.

Sustainable procurement including food

Forestry England has worked to ensure that sustainable solutions are part of the goods, services and works we purchase. Internal guidance incorporates sustainability at each stage of the procurement cycle, linking to Government Buying Standards where relevant. We require our contractors to contribute towards our aim of being as sustainable as possible and to help reduce waste and energy requirements wherever possible. We encourage innovative solutions to our requirements. Our food outlets, providing a catering service to the public, are leased to third party providers. These providers are expected to follow sustainable principles and key performance indicators are used to monitor this in new leases. This includes using fresh, local, and ethically sourced ingredients, reducing food miles, packaging, waste and increasing composting and recycling.

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

Alternatives to plastic signs, tree shelters and Christmas tree netting are being trialled to reduce the use of plastics made from fossil fuel processes and reduce waste.

Climate change adaptation

The Forestry Commission's Adaptation Reporting Power: Third Round report sets out our assessment of climate risk and the steps we are taking to adapt to climate change. The report contains a summary of

our forest resilience approach and the progress we have made since the previous report published in 2016. This includes increasing the species and structural diversity of our forests, investing in forest resilience research, championing biosecurity standards, and working with partners across the sector through the Forestry and Climate Change Partnership. The report also includes two new actions: to develop a forest resilience strategy (including specific and measurable targets), and to create a bespoke forest resilience indicator to help us better monitor the resilience status and condition of the nation's forests.

Rural proofing

Forestry England's activities take place in rural, or semi-rural environments, but the organisation does not formulate government policy. There is, therefore, no specific internal governance, decision making or assurance process on rural proofing.

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

Sustainable construction

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

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

All new build and major refurbishment works will target net zero carbon in operation wherever possible. Embodied carbon is not currently reported but is now starting to be considered in terms of our environmental impacts.



Mike Seddon
27 June 2022
Accounting Officer
Forestry England

Accountability report

The Accountability report sets out our key accountability requirements to Parliament, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981, as adapted for the public sector in The Government Financial Reporting Manual 2021-22.

Corporate governance report

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

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

Directors' report

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

The principal leadership roles in the Forestry England are:

- Ian Gambles: Chief Executive Officer, Forestry Commission to 27 May 2021
- Richard Stanford: Chief Executive Officer, Forestry Commission from 9 August 2021
- Sir William Worsley: Chair of the Forestry Commission and Chair of the Forestry England Board
- Mike Seddon: Chief Executive, Forestry England and interim Chief Executive Officer, Forestry Commission 29 May to 7 August 2021

The members of the Forestry England Board from April 2021 to March 2022 are as follows:

| Board member ¹ | Role | Dates | Attendance at Board meetings ² |
|------------------------------------------------------------|----------------------------|--------------------|-------------------------------------------|
| Ian Gambles, Chief Executive Forestry Commission | Executive Commissioner | To 27 May 2021 | 1/1 |
| Julia Grant | Non-executive Commissioner | Full year | 7/7 |
| Tristram Hilborn, Chief Operating Officer Forestry England | Executive member | Full year | 6/7 |
| David Hodson, Finance Director Forestry England | Executive member | Full year | 5/7 |
| Peter Latham | Non-executive Commissioner | Full year | 7/7 |
| Jennie Price | Non-executive Commissioner | Full year | 7/7 |
| Gurch Randhawa | Non-executive member | Full year | 7/7 |
| Mike Seddon, Chief Executive Forestry England | Executive member | Full year | 7/7 |
| Chris Simpson | Non-executive member | Full year | 7/7 |
| Richard Stanford | Executive Commissioner | From 9 August 2021 | 4/4 |
| Sir William Worsley (chair) | Non-executive Commissioner | Full year | 7/7 |

¹ Edward Barker, Director, and Jonathan Latchford, Senior Relationship Manager (Forestry Commission and Joint Nature Conservation Committee), Natural Environment, Trees & Landscapes Directorate, Department for Environment, Food & Rural Affairs, receive all Board papers but are not members of the Board or attend Board meetings.

² Board meetings in 2021-22: 7 in total. 5 scheduled full Board meetings plus 2 extraordinary meetings in August 2021 and February 2022.

Significant interests held by board members

A register of interests of all Forestry England Board members is maintained and published on our website. Related party transactions are separately disclosed within note 21.

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

Personal data related incidents

Forestry England has not had any notifiable personal data breaches which needed to be reported to the Information Commissioner.

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

Supplier payment policy

Forestry England complies with the government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within ten days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2021-22 96.3% (2020-2021: 95.5%) of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contract.

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

Auditors

These accounts are audited by the Comptroller and Auditor General. The audit fee for 2021-22 is £95,000 (2020-2021: £96,000) No fees were charged for other services (2020-21: nil).

Statement of Accounting Officer's responsibilities

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

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

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

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

followed, and disclose and explain any material departures in the accounts

- prepare the accounts on a going concern basis

The responsibilities of an Accounting Officer (including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding Forestry England assets) are set out in *Managing Public Money* published by HM Treasury.

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

Governance statement

This statement confirms that Forestry England fully complies with the HMT Guidance 'Corporate Governance in Central Government Departments' where applicable and relevant.

The area of deviation from the Code is in the makeup of the Forestry England Board and its committees. The constitution of the Forestry Commissioners and its sub-boards is set by statute, the Forestry Act 1967 and the Forestry Commission Framework Agreement 2020.

The Forestry Commission governance context

The Forestry Commission is empowered by The Forestry Act 1967 (as amended) and the Forestry Act 1979 which set out the principal legislative framework within which the Forestry Commission operates.

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

The Forestry Commissioners are established by statute and derive their powers primarily from the Forestry Acts but also from other legislation such as the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999. Under the Plant Health Act 1967, the Commissioners are the competent authority for the protection of forest trees and timber from attack by pests and diseases. The Countryside Act 1968 gives the Commissioners additional powers, including to provide recreational facilities and to plant and manage trees in the interests of amenity.

The Forestry Commission is a federated organisation with three distinct organisations with delegated responsibility for the delivery of the statutory roles and responsibilities of the Forestry Commissioners: Forestry England, Forest Services and Forest Research.

Governance framework

The Forestry England Board has been appointed by the Forestry Commissioners to enable it, as 'the appropriate forestry authority' in England, to discharge their duties and exercise their powers set out in the Forestry Act 1967 and other relevant legislation, including the Countryside Act 1968 in respect of the nation's forests.

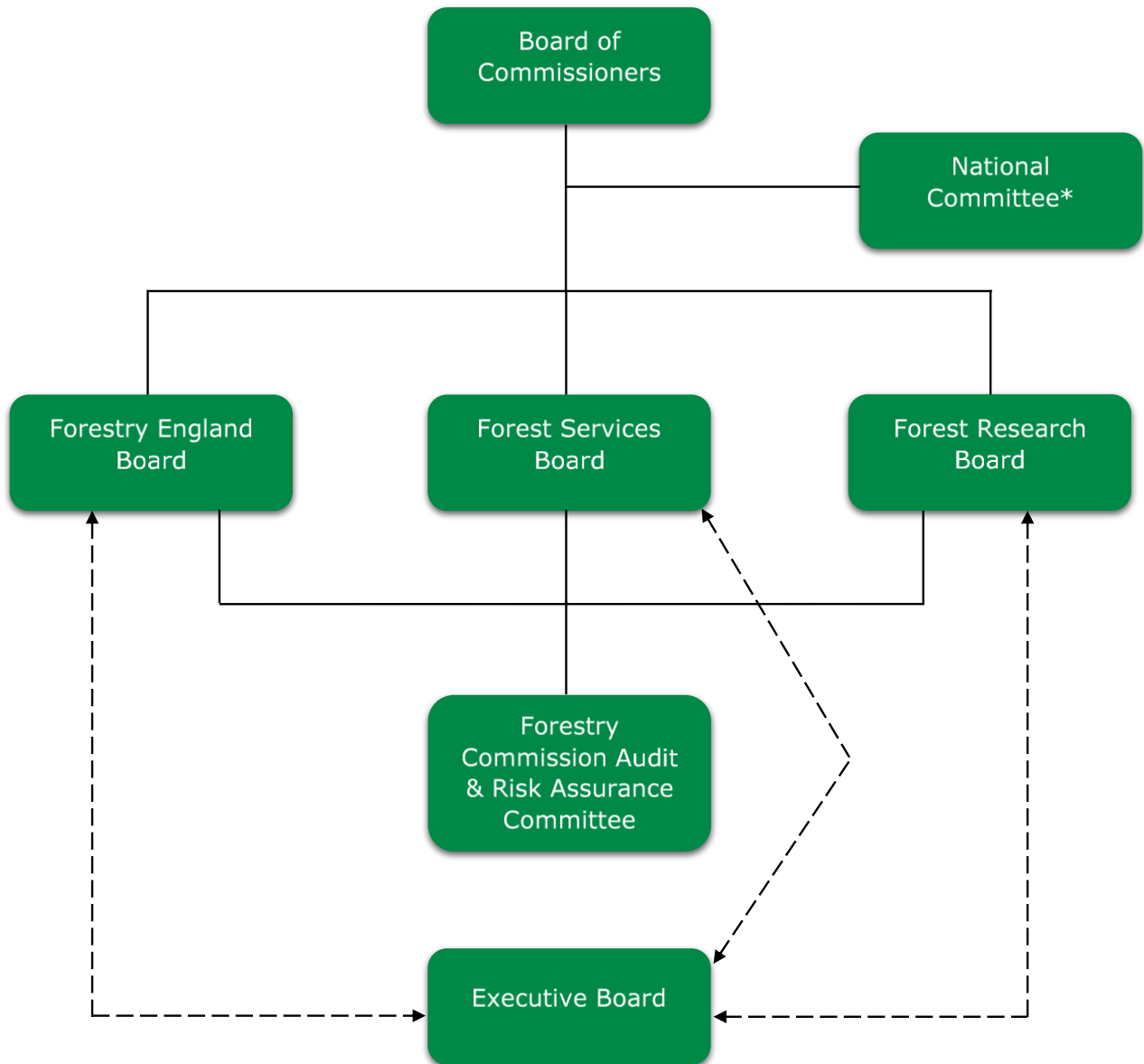
The purpose of the governance structure is to enable Forestry England to be an outstanding organisation through:

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

The Forestry England Board operates one committee, the Audit and Risk Assurance Committee. For administrative purposes the meeting is shared with Forest Services and Forest Research in a combined Forestry Commission ARAC.

