



Annual Report and Accounts 2022-23

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

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

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

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

Performance report

Overview

The performance report overview provides:

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

Foreword by Sir William Worsley, Chair

We live in a fast-paced complex world, and it is invaluable to take stock of where we are for direction of where we need to be. This year the Forestry Commission leadership team has been reinvigorated with a number of newly appointed directors. We are taking on the challenge of being more ambitious by modernising and becoming more efficient. With a new leadership team changes are being driven from the top, supported and challenged by a superb group of Commissioners. So far this has meant improvement in governance, better accountability, better performance and more robust mitigation of risk.

The Forestry Commission remains a great place to work with highly motivated people who are experts in a wide variety of areas. A strong vision, emboldened by the new leadership, will be essential to help us tackle the greatest challenges of our times - the climate and nature crisis'. We are laying the groundwork to position ourselves to meet the Environmental Improvement Plan's statutory target of 16.5% tree canopy cover by 2050, other environmental targets, and improve timber security. To achieve this, we need to continue to help ensure that more trees are grown to capture carbon and improve nature, and more woodland is protected, improved and remains productive through sustainable management. This will not only help to meet Government commitments

but also extend the benefits of trees and woodlands to more people and communities.

Over the past year there have been many achievements to be celebrated. Forest Services continue to provide grants, guidance and advice to land managers and the broader sector, tackle outbreaks and intercepts of quarantine pests and diseases, and underline our statutory duties with a number of legal successes that uphold our felling and restocking regulations. The tree planting incentives and regulation they provide supported a 40% increase in tree planting in 2022-23 compared to the previous year. This year we also rolled out the first degree-level apprenticeships in forestry in the country and are delighted to welcome our first cohort of Development Woodland Officers.

The invaluable expertise of Forest Research has furthered the Forestry Commission's international reach and built important partnerships for global issues. They continue to provide the underlying evidence to support informed decision making, publishing significant scientific outputs and other media to inform and advise the forestry sector, including the UK Forestry Standard (UKFS), National Forest Inventory Production Forecast and Forestry Statistics. It has initiated the Centre for Forest Protection as a collaborative hub that brings together expertise in the UK and beyond to protect and enhance the health of our trees and forests.

Forestry England continue to care for 68,000 hectares of Sites of Special Scientific Interest (SSSI), of which more than 90% are in favourable or recovering condition. Alongside growing much needed timber long term programmes, such as Wild Ennerdale, are providing world-first empirical evidence on how to sustainably manage forests to balance the needs of the environment and people, including through rewilding and reintroductions of key-stone species.

The Forestry Commission is an outstanding organisation, with staff driven by their passion and dedication to their profession. This has been evidenced by continuing deliver of routine work while the Commission repositioned itself to robustly meet the challenges of the future. I would like to commend everyone for their unrelenting efforts over the past year - I am proud of what has been achieved.

Purpose and activities of the organisation

Who we are

The Forestry Commission provides the government's forestry expertise and is responsible for protecting, improving and expanding England's woodlands, connecting more people with forests, woods and trees and promoting their full value. We are helping to meet society's biggest challenges with thriving trees, woods and forests. We are a Non-Ministerial Government Department with a Royal Charter, supported by two agencies: Forest Research and Forestry England. We

are part of the wider Defra Group of departments and agencies responsible for environmental protection, food production and standards, agriculture, fisheries and rural communities.

The Forestry Commission and its agencies perform distinct but related and complementary functions. Together, we are responsible for: managing the Nation's Forests; protecting the health of trees across Great Britain from pests and diseases; providing world-leading research and analysis; promoting forestry training, forestry careers and sustainable forest management; advising and supporting woodland owners and land managers (including through grants); and regulating forestry in England.

The core of the Forestry Commission comprises the Commissioners' Office – responsible for supporting the Commission and both its agencies with work on parliamentary matters, open information, data protection and governance – and what is known internally as 'Forest Services'.

