



THE NATIONAL
FOREST

National Forest Company Annual Report and Accounts

For the year ended 31 March 2022

HC 825

National Forest Company
Annual Report and Accounts 2021-22
For the period 1 April 2021 to 31 March 2022

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Chair's letter

This has been a pivotal year for the National Forest Company (NFC). Discussions with the National Forest Charitable Trust (NFCT), long our partners in developing the Forest, have secured a merger of our two bodies which took effect on 1 April 2022. For us, the merger will bring with it some 165 hectares of land, a string of assets including the National Forest Youth Hostel, and the award-winning Conkers Visitor Centre. Further it will provide us with an opportunity to showcase and demonstrate a more focused approach to the Heart of the Forest itself, better deliver our charitable aims, and generate new commercial income streams.

My thanks go to the outgoing Chair of the NFCT, Stephen Woolfe, and the Project Director, Mike Ballantyne, as well as both Boards and the NFC team for all their endeavours in making this happen.

Whilst the country faces an uncertain post-COVID world, faced with the challenges of climate change, declining biodiversity and growing economic tensions, the National Forest has a positive story to tell. This report demonstrates our ongoing success, not least another 200 hectares of forest creation, with its multitude of benefits to nature, carbon and people. Our work continues to contribute to DEFRA's Nature for Climate Fund and to the England

Tree Planting Programme, and through our ongoing innovation, collaboration and communication we can rightly claim to be leaders in forestry creation and management.

A particular thanks to my fellow trustees for navigating a complicated year in which we have advanced a busy programme, through meetings both virtual and in person. I am also delighted that the merger has allowed us to grow our Board, and we welcome Penny Coates as a Trustee, and Andrew Bridge and Martin Traynor who will see us through the transition period.

This year more than ever we have taken heart from engaging with our partners – businesses, funders, communities, landowners and the wider community. Can I thank you all for your support and I look forward to re-energising our relationships in the year ahead.



Lord Duncan of Springbank PhD FGS
Chair of the Board of Trustees

Chief Executive's foreword

This has been another challenging year of COVID-19 restrictions, economic pressures and the wider backdrop of global uncertainty. However, I am delighted that even these hardships haven't knocked us off course in realising our National Forest vision.

Not only has the National Forest Company continued to deliver well against its targets, but it has succeeded in increasing its staffing, income generation and profile to set itself up for the future. This is particularly important as the organisation is expanding in both size and complexity as we merge with the National Forest Charitable Trust (NFCT). Indeed, I would like to thank colleagues at the NFCT for their support in the merger discussions this year which has helped to ensure a smooth and collaborative transition.

Below are a few selected highlights from 2021-22 that show how our work continues to have a positive impact both for the Forest and on a national stage:

- Securing another 200 hectares of new forest habitat, including a major new Country Park, to continue to accelerate tree planting in the face of climate change.
- Acquiring additional land at Newchurch for new woodland creation and public access.
- Progressing the merger with the National Forest Charitable Trust and developing the masterplan vision for the Heart of the National Forest.
- Signing a Tree Charter in partnership with Leicestershire County Council to demonstrate our joint commitment to trees and action on climate change.
- Establishing the extensive Minorca Woodland site near Measham with new tree planting, access and habitat creation, including our carbon storage programme with Fat Face to support their move to net zero.
- Commencing the national healthcare pilot GreenSpring in Derbyshire to explore approaches to green social prescribing.
- Producing a new design guide and investment programme for sustainable tourism accommodation to help stimulate a green recovery for the visitor economy.
- Running a successful Timber Festival with partners, Wild Rumpus, as our first major event following the pandemic, and kicking off the inaugural National Forest Trek.

I have been pleased to see the gradual return of businesses, events, volunteering and schools as COVID-19 restrictions have eased, and to note that the Forest has been impacted less heavily than other parts of the country. As we look ahead, we will continue to provide support and funds to encourage our communities to continue to enjoy the benefits of the outdoors and promote a greener economy. My thanks, as ever, to the NFC Board and staff team for another incredible year, and for the sterling support of our many partners and individuals without whom our work would not be possible.

Finally, I would like to finish by paying tribute to Caroline Scothern who we sadly lost this year. Not only was Caroline an inspiration to everyone who worked with her, but she embodied the spirit of the National Forest – open, positive and uplifting. We will all remember her fondly and look to re-double our work on outdoor learning as a fitting legacy.



John Everitt FRSA
Chief Executive/Accounting Officer

Directors' Annual Report

Introduction

This report provides the information as required by company law. In addition, as the National Forest Company (NFC) is a registered charity, the report provides any additional information as required by the Statement of Recommended Practice (SoRP) module 'Trustees' annual report'. The Trustees have agreed that a single report should be produced providing the required information rather than a separate Directors' report and Trustees' annual report.

National Forest Company status

The National Forest Company was established in April 1995 with the objective of overseeing the creation of the National Forest which spans 200 square miles of central England. The NFC is a company limited by guarantee (registered number 2991970) and a registered charity (registered number 1166563). The NFC operates from its registered office at Enterprise Glade, Bath Yard, Moira, Swadlincote, Derbyshire DE12 6BA.

As a charity since April 2016 and applying the provisions of its Articles of Association, the business of the NFC is no longer under the majority control by the Secretary of State for Environment, Food and Rural Affairs. The NFC does, however, given the levels of grant in aid funding received, continue to place economic reliance on the Department for Environment, Food and Rural Affairs (Defra). Grant in aid is paid to the NFC under Section 153 of the Environmental Protection Act 1990. The NFC's status is a Non-Profit Institution within the Public Sector specifically within Central Government as defined by the Office for National Statistics.

Objectives and activities

The objects of the NFC as contained in its Articles of Association are:

'For the public benefit, the conservation, protection and improvement of the physical and natural environment so as to secure and enhance the enjoyment by the public of the same, in particular but without limitation to:

- (a) woodland creation and management generally, and in particular in the area of the National Forest, for the benefit of the general improvement of land or for the environment;*
- (b) the promotion of urban and rural regeneration by the maintenance, improvement or provision of public amenities; the provision of recreational*

facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances, have need of such facilities; and the protection or conservation of the environment; and

- (c) the advancement of education in the environment and sustainable development through the promotion of training and education and the undertaking and publishing of research.'*

Strategy and priorities

The National Forest Strategy covering the period 2014–2024 includes the following priorities:

- Creating and managing a Forest for the nation
- Creating the visitor destination and making the most of the asset
- Creating the Forest for Everyone
- Governance, income generation and marketing

The Strategy is based on creating a resilient Forest environment, continuing to move forward with new forest creation and increasing the emphasis and investment in woodland management. It also includes a focus on a Forest society, increasing new access routes and engaging people and communities in outdoor activity through education, volunteering and enjoyment. In addition, the Strategy prioritises work to create a sustainable Forest economy, developing the visitor, woodland and green economy in line with the Forest brand. To support this, the Strategy recognises the organisational development required for the NFC to meet future challenges, including upgrading its governance and systems as a new charity, growing its income to increase financial sustainability, and building a stronger brand.

Grant funding from Defra contributed significantly towards the delivery of objectives for the year, whilst simultaneously contributing to the delivery of the Defra Strategy, 25 Year Environment Plan and Departmental objectives.

Public benefit

In overseeing the strategic direction and activities for the year, the Trustees have been mindful of the Charity Commission guidance on public benefit and are satisfied that the NFC complies with these requirements.

The National Forest acts as a national exemplar of sustainability and its public benefit is based on its

environmental, social and economic outcomes to mitigate and adapt to climate change.

The direct environmental benefits include the restoration of the landscape from planting more than 9 million trees and the services that this provides for our natural capital including carbon sequestration, clean air and water, and protection of soils, as well as the protection and enhancement of wildlife. This has particular resonance as we respond to the urgency of both climate change and biodiversity loss. Social benefits relate to the physical and mental wellbeing of individuals who engage with the Forest and the considerable benefits that are derived from programmes that promote access, volunteering, education, skills and training, improving the equality of these opportunities for all our communities. Economic benefits are provided to society as a whole through promoting more sustainable livelihoods, shifting to a low carbon and circular economy that reduces negative impacts, and through targeted work with deprived communities.

The benefits are felt by the 209,000 residents living within the National Forest area, many of whom are from disadvantaged backgrounds and under-represented groups in our urban and rural areas; the c9 million visitors who enjoy the Forest as a destination each year; the 342,000 plus individuals who experience the National Forest through the website; the 16m people impacted by media and communications activity, and the expanding audience of supporters, partners and stakeholders who are inspired to engage with our work.

Volunteering statement

It is central to the ethos of the National Forest's development that local communities, businesses and visitors are offered opportunities to become engaged in creating and looking after the Forest, helping to underpin more sustainable, cost effective and resilient management. Volunteering has played a key role in this. Since its creation, the NFC has facilitated a wide range of organisations across the Forest to offer volunteering opportunities; for example, since 1997, 32,715 volunteer workdays have been arranged in the Forest by The Conservation Volunteers (TCV) where activities included conservation, woodland creation and management, and wildlife monitoring projects.

The NFC itself is also directly involved in the engagement and deployment of volunteers, with a volunteering policy approved by the Board. During 2021-22, the NFC continued its volunteering activities through the Creating Working Woodlands project funded by Esmée Fairbairn Foundation, and further training for volunteers involved in the

Timber Festival. Despite still being impacted by the COVID-19 pandemic, the volunteer sessions in 2021-22 increased to more than 40,000 hours, with an approximate value of £380k.

Equality, Diversity and Inclusion

Diversity and inclusion of our staff and volunteers, as well as ensuring that the National Forest attracts and engages with a diverse range of audiences and stakeholders is a key priority. During the year we extended our Equality, Diversity and Inclusion strategy with key priority actions being taken forward by a small staff working group led by a Trustee. Work includes ensuring that the Forest's vision, programme of work, projects and processes show due regard for diversity and inclusion and consider the impact of decisions on under-represented groups, including those having access to grants and support.

Grant making policy

The NFC's grant making is targeted to support public benefit and the charity's objects in line with Charity Commission guidance, and guidance set out in Managing Public Money. Grants awarded are an important means of delivering multiple Forest objectives including forest creation, woodland management, biodiversity, access, arts and culture, and community programmes. Grants are administered through an assessment process that considers priorities, impact and value for money. Higher level grants are approved annually by the Board and smaller grants by Trustee-led Working Groups. This provides the necessary assurances and includes grant conditions for recipients to ensure that charitable purposes are adhered to. Forest creation is secured through grants awarded via the Changing Landscapes Scheme (CLS), for areas greater than 1 hectare (ha).

The woodland management grant programme supports active management of woodlands covering a range of objectives including forestry, wildlife, access, landscape and community use. In 2021-22 the woodland economy grant scheme was again run to stimulate an increase in economic activity designed to sustain woodlands into the future. Qualifying projects are normally eligible for up to 60% of total costs, with some funded programmes paying 100%.

Small grants to communities and organisations are made through the Small Grants Fund (SGF). The SGF supports activities and projects that include access, arts and culture, community, heritage, wildlife and recreation. Grants normally cover up to 50% of project costs, helping to lever additional funds to support the Forest.

Grants totalling £1,228,071 were awarded during 2021-22 (2020-21: £581,243). Note 17 of the accounts provides an analysis and information on grant recipients. The increase is largely due to Forest Creation grants awarded during the year including £300,000 to the National Forest Charitable Trust (2020-21: £ nil) to facilitate transfer of land as part of the merger negotiations. The Changing Landscapes (CLS) grant scheme awarded £504,180 (2020-21: £271,323). COVID-19 still continued to have an impact on the number of grants awarded this year, most notably on our Creating a Forest for Learning project; 12 grants totalling £12,874 (2020-21: £10,748) supported schools to provide outdoor learning training for school staff and to enhance the outdoor learning environment within schools through woodlands. The second year of the Habitat Enhancement Grant was run in 2021-22 with funding from Severn Trent Water. The 'Severn Trent Great Big Nature Boost' supports work on biodiversity restoration and enhancement across the Forest; 24 grants totalling £128,170 (2020-21: £78,872) were awarded. To provide additional support to businesses and communities impacted by COVID-19, grant schemes were targeted this year for work on Arts and Health & Wellbeing as well as support on Sustainable Tourism. This included an additional 13 grants totalling £23,354 (2020-21: £13,200) to support a green recovery and target communities most in need.

The NFC works collaboratively with other charities in the pursuit of its objectives, including grants this year to the National Memorial Arboretum, Woodland Trust and National Trust.

Strategic Report

Financial overview

An operating surplus of £0.871m was achieved in 2021-22 (2020-21: £2.001m) comprising £0.520m unrestricted (2020-21: £0.462m) and £0.351m relating to restricted projects (2020-21: £1.540m). The unrestricted surplus resulted from over achievement of income generation targets and savings on marketing and staff costs as a result of delays in recruitment.

Total income during 2021-22 was £5.842m (2020-21: £5.614m) of which £2.401m is grant in aid from Defra (2020-21: £2.467m) and £1.894m being the second year of the Nature for Climate Fund programme (2020-21: £2.146m) also funded by Defra. The NFC continues to rely heavily on Defra funding and the high priority given to forestry and net zero within government and reflected in the recent Spending Review gives confidence that both grant in aid and Nature for Climate Fund will continue at broadly similar levels. Despite the uncertainties in the wider economy, corporate sponsorship and donations income continued to increase and unrestricted income of £0.710m was secured (2020-21: £0.533m).

Expenditure during 2021-22 was £5.165m of which unrestricted expenditure was £2.632m and restricted expenditure was £2.533m (2020-21: total expenditure £3.478m, unrestricted expenditure £2.521m and restricted expenditure £0.957m). 41% (2020-21: 33%) of the total expenditure was spent on forest creation (Note 7), securing the target of more than 200 hectares of new forest habitat whilst also helping to deliver associated targets.

Restricted project income was £2.686m in 2021-22 (2020-21: £2.587m), largely comprising £1.894m Nature for Climate Funds, £0.307m for the Charnwood Development Project and £0.202m for the Severn Trent Great Big Nature Boost project. These projects with their third-party funding make a significant contribution to the delivery of corporate priorities, and can also contribute to core cost recovery. Restricted funds reserves for 2021-22 stand at £2.427m (2020-21: £2.075m) as a result of land acquisition of £0.665m through the Nature for Climate Fund and planned expenditure from reserves being met through the budget from increased fundraising.

The NFC continues to act as an enabler, working in partnership with others to deliver its priorities. The awarding of grants remains an important means of delivering these priorities and during the year grants totalling £1.228m were awarded, significantly

up on last year (2020-21: £0.581m). No grants were made to support land acquisitions in 2021-22.

£0.126m of contributions and match funding was transferred from unrestricted funds to restricted funds for the 'National Forest Trek', National Forest 'Timber' Festival, Community Forest Woodland Outreach project and the 'ELMS Test and Trial' project.

At the end of March 2022, the NFC reserves had increased from £8.834m to £9.705m.

Fundraising Statement

The NFC is registered with the Fundraising Regulator and abides by its Code of Fundraising Practice, ensuring that fundraising activities are legal, open, honest and respectful. The standards can be accessed via the Fundraising Regulator website [fundraisingregulator.org.uk](https://www.fundraisingregulator.org.uk). The NFC does not use the services of professional fundraisers.

The NFC's Development Working Group, comprising two Trustees, and reporting to the Board, is responsible for oversight of the income generation strategy which includes fundraising. Two fundraising specialist advisors were added to the Working Group in the year to provide additional expertise and challenge. Operationally, responsibility for the development, management and monitoring of fundraising activities is carried out by the NFC's Development Team; this includes the Fundraising and Development Manager who is a Full Member of the Institute of Fundraising.