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

Forestry Commission and Defra (dated 8 May 2020), and the Forestry Commission and Forestry England (dated 18 May 2021).



* 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.

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

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

- management, performance and financial reporting
- business plans approval
- health and safety; culture development and incident reporting and response
- Safeguarding reports
- ARAC reports
- training and early years career development
- risks and risk management
- stakeholder relations
- Covid-19 pandemic - response and recovery
- Growing the Future 2021 - 2026 implementation and monitoring
- consideration of operating structures
- Forest Holidays and Camping in the Forest - business progress and future planning
- vision and development of Plant and Seed Supply
- interim position on trail hunting in the nation's forests
- car parking model
- model for delivery of recreation in the nation's forests
- Forestry England Woodland partnership
- Estates (non-forestry) strategy

The Board took a blended approach to meeting this year with four online and two in person meetings held in forest districts. The Board visited Kielder Forest, North District in July and New Forest, South District in September, highlighting the variety within the nation's forests. These Board visits give visibility of the Board to Forestry England colleagues, and vice versa; further the Board's understanding of the range and diversity work of Forestry England; and provide context for topics discussed at Board. The two visits this year covered woodland creation; wilding and biodiversity; forest and land management; harvesting and timber production; recreation offer; restoring open habitats and wetlands; aspects of the built estate portfolio; the challenges and balances of encouraging greater access to the nation's forests with the environmental impact; and

working partnerships, with the Board meeting some key partners in both locations.

In addition, individual Board members have been enabled and encouraged with additional visits to forest sites, which have included Thetford, Thames Chase, Sherwood Pines and Delamere. The Chair has also visited Forest of Dean, Westonbirt and Haldon Forest.

Performance of the Board

The Forestry England Board undertakes an annual self-assessment. The improvement areas identified in the July 2020 report were both strengthened: setting strategic direction was realised with the Board shaping and publishing Growing the Future in May 2021: and increasing time at its meetings for audit, assurance and risk matters, which in detail are dealt with by its sub-committee, the Audit and Risk Assurance Committee. In the July 2021 self-assessment, there was in general improvement in the self-assessment scoring. The priority areas identified and being addressed over the course of this year are:

- continued development of measures to monitor the impact of Growing the Future
- to strengthen knowledge and understanding of major stakeholders
- to give further consideration of risks and risk appetite

On the basis of continuous improvement, the Board has worked closely with the executive team to ensure that the agendas, reports and management information it receives are of quality and relevance to enable the Board to fulfil its responsibilities to the best of its abilities.

Audit and Risk Assurance Committee

The Forestry England Board is supported by the Audit and Risk Assurance Committee (ARAC), which also serves the Boards of Forest Services and Forest Research. The ARAC supports the Board gain assurance for

issues of risk, control and governance and assurance by:

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

The ARAC membership is three Commissioners and one non-executive with recent relevant financial experience, drawn from across the three Boards and is attended by the Government Internal Audit Agency (GIAA), external auditors from the National Audit Office and the Director, Natural Environment, Trees & Landscape, Defra. The Committee met in June 2021, September 2021, November 2021 and February 2022. Its focus is on external and internal audit reports, the annual report and accounts, including the governance statement and risk management.

In its meetings this year the committee has considered:

- GIAA audit plan and reports, including: End-user device management, Health and Safety - overall arrangements, Health and Safety assurance map support, Firearms, Lone working, accounts Payable, accounts receivable, Treasury/Cash management, Tree Safety inspections, Data matching CAP to Payroll, Civil Engineering Frameworks, Board effectiveness, fraud risk advice and support, diversity and Inclusion.
- external audit plan and reports, Energy Strategy and Carbon Board, SRP ii system development, Knowledge and Information Management, Follow-up review of Whistle-blowing arrangements
- risk management processes and risks,

- preparation of annual report and accounts, including the governance statement
- annual safeguarding report
- joint venture framework agreement
- counter fraud, bribery and corruption arrangements
- assurance and assurance mapping

Audit assurances

Internal assurance and control processes provide assurance to the Forestry England Chief Executive, Board and senior management team. A wide range of business critical models are utilised and subject to regular review and continuous improvement to provide the data underpinning effective governance especially in the fields of financial control, forecasting and for the management of risk. A programme of management audit visits for key delivery areas including civil engineering, contract management, application of policy and procedures guidance, timber sales, forest management, wildlife management and recreation, with summary reports provided for senior management. Actions were identified, tracked and implemented with no major concerns raised. Assurance mapping takes place for identified work areas, as required. The Health and Safety assurance map is in progress, with document and information management, and land management areas completed during this year. Timber forecasts and financial forecasting against budget are a standing item at every Executive Team and Board meeting with regular review with managers to improve the accuracy of forecasts.

The Government Security Centre for Cyber carried out a gap analysis on our Cyber Security in September 2021. The draft report was issued in April 2022 with the conclusion that the maturity of the Forestry Commission cyber security posture is generally positive with a number of initiatives planned that will strengthen this position. The recommendations to further strengthen this, particularly in the area of detection and response to be addressed in the new financial year.

Covid-19 support schemes

Forestry England was not a recipient of Covid-19 support in financial year 2021-22.

Safeguarding

Following the roll out of the refreshed Safeguarding Policy we have made changes to the Disclosure and Barring Service system, updated guidance on managing under-18s in the workforce, developed digital safeguarding procedures and arranged training for senior leaders.

Implementation of the policy is ongoing, asking districts to specify safeguarding leads, and supporting them with relevant training whilst monitoring any reported incidents. Work is also continuing to ensure the required functionality in the Airsweb (accident and incident reporting system) to enable safeguarding concerns to be reported confidentially through the system.

All safeguarding incidents are reported to the Board at each meeting, and an annual report given to the ARAC.

Whistleblowing

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

In response to 2020 Whistleblowing Audit recommendation, a project has taken place this year to increase awareness of the policy, to develop new guidance and training for nominated officers and investigators across the Commission and improve record keeping. This work has been informed by cross-Commission focus groups. The impact of the project will be seen in the 2022 staff survey results.

Forestry England has a dedicated whistleblowing officer to whom a number of approaches have been made, none of which have been deemed as whistleblowing.

Formal warning

Forestry England has received no formal warnings or notification of breach of regulations by Forest Services in this year.

Review of effectiveness of governance

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

Annual Financial Assurance Statements are provided by the executive managers across Forestry England on the application of financial controls, the recording of all transactions and any reported incidents of fraud. No significant issues were identified.

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

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

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

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

effectiveness of the new structure will be kept under review.

Risk management

Forestry England implement the Forestry Commission's Risk Management Policy and are fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks. It is a key part of the broader, corporate governance arrangements. The Forestry England risk lead is a member of the Forestry Commission risk leaders' group.

Risk Management is an important part of our control environment because it identifies and assesses risks to the delivery of our objectives. At the same time, these controls allow Forestry England to maximise its opportunities. Forestry England's approach is to view risk management proactively, positively and empowering to the organisation and its staff.

Forestry England risk management framework consists of a cross-function Risk Management Group (RMG) which makes recommendations new and emerging risks from across the organisation and effectiveness of controls and mitigations the existing active risks. The Executive Team will consider the recommendations and agree the content of the corporate risk register which is reported to the ARAC and the Forestry England Board. Risks may also be escalated to the Forestry Commission strategic risk register, and ultimately on to Defra. Specific functional risk registers manage risk within levels of risk appetite e.g., health and safety, reputation management, capital investment projects. Escalation to RMG and corporate register for active monitoring at a senior level if there is a significant increase in level of risk.

A separate analysis of the risks arising from the Russia-Ukraine war and cost of living crisis has been conducted. Where considered appropriate these are reflected on the corporate risk register. The situation continues to be monitored. Forestry England is following the The Cabinet Guidance issued in their Procurement Policy note dated 1st March 2022 is being followed, this

includes reviewing our contract portfolio to identify any contracts where the prime contractor is a Russian or Belarusian supplier, none have been currently identified.

Significant and principal risks

Inability to attract and retain experienced staff

The current upswing in forestry related employment opportunities, elsewhere within the Forestry Commission as well as within the wider sector combined with the rise in cost of living accelerated by the conflict in Russia / Ukraine, is driving intense competition for a very limited number of college or university leavers who have chosen a forestry education pathway, in addition to other specialists and expertise needed; forest management technicians, works supervisors, foresters, civil engineers, project managers etc. More competitive terms and conditions offered elsewhere risks us being unable to retain and attract experienced staff that in turn risks having a significant negative impact on ability of the business to deliver its objectives. Mitigations to this include working with Defra and Treasury to review pay structure, revising our recruitment processes and approaches to attract and retain people, promotion and increased visibility of the full benefits and package in working for the Forestry Commission, and development of the early careers programme.

Serious injury or loss of life

There is a risk that a major accident or dangerous occurrence due to activities on the estate will result in serious injury or death. Our corporate approach is being strengthened through working with staff to ensure management systems are implemented, a new reporting system, updated and refreshed training from our technical training team, and our Health & Safety Culture project to raised awareness, understanding and reporting of incidents and near misses.