Forest Services supports and regulates forestry in England and acts as Government's forestry and woodland expert, contributing to the Government's 25 Year Environmental Plan objective of being the first generation to leave the environment in a better state than we found it. This is done by encouraging and supporting landowners and the sector to protect, improve, expand and connect people with England's trees, woods and

forests. This part of the Commission is also responsible for protecting tree health across Great Britain as part of the UK Plant Health Service by agreement with the GB devolved administrations. There are around 500 people in Forest Services (2021-22: 400 people) covering the whole of England (and Great Britain, for plant health matters); they are spread thinly.

Forestry England is an agency of the Commission, and a Public Corporation, which manages England's beautiful, diverse, and productive public forest estate on behalf of the nation. It is the single largest land manager in England, with over 250,000 hectares (2021-22: 250,000 hectares), and is the largest provider of home-grown sustainably produced timber in England, selling over one million tonnes per year. This is nearly half the English grown annual supply. There are more than 1,200 (2021-22: 1,100) people in Forestry England.

The Nation's Forests are managed to balance multiple aims: carbon capture, flood prevention, providing a positive impact on our physical and mental health and looking after significant areas to conserve and improve biodiversity. The natural capital benefits our forests and diverse landscapes bring to society are valued at £61 billion (2021-22: £33 billion).

Forest Research is Great Britain's principal organisation for forestry and tree related research and is internationally renowned for the provision of evidence and scientific services in support of sustainable forestry.

The team operates across Great Britain by agreement with the devolved administrations.

Forest Services, Forestry England and Forest Research each have their own executive leadership team and governing Board comprising Commissioners, non-executive directors and executive staff. These individual Boards make decisions specific to each organisation. The Forestry Commission Executive Board is a group of executive staff from the Commission and its agencies, providing direction for collective decisions and sharing of knowledge and policy. The Board of Forestry Commissioners provides a collective overview and steer to the Forestry Commission and its agencies. This governance framework allows us to monitor our objectives and consider whether those have led to the delivery of appropriate and cost-effective outcomes that are compliant with law and policy.

Our priorities

The Forestry Commission's work is aligned with the England Trees Action Plan, published in May 2021 and the Tree Health Resilience Strategy (2018). We work to expand, protect, improve and connect England's trees, woodlands and forests. Our goals are to ensure more trees are grown for climate and nature; more woodland is protected, improved and productive; and more people and communities are benefitting from trees, woods and forests.

Delivery of our objectives in 202223

This Annual Report summarises the performance of the Forestry Commission. Forest Research accounts are consolidated within this report but are also published separately. As a public corporation, Forestry England's accounts are not consolidated. All annual report and accounts are available on www.gov.uk. This section of the report provides an overview of the work of Forest Services in 2022-23, against its five strategic objectives.

Expand and Connect

Our work under this objective is to enable more trees, woodlands and forests to be established and managed to their full potential for tackling the climate change and biodiversity crises, and for contributing to the economy and our national wellbeing.

The England Trees Action Plan sets out government plans to deliver England's contribution to the UK wide tree planting target. Defra has set the annual treeplanting target at 7,500 hectares, a level that has not been reached in the last 50 years and with rates having only risen above 6,000 hectares in three of the last 50 years.

This year we have continued to run and improve the flagship England Woodland Creation Offer (EWCO), a flexible and innovative grant scheme that rewards land managers for the public benefits that their new woodland will provide. This year, we received close to 450 (2021-22: 370) applications and approved claims for 869 hectares (2021-22: 1,085 hectares) of planted woodland.

The grant agreements offered this year will see 1,316 hectares (2021-22: 1,300 hectares) of new woodland created. One of the main improvements we made to EWCO this year was updating the capital payment rates for standard costs to reflect the higher upfront costs of many items and materials involved in creating woodland. We have also increased the maintenance payments. Furthermore we offered and processed support to EWCO and other agreement holders affected by the exceptionally hot and dry weather in summer 2022, allowing them to replant badly affected schemes.