No complaints have been received about the NFC's fundraising practice.

Achievements against targets for 2021-22

Despite the ongoing difficulties experienced as a result of the pandemic in 2021-22, the NFC was still able to meet its core targets and outcomes for the Forest. The grant and land acquisition pipeline for new forest creation was heavily impacted by COVID-19 but compensated by delivery through the planning system, and the purchase of a new site at Newchurch. This meant that the NFC was still able to successfully exceed the milestone of 200 hectares of new forest habitats at 202ha (2020-21: 212ha), pushing the forest cover figure above 22% of the total land area and ensuring continued progress towards our long term ambitions. As with previous years, the mechanisms of land acquisition, planning, advice and grant schemes were all used to secure new forest creation, including the significant

contribution from planning schemes, in particular the creation of a new Country Park at the former Nailstone Colliery site. Forest creation activity has also helped to deliver 137 hectares of new access this year which, while just short of the 150ha target, provides significant additional public benefit to communities.

Alongside forest creation, our work to secure good management of woodlands was extended this year with grants, support and advice helping to ensure that 445ha of woodlands were either brought into or renewed their active management. This has continued to ensure woodlands in active management exceeded 80%, well in excess of the national average. The Habitat Enhancement Grant with Severn Trent's Great Big Nature Boost programme meant that 138 ha of priority wildlife habitats were restored or enhanced, helping to improve connectivity across the Forest and support threatened species, including bats and the great-crested newt. Nature for Climate Funds also helped the NFC secure the release of 150ha of land in the Heart of the Forest as part of the planned merger with the National Forest Charitable Trust, which will complete in 2022-23 and bring more land into better management for wildlife and people. The target for trees planted was also exceeded at more than 200k, making up for recent reductions resulting from the pandemic and significantly higher than the 178k last year. This included significant planting and site development works at the new Minorca Woodland near Measham.

Our community work was again challenged this year as a result of COVID-19 and the tragic death of a much loved colleague, Caroline Scothern, who led our work on outdoor learning so successfully. Face to face activity returned for the Creating a Forest for Learning project and Forest Foxes pilot in conjunction with Leicester City Football Club Community Trust. The outdoor learning campaign increased primary schools engaged in regular outdoor learning to 63% (up from 61% in 2020-21),

with benefits extending to deprived communities and inner-city schools in Leicester.

Outdoor activities also returned for partners in the Charnwood Forest Landscape Partnership Scheme supported by the National Lottery Heritage Fund, as well as the Creating Working Woodlands project, both helping to grow volunteering, small business development and community engagement following lockdown. Volunteering activity returned to more than 40,000 hours during the year and the number of community groups managing woodlands continued to increase. This work was complemented by the establishment of a new national social prescribing pilot project, GreenSpring, in conjunction with a health sector partnership in Derbyshire and funded through the Department for Health and Social Care.

COVID-19 support for businesses and communities was also enhanced by new grant schemes targeted to arts, wellbeing and sustainable tourism activity. These ranged from community arts to mindfulness walks, as well as a major programme of support aimed at stimulating new sustainable tourism accommodation in the Forest led by the production of an innovative new design guide for planners and developers.

Live events returned during the year with a successful Timber Festival run by partners Wild Rumpus and featuring a mix of local, national and international programming using arts to connect people to forests and nature. The inaugural National Forest Trek, in partnership with the Defence Medical Rehabilitation Centre Benevolent Fund and the National Memorial Arboretum, was also held along the National Forest Way to encourage more active lifestyles.

Activities were underpinned by a diverse programme of research and evidence including on biodiversity, carbon, mapping of land use in the Forest, national trials for the Environmental Land Management Scheme (ELMS), and a new masterplan vision for the Heart of the Forest area.

Forest Environment

Targets	Progress
Forest Creation:	
Forest cover to reach 22.5%.	22.3% secured, up from 21.9% at beginning of year. Note that 0.1% = 50 hectares. Some delays due to COVID-19 (see below)
200 – 250ha of forest creation.	Achieved. Total 201.61ha comprising 31.67ha Newchurch land acquisition, 32.21ha under Changing Landscape Scheme (CLS), 7.85ha under Freewoods and 10.43ha under Parklands. There is also 102.36ha from planning, 14.37ha of new creation through Countryside Stewardship and 2.72 from re-mapping.
150,000 trees planted.	Target significantly exceeded catching up on tree planting delayed last year as a result of COVID-19. 201,228 trees planted in total on NFC sites, through NFC grant schemes and as a result of planning gain.
Woodland Management:	
85% of woodlands in active management.	80% of woodlands in active management through grants and support to landowners. Lower result as some previously recorded sites are no longer under contracted management grants.
400ha of woodlands brought or retained in active management.	Exceeded. 445ha achieved comprising new areas brought into active management and renewals.

Forest Society

Targets	Progress
Access creation:	
80% of Forest sites created with public access.	Achieved. 80% public access maintained with access as included as part of new schemes and acquisitions.
150ha of new access created.	137 ha created in total. 31.7ha was created at the Newchurch acquisition, with a further 36.3ha created under NFC grant schemes and 68.6ha under planning. New planning sites where the only access is Public Right Of Way have not been included in the total but represent a further 6.19ha of partial access. Access figure below target as a result of more forest creation delivered through planning gain than grants and acquisitions this year.
Promoting outdoor activity:	
70% of National Forest primary schools regularly delivering outdoor learning.	63% primary schools having regular outdoor learning achieved, with delays as a result of COVID-19. Many schools pushed back their outdoor learning grants due to the pandemic.
12,000 volunteer sessions completed in the Forest each year.	Target measurement changed to volunteering hours with 40,909 volunteer hours achieved. A return to events and regular volunteering, including at Timber Festival, following the relaxation of restrictions has increased numbers.

Forest Economy

Targets	Progress
Visitor economy:	
Increase visitor numbers to 9.05m pa.	4.57m visitors reported via independent Scarborough Tourism Economic Activity Monitor (STEAM) data based on 2021 assessment of 2020 figures (ie one year in arrears). Whilst numbers were heavily affected by COVID-19 restrictions, regional comparison showed that the National Forest managed to retain more of its visits than other areas within the East Midlands.
Visitor spend pa increased to £472m and tourism jobs increased to 5,363.	Visitor spend decreased in line with visitor numbers, ie £244m, and tourism jobs dipped to 2,939 based on 2020 STEAM figures. It is anticipated that these will pick up for the 2021 assessment figures.
4,000 Timber Festival attendees (including 2,500 customers).	Timber festival was held following previous year's cancellation, with tickets limited to 2,500 guests. Target achieved for guests with an additional 1,400 production attendees.
Low carbon enterprise:	
50 National Forest businesses supported.	Achieved. 91 on brand businesses directly supported based on grants, workshops and consultancy. Impact is more significant as businesses supported outside the Forest boundary and indirectly through wider business networking are not included.

Securing resources, building the brand, governance and leadership

Targets	Progress
Securing resources:	
Increase unrestricted income for the NFC through sustainable resources to £480k.	£710k achieved. Target significantly exceeded with success of tree planting packages, corporate support and donations.
Generate £500k of new restricted income.	£71k achieved. Project deferrals and delays in applying for new projects reduced restricted income but was made up for with over performance of unrestricted income.
Achieve a campaign return on investment (ROI) of 3:1.	ROI of 3:1 achieved with strong campaign performance, in particular for the Dedicate a Tree product.
Building the brand:	
Increase National Forest website sessions to 300k.	342k achieved. Target exceeded with refresh of brand and targeted campaigns.
Increase media profile: achieve 200 pieces of media content.	315 achieved. Target significantly exceeded with increased social media activity and strong content.
Governance and leadership:	
Board effectiveness: attain assurance based on Charity Governance Code.	Achieved. Assurance achieved through review of previous year's activity.

Income generation performance

Income generation performance for the year significantly exceeded budget with the Dedicate a Tree scheme and charitable giving performing particularly well. Improvements in digital marketing, social media activity and increased partnership development all helped to raise the profile and reach of the organisation and its work, alongside a new brand toolkit and guidelines to support marketing activity.

Total income for the year was £5.842m of which £4.295m was grant in aid and Nature for Climate Funds from Defra. Income this year included the development of 11 new agreements with partners such as Selective Marketplace and Burleighs Gin, section 106 funds, and income through the Plant a Tree scheme and Dedicate a Tree scheme. In addition, restricted funds were secured from: the Audemars Piguet Foundation for the Creating a Forest for Learning project; Defra/Natural England for the Community Forest Woodland Outreach programme; National Lottery Heritage Fund for the continued work on the Charnwood Forest Landscape Partnership Scheme; local authority partners and others for work on tourism; Esmée Fairbairn Foundation for the Creating Working Woodlands project; NHS Derby and Derbyshire for the GreenSpring social prescribing programme; Severn Trent for the Great Big Nature Boost programme; Defra for the ELMS Test and Trial project and woodland grants. Restricted funds were also received towards the National Forest Festival, 'Timber', including grants from Arts Council England and sponsorship from North West Leicestershire District Council and Arnold Laver.

Investment income also increased with Cazenove continuing to manage the NFC's investment (£0.500m in December 2020) in their Charity Responsible Multi-Asset Fund in line with our ethical investment policy. The investment policy ensures NFC's assets are invested in responsible investment funds. The Audit and Risk Committee has responsibility for agreeing strategy and monitoring the investment performance against agreed benchmarks including the objective of inflation plus 4% over the long term. To date, funds have achieved the target net return level of c4% per annum. During the reporting period there were no significant events that affected the financial performance and position of the investment. The fund value as at the reporting date was £0.532m (2020-21: £0.505m). The remaining reserves are held in instant access fixed-rate deposit accounts.

Plans for future periods

Key priorities for the coming year will focus on the ambitions set out in the Corporate Plan 2020 to 2023, as agreed by the Board, and include:

National Forest Environment

- Deliver ambitious Nature for Climate Fund targets to increase forest creation and tree planting using land acquisition, grants, planning and advice.
- Develop the COVID-19 Memorial Woodland initiative in partnership with the National Memorial Arboretum.
- Further increase active management of woodlands including measures to address pests and diseases.
- Further develop the biodiversity programme for woodland and non-woodland habitats and key species.

National Forest Society

- Creation of new public access sites and linear trails across the Forest.
- Deliver the National Forest Trek walking event along the National Forest Way.
- Continue the delivery phase of the Charnwood Forest Landscape Partnership Scheme.
- Expansion of project work to increase outdoor learning within primary schools and increase activity with secondary schools, including through the Forest Foxes project.
- Further increase Community Management of Woodlands groups and volunteering, and a new community woodlands programme as part of the Queen's Green Canopy initiative.
- Increase activities to promote health and wellbeing through the national pilot programme for Green Social Prescribing.

National Forest Economy

- Continue delivery of the Tourism Growth Plan and investment in the visitor economy, including sustainable tourism accommodation and Forest Experience itineraries.
- Run the award winning Festival 'Timber' in July 2022 and a wider programme of arts and cultural activities.

- Complete strategic masterplanning for the Heart of the Forest area and take forward priority actions.
- Support the green economy with targeted grants and advice for the arts, health and woodland economy sectors.

Cross-cutting work

- Enhance communications work with increased content, social and digital marketing, including a new website.
- Develop new income generation opportunities including a regular supporter product, carbon package and strategic corporate partnerships.
- Complete the merger with the National Forest Charitable Trust, and governance arrangements for subsidiary companies.
- Act as charity partner for a new RHS Chelsea Flower Show garden and re-home in the National Forest.
- Develop a new Corporate Plan beyond 2023, and explore partnership programmes beyond the National Forest boundary.

Risk Management

The Board is responsible for management and monitoring of the risks facing the NFC. Because of the unprecedented nature of COVID-19 and the potential impact on the Charity, a Resilience Plan to assess key risks and implications, as well as mitigation measures has been maintained throughout the year. Since the NFC is primarily funded by grant in aid from Defra and acts as an enabling body rather than a direct operator of services, the impacts of COVID-19 continue to be less severe than other organisations. This means that no staff have had to be furloughed, income streams have not experienced significant impact and most services continued through remote working. With restrictions now having eased, the risks within the Resilience Plan are included in the main risk register for the charity.

The principal risks and uncertainties facing the NFC are set out below with corresponding plans for managing them. Further information on risk and risk management is provided in the Governance Statement.

Strategic risks	Mitigation
Inability to scale up Forest creation targets, meet Nature for Climate Fund commitments and take advantage of carbon/tree planting opportunities.	Nature for Climate programme steering group and oversight by Land and Forestry Working Group. New staffing, pipeline of schemes and acquisitions, active partnership outreach to identify opportunities. Land agency arrangements to identify and accelerate opportunities. Mapping of opportunities and priority areas. Work on developing new grant scheme and engagement with Defra and partners.
Income generation strategy for unrestricted income inadequate and does not meet targets.	Income generation strategy and product development work to generate new income mechanisms including regular giving and corporate packages. Active website and integration with CRM. Income generation campaign and marketing work to promote offer digitally. Brand strategy work and messaging aligned to 25 Year Vision.
Marketing capacity and messaging inadequate and opportunities lost	Brand framework and toolkit, new website development, marketing plan, marketing assets and events, integration of work areas, training and development of team, use of freelancers to grow capacity as needed. Research, data and content development.

Strategic risks	Mitigation
Loss of Defra support and backing of key partners.	Continue close relationship with Ministers and officials, and as part of Nature for Climate Fund groups. Demonstrate NFC impact and value for money. Raise profile of NFC with MPs, peers and in media, and complete Framework Document sign off. Active engagement in Defra 25 year environment plan. Parliamentary reception. Secure high profile projects with Defra (Education, Urban Trees, Health) and closer working with Defra communications team.
Staffing and governance inadequate to manage post-merger arrangements with NFCT, and ensure ongoing profits for Conkers.	Dedicated staffing, governance changes and Transition Group to oversee arrangements. Specialist advice to manage financial changes and impacts. New vision and Strategic Plan for Conkers, Repairs and Maintenance Plan to support investment required, and reserves fund established to mitigate risk.

Board of Trustees

The Trustees of the NFC throughout 2021-22 were as follows:

Name	Date of appointment as Trustee	Role
Lord Duncan of Springbank	20 May 2020	Chair, Board of Trustees, Member of Remuneration Committee
Tony Ballance	1 April 2016	Member, Audit & Risk Committee, Chair of Remuneration Committee
Jack Buckner	1 April 2016	Chair, Development Working Group, Member of Tourism, Recreation & Communities Working Group
Alison Field	1 April 2018	Member, Land & Forestry Working Group
Paddy Harrop	1 April 2018	Chair, Land & Forestry Working Group, Member of Audit & Risk Committee
Anne Jenkins	1 January 2021	Chair, Tourism, Recreation & Communities Working Group
Mike Kapur	1 April 2018	Chair, Audit & Risk Committee, Member of Remuneration Committee
John Everitt ⁽¹⁾	1 April 2015	Chief Executive

⁽¹⁾ John Everitt is the NFC's Chief Executive and also a Trustee. It was agreed that he should hold this dual role because of the nature of the NFC's current funding position whereby a significant proportion of the NFC's funds are from Defra and the Chief Executive holds the responsibility of Accounting Officer for those funds. To meet the standards for Managing Public Money, Accounting Officers are required to be represented at Board level. It is recognised that this is unusual within a charity, but is considered to be in the best interests of the charity because of the funding relationship, and controls are in place to avoid any abuse of power or conflicts of interest. The Board has delegated the responsibility for the day-to-day management of the Charity to the Chief Executive. The Chief Executive reports directly to the Chair of Trustees and provides advice to the Board.