Climate change emergency

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

Pests and diseases

Existing, emerging and potential pests and diseases as a result of changing climate represent significant risks in forests across Europe, including the nation's forests. 2021-22 has seen a significant increase in the number of outbreaks that are needing management. The risks that result are the impact on Forestry England's ability to deliver its planned programmes, and on timber prices.

Changing climate and globalised plant trade both pose significant risks around introducing new pathogens, the resilience of our forests and the economic impact on timber production and markets. Biosecurity procedures and controls are used to mitigate the environmental threats together with strong financial management controls to manage the economic impacts. Forestry England is also taking action to build resilience into the nation's forests to achieve their long term sustainability.

Information and cybersecurity

Information risks continue to have prominence as legislation, expectation and scrutiny are broader and deeper and there continues to be risks from the increased level of national and international cyber-attacks further raised by the conflict in Ukraine, with impacts on data loss, our reputation, and finances. We have mitigated this by implementing a strong infrastructure for cyber security, business continuity and disaster recovery identified and monitored by the Security Risk Forum, with essential training requirements

provided for all senior leaders. In addition, we are embedding good information governance approach, including expert UKGDPR and data protection practice into the organisation to strengthen our information security.

Supply Chain

Availability of contractors and materials are outside of our control and the general economic situation, including further unexpected increases in inflation, and impact of the conflict in Russia / Ukraine could adversely impact delivery and costs. Areas of particular risk are supply of vehicle, particularly electric vehicles in line government targets, IT and civil engineering work. The situation will be monitored and managed as part of the regular Business Monitoring Reporting process.

Future of Trail Hunting

Following on from the prosecution and subsequent conviction of a director of the Hunting Office, all trail hunting licenses have been suspended in the nation's forests until the legal proceedings have been concluded. Clean boot (non-animal scent) hunts have continued during this time. The Forestry England Board recognised the strong feelings around this matter and the range of risks to the business of the decision that will need to be made, whatever that may be.

Wider circumstances and future challenges

The main challenges for Forestry England during 2022-23 and beyond are as follows.

- Recruiting and retaining high quality, expert staff across the business, in context of heightened interest in forestry and a growing economy
- Increasing the diversity of staff and visitors to be more representative of the communities served
- Future proofing physical and technical infrastructure to ensure capability to deliver our objectives. Such future

- proofing requires sustained, continuous investment over financial years
- Provisioning sufficient agility in our business plans and work programmes to adapt to unforeseen events associated with changing climate and pests or diseases
 - Attracting new supporters and visitors, alongside improving operational efficiency, to grow traded net income and enable investment in the nation's forests
 - Managing well internal and external delivery outcome expectations in context of declining Government funding for the nation's forests

Remuneration and staff report

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

Remuneration report

Employment contracts

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

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

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

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

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

| | Date of current contract | Unexpired term (months*) |
|---------------------|--------------------------|--------------------------|
| Sir William Worsley | 10/02/2020 | 10 |
| Julia Grant | 01/11/2019 | 7 |
| Jennie Price | 01/04/2022 | 36 |
| Peter Latham | 01/04/2022 | 36 |
| Gurch Randhawa | 01/04/2022 | 36 |
| Chris Simpson | 01/09/2020 | 17 |

*months remaining from 31 March 2022

Remuneration policy

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

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

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

determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded

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

Management System of the Forestry Commission.

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

The following sections provide details of the remuneration and pension interests of the members of the Forestry England Board for 2021-22.

| | | Salary | Bonus payments | Benefits in kind (to nearest £100) | Pension Benefits | Total |
|-------------------------|----------------|--------|----------------|------------------------------------|------------------|---------|
| | | £000 | £000 | £ | £000 | £000 |
| Mike Seddon | 2021-22 | 90-95 | 0-5 | - | 18 | 110-115 |
| Chief Executive | 2020-21 | 90-95 | - | - | 93 | 185-190 |
| Tristram Hilborn | 2021-22 | 70-75 | 5-10 | - | 19 | 95-100 |
| Chief Operating Officer | 2020-21 | 70-75 | - | - | 52 | 120-125 |
| David Hodson | 2021-22 | 65-70 | - | - | 26 | 90-95 |
| Finance Director | 2020-21 | 65-70 | - | - | 26 | 90-95 |

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

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the

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

Bonuses

Bonuses are based on performance levels attained and are awarded as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2021-22 relate to performance in 2020-21. No bonuses were reported in 2020-21 related to performance in 2019-20.

Pension benefits (subject to audit)

| | Accrued pension at pension age at 31 March 2022 and related lump sum £000 | Real increase/ (decrease) in pension and related lump sum at pension age £000 | CETV at 31 March 2022 £000 | CETV at 31 March 2021 £000 | Real increase/ (decrease) in CETV £000 | Employer contribution to partnership pension account to nearest £100 |
|------------------|------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------------------|----------------------------------------------------------------------|
| Mike Seddon | 40 - 45 plus a lump sum of 90 - 95 | 0 - 2.5 plus a lump sum of 0 | 851 | 800 | 3 | - |
| Tristram Hilborn | 20 - 25 plus a lump sum of 35 - 40 | 0 - 2.5 plus a lump sum of 0 | 299 | 277 | 4 | - |
| David Hodson | 15 - 20 | 0 - 2.5 | 268 | 239 | 18 | - |

Civil service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for

members show pension earned in PCSPS or **alpha** - as appropriate. Where the member has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) their pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Remuneration of non-executives

(subject to audit)

The non-executive members of the Forestry England Board received the following remuneration for their services during the period ended 31 March 2022.

| | 2021 22 | Expenses | 2020 21 | Expenses |
|----------------------|---------|----------|---------|----------|
| | Fees | | Fees | |
| | £000 | £000 | £000 | £000 |
| Sir William Worsley* | 39 | 2 | 39 | - |
| Julia Grant* | 12 | - | 12 | - |
| Jennie Price* | 12 | - | 12 | - |
| Peter Latham* | 12 | 1 | 12 | - |
| Gurch Randhawa | 8 | - | 5 | - |
| Chris Simpson | 8 | - | 5 | - |

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

Fair pay disclosure

(subject to audit)

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

The banded remuneration of the highest-paid director of Forestry England in the financial year 2021-22 was £90,000-£95,000 (2020-21: £90,000-£95,000). This was 4.08 times the lower quartile remuneration of the workforce, which was £22,646; 3.56 times (2020-21: 3.56) the median remuneration of the workforce, which was £26,014 (2020-21: £26,014); and 2.85 times the upper quartile of the workforce, which was £32,466.

In 2021-22, nil (2020-21: nil) employees received remuneration in excess of the highest-paid director. The remuneration of the lowest paid employees is £19,000 (2020-21: £19,000).

The percentage change from 2021-22 of the highest paid director is nil. The average percentage change from 2021-22 in respect of the employees as a whole is 0.3%.

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

Staff report

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows (subject to audit):

| | 2021 22 | | | 2020 21 |
|-------------------|----------------------------|------------|--------------|--------------|
| | Permanently employed staff | Others | Total | Total |
| Directly employed | 997 | 82 | 1,079 | 1,036 |
| Other | - | 64 | 64 | 53 |
| Total | 997 | 146 | 1,143 | 1,089 |

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

| | Directors and senior civil servants on the Forestry England Board | | Permanently employed staff | | 2021 22 | 2020 21 |
|--------------|-------------------------------------------------------------------|----------|----------------------------|--------------|--------------|---------|
| | Other directors | | Others | Total | Total | |
| Male | 3 | 1 | 609 | 685 | 669 | |
| Female | - | 4 | 380 | 458 | 420 | |
| Total | 3 | 5 | 989 | 1,143 | 1,089 | |

There are two senior civil servants, one is employed at Band 2, and one at Band 1. None of the 'other directors' are senior civil servants.

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

Staff costs

(subject to audit)

| | Permanently employed staff | | 2021 22 | 2020 21 |
|------------------------|----------------------------|--------------|---------------|---------------|
| | £000 | Others £000 | Total £000 | Total £000 |
| Salaries | 29,705 | 2,057 | 31,762 | 30,986 |
| Social security costs | 3,020 | 163 | 3,183 | 3,025 |
| Other pension costs | 7,868 | 545 | 8,413 | 8,009 |
| Agency/temporary staff | - | 1,958 | 1,958 | 1,622 |
| Total | 40,593 | 4,723 | 45,316 | 43,642 |

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as **alpha** are unfunded multi-employer defined benefit schemes but Forestry England is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2021-22, employers' contributions of £8,422,000 were payable to the PCSPS (2020-21: £8,024,000) 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 £96,000 (2020-21: £92,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% of pensionable earnings (2020-21: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2020-21: £nil). Contributions prepaid at that date were £nil.

Ill-health retirement

No employees (2019-20: nil) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2020-21: £nil).

Sickness absence data

| Working days lost per staff year | |
|----------------------------------|--------|
| Year | Number |
| 2021-22 | 4.8 |
| 2020-21 | 3.2 |
| 2019-20 | 7.0 |

Our vision is that everyone working with Forestry England remains safe and well and our woodlands are safe and enjoyable places to visit. We remain committed to the Forest Industry Safety Accord and have representatives on the Steering Group and on several of the working groups. We have continued to deliver safety training to industry managers and main contractors on behalf of the Forestry Industry Safety Accord as well as launching new safety training for our own managers and staff.