In summer 2022, we ran the £9.8 million Woodland Creation Accelerator Fund for Local Authorities, providing revenue funding under the Nature for Climate Fund. The aim of this simple and flexible funding route was to boost the capacity of specialist skills (e.g., community engagement officers) required by Local Authorities in order to accelerate woodland creation and tree planting in their area. We made 57 offers from 82 applications received, with a total area of planting projected to be almost 7,000 hectares over two planting seasons. The funding and administration of this scheme remained in core Defra and does not impact our financial results.



We have continued to heavily promote woodland creation. For example, we have run two successful campaigns, ‘Woods Mean Business’ and ‘Woods for Nature’. We have also been engaging with farmers and landowners regionally, including recruiting Woodland Ambassadors, who have been taking part in video case studies and podcasts, attending events and hosting farm walks to promote woodland creation.

Wood Culture

How woodlands can benefit your land and business while supporting the economy, society, and the wider environment

#Woods MeanBusiness

Carbon sequestration

- Sell carbon units to generate income
- Become a 'net zero' supplier

Urban tree planting benefits local residents, sequesters carbon, and supports nature

Agroforestry

- Plant trees in-between crops to improve growing conditions and productivity
- Integrate trees with livestock to improve animal welfare, and enhance output quality
- Grow alternative crops like fruits, nuts, and berries to generate income throughout the year

Woodland creation grants

- Financial support and expert advice is available from the Forestry Commission and via our partners

Recreation

- Generate income from camping, glamping and log cabin holiday lets, or game shoots, forest schools and nature tourism
- Protecting woodland from deer can result in the sale of venison to the local community

Woodfuel

- Sell firewood to local markets
- Power biomass boilers to save on heating costs

Timber and wood products

- Sell timber and wood products to local markets, sawmills, furniture makers, and paper and board producers
- Lower quality wood can be sold for woodchip for heat and power generation
- Wood and forest products can be sold to niche markets e.g. floristry, sporting goods, craft makers
- The whole tree can be utilised, not just the timber, depending on local demand



Find out more today:
gov.uk/forestry/tree-planting-overview



Protect and Improve

Our work under this objective is to ensure more resilient, diverse, and healthy trees, woodlands and forests that are actively protected and managed so that they are in their best ecological condition and can deliver more public goods.

The Forestry Commission is the regulator for the legal felling of trees in England, and is responsible for assessing applications and issuing licences. Applications for felling licences increased by 6% since last year (2021-22: 5%), with over 78% (2021-22: 80%) of applications now using Felling Licence Online. In total, 3,314 (2021-22: 3,165) licences were approved this year, of which 486 (2021-22: 445) were supporting ten-year woodland management plans.

The fine for felling without a licence (where one was required) increased as of 1 January 2023 from £2,500 or twice the value of the felled tree, to an unlimited fine set at the Magistrate's discretion. This gives us the opportunity to work with the Crown Prosecution Service to instruct their barristers to advocate for higher fines.

Over the past two decades we have seen a fourfold increase in the number of exotic pests and diseases affecting our treescape compared to the previous 30 years. We work to prevent the introduction of pests and diseases at the border, as well as through inland surveillance activities. Over the past year, we made 128 interceptions of non-compliant material, primarily wood

packaging material but also sawn wood and other wood products. Furthermore, our surveillance and monitoring activities alongside regulations, incentives and guidance have minimised the spread and impact of new and more established threats.

This year we launched a new, simplified, online service for the submission of export phytosanitary certificate applications which allow for the export of controlled wood and wood products. In 2022-23, we have issued 1,440 certificates (2021-22: 1,107) for the export of regulated wood and wood products. We have also started the roll out of new personal biosecurity standard training for Forest Services Area Teams and colleagues in Defra in support of the Plant Biosecurity Strategy for Great Britain, which was published in January 2023.



Be an Outstanding Organisation

Our work under this objective is to ensure the Forestry Commission is recognised as the leading authority on

trees, woodland and forestry in England, and enable it to be a confident, innovative, customer-focused, inclusive and engaged organisation. We aim to be an employer of choice with a valued, empowered and expert workforce.