On 1 April 2022, Penny Coates joined the NFC Board as a Trustee and member of the Audit and Risk Committee.

Information on the recruitment and induction processes for Trustees and an overview of the governance arrangements in place is given in the Governance Statement.

Trustees are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2021-22 no issues arose as a result of any Trustees' conflicts of interest. No Trustee,

other than the Chief Executive who is a Trustee, had any transaction with the NFC, other than being reimbursed expenses necessarily incurred in fulfilling their duties as per Trustees' travel and expenses (Note 10). Information on the remuneration of the Chief Executive is detailed in the Remuneration and Staff Report.

Results for the year

The accounts have been prepared in a form directed by the Secretary of State for Environment, Food and Rural Affairs and on the basis of the accounting policies set out in Note 1 to the accounts.

Total income for the year was £5.842m (2020-21: £5.614m) of which £4.295m (2020-21: £4.613m) was grant in aid from Defra. Total expenditure was £5.165m (2020-21: £3.478m).

After gains and losses on investments the net income was £0.871m (2020-21: £2.021m).

Total reserves at the end of the financial year increased to £9.705m (2020-21: £8.834m) of which £2.427m comprised restricted funds (2020-21: £2.075m) and unrestricted funds £7.279m (2020-21: £6.759m).

Reserves

The reserves are held as a series of unrestricted or designated funds. The Audit & Risk Committee reviews the Reserves Policy annually, usually in July, prior to the Board review of the Policy at its subsequent meeting. In 2020, the target ranges for the Unrestricted free reserves fund were increased from £200k to £400k and the Financial Contingency Fund range increased by £100k to £500k – £550k to ensure that the Policy remained appropriate to the needs of the Charity.

Fund	Target level/range
Unrestricted free reserves Working capital to manage cashflows	£400k
Financial Contingency Fund (FCF) Approximately four months' running costs to be used in the event of major cashflow problems	£500k – £550k
Land Acquisition, Management and Development Fund (LAMDF) To support land acquisition and site establishment costs	£400k – £500k
Enterprise and Investment Fund (EIF) To support innovation, enterprise, and commercial development, to secure long-term financial sustainability	£300k – £500k

As at 31 March 2022, £2.427m of total reserves held were restricted funds as per Note 18, which includes fixed assets and investments of £1.820m, as per Note 20. Balances held in the three designated funds were FCF £500,000, LAMDF £450,000 and EIF £500,000.

The amount of general reserves held after making allowance for restricted and designated funds is £3.196m (2020-21: £3.488m).

Going concern

The Balance Sheet as at 31 March 2022 shows that the NFC has total reserves of £9.705m (2020-21: £8.834m).

Looking ahead, the annual grant from Defra, ie via both Grant in Aid and the Nature for Climate Fund is expected to continue to represent a high proportion of the NFC income. Based on the Government's high priority for tree planting, grant in aid funding allocated as part of the Comprehensive Spending Review period is projected to remain at

a similar base level to that allocated for 2021-22 (ie £2.4m). Defra has also allocated a further £2.4m (2020-21: £2.146m) to the NFC from the Nature for Climate Fund for 2022-23, and funds at the same level in principle for the following two years. In addition, the NFC's Board approved income generation strategy is now impacting positively on the Charity's income streams with increased targets for unrestricted income. The NFC's bank balance as at the end of March 2022 totals £2.531m. If required, and with Board approval, all designated funds of the Charity as described in the Reserves section above could be made available to meet the cashflow requirements of the business.

To support the long term strategic development of the NFC and the National Forest, the Charity has progressed the merger with the National Forest Charitable Trust. The close charitable objects of the two organisations, long history of collaboration, and financial benefits of combined functions mean that now is an optimum time for the merger

to proceed. The merger was agreed in 2020-21 with Defra's commercial team, and extensive due diligence work has been undertaken during 2021-22 with professional advice on legal, financial and governance issues. The NFC's Audit & Risk Committee has overseen the due diligence work to ensure that risks are being mitigated and to reduce the impact on the NFC's ability to continue as a going concern. A smooth transition has also been supported by NFCT Trustee, Penny Coates, being elected as an NFC Trustee, and NFCT Trustees, Andrew Bridge and Martin Traynor who chair its subsidiary companies, being co-opted onto the NFC Board. The future governance will see the NFCT charity dissolve and the two subsidiary companies transfer to the NFC as the parent charity. The merger will take effect on 1 April 2022 with all NFCT assets transferring to the NFC.

COVID-19 impacts on the Charity are now reduced for 2022-23, but cost of living and inflationary pressures are increasing. Risk management and mitigations are being put in place to monitor the operating environment and reduce potential impacts. The Trustees are not aware of any other significant risk which may impact on the ability of the NFC to continue to operate at the current level of activity.

All of the above factors inform the opinion that it is appropriate to adopt the going concern basis for the preparation of financial statements for 2021-22.

Auditors and their remuneration

Statutorily appointed auditor:
Comptroller and Auditor General
National Audit Office,
157 – 197 Buckingham Palace Road,
London SW1W 9SP

The fee for the audit of the financial statements in 2021-22 was £31,000 (2020-21: £24,000). Of the 2021-22 £31,000 fee, £2,000 relates to additional work performed on the 2020-21 audit but charged in 2021-22. No non-audit work was conducted by the National Audit Office during 2021-22.

Internal audit

Mazars LLP,
58 The Ropewalk,
Nottingham NG1 5DW

The Board has appointed Mazars as internal auditors who report on a quarterly basis to the Audit and Risk Committee.

Bankers

The Co-operative Bank,
Miller Street,
Manchester M60 0AL

Investment Managers

Cazenove Capital,
1 London Wall Place,
London EC2Y 5AU

Solicitors

Ansons Solicitors,
St Mary's Chambers,
5-7 Breadmarket Street,
Lichfield,
Staffordshire WS13 6LQ

Pension liabilities

All the NFC staff are members of the Principal Civil Service Pension Scheme (PCSPS). Information on the pension arrangements and accounting policy applied to pension liabilities is provided in Note 1 of the financial statements. Pension arrangements are detailed in the Remuneration and Staff Report which also provides information on pension benefits to which the NFC Chief Executive qualifies. No other Trustees are members of the PCSPS.

Losses, special payments and gifts

(this information is subject to audit)

There were no losses, special payments or gifts made during 2021-22 (2020-21: nil). No special payments that require disclosure were made during the year.

Payment of Suppliers

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. However, the Company aims to pay undisputed invoices within five days of approval and 84% have been paid within this timescale (2020-21: 88%); 97% were paid within ten days (2020-21: 98%). No claims were received during the year from suppliers for late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Research and development

During the year £105,757 was spent on research and development (2020-21: £10,586).

The main areas of activity were:

- Squirrel impact assessment;
- Environmental Land Management Scheme (ELMS) pilot research undertaken for Defra, £68,456;

- Biodiversity monitoring for the 'Great Big Nature Boost' programme;
- Ongoing maintenance and support for our GIS systems; and
- Annual statistical analysis of the economic impact of tourism on the Forest area.

Sustainability Report

The NFC's sustainability performance is reported against a series of measures which are consistent, as far as possible, with HM Treasury sustainability reporting guidance and gives an overview of other areas where the NFC aims to make positive impacts through its operations.

The NFC operates from serviced accommodation leased from a private landlord. The data in this report therefore focuses primarily on our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official

business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions). The NFC does not generate any Scope 1 emissions. Electricity is recharged by the landlord and plans are in place to upgrade to a more energy efficient heating system for our offices next financial year. Water data cannot currently be reported upon as consumption is included within the landlord's service charge and accurate data is not available.

To enable comparisons to be made between years, the total energy emissions data has been normalised by the average number of full time equivalent (FTE) employees.

In a year when COVID-19 restrictions have intermittently eased the report this year again does not reflect pre-pandemic trends. We continue to see lower emissions from electricity and travel, due to staff working more flexibly and fewer journeys needed with meetings being held virtually.

Summary of key sustainability data

Summary of Greenhouse Gas Emissions tCO ₂	2021-22 tCO ₂	2020-21 tCO ₂	2019-20 tCO ₂	2018-19 tCO ₂
Building Energy Consumption (Scope 2)	8.12	7.26	10.98	10.49
Official Business Travel (Scope 3)	1.79	0.80	5.22	8.43
Total emissions	9.91	8.06	16.20	18.92
Average number of staff (FTE)	30	26	22	24
Total energy emissions per head (FTE)	0.27	0.28	0.50	0.44

Energy consumption data

(Historic tCO₂ data for electricity has been updated in line with the changes to the conversion factor.)

Building Energy Consumption (Scope 2)	Unit	2021-22	2020-21	2019-20	2018-19
Total emissions	tCO ₂	8.12	7.26	10.98	10.49
Building energy consumption per head (FTE)	tCO ₂	0.27	0.28	0.50	0.44
Building energy consumption	kw/h	42,011	37,534	56,787	54,233
Energy consumption per head (FTE)	kw/h	1,400	1,444	2,581	2,260
Total energy expenditure	£	8,033	8,152	10,561	8,779
Expenditure per head (FTE)	£	268	314	484	366
Average number of staff (FTE)		30	26	22	24

Travelling

COVID-19 continued to impact on travel emissions in 2021-22. As COVID-19 restrictions eased travel has increased slightly, although staff have now moved to hybrid working arrangements, with meetings continuing to be held virtually unless absolutely necessary and considered to be beneficial. Essential business travel mainly relates to inspections of management and planting works across the Forest. We continue to monitor hybrid working arrangements but anticipate that they will continue; this will also reduce emissions from commuting to the office.

Official Business Travel (Scope 3)	Unit	2021-22	2020-21	2019-20	2018-19
Total emissions	tCO ₂	1.79	0.8	5.22	8.43
Staff mileage (inc Chief Executive)	miles	7,462	3,030	15,027	22,478
Average number of staff (FTE)		30	26	22	24
Staff mileage per head	miles	249	117	683	937
Staff Air travel	miles	—	—	—	—
Trustees' mileage	miles	108	—	3,590	6,232
Total miles travelled	miles	7,570	3,030	18,617	28,710
Total Business travel costs	£	5,491	1,800	24,107	22,381

Travel data includes official business travel by all staff and Trustees. Mileage relates to travel in staff/Trustees' own vehicles. Total business travel costs includes car mileage and rail.

Waste

The majority of waste generated at our office is paper and cardboard, all of which is recycled.

All other recyclable materials are recycled via the local authority recycling services; no data is currently available for this, nor for the minimal amount of waste that is not recyclable. IT equipment is recycled for refurbishment and re-use. Staff take home any food waste for composting.

Procurement

We recognise our responsibility to carry out our procurement activities in an environmentally and socially responsible way. Wherever possible, we ensure that environmental and social considerations are built into our procurement processes. Information on environmental policies of potential suppliers is requested and these are reviewed, where appropriate, as part of the tendering procedure when seeking to award contracts or place orders for goods and services. We continue to develop our procedures to ensure that sustainability is fully integrated throughout the procurement process.

Tree guards

Within the National Forest we have planted over 9 million trees. To help protect the trees from browsing mammals, we have usually planted the trees within fenced areas. We have on occasions had to use tree guards, and these have varied in size and type, from plastic to biodegradable guards. During the last planting season, we stopped using plastic tree guards on our estate and our plastic tree guard recycling scheme, introduced in 2017, it is now embedded in our woodland management practices. Guards are recycled in the UK and are used to make recycled products, such as benches. Our grants now also have provision for collection and recycling

of tree guards and by 2023-24 our aim is to have removed plastic guards completely from our grant offers by incentivising the use of sustainable biodegradable tree guards.

Sustainable biomass chip

We continue to support the production of sustainable biomass chip through our Woodland Economy Grant scheme. The biomass chip can be a more environmentally friendly energy source when compared to oil, gas or electricity, as it is produced from sustainably managed woodland that also provides habitat for wildlife, areas for access and recreation, and supports the local economy. The production of biomass chip is proving popular with landowners. Our continued aim is to have a significant positive carbon impact in the National Forest in terms of carbon sequestered each year in growing well managed woodlands and planting new woodlands to soak up carbon dioxide.

Ready to Burn Firewood Scheme

The National Forest promotes the DEFRA Ready to Burn which allows a firewood producer to demonstrate that their firewood has a moisture content of 20% or less. A key element of Ready to Burn's ambition is to assist small firewood operators to become part of this scheme to enable them to abide by the legislation. These firewood operators could be local woodland owners producing firewood from their own timber production, purchasing roundwood and processing it, or purchasing firewood and retailing it. We promote to help local businesses to provide a sustainable fuel.

Biochar

We are undertaking a biochar trial with Nottingham University to determine whether there is a benefit to growing trees through adding biochar to the soils, with newly planted trees. Biochar is created

by burning biomass in low-oxygen conditions producing the carbon-rich substance. If the trials are successful, they could act as a catalyst for use of the product across our estate which could help to act as an additional carbon store.

Personal data related incidents

No personal data related incidents occurred during the year which needed to be reported to the Information Commissioner's office.

Post year end events and developments

Post year end event was the merger with the National Forest Charitable Trust on 1 April 2022 please refer to Note 25. There are no other post year end events or developments which require to be reported on.

The strategic report was approved by the Trustees, on 23 November 2022 and signed on their behalf by:



Lord Duncan of Springbank PhD FGS

Chair of the Board of Trustees
23 November 2022



John Everitt FRSA

Chief Executive/Accounting Officer/Trustee
23 November 2022

Statement of Trustees' and Accounting Officer's Responsibilities

The Board of Trustees of the National Forest Company is required to prepare a statement of accounts for each financial year in accordance with applicable law and regulations.

Section 394 of the Companies Act 2006 requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Secretary of State for Environment, Food and Rural Affairs has directed the National Forest Company to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Company and of its incoming resources, application of resources and cash flows for the financial year.

In preparing the financial statements, the Trustees are required to comply with the requirements of FRS 102 and the FRS 102 Statement of Recommended Practice (SoRP) Accounting by Charities issued by the Charity Commission with regard to any additional requirements arising from the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department for Environment, Food and Rural Affairs, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accounting Officer for the Department for Environment, Food and Rural Affairs has designated the Chief Executive of the National Forest Company as the Company's Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which

the Accounting Officer is answerable, for keeping proper records and for safeguarding the National Forest Company's assets, are set out in Managing Public Money published by the HM Treasury.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

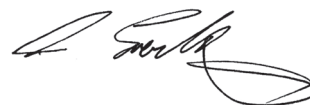
In so far as the Trustees are aware:

- there is no relevant audit information of which the Company's auditors are unaware;
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information; and
- the annual report and accounts as a whole are fair, balanced and understandable and that the Accounting Officer takes personal responsibility for the annual report and accounts and the judgements required for determining that it
- is fair, balanced and understandable.



Lord Duncan of Springbank PhD FGS

Chair of the Board of Trustees
23 November 2022



John Everitt FRSA

Chief Executive/Accounting Officer/Trustee
23 November 2022

Governance Statement

Overview

The National Forest Company (NFC) is a charitable company (limited by guarantee). As a charity, the NFC exists to carry out its charitable purposes. As a Non-Profit Institution within the Public Sector specifically Central Government, the NFC operates at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra).