Accidents

The following figures set out the reportable incidents in accordance with 'Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013' in 2021-22 and the preceding years.

| RIDDOR incidents per 100 employees | |
|------------------------------------|--------|
| Year | Number |
| 2021-22 | 0.58 |
| 2020-21 | 0.45 |
| 2019-20 | 0.28 |

The RIDDOR incidents during the year were:

- in July 2021 an employee suffered a tick bite leading to Lyme disease
- in September 2021 a craftsperson suffered back pain from knocking in posts
- in October 2021 an employee on a mountain bike training course broke their wrist from going over the handlebars
- in December 2021 a chainsaw operator suffered broken ribs from a falling tree
- in December 2021 a ranger slipped and fell while carrying a Christmas tree to a customer's car

- in January 2022, a chainsaw operator carrying equipment slipped and fell, subsequently breaking their arm

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

Staff turnover percentage

In 2021-22, Forestry England had a staff turnover percentage of 12.0% (2020-21: 8.07%).

| Reason for leaving | 2021 22 | 2020 21 |
|--------------------------------|---------|---------|
| Death in service | 0.09% | 0.18% |
| Dismissal for gross misconduct | 0.09% | 0.09% |
| End of fixed term contract | 0.37% | 0.55% |
| Redundancy | 0.37% | 0.09% |
| Resignation | 8.71% | 4.68% |
| Retirement | 2.41% | 2.48% |

Forestry Commission 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 England 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 PMP 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, the majority 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 England. 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 MS Teams online tools.

Diversity, inclusion and wellbeing

Forestry England 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: 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 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 will be implemented resulting in an easier login experience which will also be more secure than ever.

It is planned that over the course of the 2022-23 financial year, iTrent will receive several quality-of-life upgrades, making it a more reliable and efficient HR Information System. Additionally, 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 the 2022-23 financial year to make use of this strengthened Management Information framework to create 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, Employee Relations and 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 England.

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 a number of 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 pay structure.

Employee consultation and trade union relationship

Forestry England continues to have a productive and respectful relationship with the 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

Relevant union officials

| Number of employees who were relevant union officials 2021 22 | Full time equivalent employee number |
|---------------------------------------------------------------|--------------------------------------|
| 7 | 6.6 |

Percentage of time spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0% | 1 |
| 1-50% | 6 |
| 51-99% | - |
| 100% | - |

Percentage of pay bill spent on facility time

Percentage of total pay bill spent on facility time 0.02%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 76.1%

Each trade union representative spends 4% of their contractual hours, but the Forestry Commission trade union Chair and Secretary together total one full time person.

Expenditure on consultancy

During the year Forestry England incurred £1.1 million on consultancy costs (2020-21: £926,000). This was spent on a range of activities, for instance an energy review, a motorsports review, mountain biking trails project, land decontamination and environmental planning. No company or individual received in excess of £235,000 for their consultancy services in year

(2020-21: £121,000 for their consultancy services).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the year total £1,958,000 (2020-21: £1,622,000).

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

No staff members left under voluntary exit or voluntary redundancy terms in the year to 31 March 2022 (2020-21: nil). Compensation payments totalled £nil (2020-21: £nil).

Five staff members left under compulsory redundancy terms in the year to 31 March 2022 (2020-21: 1). Compensation payments totalled £110,347 (2020-21: £7,841).

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

| Exit package cost band | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages | |
|-------------------------------|-----------------------------------|---------|-----------------------------------|---------|-------------------------------|---------|
| | 2021 22 | 2020 21 | 2021 22 | 2020 21 | 2021 22 | 2020 21 |
| <£10,000 | 1 | 1 | - | - | 1 | 1 |
| £10,000-£25,000 | 2 | - | - | - | 2 | - |
| £25,000-£50,000 | - | - | 1 | - | 1 | - |
| £50,000-£75,000 | 1 | - | - | - | 1 | - |
| Total number of exit packages | 4 | 1 | 1 | - | 5 | 1 |
| Total cost £ | 110,347 | 7,841 | 41,015 | - | 151,362 | 7,841 |

Other accountability matters

Losses and special payments

(subject to audit)

| | 2021 22 | | 2020 21 | |
|------------------|------------|------------|------------|--------------|
| | Number | £000 | Number | £000 |
| Losses | 72 | 86 | 94 | 1,143 |
| Special payments | 54 | 48 | 37 | 78 |
| Total | 126 | 134 | 131 | 1,221 |

In 2021-22, there was a write-off of a remaining customer balance of £19,700 following a legal settlement, and a write off of customer balance of £10,500 relating to a debt that has now exceeded the statute of limitations.

In 2021-22 a loss of £16,000 was written off relating to an amount paid in advance to a supplier for the 2020-21 Forest Live tour which was cancelled and the supplier went into liquidation.

Also in 2021-22, an over-provision of £135,700 has been released relating to plant and seed losses at Wykeham nursery. These losses were provided for in 2020-21 and the excess provision was released in 2021-22 as the valuation of seedlings utilised and ploughed was lower than originally anticipated. Total gross losses without this reversal in 2021-22 are £222,000.

All other losses and special payments in 2021-22 are below £10,000 in value.

In 2020-21, the largest loss, totalling £860,000, related to the anticipated loss of plant and seed at Wykeham nursery following the decision to close the site.

Remote contingent liabilities

(subject to audit)

In addition to contingent liabilities reported within the meaning of IAS 37, Forestry England also reports liabilities for which the likelihood of a transfer of economic benefit

in settlement is too remote to meet the definition of contingent liability.

There are eleven remote contingent public liability claims which are deemed remote either due to a different entity being the liable party or through lack of evidence of liability.

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



Mike Seddon
27 June 2022
Accounting Officer
Forestry England

Independent auditor's report to the Board of Forestry England and the House of Commons

Opinion on financial statements

I have audited the financial statements of Forestry England for the year ended 31 March 2022.

The financial statements comprise: the Forestry England

- 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 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 England affairs as at 31 March 2022 and of the surplus for the year then ended; and
- have been properly prepared in accordance with directions made by the Forestry Commission.

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 report.

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 Forestry England in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

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

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

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

The going concern basis of accounting for Forestry England 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 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 report, 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 directions made by the Forestry Commission.

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 directions made by the Forestry Commission
- 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 Forestry England and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by Forestry England 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 Forestry England's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Chief Executive as Accounting Officer anticipates that the services provided by Forestry England will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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 report 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 Forestry England's accounting policies, key performance indicators and performance incentives.
- Inquiring of management, Forestry England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Forestry England's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Forestry England's controls relating to Forestry England's compliance with Managing Public Money;

- discussing among the engagement team and involving relevant internal specialists, including forest estate valuation, 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 Forestry England 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 estimate. 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 Forestry England's framework of authority as well as other legal and regulatory frameworks in which Forestry England 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 Forestry England. The key laws and regulations I considered in this context included 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 remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

This description forms part of my report.

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.

Gareth Davies 05 July 2022
Comptroller and Auditor General

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

Financial statements

Statement of Net Comprehensive Expenditure

for the year ended 31 March 2022

| | Note | 2021-22 £000 | 2020-21 £000 |
|--------------------------------------------------------------------------|-------|------------------|------------------|
| Revenue from contracts with customers | 3 | (81,593) | (72,836) |
| Other operating income | 3 | (12,420) | (10,884) |
| Total operating income | | (94,013) | (83,720) |
| Staff costs | 4 | 45,316 | 43,642 |
| Purchase of goods or services | 4 | 54,347 | 52,052 |
| Depreciation, amortisation and impairment charges | 4 | 6,704 | 6,148 |
| Provisions expense | 4 | 56 | (222) |
| Value of felled timber | 5 & 6 | 31,591 | 28,958 |
| Impairment of property, plant and equipment | 5 | 1,532 | 500 |
| Total operating expenditure | | 139,546 | 131,078 |
| Operating deficit before gain on revaluation of biological assets | | 45,533 | 47,358 |
| Gain on revaluation of biological assets | 6 | (65,550) | (101,139) |
| Operating surplus | | (20,017) | (53,781) |
| Funding from the Forestry Commission | | (18,153) | (24,345) |
| Capital funding from the Forestry Commission | | (484) | (573) |
| Grants from the Forestry Commission | | (45) | (86) |
| Interest on land transaction | | (33) | (24) |
| (Loss)/gain on sale of assets | | 217 | 114 |
| Surplus for the year | | (38,515) | (78,695) |
| Other comprehensive income | | | |
| Net gain on revaluation of property, plant and equipment | 5 | (231,908) | (184,779) |
| Net gain on revaluation of financial assets | 7 | (8,680) | (3,787) |
| Net gain on revaluation of partnership lease receivables | 10 | (6,068) | (1,739) |
| Comprehensive surplus for the year | | (285,171) | (269,000) |

The notes on pages 75 to 107 form part of these accounts.

Statement of financial position

as at 31 March 2022

| | Note | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------------|------|-----------------------|-----------------------|
| Non-current assets | | | |
| Property, plant and equipment | 5 | 2,615,124 | 2,408,964 |
| Intangible assets | | 1,127 | 736 |
| Biological assets | 6 | 512,512 | 458,776 |
| Financial assets | 7 | 22,675 | 16,270 |
| Investment in Joint Ventures | 8 | 9,217 | - |
| Trade receivables, financial and other assets | 10 | 17,088 | 11,720 |
| Total non-current assets | | 3,177,743 | 2,896,466 |
| Current assets | | | |
| Assets held for sale | | 476 | 21 |
| Inventories | | 4,306 | 3,230 |
| Trade receivables, financial and other assets | 10 | 19,941 | 18,376 |
| Cash and cash equivalents | 11 | 54,286 | 33,272 |
| Total current assets | | 79,009 | 54,899 |
| Total assets | | 3,256,752 | 2,951,365 |
| Current liabilities | | | |
| Trade payables, financial and other liabilities | 12 | (29,182) | (14,396) |
| Provisions | 14 | (151) | (377) |
| Total current liabilities | | (29,333) | (14,773) |
| Total assets less current liabilities | | 3,227,419 | 2,936,592 |
| Non-current liabilities | | | |
| Trade payables, financial and other liabilities | 12 | (26,590) | (21,081) |
| Provisions | 14 | (610) | (463) |
| Total non-current liabilities | | (27,200) | (21,544) |
| Total assets less total liabilities | | 3,200,219 | 2,915,048 |
| Taxpayers' equity and other reserves | | | |
| General fund | | 642,525 | 597,005 |
| Revaluation reserve | | 2,557,694 | 2,318,043 |
| Total taxpayers' equity and other reserves | | 3,200,219 | 2,915,048 |

Mike Seddon
27 June 2022
Accounting Officer
Forestry England

The notes on pages 75 to 107 form part of these accounts.