This year, the Forestry Commission has continued to grow in size and influence, and we have focused on investing in our tools, processes, knowledge and skills to ensure that the organisation can deliver more and better for our staff, customers and sector. We have, for example, continued to invest in our leadership pipeline through our Professional Manager Programme for staff across the organisation and focused on creating stronger career pathways, professions and job families within the Commission.

This year, we increased the proportion of Felling Licences and Woodland Management Plans approved within target timescales compared to 2021-22 and saw a slightly lower rate of staff attrition than in 2021-22. The proportion of our grants and licences customers who were satisfied or very satisfied with us this year was 78%, compared to 64% in 2021-22. We have been working with the Welsh and Scottish devolved administrations, plus industry and other stakeholders, to update the UK Forestry Standard to ensure it continues to set a benchmark for sustainable forestry that can help the UK to meet its climate change, nature recovery and green economy ambitions.

We work hard to make the Commission a good place to work. Our Gender Pay Gap Report this year continues to

show a positive trend, with the average pay gap reducing from 4.6% to 3.1%. In late 2022, we launched the Forestry Commission Women’s Staff Network (following the completion of the successful Women in Forestry programme). Meanwhile, this year we passed a 5-star verification process to become an Inclusability Committed Employer, being recognised for excellence in the areas of mental health, wellbeing, sustainability, talent management and diversity and inclusion. We have also committed to funding three places on the Stepping Up 2023 Diversity Leadership programme to help us nurture the next generation of diverse leaders.

Be an Outstanding Organisation



78% of grants and felling license customers who report their customer satisfaction as either very satisfied or satisfied



61% of Woodland Management Plan applications where the Service Standard was met



68% employee engagement in our most recent staff survey (against a Civil Service benchmark of 66%)

Support the Green Economy

Our work under this objective is to promote a successful timber and ecosystem services market that enables a modern and diverse forestry sector to thrive and evolve, with ever-growing investment from the private sector. We aim to enable the creation of more green jobs and boosts to local and national economies.

There are many ways in which the Forestry Commission supports the UK's green economy, ranging from encouraging outdoor recreation in England's woods and forests through to supporting the UK venison market and encouraging the use of timber in construction to replace carbon intensive materials such as steel and concrete. The UK forestry and primary wood processing sectors support 32,000 jobs and contribute £2 billion to the economy every year, whilst secondary wood processing businesses support a further 60,000 jobs.

In February, we launched the Forestry Training Fund, offering 100% funding for eligible courses until March 2025. The funding is designed for anyone considering a change in career and those seeking to build and diversify their skills in forestry. Like our Apprenticeships Programme, this initiative will help us to continue developing a forestry workforce to meet the goals set out in the England Trees Action Plan: ensuring we have a sufficiently large and skilled domestic forestry sector to support a long-term increase in planting, establishment and sustainable management of trees, woodlands and forests in England.

Meanwhile, through our Woods into Management Forestry Innovation Funds, the Forestry Commission is supporting a range of projects designed to overcome barriers to woodland management and develop routes to market for domestic timber. This includes a collaboration between Grown in Britain (GiB) and Ercol, the classic British furniture icon. Their project, "Ash - A New Seat at

the Table”, will build a new sustainable, high value market for home grown Ash timber with Nature for Climate Fund support. A new supply chain for ash boards and plywood will be created by developing a range of furniture to sell through high street retailers, partners and directly by Ercol. By creating high quality seat and table blanks, the team aims to replace imported ash boards and plywood.



Connect People

Our work under this objective is to make sure that society and individuals can and do engage with trees, woodlands and forests. We aim to encourage the public to actively understand and support sustainable forestry that delivers benefits for them.