The NFC Board is responsible for leading and directing the Charity and for determining strategy and guiding operational activity. The terms of a Framework Document agreed between Defra and the NFC sets out the governance arrangements to be adhered to, clarifying the roles and responsibilities of Defra, including those of the Secretary of State as a Member of the NFC, and of the NFC itself. Its provisions enable Defra to monitor performance and delivery in relation to grants given to the NFC and describes the arrangements that exist to safeguard propriety and regularity.

The NFC seeks to comply with good practice as issued by the Charity Commission. It also complies with the Cabinet Office 'Corporate Governance in Central Government Departments: Code of Good Practice' as it applies to the NFC and operations are underpinned by the seven core principles ('the Nolan Principles') of good governance for public services. This Governance Statement provides an evaluation of the effectiveness of the NFC's governance, risk and internal control arrangements.

Governance Arrangements

Members and Board of Trustees

In accordance with the Articles of Association, the NFC Chair and Secretary of State for Environment, Food and Rural Affairs and two further independent individuals are Members of the Charity. The Secretary of State is in a minority when voting on the NFC business and therefore cannot exercise a controlling influence.

The Board of Trustees was established in March 2016. The Board determines the strategy of the organisation and ensures that appropriate policies and procedures are in place to fulfil its obligations as to the use of public funds.

The Chair and six Trustees, excluding the Chief Executive, are not remunerated but are entitled to be reimbursed out of pocket expenses necessarily incurred in fulfilling their duties. The NFC Chief

Executive is a Trustee and his remuneration is detailed in the Remuneration and Staff Report.

All Trustees provide declarations of interest and these are recorded in a Register of Interests which is available on the National Forest Company website nationalforest.org/about/who-we-are. The Board meets four times a year, and additionally as necessary, to consider business performance, organisational structure and strategy.

The membership of the Board of Trustees in 2021-22 excluding the Chief Executive was as follows:

Lord Duncan of Springbank (Chair)
 Tony Ballance
 Jack Buckner
 Alison Field
 Paddy Harrop
 Anne Jenkins
 Mike Kapur

The recruitment of Trustees is conducted through fair and open competition in accordance with the Governance Code on Public Appointments. The induction programme for Trustees includes: the roles and responsibilities of a Trustee; governance arrangements; vision and strategy for the National Forest, including familiarisation with the Corporate Plan, and meetings and presentations from staff on their operational areas. Handover meetings between new and retiring Trustees are also arranged where appropriate.

Standard agenda items for Board meetings include the Chief Executive's quarterly report and strategic summary reporting on progress against operational targets and giving headline commentary on activity analysed between successes, challenges, risks (including a COVID-19 resilience plan) and opportunities. A finance report, declarations of interest, a Heart of the Forest Vision update, income generation and campaign performance report and oversight of delivery of Defra's Nature for Climate Fund (NFCF) programme are also standing items. Minutes from sub-committees of the Board and working groups are also included within papers sent to Trustees.

During 2021-22 the Board considered a range of matters including:

- reviewing the annual programme of work and budget;

- continued development of a long-term Vision and Strategy for the National Forest, with particular focus on the Heart of the Forest vision;
- risk management, including consideration of strategic risks relating to the delivery of the NFC's objectives, going concern, COVID-19 impacts and financial sustainability;
- overseeing the proposed convergence of the National Forest Company (NFC) and National Forest Charitable Trust (NFCT), including due diligence, feasibility work, professional and legal advice;
- the approach being taken to develop a Heart of the Forest Masterplan, particularly in light of the proposed convergence;
- approving amendments to the NFC's Framework Document ahead of submission to Defra and Cabinet Office;
- agreeing to continue planning to hold a 2021 Timber Festival event and the adoption of a new arrangements for future years;
- receiving the annual report of the Audit & Risk Committee, together with approving its revised Terms of Reference;
- agreeing to the revision of NFC's strategic approach to forest creation mechanisms to facilitate increased delivery;
- agreeing the revised land acquisition approval process;
- approving the 2021 Changing Landscape Scheme applications, as recommended by the Land and Forestry Working Group;
- consideration of a five-year Management Agreement with Forestry England in relation to the establishment and management of the NFC's Minorca site;
- considering the Income Generation Strategy Framework and Annual Income Generation Campaign Plan and reviewing performance;
- considering an update on performance against key priority areas arising from the NFC's Equality, Diversity and Inclusion (EDI) Statement;
- plans for the COVID-19 Memorial Woodland being established in partnership with the National Memorial Arboretum;
- reviewing the annual Safety, Health and Wellbeing (SHaW) report, containing the SHaW Policy; and

- considering the NFC's involvement in the Queen's Green Canopy initiative.

The Board undertakes annual reviews of its governance and Board effectiveness.

The format of the review is based on the Charity Governance Code which sets the principles and recommended practice for good governance and drawing upon the Charity Commission's guidance using the recognised hallmarks of an effective charity, ie organisational purpose; leadership; integrity; decision making, risk and control; board effectiveness; diversity and openness and accountability.

The review undertaken again demonstrated that the NFC's governance processes and practice provide a high level of assurance against the Charity Commission's key principles and therefore provided a strong basis for assessing Board performance as 'effective'. There continues to be consensus amongst Trustees, and between staff and Trustees, on areas of strength, compliance and weakness. The review also assessed the quality of reports and papers to the Board which were considered to be of a good standard, enabling the Board to make effective decisions.

Areas for improvement and further refinement included:

- Benchmarking – improved benchmarking to be explored as part of the work with the Audit & Risk Committee on value for money and performance indicators; and
- Equality, Diversity and Inclusion (EDI) – to continue the working group activity; exploring training opportunities for staff, Board and volunteers, and consideration of EDI in relation to staff, volunteers and visitors.

Board Committees and Working Groups

The Board of Trustees is supported by various committees and working groups which have key functions to discharge. Each is chaired by a Trustee and has additional Trustee representation. Appropriate staff are also involved.

The Committees and Working Groups are:

- Audit & Risk Committee (ARC) – covering issues on finance, investments, risk, health and safety, governance, policy and HR;
- Remuneration Committee – covering issues on remuneration of the Chief Executive and senior staff;

- Land & Forestry Working Group – covering issues on land policy, forest creation, forest management and economy, NFC owned sites, access creation and biodiversity;
- Development Working Group – covering issues on income generation, marketing and communications, branding and project development; and
- Tourism, Recreation & Communities Working Group – covering issues on tourism and facilities, recreation and access, and communities, health, education, arts and training.

All committees and working groups have written terms of reference. Membership of the Board, its committees and working groups are provided on page 13.

Review of Effectiveness of Working Groups

The membership and remit of Committees and Working Groups has been considered by the Board in light of the proposed merger with the National Forest Charitable Trust, including representation on the boards of the subsidiary companies which are part of the transfer. In line with good practice, ARC did undertake a review of its own effectiveness which is reported upon below.

Audit & Risk Committee (ARC)

The role of ARC is to provide assurance and recommendations to the Board on the effectiveness of its governance, financial management, internal control and risk management systems. ARC also monitors the work of the external audit and the effectiveness of the internal audit service. Minutes of meetings are circulated to all Trustees and oral reports given to the Board on business conducted. The Committee also presents an annual report on its activities to the Board.

ARC comprises three Trustees with the Chief Executive attending in his capacity as Accounting Officer. Mike Kapur is Chair of ARC.

ARC met four times during 2021-22. Its work included consideration of the financial statements for 2020-21 and the Audit Completion Report issued by the external auditor prior to the accounts being certified by the Comptroller & Auditor General (C&AG) with an unqualified audit opinion; receiving the external auditor's Audit Planning Report for 2021-22; considering reports issued by internal audit; scrutinising finance reports, including income generation, prior to them being presented to the Board; reviewing accounting policies; safety, health and wellbeing; fulfilling its responsibilities in respect of risk management (see below), and

oversight of investments and performance of the appointed fund manager.

During the year, the Committee sought assurances from management that recommendations from the prior year's audit were being implemented.

These centred around making improvements to the process, inputs, judgements and documentation particularly around asset impairments to support conclusions.

Other business conducted by ARC during the year included:

- review of strategic and standing risks, including a going concern assessment, together with a resilience plan focusing specifically on risks associated with COVID-19;
- oversight of the due diligence undertaken as part of the NFC's convergence with the National Forest Charitable Trust;
- consideration of the finances and risks relating to the Nature for Climate Fund programme, together with an assessment of the adequacy of oversight and controls;
- oversight of the 2021 Timber Festival event and mitigations in place;
- agreeing changes to the NFC's Framework document;
- conducting an annual review of the NFC's Scheme of Delegations;
- review of the NFC's VAT arrangements; and
- review of the Safety, Health and Wellbeing policy and annual report to the Board.

During the year ARC conducted its annual review of its effectiveness, utilising the National Audit Office's checklist, based on HM Treasury's Audit Committee Handbook. The conclusion was that the Committee continues to operate effectively and there were no areas of concern.

Remuneration Committee

The Remuneration Committee supports the Board in discharging its responsibilities for remuneration issues. Membership of the Committee comprises three Trustees including the Chairs of both the Board and ARC. The Committee provides the Board with recommendations on the Chief Executive's remuneration and benefits, and advises the Chief Executive on the pay and benefits of other senior staff.

Land & Forestry Working Group

The Land & Forestry Working Group meets four times a year and is chaired by an NFC Trustee. Membership includes the Charity's retained land agent. Its primary function is to support and provide strategic oversight of the land and forestry aspects of the Charity's work.

In 2021-22 the Group's work included:

- monitoring progress against targets for forest creation and woodland management;
- reviewing the effectiveness of the various schemes operated by the NFC and an assessment of risks/mitigations;
- overseeing NFC's landholdings and acquisitions;
- introduction of a Pest and Diseases Policy;
- leading delivery of Defra's Nature for Climate Fund (NFCF) programme;
- leading on the Heart of the Forest masterplanning;
- consideration of the National Forest Charitable Trust's (NFCT) land and assets in advance of convergence with the NFC; and
- developing an approvals process for land acquisitions to sit alongside the Land Policy.

Development Working Group

The Development Working Group met four times during the year with meetings being attended by one Trustee, being the designated chair. Membership includes two external funding advisors. The primary function of the Group is to support the development functions and provide strategic overview across income generation, project development, marketing and communications. In 2021-22 the Group's work included:

- development and monitoring of the income generation strategy and campaign;
- oversight of the projects and product development pipeline including development of a regular supporter product;
- evaluation of the 2021 'National Forest Trek', a long-distance challenge walk delivered in partnership with the National Memorial Arboretum (NMA) and the Defence and Medical Rehabilitation Centre Benevolent Fund (DMRC) and oversight of the planning for the 2022 event;
- conducting a tree planting product review;

- stewarding the RHS Chelsea partnership with Meta, which would see the garden rehomed to Conkers;
- working in partnership with the NMA to facilitate a COVID-19 memorial woodland site in their grounds;
- oversight of the development of the Brand Framework; and
- assessment and review of the return on investment of the income generation campaign.

Tourism, Recreation & Communities Working Group

The Tourism, Recreation & Communities Working Group meets four times per year and is attended by two Trustees, one of whom acts as chair. The primary role of the Group is to provide strategic overview and support across the tourism, recreation, arts and community development functions. In 2021-22, the Group's work included:

- leading on the Sustainable Tourism Accommodation Guide, Accelerator Programme and piloting a restricted call of sustainable tourism grants;
- oversight and scrutiny of outcomes and risk associated with the delivery of the National Forest Festival 'Timber';
- oversight of restricted projects and funding bids supporting the NFC tourism, recreation, arts and community development strategies;
- developing the NFC's approach to Community Woodland Volunteering;
- contributing to the Heart of the Forest Masterplan Vision;
- conducting a National Forest Cultural Sector audit;
- facilitating involvement with The Queen's Green Canopy (QGC) project within the Forest in partnership with the Rural Community Councils; and
- oversight of the Forest Society projects, eg GreenSpring, Creating Working Woodlands, Creating a Forest for Learning, Forest Foxes, and the Charnwood Landscape Partnership scheme.

Attendance record of Trustees at meetings of the Board and its committees and working groups

Board & Committee [Number of meetings in 2021/22]	Main Board [4]	Audit & Risk Committee [4]	Remuneration Committee [1]	Land & Forestry Working Group [4]	Development Working Group [4]	Tourism, Recreation & Communities Working Group [4]
Trustee	Attendance					
Lord Duncan of Springbank	3/4*		1/1			
John Everitt**	4/4					
Tony Ballance	4/4	4/4	1/1*			
Jack Buckner	3/4 ⁽¹⁾				3/4*	4/4
Alison Field	4/4				4/4	
Paddy Harrop	4/4	4/4			4/4*	
Anne Jenkins	4/4					4/4*
Mike Kapur	4/4	4/4*	1/1			

* Denotes Chair.

** John Everitt attends the Audit & Risk Committee meetings and Remuneration Committee meetings in his capacity as Chief Executive and Accounting Officer.

(1) Non attendance related to unforeseen technical issues, rather than availability.

Strategy and planning

The Board is responsible for determining the strategic direction of the organisation. It approved the Strategy for the Forest for the period 2014-2024 which sets out the key objectives and indicators against which progress will be measured over the ten-year period.

During the year, the Board considered the long-term vision and strategy for the National Forest and the NFC. Further work was carried out to produce the National Forest brand framework and draft brand toolkit to further define the vision.

The 2020-23 Corporate Plan, as approved by the Board, gives direction to strategic priorities for the Forest and the NFC and a clear framework for measuring success and identifying potential issues. It also provides the basis for annual work programmes and budgets. The Plan divides into three main operational themes centred around the Forest environment, society and economy. Development themes of building the brand and securing resources for the Forest, and corporate services themes relating to effective governance and management are also included. The NFC's activity during 2021-22 was guided by the objectives and targets as detailed in the Plan and progress reports were given to the Board at each quarterly meeting.

Whilst the NFC operates at arm's length from Defra, the Charity in its business plan needs to demonstrate how it uses grant funding from Defra to contribute to the Department's own business plan priorities and wider strategic objectives.

Defra's 25 Year Environment Plan produced in 2018 and Single Departmental Plan recognise the valuable role that forests and woodlands play in protecting and enhancing natural capital, including commitments to the public forest estate, national targets and community forestry. The Nature for Climate Fund and England Trees Action Plan developed in 2020-21 provide dedicated resources and greater policy direction to this agenda, and the NFC is represented on strategic and operational groups to contribute to the delivery of targets.

These strategic initiatives include the NFC's contribution to national targets and manifesto commitments, specifically in relation to forest creation, tree planting and woodland management.

In 2022-23 the NFC's plans will include commissioning work on the baseline sustainability figures for the NFC and setting out an association reduction programme; and also commissioning work on renewables generation for our most significant energy use asset.

Internal controls and the work of internal audit

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Charity's policies and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The programme of internal audit work undertaken by Mazars LLP during 2021-22, as approved by the Audit & Risk Committee contained a balance of compliance and advisory work:

- key financial controls;
- the National Forest Trek challenge walk, and
- benefits realisation in relation to land acquisition (advisory).

The key financial controls audit covered control account reconciliation, payments and supplier management; no issues were noted. The National Forest Trek audit was rated as 'adequate'; three recommendations, centred around improvements to project planning and budgeting, were accepted by management.

At the end of the year a total of 15 recommendations were brought forward to follow up (three of which were outstanding recommendations from 2020-21). Of the 15, eight recommendations had been implemented and seven were in progress.

The work undertaken and conclusions drawn informed the opinion expressed in the Annual Internal Audit Report for 2021-22 that the NFC's framework of governance, risk management and control is moderate in its overall adequacy and effectiveness. Certain weaknesses and exceptions were highlighted but none were considered fundamental.