Statement of cash flows

for the year ended 31 March 2022

| | Note | 2021-22 £000 | 2020-21 £000 |
|-----------------------------------------------------------------|-------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Operating surplus/(deficit) for the year | | 20,017 | 53,781 |
| Adjustment for non-cash transactions | 4 | 6,760 | 5,926 |
| Value of felled timber | 5 & 6 | 31,591 | 28,958 |
| Impairment of property, plant and equipment | 5 | 1,532 | 500 |
| Write off of Assets Under Construction | 5 | 46 | - |
| Gain on revaluation of biological assets | 6 | (65,550) | (101,139) |
| Decrease in plant and seed (biological assets) | 6 | 398 | 869 |
| (Increase) in inventories | | (1,076) | (234) |
| Decrease/(increase) in trade and other receivables | 10 | (7,269) | 5,074 |
| Less movements in partnership lease receivables | 10 | 6,068 | 1,739 |
| Increase in trade and other payables | 12 | 20,295 | 1,280 |
| Less finance lease additions | 5 | 65 | (537) |
| Use of provisions | 14 | (134) | (65) |
| Net cash inflow / (outflow) from operating activities | | 12,743 | (3,848) |
| Cash flows from investing activities | | | |
| Purchases of non-financial assets | | (4,181) | (8,923) |
| Proceeds from disposal of non-financial assets | | 343 | 573 |
| (Increase)/decrease in capital receivables | 10 | 336 | (354) |
| Disposal of investment in financial asset | 7 | 2,275 | (218) |
| Investment in Joint Venture | 8 | (9,217) | - |
| Landlord's investment in CITF campsite | | - | (1,250) |
| Asset reclassified to receivables | | - | - |
| Interest on land transaction | | 33 | 24 |
| Net cash outflow from investing activities | | (10,411) | (10,148) |
| Cash flows from financing activities | | | |
| Funding from the Forestry Commission | | 18,153 | 24,345 |
| Capital funding from the Forestry Commission | | 484 | 573 |
| Grants from the Forestry Commission | | 45 | 86 |
| Net cash inflow from financing activities | | 18,682 | 25,004 |
| Net increase in cash and cash equivalents in the period | | 21,014 | 11,008 |
| Cash and cash equivalents at the beginning of the period | 11 | 33,272 | 22,264 |
| Cash and cash equivalents at the end of the period | 11 | 54,286 | 33,272 |

The notes on pages 75 to 107 form part of these accounts.

Statement of changes in taxpayers' equity

for the year ended 31 March 2022

| | General fund £000 | Revaluation reserve £000 | Taxpayers' Equity £000 |
|----------------------------------------------------------|-------------------------|--------------------------------|------------------------------|
| Balance at 31 March 2020 | 516,534 | 2,129,514 | 2,646,048 |
| Comprehensive surplus for the year | 269,000 | - | 269,000 |
| Net gain on revaluation of property, plant and equipment | (184,779) | 184,779 | - |
| Net gain on revaluation of financial assets | (3,787) | 3,787 | - |
| Realised element of revaluation reserve | 37 | (37) | - |
| Balance at 31 March 2021 | 597,005 | 2,318,043 | 2,915,048 |
| Comprehensive surplus for the year | 285,171 | - | 285,171 |
| Net gain on revaluation of property, plant and equipment | (231,908) | 231,908 | - |
| Net gain on revaluation of financial assets | (8,680) | 8,680 | - |
| Realised element of revaluation reserve | 937 | (937) | - |
| Balance at 31 March 2022 | 642,525 | 2,557,694 | 3,200,219 |

The notes on pages 75 to 107 form part of these accounts.

Notes to the accounts

Note 1: Statement of accounting policies

These financial statements have been prepared on a going concern basis and in accordance with the accounts direction issued by the Forestry Commission and the 2021-22 Financial Reporting Manual (FReM) issued by HM Treasury. The FReM applies International Financial Reporting Standards (IFRS) as interpreted for the public sector. Forestry England accounting policies have been selected based on a judgement of the most appropriate treatment to the particular circumstances of the entity to ensure a true and fair view. The particular policies selected by Forestry England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

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

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

Other significant income streams include car parking and admissions, ticketed events and rent for which there are no plans to sell land or change function of use, and

government grant income, and therefore these revenue streams are also forecast to stay consistent.

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

In addition to a steady forecast income stream, the strength of Forestry England's Statement of Financial Position as at 31 March 2022, along with Taxpayers' Equity of £642 million and a robust long-term financial plan, provides compelling evidence that for the twelve months from approval of the Annual Report and Accounts 2021-22, there are sufficient resources to cover all expected expenditure items. Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

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

1.2 Funding

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

1.3 Public corporation dividend

Forestry England pays a dividend to the Forestry Commission, reflecting the expected rate of return on funding provided. This is disclosed in the Statement

of Net Comprehensive Expenditure. The dividend rate has been agreed with HM Treasury and is set at zero per cent whilst Forestry England is loss-making. If Forestry England makes a surplus before revaluation gains on biological assets, HM Treasury's real rate of 3.5 per cent will apply.

1.4 Employee benefits

Pensions

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

Performance pay

The Performance Pay review for the Senior Staff Grades are undertaken by Defra within the stipulated Cabinet Office guidelines with the aim of paying any agreed Senior Civil Servant pay award in Autumn. Any base pay increases awarded will be backdated to the pay settlement date of 1 April 2021. The reviews and moderation are undertaken across the Defra group based on Performance reviews, position in the salary range and cross group moderation.

1.5 Contingent liabilities

Forestry England discloses contingent liabilities in accordance with IAS 37. Where applicable, it also discloses, for Parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where

the likelihood of economic benefits is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

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

1.6 Property, plant and equipment

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

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

Nation's forests

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

Nation's forests land

Nation's forests land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the nation's forest land at five-yearly intervals. Following a public procurement exercise in 2017, Savills, Chartered Surveyors were appointed as the Forestry England's valuers as from the full valuation as at 31 March 2018. In accordance with Royal Institution

of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the nation's forests land is valued at fair value using market value for existing use. In the intervening years between professional valuations, custom indices are used to restate land values.

Trees not apportioned to biological assets

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

Other land

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

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

- Open land - custom indices provided by Savills, Chartered Surveyors
- Agricultural land - Farmland Market Index provided by the RICS Rural Land Survey
- Telecom masts - indices provided by Strutt and Parker, Chartered Surveyors

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

Dwellings and other buildings

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

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

valuers. A full valuation took place on 31 March 2018 and Savills, Chartered Surveyors, reviewed this.

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

Expenditure on infrastructure

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

Subsequent expenditure

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

Non-current assets held for sale

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

Vehicles, machinery and equipment (VME)

Vehicles, machinery and equipment are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by Forestry England. In the intervening years between professional valuations, values are restated using indices provided by the Office for National Statistics. The normal threshold for capitalisation of plant and machinery is £3,000.

Office machinery and equipment (OME)

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

Assets under construction (AUC)

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

equipment category when completed and ready for use.

Revaluation reserve

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

1.7 Depreciation

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

Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management.

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

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

| | |
|------------------------|--------------------|
| Information technology | over 4 to 20 years |
|------------------------|--------------------|

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

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

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

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

1.8 Land and buildings leased to customers

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

1.9 Government grants receivable

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

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

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

1.10 Subsidiaries, joint ventures and available for sale financial assets

Where Forestry England has an investment in another entity but where it has no significant influence over the activities of the entity, the entity is accounted for as an available for sale financial asset following the requirements of IAS 39 (see note 1.20).

Forestry England may enter into arrangements with other parties to undertake economic activities via an entity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities of the entity require the unanimous consent of the parties sharing control of the entity. These arrangements are accounted for as joint ventures following the requirements of IAS 28.

The results and assets and liabilities of joint ventures are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are carried in the statement of financial position at cost as adjusted for post-acquisition changes in Forestry England's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the interest in that joint venture are not recognised.

Additional losses are provided for, and a liability is recognised, only to the extent that Forestry England has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over Forestry England's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The investments and associated balances are included in the following areas of the financial statements:

| | |
|-----------------------------|---------------------------|
| Investment in Joint Venture | Investments within note 8 |
|-----------------------------|---------------------------|

| | |
|------------------------------------|--------------------------------------------|
| Available for sale financial asset | Investments within note 9 |
| Partnership loan | Trade and other receivables within note 10 |
| Partnership lease | Trade and other receivables within note 10 |

Further details of the investments are included within the financial commentary section.

1.11 Biological assets

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

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

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

Holdings of plants and seed are accounted for as biological assets under IAS 41. They are stated at the lower of current cost and

net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

1.12 Inventories

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

1.13 Revenue recognition

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

1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a finance lease) are borne by Forestry England, the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 0.91 per cent.

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

Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding rental

obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Net Comprehensive Expenditure over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a finance lease) are charged on a straight-line basis over the lease term.

1.15 Provisions

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

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

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

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

1.16 Value added tax (VAT)

Forestry England is not separately registered for VAT and is included within the overall VAT registration of the Forestry Commission. To comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Net Comprehensive Expenditure is net of VAT. These accounts report any VAT due to or from HM Revenue and Customs at the

year-end as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Net Comprehensive Expenditure in the year in which it is incurred.

1.17 Segmental reporting

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

1.18 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

1.19 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying

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

1.20 Financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

recognised in the Statement of Net Comprehensive Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Net Comprehensive Expenditure.