In recent years, the pandemic highlighted the great importance of our green spaces to people. Forestry England is working to connect everyone with the nation’s forests. Over the past two years we have seen growth in the number of visits people are making to Forestry

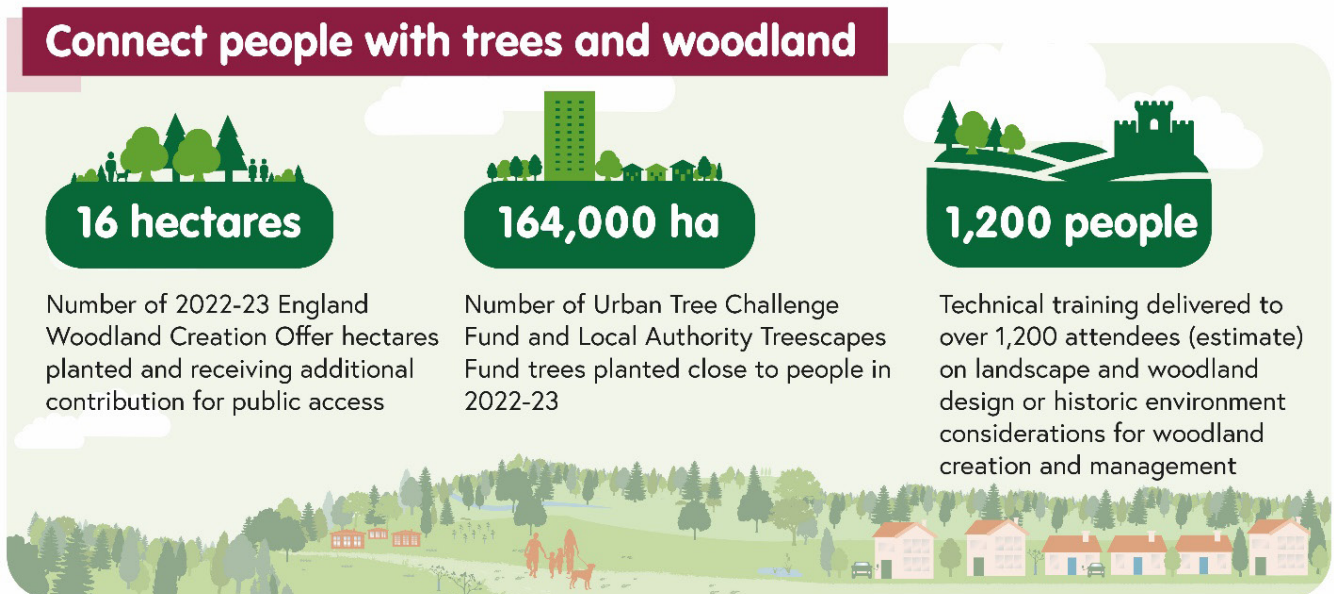
England forests, which demonstrates how much people value and care for these special places.

This year, we have invested in delivering training on landscape design and the historic environment to over 500 people to ensure that plans for creating more woodland in England are carried out with due regard for the social and cultural impacts of changing land use.

Meanwhile, with support from the Nature for Climate Fund, we have continued to deliver the Urban Tree Challenge Fund. Our delivery of the grant this year will result in up to 25,000 more trees being planted in areas of higher social deprivation and lower canopy cover – especially in locations close to healthcare and educational facilities. This builds on the 134,000 trees already planted under the scheme in previous years. We have also continued to support local authorities across England with funding to replant trees outside of woodlands, including trees in hedgerows, parklands, riparian zones, urban areas and beside roads and footpaths. In particular, this year the Local Authority Treescapes Fund placed a strong focus on community engagement.

Through their design and targeting, these schemes support the wider government levelling up agenda. Work by Forest Research indicates that an increase in greenspace with trees in an urban environment has real impact and can avert and reduce deaths and hospital admissions. Forest Research has collected evidence that

green spaces are an important part of neighbourhood renewal, enhancing community cohesion.