There were no identified instances of fraud during the year.

Information management

The NFC takes the management of the information it holds very seriously and is not aware of any personal data losses in 2021-22 that would require notification to the Information Commissioner's Office.

All staff sign copies of the Company's policies relating to privacy and data handling and are mandated to undertake, and periodically repeat, the Civil Service Learning 'Protecting Information' course. All staff are engaged in work to further develop and embed protocols and good practice on the Customer Relationship Management database and staff are regularly reminded of the importance of following data handling procedures with regular refresher sessions and further training where necessary.

Safety, Health and Wellbeing

The NFC aims to ensure that all staff and volunteers remain safe and well and that the NFC woodlands are safe, enjoyable places to visit.

The NFC is committed to the Forest Industry Safety Accord and regularly reviews Safety, Health and Wellbeing policy and practices. Regular inspections are carried out at the NFC sites throughout the year.

Staff absence due to sickness equated to an average of 2 days per employee during the year (2020-21: 1 day).

Whistleblowing

The NFC has a Whistleblowing Policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2021-22, as was the case in 2020-21. The Policy includes reference to the NFC's Senior Independent Director as a contact and the requirement to report any serious cases to the Charity Commission. Staff are reminded of the Whistleblowing Policy and procedures at team meetings and through periodic updates, to ensure an open and accountable culture.

Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register. Board committees and working groups are responsible for overseeing the management of risks in their area of business and ensuring that the most effective plans are drawn up and implemented to mitigate them.

This responsibility has been incorporated into their terms of reference.

The ARC has responsibility for reviewing the risk management process and the full draft Risk Register before the highest scored risks are presented to the Board. The Committee is responsible for overseeing and reviewing the effectiveness of the systems of internal control and corporate governance within the Company with its assessment being informed by senior management and the work of the appointed auditors. Risk management features on the agenda for all ARC meetings.

The role of staff and the Senior Leadership Team (SLT) includes: identifying and evaluating significant risks faced by the NFC to be considered initially by ARC and subsequently the Board; implementing policies and associated action plans, and providing information to the committees and working groups on the status of risks and controls.

SLT is also responsible for producing the annual draft risk register. The register divides between the more strategic risks focusing on the key priorities and outcomes for the three-year Corporate Plan and is formally reviewed by ARC and the Board every six months. Responsibility for the more operational risks fall to senior management and working groups and are reported on in the Chief Executive's quarterly report to the Board which focuses on risks relating to the achievement of in-year targets.

In 2021-22 the key strategic risks relate to the NFC's ability to scale up forest creation targets, meeting Nature for Climate Fund commitments, and taking advantage of carbon related tree planting opportunities.

Risks in relation to income generation and marketing continue to feature as significant risks on the register. However, these were mitigated by a higher profile for the National Forest, strong brand messaging and effective social media coverage, which once again resulted in a successful income generation campaign. Work continues on the development of sustainable income streams through a regular supporter product to be launched in 2022-23. The NFC's investments with Cazenove's Charity Responsible Multi-Asset Fund, in line with the NFC's ethical investment policy, has no exposure to Ukraine or Russia.

The NFC's key strategic risks continued to be exacerbated by the impact of COVID-19. During the year, the Board continued to monitor a specific assessment of risks and implications, as well as mitigation measures. Details are provided in the Trustees' Report.

The NFC did not receive any funds via COVID-19 support schemes and did not furlough any staff.

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The NFC received no ministerial directions during the year.

Performance management

As Chief Executive, I have overall responsibility for the achievement of corporate objectives as detailed in the Corporate Plan. However, responsibility for delivery of many of these is delegated to other staff in the organisation.

Responsibilities and objectives are detailed in annual job plans for each employee and performance against these is assessed through the staff review system. This includes a mid-year and end of the year assessment of how the individual has performed which determines any entitlement to a performance related bonus. The job plans also detail training and development needs identified to equip the individual to perform effectively.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2022, 12 complaints were received (compared with nine in 2020-21). The complaints mostly related to third party sites and all were responded to within the specified timescale and satisfactorily resolved.

Conclusion

As the designated Accounting Officer for the NFC, I have responsibility for the management and control of the resources used within the organisation and for discharging the responsibilities assigned to me in Managing Public Money.

I confirm that no significant issues in relation to governance, risk, performance or controls have arisen which need to be reported on in this Governance Statement.



John Everitt FRSA
Chief Executive/Accounting Officer
23 November 2022

Remuneration and Staff Report

(a) Remuneration Report

Remuneration Policy

The Audit & Risk Committee's (ARC) responsibilities include advising the Board on strategic HR, including pay and reward policy, whilst the Remuneration Committee specifically advises the Board on the remuneration and benefits attached to the Chief Executive Officer (CEO).

The Remuneration Committee also advises the CEO on pay and grading considerations relating to other senior roles.

The Remuneration Committee meets at least annually and comprises three Trustees, including the Chairs of the Board and ARC. The Committee members are identified on page 13.

Trustees' remuneration

Trustees, other than the Chief Executive who is remunerated in his capacity as Chief Executive, do not receive any remuneration for their services. In accordance with the NFC's Articles of Association, all Trustees are entitled to the reimbursement of reasonable travel and subsistence expenses necessarily incurred in fulfilling their duties. Total Trustee expenses were £1,131.

Emoluments of the Chief Executive (this information is subject to audit):

Name	Start date
John Everitt	5 January 2015

Single total figure of remuneration

Official	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) ¹		Total (£'000)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
John Everitt	75 – 80	75 – 80	5 – 10	5 – 10	0	0	30	30	110 – 115	110 – 115

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Remuneration of the Chief Executive

(this information is subject to audit):

The Chief Executive is the only executive Trustee of the NFC and the only Trustee who is a member of the Principal Civil Service Pension Scheme (PCSPS).

John Everitt has been the NFC's Chief Executive since 5 January 2015. The Principal Accounting Officer for Defra has conferred Accounting Officer status on him. The salary for the post aligns most closely to the range for Senior Civil Service pay band 1.

The salary payable to the Chief Executive is reviewed on 1 April each year. In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus relates to performance in the year it is reported.

The level of bonus payable to the Chief Executive was determined by the Chair in consultation with members of the Remuneration Committee.

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below.) All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both 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 their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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 officials 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 civilservicepensionscheme.org.uk

Benefits to which the Chief Executive qualifies under the PCSPS

(this information is subject to audit)

Official	Accrued pension at pension age as at 31/3/22 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/22 £'000	CETV at 31/3/21 £'000	Real increase in CETV £'000
John Everitt	10 – 15	0 – 2.5	161	133	18

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.

(b) Staff Report

Staff employed

Average number of persons employed:

(this information is subject to audit)

	Headcount	2021-22 Full time equivalent (FTE)	Headcount	2020-21 Full time equivalent (FTE)
Staff (including Chief Executive)	34	30	29	26

During 2021-22, all staff were employed on a permanent basis, apart from 5 FTE, comprising 4.8 FTE on fixed term contracts and 0.2 FTE agency staff.

The salary and related costs arising from the employment of the above is detailed in Note 8 to the accounts.

Remuneration of staff

(this information is subject to audit)

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are normally applied to staff employed by the NFC. In line with Government pay policy, the pay freeze was applied to NFC staff in 2021.

Total emoluments of directors or employees earning more than £60,000 fall within the following bandings:

	2022	2021
£80,000 – £89,999	1	1
£70,000 – £79,999	–	1
£60,000 – £69,999	2	–
	<u>3</u>	<u>2</u>

Total emoluments include salary and benefits in kind but exclude pension payments.

There were no exit payments in year.

All staff are members of the PCSPS.

Sickness absence

Staff absence due to sickness equated to an average of 2 days per employee during the year (2020-21: 0.87 days).

	Male	Female	Total
Trustees	5	2	7
Staff, including the Chief Executive	12	22	34
Total	17	24	41

Equal Opportunities

The Company is an equal opportunities employer. It is committed to a policy of non-discrimination on grounds of gender or marital status, sexual orientation, health (including pregnancy), disability, age, religion, colour, nationality or ethnic or national origin. Staff are required to observe this policy of non-discrimination in their dealings with members of the public and colleagues at work. All new staff are appointed on the basis of ability, qualification and suitability for the post. All staff are required to complete a diversity and inclusion course as part of a suite of mandatory training.

Staff engagement

Various channels are used to regularly communicate with staff, including weekly updates from the Chief Executive, together with COVID-19 updates, and fortnightly team meetings. Key documents such as the Corporate Plan, papers and minutes of meetings of the Board, Audit & Risk Committee and working groups are made available to all staff.

Team days are held regularly where everyone has the opportunity to be involved in generating new ideas, to contribute their thoughts and to engage with continuing developments and plans for all areas of our work.

Fair pay disclosure

Remuneration of the highest paid Director and the ratio between this and the lower quartile, median and upper quartile remuneration of the NFC's staff (*this information is subject to audit*)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The remuneration as at 31 March 2022 of the Chief Executive, who is the highest and only paid director in the NFC, was in the range of £80,000 – £85,000 (2021: £80,000 – £85,000).

Gender diversity

The gender split of Trustees and staff employed as at 31 March 2022 was as follows:

	Male	Female	Total
Trustees	5	2	7
Staff, including the Chief Executive	12	22	34
Total	17	24	41

This was 2.75 times (2021: 2.69) the lower quartile remuneration of the workforce of £30,004 (2021: £30,658).

This was 2.30 times (2021: 2.28) the median remuneration of the workforce of £35,895 (2021: £36,200).

This was 2.05 times (2021: 2.04) the upper quartile remuneration of the workforce of £40,265 (2021: £40,357).

Remuneration of the workforce ranged from £17k to £85k (2020-21: £25k to £85k).

The percentage changes in the highest paid Director's salary is nil due to a pay freeze (2021: 10%). The percentage changes in the highest paid Director's performance pay and bonuses payable is 18% (2021: 11%).

The average percentage change in employees' salaries is nil due to a pay freeze in 2022 (2021: 4%). The average percentage change in employees' performance-related pay is 11% (2021: 37%).

In 2021-22, no employees received remuneration in excess of the highest paid Director, as was the case in 2020-21.

Total remuneration includes full time salary equivalents and non-consolidated performance related bonuses but excludes employer pension contributions and the cash equivalent transfer value of pensions.



John Everitt FRSA
Chief Executive/Accounting Officer
23 November 2022

The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company and the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the National Forest Company (NFC) for the year ended 31 March 2022 which comprise the NFC's:

- Balance Sheet as at 31 March 2022;
- Combined Statement of Financial Activities and Income and Expenditure Account, and the Statement of Cash Flows 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 NFC's financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In my opinion the financial statements:

- give a true and fair view of the state of the NFC's affairs as at 31 March 2022 and its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Charities Act 2011.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the

Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the NFC in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the NFC'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 Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Trustees and the Accounting Officer are responsible for the other information.

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

In connection with my audit of the financial statements, my responsibility is to read the other

information and, in doing so, 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 the Companies Act 2006.

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

- the Strategic Report and the Directors' Annual Report have been prepared in accordance with applicable legal requirements; and
- the information given in the Strategic Report and the Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the NFC and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Annual Report.

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Trustees and the Accounting Officer determine are necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the NFC'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 directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with 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 certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

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

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

- the nature of the sector, control environment and operational performance including the design of the NFC's accounting policies and key performance indicators.
- Inquiring of management, the NFC's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the NFC's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the NFC's controls relating to the NFC's compliance with the Companies Act 2006, Charities Act 2011 and Managing Public Money;
- discussing among the engagement team and involving relevant specialists, including for land valuations where specialist expertise was engaged on the audit regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I also obtained an understanding of the NFC's framework of authority as well as other legal and regulatory frameworks in which the NFC operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the NFC. The key laws and regulations I considered in this context included Companies Act 2006, Charities

Act 2011, the Statement of Recommended Practice (SORP) Accounting by Charities issued by the Charity Commission with regard to any additional requirements arising from the Government Financial Reporting Manual, Managing Public Money, employment law 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 and the Audit and Risk Committee 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 and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

24 November 2022

**Comptroller and Auditor General
(Statutory Auditor)**

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

Combined Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 March 2022

	Note	Unrestricted funds £	Restricted funds £	2021-22 Total funds £	Unrestricted funds £	Restricted funds £	2020-21 Total funds £
Income from:							
Grant in aid	2	2,400,715	–	2,400,715	2,467,457	–	2,467,457
Nature for Climate Fund	2	–	1,894,000	1,894,000	–	2,146,007	2,146,007
Donations	3	584,863	21,542	606,405	460,700	20,000	480,700
Charitable activities	4	12,512	752,701	765,213	2,284	410,735	413,019
Other trading activities	5	112,702	17,500	130,202	70,430	10,000	80,430
Investments		45,861	–	45,861	26,806	–	26,806
Total		3,156,653	2,685,743	5,842,396	3,027,677	2,586,742	5,614,419
Expenditure on:							
Raising funds	6	(662,375)	–	(662,375)	(762,686)	(10,000)	(772,686)
Charitable activities	7	(1,969,754)	(2,532,617)	(4,502,371)	(1,758,183)	(947,425)	(2,705,608)
Total		(2,632,129)	(2,532,617)	(5,164,746)	(2,520,869)	(957,425)	(3,478,294)
Net gains/(losses) on investments	13	61,621	33,323	94,944	(223)	(107,403)	(107,626)
Net income/ (expenditure)		586,145	186,449	772,594	506,585	1,521,914	2,028,499
Transfers between funds	18	(126,055)	126,055	–	(62,416)	62,416	–
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	12	59,500	–	59,500	17,500	–	17,500
Gains/(losses) on Foreign Currency	18	–	38,873	38,873	–	(44,520)	(44,520)
Net movement in funds		519,590	351,377	870,967	461,669	1,539,810	2,001,479
Reconciliation of funds:							
Total funds brought forward	18	6,759,062	2,075,390	8,834,452	6,297,393	535,580	6,832,973
Total funds carried forward	18	7,278,652	2,426,767	9,705,419	6,759,062	2,075,390	8,834,452

National Forest Company

Balance Sheet

as at 31 March 2022

	Note	As at 31 March 2022 £	As at 31 March 2021 £
Fixed assets:			
Intangible assets	11	48,512	17,551
Tangible assets	12	3,229,930	2,441,373
Investment property	13	3,331,000	3,506,850
Investment	13	531,539	505,015
Total fixed assets		7,140,981	6,470,789
Current assets:			
Debtors	14	621,901	548,658
Cash at bank and in hand	15	2,530,527	2,149,010
Total current assets		3,152,428	2,697,668
Liabilities:			
Creditors: Amounts falling due within one year	16	(587,990)	(334,005)
Net current assets		2,564,438	2,363,663
Total assets less current liabilities		2,564,438	2,363,663
Total net assets		9,705,419	8,834,452
The funds of the Charity:			
Unrestricted funds	18	7,141,902	6,681,812
Restricted income funds	18	2,426,767	2,075,390
Revaluation Reserve	18	136,750	77,250
		9,705,419	8,834,452

The Notes on pages 38 to 61 form part of the accounts.

The National Forest Company is exempt under the provisions of Section 475 of the Companies Act 2006 from making the disclosure requirements under Part 16 under Section 482 (non-profit making companies subject to public sector audit) of that Act.