Available-for-sale financial assets

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

Recognition and measurement

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the

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

Available-for-sale financial assets

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

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

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

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

1.21 Cash and cash equivalents

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

1.22 Financial liabilities

Classification

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Recognition and measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

1.23 Effective in these financial statements

All International Financial Reporting Standards (IFRS), interpretations and amendments effective at 31 March 2022 have been adopted in these statements.

1.24 Effective for future financial years

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

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

- IFRS 16 - Leases. This standard is effective from 1 April 2022. It will supersede all existing IFRS standards on leases. It will result in a uniform accounting treatment for most leases, with the distinction between operating and finance leases removed.
- IFRS 17 - Insurance Contracts. This standard is expected to be implemented in the public sector in 2023-24. This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities.

IFRS16 Leases

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 the FReM, the standard is effective from 1 April 2022.

Forestry England 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, Forestry England 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 Forestry England is reasonably certain to exercise and any termination options Forestry England 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;
- and 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.

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

- an increase in assets and liabilities of approximately £4 million and £4 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 Insurance Contracts

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

Note 2: Critical accounting estimates and judgements

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

Critical accounting judgements and sources of estimation uncertainty

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

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

Deferred income

The anticipated timing of release of our deferred income is based on judgement and estimates. Forestry England currently holds a higher than usual level of deferred income due to receiving woodland creation grants which have yet to be spent. Judgements have been made regarding likely timing of expenditure based on management knowledge of likely contract dates for land leases.

Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying Forestry England's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Classification of the nation's forests and biological assets

Forestry England retains and manages its woodlands and forests to meet agreed ministerial objectives, primarily for Social, Environmental and Economic reasons (set

out in ‘A Strategy for England’s Trees, Woods and Forests’).

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

Woodland retained and managed to meet economic objectives will primarily generate benefit to Forestry England from timber sales. Consequently, these areas are regarded as within the scope of IAS 41. The electronic land management records for each forest district were analysed to identify all afforested or woodland areas subject to a social or environmental designation. Trees growing on these areas were deemed to fall outwith the scope of IAS 41. The balance of each forest district’s afforested or woodland areas were deemed to fall within the standard. Management considers that the administrative costs of accounting and valuing each individual area of land are prohibitive. It considers that reliable accounting and valuation estimates can be obtained by expressing the land areas in percentage terms. For example, if a district comprised 100 hectares and 70 hectares was designated for Social and Environmental purposes then reasonable information can be derived from estimating that 70 per cent of the district’s trees were outwith IAS 41. The remaining 30 per cent of trees would fall within IAS 41.

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

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

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

Valuation of the nation’s forests and biological assets

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

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the nation’s forests took place on 31 March 2018. As the valuation basis (Existing Use Value) would be the same as Fair Value, it is reasonable to assume that this can form the basis of the IFRS valuation, provided that forest and woodland could be componentised between land, biological assets outwith IAS 41, and biological assets under IAS 41.

It was determined that the estimate of the biological assets’ worth could be obtained by deducting a land valuation from the value of the whole to estimate the timber value. As part of the professional valuation, an average land value per hectare for the

nation's forests was determined in each forest district. This was applied to the total estate to give a land valuation which was deducted from the total woodland values to derive a value for trees in each forest district.

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

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2021-22 woodland disposals, the cost of sales percentage was calculated as 4.5 per cent of the Fair Value. Management considers that the incorporation of any ad-hoc actual disposal costs in the cost of sales percentage, post November 2012, would distort the true cost of sales figure for the period when Forestry England was acquiring and disposing of woodlands.

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

Other land

Other land primarily includes specialist land holdings for which there are no, or limited, external markets. Management considers that Forestry England's internal

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

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

Dwellings and other buildings

Other buildings primarily include specialist buildings held for operational activities and for which there are no active external markets. Management considers that Forestry England's internal professionally qualified staff members are best placed to value these buildings. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations of dwellings and other buildings are obtained where active markets operate.

To achieve greater independence to the other buildings valuation process during intervening years between formal professional valuations, management reviewed the components of other buildings and obtained external professional input into the valuation process. The other buildings valuation now includes valuations that are based on indices provided by

external Chartered Surveyors. These indices are reviewed by internal Chartered Surveyors to ensure that they are reasonable and consistent with internal valuation knowledge. Accounting policy note 1.6 details the components of other buildings together with the source of the valuation.

Note 3: Income

| | 2021-22 | 2020-21 |
|---------------------------------------------------|---------------|---------------|
| | £000 | £000 |
| Revenue within scope of IFRS 15 | | |
| Timber - standing sales | 35,091 | 35,836 |
| Timber - direct production | 21,155 | 16,840 |
| Plant and seed | 1,790 | 2,496 |
| Christmas trees | 234 | 251 |
| Game | 324 | 215 |
| Ticketed events | 1,291 | 734 |
| Car parking and admissions | 12,535 | 10,162 |
| Car parking - memberships | 1,941 | 1,276 |
| Deeds of grant | 252 | 29 |
| Other sales of goods or services | 1,415 | 436 |
| Radio masts and wayleaves | 1,037 | 1,091 |
| Permissions | 1,499 | 946 |
| Administrative income and recharges | 918 | 1,025 |
| Corporate services charges | 2,111 | 1,499 |
| | 81,593 | 72,836 |
| Other income | | |
| Retail and leisure rents | 5,848 | 3,877 |
| Residential rents | 1,209 | 1,154 |
| Agricultural rents | 296 | 333 |
| Mineral extraction rents and royalties | 818 | 606 |
| Other rents | 955 | 782 |
| Coronavirus Job Retention Scheme government grant | - | 736 |
| Grants and other funding | 3,294 | 3,396 |
| | 12,420 | 10,884 |
| Total | 94,013 | 83,720 |

Note 4: Staff and other costs

| | 2021-22 £000 | 2020-21 £000 |
|-----------------------------------------------|-----------------|-----------------|
| Staff costs | | |
| Wages and salaries | 31,762 | 30,986 |
| Social security costs | 3,183 | 3,025 |
| Other pension costs | 8,413 | 8,009 |
| Agency and temporary staff | 1,958 | 1,622 |
| | 45,316 | 43,642 |
| Purchase of goods or services | | |
| Travel and subsistence | 986 | 584 |
| Staff transfers | 146 | 132 |
| Computer costs | 5,647 | 5,313 |
| Accommodation and office services | 4,546 | 4,133 |
| Communication | 915 | 502 |
| Training | 770 | 496 |
| Losses and compensation | 41 | 1,054 |
| Legal expenses | 829 | 666 |
| Auditors' remuneration - audit work | 95 | 98 |
| Shared central services | 1,290 | 1,213 |
| Sustainable forest management | 26,698 | 24,913 |
| Forest estate | 3,242 | 2,717 |
| Forest Live 2020 and 2021 sunk costs | - | 134 |
| Recreation and public affairs | 8,204 | 9,036 |
| | 53,409 | 50,991 |
| Rentals under operating leases | | |
| Land and buildings | 596 | 625 |
| Plant and machinery | 342 | 436 |
| | 938 | 1,061 |
| Non-cash costs | | |
| Depreciation of property, plant and equipment | 6,598 | 6,122 |
| Amortisation of intangible assets | 106 | 26 |
| Provisions | | |
| Provided in year | 291 | 540 |
| Provisions not required written back | (231) | (760) |
| Unwinding of discount | (4) | (2) |
| | 6,760 | 5,926 |
| Total | 106,423 | 101,620 |

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

Note 5: Property, plant and equipment

| | Land and buildings £000 | VME £000 | OME £000 | AUC £000 | Total £000 |
|--------------------------|----------------------------|---------------|--------------|--------------|------------------|
| Cost or valuation | | | | | |
| At 1 April 2021 | 2,421,452 | 23,016 | 1,685 | 821 | 2,446,974 |
| Additions | (169) | 2,795 | 36 | 957 | 3,619 |
| Reclassifications | (381) | - | - | (95) | (476) |
| Disposals | (603) | (2,607) | - | - | (3,210) |
| Fellings | (20,176) | - | - | - | (20,176) |
| Write off | - | - | - | (46) | (46) |
| Revaluation | 231,274 | 198 | (20) | - | 231,452 |
| Impairment | (1,532) | - | - | - | (1,532) |
| At 31 March 2022 | 2,629,865 | 23,402 | 1,701 | 1,637 | 2,656,605 |
| Depreciation | | | | | |
| At 1 April 2021 | 25,313 | 12,101 | 596 | - | 38,010 |
| Charged in year | 4,318 | 2,077 | 203 | - | 6,598 |
| Disposals | (420) | (2,251) | - | - | (2,671) |
| Revaluation | 1,975 | (2,416) | (15) | - | (456) |
| At 31 March 2022 | 31,186 | 9,511 | 784 | - | 41,481 |
| Carrying value | | | | | |
| At 31 March 2022 | 2,598,679 | 13,891 | 917 | 1,637 | 2,615,124 |
| At 31 March 2021 | 2,396,139 | 10,915 | 1,089 | 821 | 2,408,964 |
| Asset financing | | | | | |
| Owned | 2,488,389 | 13,159 | 917 | 1,637 | 2,504,102 |
| Finance leased | 110,290 | 732 | - | - | 111,022 |
| Total | 2,598,679 | 13,891 | 917 | 1,637 | 2,615,124 |

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

Land and buildings are constituted as follows:

| | Nation's forests £000 | Other land £000 | CITF and FH land £000 | Dwellings and other buildings £000 | Total £000 |
|--------------------------|-----------------------------|-----------------------|-----------------------------|------------------------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 April 2021 | 1,988,924 | 268,736 | 22,868 | 140,924 | 2,421,452 |
| Additions | (189) | - | - | 20 | (169) |
| Reclassifications | (56) | (420) | - | 95 | (381) |
| Disposals | - | - | - | (603) | (603) |
| Fellings | (20,176) | - | - | - | (20,176) |
| Revaluation | 198,889 | 14,050 | 5,832 | 12,503 | 231,274 |
| Impairment | - | - | - | (1,532) | (1,532) |
| At 31 March 2022 | 2,167,392 | 282,366 | 28,700 | 151,407 | 2,629,865 |
| Depreciation | | | | | |
| At 1 April 2021 | - | - | - | 25,313 | 25,313 |
| Charged in year | - | - | - | 4,318 | 4,318 |
| Disposals | - | - | - | (420) | (420) |
| Revaluation | - | - | - | 1,975 | 1,975 |
| At 31 March 2022 | - | - | - | 31,186 | 31,186 |
| Carrying value | | | | | |
| At 31 March 2022 | 2,167,392 | 282,366 | 28,700 | 120,221 | 2,598,679 |
| At 31 March 2021 | 1,988,924 | 268,736 | 22,868 | 115,611 | 2,396,139 |
| Asset financing | | | | | |
| Owned | 2,057,102 | 282,366 | 28,700 | 120,221 | 2,488,389 |
| Finance leased | 110,290 | - | - | - | 110,290 |
| Total | 2,167,392 | 282,366 | 28,700 | 120,221 | 2,598,679 |

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

Savills, Chartered Surveyors, carried out a professional valuation of the nation's forests as at 31 March 2018. The next professional valuation is due on 31 March 2023. In the intervening years, the assets are revalued using specialist forestry indices developed and provided by Savills.