The financial statements were approved by the Board of Trustees on 23 November 2022 and signed on its behalf by:



Lord Duncan of Springbank PhD FGS
Chair of the Board of Trustees



John Everitt FRSA
Chief Executive/Accounting Officer

National Forest Company

Statement of Cash Flows for the twelve months ended 31 March 2022

	Note	2021-22 £	Reclassified 2020-21 £
Cash flows from operating activities			
Net cash provided by operating activities		1,253,354	2,643,097
Cash flow from investing activities			
Interest and rent from investment	SoFA	45,861	26,806
Purchase of property, plant and equipment ⁽¹⁾	12	(47,329)	(1,294,951)
Purchase of Investment Property ⁽²⁾	13	(866,580)	(707,640)
Purchase of investments	13	-	(500,001)
Purchase of Intangible asset	11	(42,661)	-
Net cash provided by/(used in) investing activities		(910,709)	(2,475,786)
Change in cash and cash equivalents in the reporting period			
Cash and cash equivalents at 1 April	15	2,149,010	2,026,219
Change in cash and cash equivalents due to exchange rate movements	SoFA	38,873	(44,520)
Cash and cash equivalents at 31 March	15	2,530,527	2,149,010
a) Reconciliation of net income/(expenditure) to net cash flow from operating activities			
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	SoFA	772,594	2,028,499
Adjustments for:			
Impairment charges	12/13	544,000	250,493
Reversal of prior years' impairment charges	12/13	(132,000)	(24,000)
Depreciation	12	17,122	17,641
Amortisation	11	11,701	39,086
(Gains)/losses on investments	13	(94,944)	107,626
(Increase)/Decrease in debtors	14	(73,243)	74,039
Increase/(Decrease) in creditors	16	253,985	176,519
Interest and rent from investment	SoFA	(45,861)	(26,806)
Net cash provided by/(used in) operating activities		1,253,354	2,643,097
b) Analysis of cash and cash equivalents			
Cash at bank and in hand	15	2,530,527	2,149,010
Cash and cash equivalents at 31 March		2,530,527	2,149,010

(1) Prior year figure of £2,002,591 has been reclassified to show split between Note 12 and Note 13.

(2) Prior year figure has been reclassified as per Note 13.

c) Analysis of changes in net debt

	At start of Year £	Cash-flows £	Non-cash changes £	At end of year £
Cash	2,149,010	381,517	-	2,530,527
Cash equivalents (investment)	505,015	-	26,524	531,539
Borrowings	-	-	-	-
Total	2,654,025	381,517	26,524	3,062,066

Notes to the Accounts

Note 1 to the Financial Statements

1.1 Statement of accounting policies

The NFC is a public benefit entity and is a company limited by guarantee and a charity registered in England and Wales. These financial statements have been prepared in compliance with FRS 102 and the FRS 102 Statement of Recommended Practice (SoRP) Accounting and Reporting by Charities. In addition, these financial statements also meet the accounting and disclosure requirements of the Companies Act 2006 and the 2021-22 Government Financial Reporting Manual (FRoM) issued by HM Treasury, where not inconsistent with the requirements of the SoRP and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

Where the NFC has a choice of accounting policy to adopt, a judgement has been made to select the most appropriate policy to suit the particular circumstances for the purpose of giving a true and fair view. The particular policies adopted by the NFC are described below. They have been applied consistently in dealing with items which are considered material in relation to the accounts.

1.2 Going concern

These financial statements have been prepared on the basis of the NFC being a going concern. This judgement made by the Trustees takes into consideration the level of reserves held by the Company; and an indication from Defra that grant in aid funding for the next Comprehensive Spending Review period should remain at a similar base level to the 2021-22 allocation. Defra has also allocated a further £2.45m per year to the NFC from the Nature for Climate Fund for the next three years, after commencing in 2020-21. The merger between the NFC and the National Forest Charitable Trust will take effect on 1 April 2022 with all NFCT assets transferring to the NFC. The NFC's Audit & Risk Committee has overseen the due diligence work to ensure that risks are being mitigated and to reduce the impact on the NFC's ability to continue as a going concern.

1.3 Significant judgements and accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of income and expenditure. All estimates are based on the NFC's knowledge of current facts and

circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from estimates made.

In the process of applying the NFC's accounting policies, the following judgements, and estimations, have been made which have the most significant impact on the amounts recognised in the financial statements:

Judgements

- Income recognition (see Note 1.5 below)
- Useful economic lives of tangible fixed assets (see Note 1.8 below)
- Useful economic lives of intangible fixed assets (see Note 1.9 below) Estimations
- Annual valuation of the NFC owned land and buildings undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see Notes 1.8 and 1.10 below).

1.4 Accounting convention

The accounts have been prepared on a going concern basis, on the accruals basis and under the modified historical cost convention, modified to account for the revaluation of land and buildings.

1.5 Income recognition

Government grants

Grant in aid is credited to income in the year that it is received. It is regarded as unrestricted income since Defra, whilst requiring funds allocated be utilised in contributing to the delivery of departmental objectives, does not stipulate how any specific element of the grant should be spent.

Nature for Climate Fund grant is treated as restricted income and therefore recognised as per SoRP para 4.34 which covers performance-related grants where the income is conditional on delivering certain levels or volumes of a service or supply of goods and contractual payments from Government or public authorities and other parties which fund the provision of particular goods or services.

This has been presented as a separate line in the Sofa due to the materiality of the income as per the SoRP para 4.13.

Income from donations

General donations are received and utilised for any of the NFC's charitable purposes. No significant benefit is provided to the donor in return, other than the knowledge that the NFC must use the gift to further its purposes. Income from donations is unrestricted.

'Dedicate a Grove' and 'Dedicate a Tree' income are gift donations which the NFC use to support the ongoing creation and management of the National Forest. This is classed as unrestricted income as it represents a contribution to the National Forest's creation which is intrinsically linked to other purposes of the charity such as ongoing maintenance of woodlands, habitat creation, education and is used to further the NFC's charitable purposes including woodland creation.

The NFC receives an annual donation from Rolls-Royce. This is a restricted donation to support South Derbyshire District Council's (SDDC) Environmental Education Project and is paid over to SDDC as a disbursement upon receipt of a satisfactory progress report, as reflected in the agreement.

Income from activities and generated funds

Income is accounted for on a receivable basis, net of VAT. Grant income entitlement is recognised when the NFC has met any performance or other deliverable criteria for recognition and the monetary value can be measured reliably. Where the grant is received in advance of recognition it is deferred and included in creditors until entitlement occurs. If entitlement occurs before the income has been received it is accrued to debtors. Income is allocated to restricted income when it is given by the donor or grant maker for defined purposes.

Income from Sponsorship

Sponsorship income is recognised as income when the conditions for its receipt have been met, as per SoRP (5.39 – 5.47). Where there are conditions or specified deliverables then income received is not immediately recognised but is deferred as a liability until conditions imposed are met at which point the related income is recognised in the SoFA.

Where there are no specified deliverables under the agreement then the income is recognised in the Statement of Financial Activities (SoFA), in line with the stage of completion of the agreement term.

1.6 Expenditure

Expenditure is accounted for on an accruals basis and is classified under the relevant activity within the SoFA.

1.7 Expense allocation

Costs are allocated to the main areas of NFC activity of raising funds, forest creation, woodland management, tourism and promotion, community engagement and various restricted projects reflecting the objectives of the NFC as set out in the Directors' Report.

Governance costs include Trustee expenses, production of the Annual Report and Accounts, audit fees and bank charges. The salary and related costs of the Chief Executive, who is also a Trustee, are now included within governance costs (45%) and support costs (55%) following the introduction of a timesheet recording system.

The salary and related costs of staff employed wholly on raising funds and the various charitable activities are allocated to those activities. Where staff are engaged on more than one of these activities, timesheets capture the percentage of each individual's time spent on each activity.

Indirect costs have been allocated to the headings in the SoFA on the basis of full time equivalent headcount of staff employed directly on charitable activities and activities for raising funds. The exception is grants administration costs which have been allocated on a staff time basis via the timesheets.

1.8 Tangible fixed assets

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provisions 10.33 to 10.36. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2022 by Fisher German and Mather Jamie, Chartered Surveyors. The market approach was adopted, with the opinion of value based on the comparable evidence obtained and their experience of valuing residential property, woodland and agricultural land in the locality. The land valuations reflect the site use at the date of the valuation, ie open land, grazing land, young woodland and mature woodland. When planting takes place and there is a change of use in the land, ie tree planting, the valuation report reflects this with any impairment in value taken to the SoFA. Depending on the planting that takes place there could be material changes to the value of land over the next year. Land and buildings in the Balance Sheet are shown at the valuations provided per Note 12 and 13.

Where the valuation is higher than the purchase price paid, the excess over purchase price is

credited to a Revaluation Reserve. Where land or buildings are revalued due to a change in market values but remain at below the purchase price, the loss on revaluation is charged to the SoFA in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land or buildings, the loss on impairment is charged to the SoFA in the year of the impairment. Where in a subsequent year the value of land or buildings which has been the subject of an impairment charge increases, usually as a result of an increase in market values, and the valuation remains at below the purchase price, then the increase is charged to the SoFA as a reversal of previous years' impairment. Changes in the value of land or buildings arising from revaluation or impairment are reflected in the balance of unrestricted funds and in the Revaluation Reserve.

Impairment and reversal of prior years' impairment on land is charged to the SoFA through expenditure on charitable activities via forest creation activity (Note 7).

Depreciation

Depreciation is provided on a straight-line basis on the cost of furniture and fittings and information technology assets, to write them down to their estimated residual values over their expected useful lives. Expectations are informed by past experience and reflect anticipated usage of such assets.

Furniture and fittings and information technology assets have an expected useful life of between three and five years. No depreciation is charged in the year of acquisition of the asset but a full year is charged in the year of disposal.

1.9 Intangible Fixed Assets

During the year work has taken place to re-develop the website costing £43k to generate future funding, as per Note 11 Asset under construction.

All intangible assets are measured at their historical cost at acquisition. Following the initial recognition of the website, subsequent measurement will be the website at cost less accumulated amortisation and impairment losses.

At the end of each reporting period an impairment review will be performed to determine whether the website is still fit for purpose in generating funds and achieving our expectations. Amortisation will be charged on a straight line basis over the useful economic life of the asset and the useful economic life will be reviewed at each reporting date. No amortisation was charged in the month of capitalisation (August 2018) but a full month in the year of disposal. When reviewed at 31 March 2022

by the Audit & Risk Committee (ARC), it was agreed that the existing website should be written off in full in 2022-23 (autumn) at the end of its useful economic life because it would then be replaced by the cost of the new re-developed website. The website has been amortised from when it went live in September 2018, with the expense being charged to the SoFA.

1.10 Investments

Investment property

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provision 10.48. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2022. The market approach was adopted, with the opinion of value based on the comparable evidence obtained and their experience of valuing residential property, woodland and agricultural land in the locality.

In the 2021-22 financial year, three properties with a Net Book Value of £1,111,500 have been transferred and re-classified to fixed assets due to land surrendered on Farm Business Tenancies.

Investment Property in the Balance Sheet is shown at the valuations provided per Note 13.

Investments

Investments are measured at fair value and any gains or losses arising from the revaluation are charged to the SoFA. In 2021-22 the gain on the Investment property was £25,000 (2020-21: £20,000).

Within investments the NFC recognises the Cazenove Charity Responsible Multi-Asset Fund investment of £0.532m.

1.11 Current assets and liabilities

Debtors are measured at their recoverable amounts and creditors at their settlement amounts when these can be measured or estimated reliably.

A de minimis threshold of £300 has been adopted when determining debtors and creditors at the end of March.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances held in a Business Instant Saver account and cash balances held by the Government Banking Service. Cash equivalents include £531,539 invested with Cazenove Charity Responsible Multi-Asset Fund.

1.13 Leases

The NFC has no finance leases.

Rentals under operating leases are charged to the SoFA on a straight-line basis over the term of the lease, even if payments are not made on such a basis.

1.14 Financial Instruments

The NFC has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

The NFC investment of £500,001 with Cazenove's Charity responsible Multi-Asset Fund is a financial instrument with the measurement and accounting basis being fair value. The fair value as determined by the fund managers as at 31 March 2022 is £531,539.

1.15 Foreign Currencies

Receipt and payment recognition of transactions in foreign currencies are recorded at the rate of exchange at the time of the transaction. Exchange differences on monetary items are translated at the closing rate at the end of each reporting period with the differences taken to the Statement of Financial Activities (SoFA).

1.16 Staff costs and pensions

The NFC accounts for staff costs and pension contributions in the periods for which they are payable. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The NFC is unable to identify its share of the underlying assets and liabilities. The Scheme administrators carry out actuarial valuations of the Scheme and prepare full accounts for the Scheme.

The NFC recognises in its accounts those costs collected from it by the Scheme administrators in respect of Accruing Superannuation Liability Charges (ASLCs), which are shown as "Pension Costs".

Note 2 Grant in aid

Grant in aid of £2,400,715 was received from Defra in 2021-2022 (2020-21: £2,467,457). The grant is treated as unrestricted income since the Department, whilst requiring that funds allocated contribute to the delivery of its objectives, does not stipulate any specific purpose(s) as to how any of the funds must be utilised.

Grant in aid accounts for 41% of total NFC income and is utilised to fund the forest creation and woodland management programmes, including the various grant schemes, contributes to the tourism and community engagement programmes and meets a significant proportion of governance and support costs.

Grant in aid Nature for Climate Funds of £1,894,000 was received from Defra in 2021-22 (2020-21: £2,146,007). This grant is treated as restricted income, per the memorandum of understanding, which facilitates funding of new planting within the National Forest.

Nature for Climate Funds accounts for 32% of total NFC income.

Note 3

Income from Donations

	Unrestricted £	Restricted £	Total 2021-22 £	Unrestricted £	Restricted £	Total 2020-21 £
Donations	269,902	–	269,902	175,328	–	175,328
Dedicate a Grove	3,025	–	3,025	33,027	–	33,027
Dedicate a Tree	311,936	–	311,936	252,345	–	252,345
Rolls Royce	–	20,000	20,000	–	20,000	20,000
Other	–	1,542	1,542	–	–	–
Total	584,863	21,542	606,405	460,700	20,000	480,700

Note 4

Income from charitable activities

	Unrestricted £	Restricted £	Total 2021-22 £	Unrestricted £	Restricted £	Total 2020-21 £
Woodland creation grants	–	12,975	12,975	–	11,854	11,854
Section 106 agreements	–	27,025	27,025	–	4,032	4,032
Tourism and promotion programme	–	18,000	18,000	–	18,000	18,000
Charnwood Development project	–	307,218	307,218	–	125,552	125,552
Timber Festival	–	6,750	6,750	–	67,500	67,500
National Forest Trek	–	47,939	47,939	–	21,460	21,460
Community Forest Woodland Outreach project	–	60,381	60,381	–	36,171	36,171
Severn Trent – Great Big Nature Boost	–	201,683	201,683	–	126,166	126,166
ELMS Test and Trial	–	45,530	45,530	–	–	–
Greenspring	7,250	–	7,250	–	–	–
Plant a Tree scheme	925	–	925	2,070	–	2,070
Other	4,337	25,200	29,537	214	–	214
Total	12,512	752,701	765,213	2,284	410,735	413,019

Note 5

Income from other trading activities

	Unrestricted £	Restricted £	Total 2021-22 £	Unrestricted £	Restricted £	Total 2020-21 £
Other trading activities	49,125	–	49,125	23,394	–	23,394
Sponsorship	63,577	17,500	81,077	47,036	10,000	57,036
Total	112,702	17,500	130,202	70,430	10,000	80,430

Note 6

Cost of activities for raising funds

	Total 2021-22 £	Total 2020-21 £
Activities undertaken directly	462,614	548,337
Support costs	199,761	224,349
	662,375	772,686

Note 7
Analysis of expenditure on charitable activities

Activity or programme	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2021-22 £	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2020-21 £
Forest Creation	848,593	952,017	299,814	2,100,423	513,074	350,607	272,019	1,135,700
Woodland Management	385,320	180,780	118,862	684,963	177,050	167,276	87,442	431,738
Tourism and Promotion	109,128	1,697	52,891	163,716	55,341	56,400	65,148	176,889
Community Engagement	51,185	93,577	68,222	212,985	102,483	6,960	56,220	165,663
National Forest Trek	83,694	-	12,721	96,415	33,921	-	11,318	45,239
Charnwood Development project	249,736	-	184,028	433,764	68,405	-	85,287	153,692
Creating a Forest for Learning project	39,086	-	26,287	65,373	37,500	-	35,482	72,982
Timber Festival	168,610	-	38,672	207,283	146,475	-	53,613	200,088
Creating Working Woodlands project	105,660	-	48,745	154,405	70,870	-	58,721	129,591
Community Forest Woodland Outreach project	73,323	-	43,541	116,864	29,513	-	39,035	68,548
Severn Trent – Great Big Nature Boost	161,893	-	26,166	188,058	104,166	-	21,312	125,478
ELMS Test and Trial	73,959	-	4,164	78,122	-	-	-	-
Total	2,350,187	1,228,071	924,113	4,502,371	1,338,798	581,243	785,567	2,705,608

Staff costs and pensions

8.1 Employees with earnings above £60,000

	2021-22	2020-21
£80,000 – £89,999	1	1
£70,000 – £79,999	–	1
£60,000 – £69,999	2	–
	<u>3</u>	<u>2</u>

8.2 Staff salaries, social security and pensions

	Permanent contracts	Other contracts	2021-22 Total	Permanent contracts	Other contracts	Reclassified 2020-21 Total ⁽¹⁾
	£	£	£	£	£	£
Salaries	1,011,808	169,483	1,181,291	887,155	177,913	1,065,068
Social security costs	107,493	12,971	120,464	88,300	13,360	101,660
Pension costs	266,730	39,449	306,179	230,204	38,515	268,719
	<u>1,386,031</u>	<u>221,903</u>	<u>1,607,934</u>	<u>1,205,659</u>	<u>229,788</u>	<u>1,435,447</u>

(1) Prior year figures for social security costs and pension costs reclassified.

8.3 Average number of persons employed

	2021-22		2020-21	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	<u>34</u>	<u>30</u>	<u>29</u>	<u>26</u>

The full time equivalent of employees includes 5 FTE fixed term staff and 0.2 FTE agency staff.

Note 9
Support costs 2021-22

	Community														Basis of £ apportionment		
	Raising Funds	Forest creation	Woodland Management	Tourism and Promotion	Community Engagement	National Forest Trek	Charmwood Development project	£	Creating a Forest for Learning project	Timber Festival	Woodlands Project	£	Creating Working Woodlands Project	£		Community Forest Outreach project	Severn Trent – Great Big Nature Boost
Staff costs	109,200	134,729	33,656	22,255	18,881	6,954	100,600	14,369	21,140	26,647	23,802	14,304	2,276	120,114	648,928	Headcount	
Governance Costs	29,346	36,206	9,045	5,981	5,074	1,869	27,035	3,862	5,681	7,161	6,397	3,844	612	11,795	153,908	Headcount	
Premises costs	18,930	23,356	5,835	3,858	3,273	1,206	17,440	2,491	3,665	4,619	4,126	2,480	395	7,606	99,279	Headcount	
ICT & Telecoms	13,591	16,768	4,189	2,770	2,350	865	12,521	1,788	2,631	3,317	2,962	1,780	283	5,463	71,279	Headcount	
HR & Recruitment	16,807	20,736	5,180	3,425	2,906	1,070	15,483	2,212	3,254	4,101	3,663	2,201	350	6,755	88,143	Headcount	
Office costs	3,256	4,017	1,003	664	563	207	2,999	428	630	794	710	426	68	1,309	17,074	Headcount	
PR related	160	197	49	33	28	10	147	21	31	39	35	21	4	64	840	Headcount	
Travel	1,631	2,012	503	332	282	104	1,502	215	316	398	355	214	34	655	8,552	Headcount	
Training & Development	1,344	1,658	414	274	232	86	1,238	177	260	328	293	176	28	540	7047	Headcount	
Depreciation	3,265	4,028	1,006	665	564	208	3,008	430	632	797	712	428	68	1,312	17,122	Headcount	
Amortisation	2,231	2,753	688	455	386	142	2,055	294	432	544	486	292	46	897	11,701	Headcount	
Grants administration	-	53,354	57,294	12,179	33,683	-	-	-	-	-	-	-	-	(156,510)	-	Staff time	
	199,761	299,814	118,862	52,891	68,222	12,721	184,028	26,287	38,672	48,745	43,541	26,166	4,164	-	1,123,874		

Note 9 (continued)
Support costs 2020-21

	Raising Funds	Forest creation	Woodland Management	Tourism and Community Engagement	National Forest Development Trek	Charmwood Development project	Creating a Forest for Learning project	Timber Festival	Creating Working Woodlands Project	Community Woodland Outreach project	Severn Trent – Great Big Nature Boost	Grants administration	2020-21	Basis of
	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Staff costs	141,206	140,499	32,033	28,667	20,396	7,124	53,679	22,333	33,744	36,960	24,569	102,814	657,438	Headcount
Governance														
Costs	18,868	18,773	4,280	3,830	2,725	952	7,172	2,984	4,509	4,938	3,283	5,881	79,987	Headcount
Premises costs	21,782	21,673	4,941	4,422	3,146	1,099	8,281	3,445	5,205	5,701	3,790	6,790	92,344	Headcount
ICT & Telecoms	15,668	15,590	3,554	3,181	2,263	790	5,956	2,478	3,744	4,101	2,726	4,884	66,423	Headcount
HR &														
Recruitment	8,025	7,984	1,820	1,629	1,159	405	3,051	1,269	1,918	2,100	1,396	2,501	34,019	Headcount
Office costs	3,256	3,240	739	661	470	164	1,238	515	778	852	567	1,015	13,804	Headcount
PR related	37	37	8	8	5	2	14	6	9	10	6	12	158	Headcount
Travel	412	410	94	84	60	21	157	65	99	108	72	129	1,750	Headcount
Training &														
Development	1,714	1,706	389	348	248	86	652	271	410	449	298	532	7,266	Headcount
Depreciation	4,161	4,140	944	845	601	210	1,582	658	994	1,089	724	1,297	17,641	Headcount
Amortisation	9,220	9,173	2,091	1,872	1,332	465	3,505	1,458	2,203	2,413	1,604	2,874	39,086	Headcount
Grants administration												(128,729)		Staff time
	–	48,794	36,519	19,601	23,815	–	–	–	–	–	–	–	–	–
	224,349	272,019	87,412	65,148	56,220	11,318	85,287	35,482	53,613	58,721	39,035	21,312	–	1,009,916

Note 10

Governance costs

	2021-22 £	2020-21 £
Trustees' travel and expenses	1,131	11
Trustee meetings and meals external	339	–
Annual Report and Accounts production	4,369	2,558
Fees payable for the audit of the Annual Accounts	31,000	24,000
Internal audit fees	8,266	11,566
Bank charges	10,855	9,187
Professional and Legal Fees	45,130	–
Trustee recruitment	–	–
Other sundry expenditure	1,117	200
Strategic costs ⁽¹⁾	<u>51,699</u>	<u>32,465</u>
	<u>153,906</u>	<u>79,987</u>

(1) Strategic costs represent 45% of the Chief Executive's employment costs (2020:21 34%)

Note 11
Intangible Assets

	Asset under construction £	Website £	Total £
Cost or valuation			
At 1 April 2021	–	117,258	117,258
Additions during the year	42,661	–	42,661
Transfer during the year	–	–	–
At 31 March 2022	<u>42,661</u>	<u>117,258</u>	<u>159,919</u>
Amortisation			
At 1 April 2021	–	99,707	99,707
Charges in the period:	–	11,701	11,701
At 31 March 2022	<u>–</u>	<u>111,408</u>	<u>111,408</u>
Net Book Value 31 March 2022	<u>42,661</u>	<u>5,850</u>	<u>48,512</u>
Cost or valuation			
At 1 April 2020	–	117,258	117,258
Additions during the year	–	–	–
Transfer during the year	–	–	–
At 31 March 2021	–	117,258	117,258
Amortisation			
At 1 April 2020	–	60,621	60,621
Charges in the period:	–	39,086	39,086
At 31 March 2021	<u>–</u>	<u>99,707</u>	<u>99,707</u>
Net Book Value 31 March 2021	<u>–</u>	<u>17,551</u>	<u>17,551</u>

Asset under construction relates to the charges incurred for the re-development of the new website.

Note 12

Tangible Assets

	Land £	Furniture & Fittings £	Information Technology £	Total £
Cost or valuation				
At 1 April 2021	2,385,150	161,303	138,374	2,684,827
Additions during the year	–	23,710	23,619	47,329
Disposals/transfers during the year	–	–	–	–
Impairment	(519,000)	–	–	(519,000)
Reversal of prior years' impairment	106,350	–	–	106,350
Revaluation (loss)/gain to Revaluation Reserve	59,500	–	–	59,500
Investment property transfer	1,111,500	–	–	1,111,500
At 31 March 2022	<u>3,143,500</u>	<u>185,013</u>	<u>161,993</u>	<u>3,490,506</u>
Depreciation				
At 1 April 2021	–	151,122	92,332	243,454
Charges in the period:				
Depreciation	–	3,023	14,099	17,122
Revaluation	–	–	–	–
Depreciation charged on disposals	–	–	–	–
Investment property transfer	–	–	–	–
At 31 March 2022	<u>–</u>	<u>154,145</u>	<u>106,431</u>	<u>260,576</u>
Net Book Value 31 March 2022	<u>3,143,500</u>	<u>30,868</u>	<u>55,562</u>	<u>3,229,930</u>
Cost or valuation				
At 1 April 2020	3,751,050	157,956	121,713	4,030,719
Additions during the year	1,274,943	3,347	16,661	1,294,951
Disposals/transfers during the year	–	–	–	–
Impairment	(250,493)	–	–	(250,493)
Reversal of prior years' impairment	24,000	–	–	24,000
Revaluation (loss)/gain to Revaluation Reserve	17,500	–	–	17,500
Investment property transfer	(2,431,850)	–	–	(2,431,850)
At 31 March 2021	<u>2,385,150</u>	<u>161,303</u>	<u>138,374</u>	<u>2,684,827</u>
Depreciation				
At 1 April 2020	–	148,660	77,153	225,813
Charges in the period:				
Depreciation	–	2,462	15,179	17,641
Revaluation	–	–	–	–
Depreciation charged on disposals	–	–	–	–
Investment property transfer	–	–	–	–
At 31 March 2021	<u>–</u>	<u>151,122</u>	<u>92,332</u>	<u>243,454</u>
Net Book Value 31 March 2021	<u>2,385,150</u>	<u>10,181</u>	<u>46,042</u>	<u>2,441,373</u>

Investment property transfer - Land value of £1,111,500 has been reclassified from investment property (Note 13 Land), due to land surrendered on Farm Business Tenancies.

For each revalued class of tangible asset the carrying amount, had the assets been carried under the historical cost model, is required to be disclosed: Land £2,749,887 (2020-21: £2,186,033).

An annual valuation of NFC land and buildings as at 31 March is undertaken by an independent Chartered Surveyor. Changes in the value of land or buildings arising from revaluation or impairment are therefore reflected.

Impairments on land is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 7).

Reversal of prior years' impairment on land is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 7).

Note 13 Investments

	Property £	Land £	Cazenove Investment Fund £	Total £
Cost or valuation				
At 1 April 2021	500,000	3,006,850	505,015	4,011,865
Additions during the year	–	866,580	–	866,580
Disposals/transfers during the year	–	(1,111,500)	–	(1,111,500)
Impairment	–	(25,000)	–	(25,000)
Reversal of prior years' impairment	–	25,650	–	25,650
Revaluation (loss)/gain	25,000	43,420	26,524	94,944
At 31 March 2022	<u>525,000</u>	<u>2,806,000</u>	<u>531,539</u>	<u>3,862,539</u>
Cost or valuation				
At 1 April 2020	480,000	–	–	480,000
Additions during the year	–	707,640	500,000	1,207,641
Disposals/transfers during the year	–	2,431,850	–	2,431,850
Revaluation (loss)/gain	20,000	(132,640)	5,014	(107,626)
At 31 March 2021	<u>500,000</u>	<u>3,006,850</u>	<u>505,015</u>	<u>4,011,865</u>

Investment Land includes 9 sites that are part or wholly, commercially let.

In the 2021-22 financial year, £1,111,500 (relating to 3 sites) has been transferred and re-classified to Tangible Assets (Note 12, Land) due to land surrendered on Farm Business Tenancies.

For each revalued class of investment asset the carrying amount, had the assets been carried under the historical cost model, is required to be disclosed: Property £335,000 (2020-21: £335,000): Land £2,259,550 (2020-21: £2,674,834).

An annual valuation of NFC land and buildings as at 31 March is undertaken by an independent Chartered Surveyor. Changes in the value of land or buildings arising from revaluation or impairment are therefore reflected.

In the 20-21 financial year £500,001 was invested in Cazenove Charity Responsible Multi-Asset Fund, generating a return of £26,524 in 2021-22. The income is extracted to our reserves, rather than re-invested into the fund. Fair value measurement of the fund by the investment managers as at 31 March resulted in a gain of £26,524. This has been reflected as a cash equivalent due to it being a high liquid investment.

Note 14

Debtors

	31 March 2022 £	31 March 2021 £
Amounts falling due within one year:		
VAT	9,098	10,926
Prepayments	69,461	42,552
Accrued Income:		
– Creating Working Woodlands project	–	104,110
– Creating a Forest for Learning project ⁽¹⁾	135,675	149,295
– Charnwood project - NLHF funding	57,999	26,267
– Timber Festival	–	33,750
– Community Forest Woodland Outreach project	10,675	14,710
– Other	90,075	55,256
Debtors:		
– Trade debtors	238,539	86,120
– Other debtors	<u>10,379</u>	<u>16,162</u>
	<u>621,901</u>	<u>539,148</u>
Amount falling due after more than one year:		
Other debtors	–	9,510
	<u>–</u>	<u>9,510</u>
Total debtors	<u>621,901</u>	<u>548,658</u>

⁽¹⁾ Creating a Forest for Learning project accrued income includes the unrealised exchange gain on foreign currency.