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

Camping in the Forest LLP and Forest Holidays LLP (CITF and FH) land represents the land element of our freehold reversionary interest in these sites. The buildings element of this freehold reversionary interest is recognised as a finance lease receivable, and disclosed as a 'partnership lease' in Note 10. An annual valuation of the freehold reversionary interest is undertaken by independent external valuers, currently Avison Young. These values are then disclosed as freehold land and finance lease receivables in proportion to the net book values of land and buildings at the inception of the lease (2006).

Vehicles, machinery and equipment (VME) is usually valued at five-year intervals. 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.

Office machinery and equipment (OME) was restated to current value at 31 March 2022 using an index provided by the Office for National Statistics.

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

Note 6: Biological assets

| | 2021-22 £000 | 2020-21 £000 |
|-----------------------------------------------------|-----------------|-----------------|
| At 1 April 2021 | 458,776 | 369,633 |
| Fellings | (11,416) | (11,127) |
| Movements on plant and seed | (398) | (869) |
| Reclassified as held for sale | - | - |
| Disposals | - | - |
| Gains and losses arising from changes in fair value | 65,550 | 101,139 |
| At 31 March 2022 | 512,512 | 458,776 |
| Carrying value | | |
| Plant and seed | 2,855 | 3,252 |
| Timber | 509,657 | 455,524 |
| Total | 512,512 | 458,776 |

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

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

| | At 31 March 2022 Area in hectares | At 31 March 2021 Area in hectares |
|--------------|--------------------------------------------|--------------------------------------------|
| North | 31,543 | 31,543 |
| Yorkshire | 124 | 124 |
| Central | 3,288 | 3,288 |
| East | 2,045 | 2,045 |
| West | 5,608 | 5,608 |
| South | 2,304 | 2,304 |
| Total | 44,912 | 44,912 |

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

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

Note 7: Financial assets

| | CITF £000 | Forest Holidays £000 | Total £000 |
|-------------------------|--------------|----------------------------|---------------|
| At 1 April 2021 | 3,695 | 12,575 | 16,270 |
| Disposals | (2,275) | - | (2,275) |
| Revaluation | (1,420) | 10,100 | 8,680 |
| At 31 March 2022 | - | 22,675 | 22,675 |
| At 1 April 2020 | 2,625 | 9,640 | 12,265 |
| Additional investment | - | 218 | 218 |
| Revaluation | 1,070 | 2,717 | 3,787 |
| At 31 March 2021 | 3,695 | 12,575 | 16,270 |

Until 28 February 2022, Camping in the Forest LLP (CiTF) was a limited liability partnership between the Forestry Commissioners, the Scottish Government, Natural Resources Wales and the Camping and Caravanning Club (CCC). The combined interest of the government bodies was held within a limited liability partnership with designated members representing each public organisation. On 28 February 2022, there was a restructuring of the arrangement where Forestry England and Forestry and Land Scotland purchased CCC's interest in CiTF for which Forestry England paid consideration of £6.9 million. On the same day, the limited liability partnership transferred its only asset, being its interest in CiTF, to its remaining members under a member interest transfer agreement. As a result of their restructuring, the interest in CiTF at year end is accounted for as an investment in a joint venture and disclosed in note 8 below.

Forest Holidays Ltd is a limited liability company in which the Forestry Commissioners hold an equity interest, alongside the Scottish Government and Natural Resources Wales. The combined equity interest, representing 11.57% of the total, is held within a limited liability partnership with designated members representing each public organisation. The majority investor is Phoenix Equity Partners. The arrangement has existed since 2006, with a restructuring in 2012, refinancing in 2017, and with the addition of the public holdings limited liability partnership in 2019, following full devolution of Scottish forestry.

The carrying value of Forest Holidays at year end represent the fair value of the investment.

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

Changes in the fair value of investment are disclosed within Other Comprehensive Income in the Statement of Net Comprehensive Expenditure.

Note 8: Joint ventures

| | CiTF £000 | Total £000 |
|------------------|--------------|---------------|
| | - | 0 |
| At 1 April 2021 | - | - |
| Investment | 9,217 | 9,217 |
| Revaluation | - | - |
| At 31 March 2022 | <u>9,217</u> | <u>9,217</u> |

Until 28 February 2022, Forestry England accounted for its interest in Camping in The Forest (CiTF) as an available for sale asset as it had no significant influence over the activities of CiTF as disclosed in note 7 above. On 28 February 2022, Forestry England, together with Forestry and Land Scotland, took joint control of the net assets of CiTF, and the investment in CiTF is being included in the financial statements using the equity method at 31 March 2022.

CiTF has a reporting date of 28 February. The summarised financial information in relation to CiTF is presented below:

| | CiTF £000 | Total £000 |
|----------------------------------------------------------|--------------|---------------|
| As at 28 February | | |
| Current Assets | 2,863 | 2,863 |
| Non-current assets | 8,677 | 8,677 |
| Current liabilities | (3,704) | (3,704) |
| Non-current liabilities | 0 | 0 |
| Included in the above amounts are: | | |
| Cash and cash equivalents | 2,797 | 2,797 |
| Current financial liabilities (excluding trade payables) | (2,703) | (2,703) |
| Net Assets (100%) | <u>7,836</u> | <u>7,836</u> |
| Forestry England share of net assets (77.2%) | <u>6,051</u> | <u>6,051</u> |

Note 9: Financial instruments

Financial instruments

| | 31 March 2022 | | | 31 March 2021 | | |
|-----------------------------------------------------|-------------------------------|----------------------------|----------------|-------------------------------|----------------------------|---------------|
| | Loans and receivables £000 | Available for sale £000 | Total £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
| Financial assets available for sale | - | 22,675 | 22,675 | - | 16,270 | 16,270 |
| Trade and other receivables (excluding prepayments) | 29,205 | - | 29,205 | 28,180 | - | 28,180 |
| Cash and cash equivalents | 54,286 | - | 54,286 | 33,272 | - | 33,272 |
| Total assets | 83,491 | 22,675 | 106,166 | 61,452 | 16,270 | 77,722 |

| | Liabilities at fair value through the profit and loss statement £000 | | | Liabilities at fair value through the profit and loss statement £000 | | |
|------------------------------------------------------------|-------------------------------------------------------------------------|---------------|---------------|-------------------------------------------------------------------------|---------------|---------------|
| | Other financial liabilities £000 | Total £000 | Total £000 | Other financial liabilities £000 | Total £000 | Total £000 |
| Finance lease liabilities | - | 2,811 | 2,811 | - | 3,045 | 3,045 |
| Trade and other payables (excluding statutory liabilities) | - | 47,421 | 47,421 | - | 28,281 | 28,281 |
| Total liabilities | - | 50,232 | 50,232 | - | 31,326 | 31,326 |

Note 10: Trade receivables, financial and other assets

| | 31 March 2022 £000 | 31 March 2021 £000 |
|-----------------------------------------------------|-----------------------|-----------------------|
| Amounts falling due within one year | | |
| Trade receivables | 9,993 | 11,533 |
| Provision for impairment of trade receivables | (25) | (131) |
| Trade receivables - net | 9,968 | 11,402 |
| VAT receivable | 111 | 157 |
| Other receivables | 33 | 511 |
| House purchase and other loans to employees | 28 | 32 |
| Prepayments and accrued income | 9,351 | 5,854 |
| Partnership lease | 450 | 420 |
| | 19,941 | 18,376 |
| Amounts falling due after more than one year | | |
| House purchase and other loans to employees | 19 | 18 |
| Prepayments and accrued income | 68 | 739 |
| Landlord's investment in CITF campsite | 1,500 | 1,500 |
| Partnership lease | 15,501 | 9,463 |
| | 17,088 | 11,720 |
| Total current and non-current | 37,029 | 30,096 |

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

As at 31 March 2022, trade receivables of £316,000 (31 March 2021: £732,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Despite the situation with Covid-19, the majority of our customers have maintained a strong trading position, particularly our timber debtors who have experienced a strengthening market due to high demand for timber products. Our large rental tenants have also fared better than anticipated, and whilst some rent deferral agreements were made in 2020-21, that have resulted in increased invoice levels for 2021-22, they have paid all rental sums due and hopefully can look forward to the coming year with positivity.