Note 15

Cash at bank and in hand

	31 March 2022 £	31 March 2021 £
Balance at 1 April:	2,149,010	2,026,219
Net increase/(decrease) in cash and cash equivalent balances	<u>381,517</u>	<u>122,791</u>
Balance at 31 March	<u><u>2,530,527</u></u>	<u><u>2,149,010</u></u>
The following balances at 31 March 2022:		
Commercial banks and cash in hand	2,277,938	2,144,303
Government Banking Service	<u>252,589</u>	<u>4,707</u>
	<u><u>2,530,527</u></u>	<u><u>2,149,010</u></u>

Note 16 Creditors

	31 March 2022	31 March 2021
	£	£
Amounts falling due within one year:		
Trade creditors	176,434	76,424
Other Creditors	3,300	3,300
Accruals	215,937	140,276
Deferred income ⁽¹⁾	192,319	114,005
	587,990	334,005

⁽¹⁾ Deferred income relates to specified outputs delivered in 2022-23

Analysis of movement of deferred income

	Other	Severn Trent – Great Big Nature Boost	Carbon project	Community Forest Woodland Outreach project	Charnwood Development project	Creating a Forest for Learning project	Total
	£	£	£	£	£	£	£
31 March 2017 Deferred	–	–	–	–	3,962	44,403	48,365
31 March 2018 Released	–	–	–	–	(3,962)	(44,403)	(48,365)
31 March 2018 Deferred	–	–	–	–	2,000	36,364	38,364
31 March 2019 Released	–	–	–	–	(2,000)	(36,364)	(38,364)
31 March 2019 Deferred	–	–	–	–	–	28,151	28,151
31 March 2020 Released	–	–	–	–	–	(28,151)	(28,151)
31 March 2020 Deferred	3,650	–	–	8,333	–	–	11,983
31 March 2021 Released	(3,650)	–	–	–	–	–	(3,650)
31 March 2021 Deferred	5,672	–	100,000	–	–	–	105,672
31 March 2022 Released	(5,672)	–	–	(8,333)	–	–	(14,005)
31 March 2022 Deferred ⁽¹⁾	10,387	31,932	50,000	–	–	–	92,319
Total	10,387	31,932	150,000	0	0	0	192,319

⁽¹⁾ Deferred income 'Other' 2022 relates to sponsorship contracts £10,387 split over two financial years.

Note 17

Analysis of Grants

The NFC awards grants to a number of institutions and landowners to support activity which contributes to the achievement of its charitable objects. No grants were paid with the purpose of directly benefitting the personal circumstances of the individuals.

	Grants to Institutions £	Grants to Landowners £	Support Costs £	2021-22 £	Grants to Institutions £	Grants to Landowners £	Support Costs £	2020-21 £
Forest creation, access and nature conservation	901,462	50,555	53,354	1,005,371	117,760	232,847	48,794	399,401
Woodland Management	23,452	157,328	57,294	238,074	40,090	127,186	36,519	203,795
Community engagement	93,577	-	33,683	127,260	56,400	-	23,815	80,215
Tourism and promotion	1,697	-	12,179	13,875	6,960	-	19,601	26,561
Total	1,020,188	207,883	156,510	1,384,581	221,210	360,033	128,729	709,972

During the 2021-22 financial year, the NFC awarded grants to the following:

Institution and/or Landowner	2021-22 £	2020-21 £
South Derbyshire District Council	29,608	32,500
Leicestershire County Council	138,167	17,335
NFCT	300,000	-
Mountpark Logistics	339,027	-
Shuttlewood Clarke Foundation	-	17,157
Duchy of Lancaster	6,905	105,961
Trustees of Burton Property Group	-	29,176
NMA	36,369	-
Grants to other institutions	170,111	19,080
Grants to landowners/Individuals	207,884	360,034
Total Grants paid	1,228,071	581,243

Note 18 Summary of fund movements 2021-22

	As at 1 April 2021	Income	Expenditure	Revaluation	Foreign Currency gain/(loss)	Transfers ⁽¹⁾	As at 31 March 2022
	£	£	£	£	£	£	£
Unrestricted							
General Fund	3,488,284	3,156,653	(2,632,129)	-	-	(816,896)	3,195,912
Financial Contingency Fund ⁽⁴⁾	450,000	-	-	-	-	50,000	500,000
Land Acquisition, Management and Development Fund ⁽⁵⁾	450,000	-	-	-	-	-	450,000
Enterprise and Investment Fund ⁽⁶⁾	500,000	-	-	-	-	-	500,000
Investments ⁽⁷⁾	1,793,528	-	-	61,621	-	640,841	2,495,990
Revaluation Reserve	77,250	-	-	59,500	-	-	136,750
Total Unrestricted	6,759,062	3,156,653	(2,632,129)	121,121	-	(126,055)	7,278,652
Restricted							
Nature for Climate Funds	1,656,150	1,894,000	(1,458,954)	33,323	-	-	2,124,519
Other restricted funds ⁽²⁾	14,310	76,842	(67,080)	-	-	-	24,072
Creating a Forest for Learning project Timber Festival ⁽³⁾	196,337	-	(39,086)	-	38,873	-	196,124
Creating Working Woodlands project	26,566	24,250	(114,502)	-	-	63,686	-
Charnwood Development project	131,550	200	(117,636)	-	-	-	14,114
National Forest Trek	47,956	307,218	(291,375)	-	-	-	63,799
Community Forest Woodland Outreach project	-	47,939	(70,374)	-	-	22,435	-
Rolls Royce	2,521	68,081	(82,071)	-	-	15,608	4,140
Severn Trent – Great Big Nature Boost	-	20,000	(20,000)	-	-	-	-
ELMS Test and Trial	-	201,683	(201,683)	-	-	-	-
		45,530	(69,856)	-	-	24,326	-
Total Restricted	2,075,390	2,685,743	(2,552,617)	33,323	38,873	126,055	2,426,767
Total Reserves	8,834,452	5,842,396	(5,164,746)	154,444	38,873	-	9,705,419

(1) Transfer from unrestricted (General fund) to restricted funds are match funding contributions National Forest Trek £22,435, Community Forest Woodland Outreach Project £15,608, ELMS Test and Trial £24,326 and support for the 2021 and 2022 Timber festival £63,686.

(2) Other restricted funds include Woodland Trust and Section 106 income carried forward

(3) Timber Festival transfer £63,687 at 31 March 2022 is £43,687 for the 2021 Festival and £20,000 for the 2022 Festival.

(4) Financial Contingency Fund – equates to approximately four months of NFC running costs and to be used in the event of major cashflow problems.

(5) Land Acquisition, Management and Development Fund (LAMDF) - available to support land acquisition and initial site establishment costs

(6) Enterprise and Investment Fund (EIF) - available to support innovation, enterprise and long-term financial sustainability.

(7) Investments – the value as per Note 13 £3,862,539 of which £2,495,990 is unrestricted and the balance £1,366,549 restricted as part of Nature for Climate Funds reserve (Note 20).

Note 18 – continued
Summary of fund movements 2020-21

	As at 1 April 2020	Income	Expenditure	Revaluation	Foreign Currency gain/(loss)	Transfers ⁽¹⁾	As at 31 March 2021
	£	£	£	£	£	£	£
Unrestricted							
General Fund	4,357,643	3,027,677	(2,520,869)	-	-	(1,376,167)	3,488,284
Financial Contingency Fund ⁽⁴⁾	450,000	-	-	-	-	-	450,000
Land Acquisition, Management and Development Fund ⁽⁵⁾	450,000	-	-	-	-	-	450,000
Enterprise and Investment Fund ⁽⁶⁾	500,000	-	-	-	-	-	500,000
Investment Property	480,000	-	-	(223)	-	1,313,751	1,793,528
Revaluation Reserve	59,750	-	-	17,500	-	-	77,250
Total Unrestricted	6,297,393	3,027,677	(2,520,869)	17,277	-	(62,416)	6,759,062
Restricted							
Nature for climate funds	-	214,607	(382,454)	(107,403)	-	-	1,656,150
Other restricted funds ⁽²⁾	20,278	33,886	(39,854)	-	-	-	14,310
Creating a Forest for Learning project	294,544	-	(53,687)	-	(44,520)	-	196,337
Timber Festival ⁽³⁾	-	77,500	(110,868)	-	-	59,934	26,566
Creating Working Woodlands project	214,396	-	(82,846)	-	-	-	131,550
Charwood Development project	5,310	125,552	(82,906)	-	-	-	47,956
National Forest Trek	-	21,460	(23,942)	-	-	2,482	-
Community Forest Woodland Outreach project	1,052	36,171	(34,702)	-	-	-	2,521
Rolls Royce	-	20,000	(20,000)	-	-	-	-
Severn Trent – Great Big Nature Boost	-	126,166	(126,166)	-	-	-	-
Total Restricted	535,580	2,586,742	(957,425)	(107,403)	(44,520)	62,416	2,075,390
Total Reserves	6,832,973	5,614,419	(3,478,294)	(90,126)	(44,520)	-	8,834,452

(1) Transfer from unrestricted (General and Enterprise and Investment Fund) to restricted funds are match funding contributions National Forest Trek £2,482 and support for the 2020 Timber festival £59,934.

(2) Other restricted funds relates to Section 106 - income carried forward.

(3) Timber Festival transfer £59,934 at 31 March 2021 is for the 2020 Festival, with the balance of £26,566 for the 2021 Festival.

(4) Financial Contingency Fund - equates to approximately four months of NFC running costs and to be used in the event of major cashflow problems.

(5) Land Acquisition, Management and Development Fund (LAMDF) - available to support land acquisition and initial site establishment costs.

(6) Enterprise and Investment Fund (EIF) - available to support innovation, enterprise and long-term financial sustainability

(7) Investments - Land transfer as per Note 13 is £2,431,850 of which £1,313,751 is unrestricted and the balance £1,118,099 restricted as part of Nature for Climate Funds reserve £1,656,150.

Note 19

Analysis of net assets between funds

	Unrestricted £	Restricted £	Total 31 March 2022 £	Unrestricted £	Restricted £	Total 31 March 2021 £
General Fund	7,141,902	2,426,767	9,568,669	6,681,812	2,075,390	8,757,202
Revaluation Reserve	136,750	–	108,750	77,250	–	77,250
Net assets	7,278,652	2,426,767	9,677,419	6,759,062	2,075,390	8,834,452

Note 20

Analysis of funds

	Unrestricted £	Restricted £	Total 31 March 2022 £	Unrestricted £	Restricted £	Total 31 March 2021 £
Reserve balances at 31 March are represented by:						
Intangible assets	48,512	–	48,512	17,551	–	17,551
Fixed assets	2,776,831	453,099	3,201,930	2,412,416	28,957	2,441,373
Investments	2,495,990	1,366,549	3,862,539	2,428,169	158,369	4,011,865
Current assets	2,545,309	607,119	3,152,428	2,234,931	462,737	2,697,668
Creditors	(587,990)	–	(587,990)	(334,005)	–	(334,005)
Total reserves	7,250,652	2,426,767	9,677,419	6,759,062	2,075,390	8,834,452

Note 21

Commitments under operating leases

The future minimum lease payments under operating leases which the NFC is committed to make under operating leases are as follows:

	31 March 2022 £	31 March 2021 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Not later than one year	40,857	48,081
Later than one year and within five years	–	48,081
Later than five years	–	–
	40,857	96,162

The above obligations relate to the lease for office accommodation occupied by the National Forest Company which commenced on 1 April 2018 and will expire on 31 March 2023.

The lease expense for 2021-22 was £47,996 (2020-21: £47,785).

Note 21 - continued

The future minimum lease payments under operating leases which the NFC is committed to receive under operating leases are as follows:

	31 March 2022	31 March 2021
	£	£
Recognition under operating leases comprise:		
Farmhouse and Farm Business Tenancies (FBTs) leases		
Not later than one year	23,270	25,951
Later than one year and within five years	4,000	194
Later than five years	–	–
	<u>27,270</u>	<u>26,145</u>

The above recognition relates to the lease of National Forest Company owned assets.

Hanging Hill Farm is a periodic short term tenancy.

FBTs are short term grazing and grassland tenancies on various sites.

Note 22

Other financial commitments

Forest creation schemes

The Company has entered into contracts (which are not leases or PFI contracts) under the Changing Landscape Scheme (CLS) and the Freewoods and Parkland Schemes. The payments to which the NFC is committed, analysed by the period during which the commitments fall due, are as follows:

	31 March 2022	31 March 2021
	£	£
Not later than one year	71,015	37,702
Later than one year and not later than five years	338,525	263,232
Later than five years	7,921	18,469
	<u>417,461</u>	<u>319,403</u>

Note 23

Financial Instruments

As the current cash requirements of the NFC are met largely through grant-in-aid received from Defra, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The NFC has no complex financial instruments and the risk of exposure to credit, liquidity or market risk is minimal.

The NFC investment of £500,001 with Cazenove's Charity responsible Multi-Asset Fund is a financial instrument with the measurement and accounting basis being fair value. Of which the fair value being determined by the fund managers as at 31 March 2022 to be £531,539.

Note 24

Related party transactions

Key management personnel of the Charity:

John Everitt has been a member of the National Lottery Heritage Fund Midlands and East Committee since January 2015. Grant Support of £224,577 (2020-21: £63,455) was received for the Charnwood Forest Landscape Partnership Scheme project; John Everitt declared an interest and was not party to the decision to award the funds.

Chair, Lord Duncan of Springbank, appointed on 20 May 2020 is Chair of Confor. The NFC paid £330 (2020-21: £314) for membership subscription.

Trustee, Alison Field, appointed on 1 April 2018, is a Council Member of the Institute of Chartered Foresters (ICF). The NFC paid nil (2020-21: £450) to the ICF.

Trustee, Mike Kapur, appointed on 1 April 2018, is Chair of Leicester City Football Club Trust and member of Council of University of Leicester. The NFC received nil (2020-21: £525) from the University of Leicester. The NFC paid £19,278 (2020-21: £4,079) to Leicester City Football Club Trust for the Community Forest Woodland Outreach project.

Trustee, Paddy Harrop, appointed 1 April 2018, is Forest Management Director Central England, Forestry England. The NFC paid nil (2020-21: £46,596) to Forestry England.

During the year, no trustee or related parties has undertaken any material transactions with the Charity other than those disclosed in the Remuneration and Staff Report.

Other related parties:

The NFC has dealings with the Department for Environment, Food and Rural Affairs (Defra) and some of its sponsored bodies. The NFC receives grant in aid from Defra. During the year, the NFC received £2,400,715 (2020-21: £2,467,457) GiA and £1,894,000 (2020-21: £2,146,007) via the Nature for Climate Fund.

The NFC received £12,977 from Rural Payments Agency (2020-21: £26,507) for woodland grants.

The NFC received £52,000 (2020-21: £36,171) from Natural England for the Community Forest Woodland Outreach project.

The NFC paid NIL (2020-21: £46,596) to Forestry England for employee secondment costs.

The NFC has an agreement with Forest Research allowing access to a National Forest site at Eastern Old Parks in order to undertake research into Ash Dieback disease.

Note 25

Events after the reporting period

On 1 April 2022 the National Forest Company (NFC) and National Forest Charitable Trust (NFCT) merged and combined into one reporting entity under the NFC. The NFCT will dissolve once their final accounts up to 31 March 2022 are completed. The NFCT's financial statements can be found at <https://find-and-update.company-information.service.gov.uk/company/03468753>.

The merger included the transfer of all NFCT assets including two trading subsidiaries, Heart of the National Forest Park Developments Ltd and Forest Experience Ltd, that will now be wholly owned by the NFC.

There was no consideration paid for the merger, but a grant of £300,000 was provided to the NFCT pre-reporting date to enable them to settle liabilities to release the assets for transfer.

The assets, liabilities, and shares (of the two subsidiaries) of the NFCT will be transferred into the control of NFC for a nominal value and are in substance a gift. The land and buildings will be transferred at fair value as per the valuations as at 1 April 2022 undertaken by independent Chartered Surveyors Fisher German and Matthews and Goodman in accordance with the RICS Valuation Standards (the 'Red Book'). As the value of the assets received will exceed the fair value of the liabilities assumed, the assets will be accounted as a gain will be recognised and shown separately within income, as a gift.

The Annual Report and Accounts have been authorised for issue by the National Forest Company's Chief Executive and Trustees. The authorised to issue date is the date of the Comptroller and Auditor General's audit certificate.

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