Note 11: Cash and cash equivalents

| | 31 March 2022 £000 | 31 March 2021 £000 |
|-------------------------|-----------------------|-----------------------|
| At 1 April 2021 | 33,272 | 22,264 |
| Net change in balances | 21,014 | 11,008 |
| At 31 March 2022 | 54,286 | 33,272 |

| | 31 March 2022 £000 | 31 March 2021 £000 |
|------------------------------|-----------------------|-----------------------|
| Held at | | |
| Government Banking Service | 54,277 | 33,261 |
| Commercial banks and in hand | 9 | 11 |
| Total | 54,286 | 33,272 |

Note 12: Trade payables and other liabilities

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------|-----------------------|-----------------------|
| Amounts falling due within one year | | |
| Trade payables | 2,494 | 3,124 |
| Other payables | 901 | 850 |
| Other taxation and social security payables | 805 | 753 |
| Accruals | 4,925 | 3,761 |
| Other deferred income | 15,036 | 2,356 |
| Contract liabilities | 4,735 | 3,398 |
| Finance lease payables | 254 | 95 |
| Payments received on account | 32 | 59 |
| | 29,182 | 14,396 |
| Amounts falling due after one year | | |
| Other deferred income | 23,944 | 18,067 |
| Payments received on account | 89 | 64 |
| Finance lease payables | 2,557 | 2,950 |
| | 26,590 | 21,081 |
| Total current and non-current | 55,772 | 35,477 |

Deferred income falling due after one year includes donated assets, government and EU grant income, which is released to fund depreciation, of £14,098,000 (31 March 2021: £14,788,000).

Further information on contract liabilities is provided in Note 13.

Note 13: Contract balance

| | 31 March 2022 £000 | 31 March 2021 £000 |
|----------------------|-----------------------|-----------------------|
| Contract assets | - | - |
| Contract liabilities | 4,735 | 3,398 |

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

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

| | Contract liabilities £000 |
|------------------------------------------------------|------------------------------|
| At 1 April 2021 | 3,398 |
| Recognised as income during the period | (779) |
| Recognised as contract liabilities during the period | 2,116 |
| At 31 March 2022 | 4,735 |

Included within the closing contract liabilities at 31 March 2022 is £4,528,000 (31 March 2021: £2,157,000) of Forest Live ticket income that has been deferred to Forest Live 2022. All other income disclosed within contract liabilities is expected to be received in the coming year, this is for a variety of deferred revenue from contracts with customers such as membership income, timber income and radio mast income.

Note 14: Provisions for liabilities and charges

| | Early departures £000 | Legal claims £000 | Other £000 | Total £000 |
|---------------------------------------------------|-----------------------------|-------------------------|---------------|---------------|
| Balance at 31 March 2021 | 763 | 77 | - | 840 |
| Provided in year | 118 | 123 | 50 | 291 |
| Provisions not required written back | (220) | (12) | - | (232) |
| Provisions utilised in year | (128) | (6) | - | (134) |
| Unwinding of discount | (4) | - | - | (4) |
| Balance at 31 March 2022 | 529 | 182 | 50 | 761 |
| Expected timing of discounted cash flows | | | | |
| Not later than one year | 19 | 82 | 50 | 151 |
| Later than one year and not later than five years | 178 | 100 | - | 278 |
| Later than five years | 332 | - | - | 332 |
| Total | 529 | 182 | 50 | 761 |

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

Early departure costs

Forestry England meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry England provides for this in full when the early retirement programme becomes binding on Forestry England by establishing a provision for the estimated payments, and discounting the provision at the HM Treasury stipulated rate of (1.30)%.

Note 15: Capital commitments

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|--------------------|-----------------------|-----------------------|
| Land and buildings | 222 | 50 |
| Other | - | 1,066 |
| Total | 222 | 1,116 |

The land and building capital commitments at 31 March 2022 relate to the refurbishment and construction of residential and commercial properties in Grizedale, Kielder Castle and Hamsterley, and hydro improvement schemes in Kielder Castle and Whinlatter.

Note 16: Commitments under leases

Operating lease commitments

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|-----------------------|
| Land | | |
| Not later than one year | 7 | 2 |
| Later than one year but not later than five years | 25 | 5 |
| Later than five years | 85 | 76 |
| | 117 | 83 |
| Buildings | | |
| Not later than one year | 373 | 382 |
| Later than one year but not later than five years | 1,248 | 1,329 |
| Later than five years | 1,836 | 2,350 |
| | 3,457 | 4,061 |
| Plant and machinery | | |
| Not later than one year | 30 | 37 |
| Later than one year but not later than five years | - | - |
| Later than five years | - | - |
| | 30 | 37 |
| Total | 3,604 | 4,181 |

Finance lease commitments

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

| | 31 March 2022 £000 | Restated 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|-----------------------------------|
| Land | | |
| Not later than one year | 88 | 85 |
| Later than one year but not later than five years | 349 | 339 |
| Later than five years | 63,093 | 62,014 |
| | 63,530 | 62,438 |
| Less interest element | (61,073) | (60,048) |
| Present value of obligations | 2,457 | 2,390 |
| Plant and machinery | | |
| Not later than one year | 179 | 142 |
| Later than one year but not later than five years | 199 | 237 |
| | 378 | 379 |
| Less interest element | (23) | (15) |
| Present value of obligations | 355 | 364 |
| Total present value of obligations | 2,812 | 2,754 |

In March 2022, the calculation of the undiscounted finance leased commitments for land was reviewed and found to be incorrectly calculated in the prior year which has been restated in these accounts. The prior year disclosure was originally as follows:

| | 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|
| Land | |
| Not later than one year | 169 |
| Later than one year but not later than five years | 618 |
| Later than five years | 3,827 |
| | 4,614 |
| Less interest element | (2,224) |
| Present value of obligations | 2,390 |

The finance lease commitments ageing in respect of land leases in the prior year were originally calculated using an average lease term and discounting the capital and interest elements over this term. The prior year ageing has been restated on an undiscounted basis over the remaining lease term of each separable lease. The future interest element has also been restated based on the remaining lease term of each separable lease. The restatement of the prior year has no impact on the present value of obligations of leased land liabilities, or on the Taxpayer's Equity of Forestry England as previously stated.

Note 17: Other financial commitments

At 31 March 2022, Forestry England have entered into non-cancellable contracts for 'Enchanted Christmas' at Westonbirt and other projects improving visitor experience. We have also entered into non-cancellable contracts for the rental of office space for the National Office in Bristol, and for IT systems improvements for which payment will be due over the coming five years. The payments to which Forestry England is committed are analysed by the period during which the commitment expires as follows:

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|-----------------------|
| Not later than one year | 3,166 | 434 |
| Later than one year but not later than five years | 1,485 | 455 |
| Over five years | 1,592 | - |
| Total | 6,243 | 889 |

Note 18: Lease receivables**Operating lease receivables**

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|-----------------------|
| Land and buildings | | |
| Not later than one year | 6,887 | 5,884 |
| Later than one year but not later than five years | 15,701 | 12,982 |
| Later than five years | 112,037 | 96,135 |
| Total | 134,625 | 115,001 |

Forestry England leases land and buildings under agreements that terminate between April 2022 and March 2127.

Finance lease receivables

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

| | 31 March 2022 £000 | 31 March 2021 £000 |
|---------------------------------------------------|-----------------------|-----------------------|
| Buildings | | |
| Not later than one year | 450 | 420 |
| Later than one year but not later than five years | 1,800 | 1,680 |
| Later than five years | 27,003 | 25,622 |
| Total | 29,253 | 27,722 |
| Less interest element | (13,302) | (17,839) |
| Present value of obligations | 15,951 | 9,883 |

Note 19: Contingent liabilities disclosed under IAS 37

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

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

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

Note 20: Contingent assets disclosed under IAS 37

Forestry England are progressing the conversion of the land at Mostyn Vale from a management agreement to a lease from Manchester City Council.

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

Note 21: Related party transactions

The Forestry Commission is regarded as a related party. During the year, Forestry England received £37,012,000 from the Forestry Commission (2020-21: £26,775,000), of which £18,153,000 is annual subsidy funding, and the remainder is grants related to the Nature for Climate Fund projects, Government Greening and the Golden Eagles project. At 31 March 2022, £nil remained outstanding to Forestry England.

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

The following additional activities were carried out with related parties:

| 2021-22 | Ground rent received £000 | Income from other services £000 | Landlord's investment £000 | Purchases from related party £000 | Amount owed (to)/by related party £000 |
|-----------------------------|------------------------------|------------------------------------|-------------------------------|--------------------------------------|-------------------------------------------|
| Entities sponsored by Defra | - | 191 | - | 204 | 101 |
| Forest Holidays | 853 | 33 | - | 16 | - |
| Camping in the Forest | 414 | 39 | - | 16 | 33 |
| MHR | - | - | - | 67 | - |
| Scouts Association | - | 7 | - | - | - |
| Total | 1,267 | 270 | - | 303 | 134 |

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

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

Forest Holidays and Camping in the Forest are considered to be related parties for the purpose of these accounts.

Following full devolution of forestry, two separate limited liability partnerships (LLPs) were created to effectively manage the interests of the public sector holdings in Forest Holidays and Camping in the Forest. Forest Holidays Public Sector Holdings LLP was incorporated on 30 April 2019, while Camping in the Forest Public Sector Holdings LLP was incorporated on 4 September 2019. Each LLP has a designated member from Natural Resources Wales, Forestry and Land Scotland, and the Forestry Commission. The investment in Forest Holidays Public Sector Holdings LLP was disposed of on 27 April 2022 to an unconnected third party.

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

Peter Latham retired as Chair of James Latham plc in August 2017; he holds over 6% of the shares in the company, with the Latham family holding approximately 50%. The Forestry Commission received income of £3,957 from James Latham plc during 2021-22 for import inspection fees, of which £1,452 was outstanding at 31 March 2022. There were no transactions between Forestry England and James Latham plc.

Note 22: 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 date for issue is the date of the Comptroller and Auditor General's audit report.

On 27 April 2022, Forestry England disposed of its minority interest in Forest Holidays to Sykes Holidays Cottages for £27.48 million.

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