Issues and risks

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

Ambitious tree planting targets

This government's tree-planting target of 7,500 hectares per year in England as part of its wider strategy to achieve net zero by 2050 is ambitious and has not been reached in the last 50 years. The Forestry Commission is working together with partners to ensure there are sufficient resources, a sufficiently trained workforce and landowner engagement through the England Tree Planting Programme. The scale of the challenge should not be underestimated. Statutory targets for increasing tree canopy cover sit alongside statutory targets of 30x30 (the 30 by 30 target aims to protect 30% of the planet for

nature by 2030). There is a risk of opposition to widespread woodland creation and it will be important to identify mutually compatible ways to achieve both woodland expansion and nature recovery.

Woodland creation is a permanent land use change and landowners need to be persuaded about the long-term financial benefits of growing woods. Additionally, Spending Review 2021 (SR21) secured sufficient funding for Forestry Commission programmes, but uncertainty over the sustainability of funding beyond 2024-25 may result in a shortfall which could threaten Forestry Commission's ability to deliver statutory functions and wider Government objectives.

The Forestry Commission will continue to work with its stakeholders to improve its processes and will work to review the regulatory framework for woodland creation as committed to in the England Trees Action Plan.

Retention and recruitment of expertise

In order to retain and recruit the required expertise to deliver Forestry Commission priorities, a change to the pay structure is required. While recruitment has happened at pace, there is a national shortage of forestry skills. The Forestry Commission is losing valuable skills as a result of the perception of better pay and progression for comparable roles elsewhere. This pressure is increasing with the current economic climate. Without a successful pay case to address structural issues and an appropriate pay settlement the Forestry

Commission will fail to retain and attract the required expertise and numbers of staff needed to successfully deliver Government commitments. The Forestry Commission is continuing to address the pay structure issues through the ‘Your Offer’ Project which has to be cleared through Cabinet Office and HM Treasury with Defra support. Pay levels are directed by HM Treasury with very limited flexibility to make changes within the Forestry Commission.

We are continuing the robust in-year management of vacancies with early careers programmes being introduced and a Management Development Programme to retain current staff and encourage individuals into roles within the Commission. Applications for the various graduate entry and technical apprenticeship schemes run by the Commission are significantly oversubscribed. The Forestry Commission People Strategy continues to work on maintaining the Forestry Commission’s offer and attractiveness as an employer.

Grant functions and systems

The successful development and deployment of the new Grant Management System remains a critical dependency for Forestry Commission’s successful delivery of the Nature for Climate Fund programme target. Failure or significant delay would have detrimental operational and reputational impact. A February 2023 Government Internal Audit Agency (GIAA) report found the EWCO met the minimum standard of the Government

Functional Standard GovS 15 but provided ‘Limited’ assurance due to delays in implementing the new Grant Management System.

There is good compliance with the functional standard for grants with ongoing engagement with Cabinet Office and Defra Group forums on grant management. The development of the Forestry Commission Strategy and subsequent corporate plan will allow better clarity on the cost of outputs with robust narrative to support future Defra negotiations including the impact of any potential funding cuts.

Tree health

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

Much of England’s existing woodland is still currently under-managed, with only 58% (2021-22: 58%) in active management. For the government to reach its many objectives for net zero, nature recovery and biodiversity there is a need to manage existing woodlands. The

Forestry Commission launched the Woodlands into Management Forestry Innovation Fund to stimulate the development and testing of new ideas that can help improve the ecological condition of woodlands, and their resilience to climate change, via increased demand for wood and increased levels of woodland management.

Industrial Action

Some Forestry Commission Union members undertook industrial action at the start of February 2023 in protest to current pay and conditions. Business continuity plans worked well with manageable disruption to services and communications to all staff on protocols issued in advance of the actions being taken. Consistent and broader business continuity plans are being developed to be implemented across all areas of the business, and any further industrial action will follow the procedures developed from the learning from February. Should the regularity of industrial action increase, the Executive Board will re-assess the impact to the business. The pay structure issues are to be addressed via the ‘Your Offer’ Project.

Performance analysis

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

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

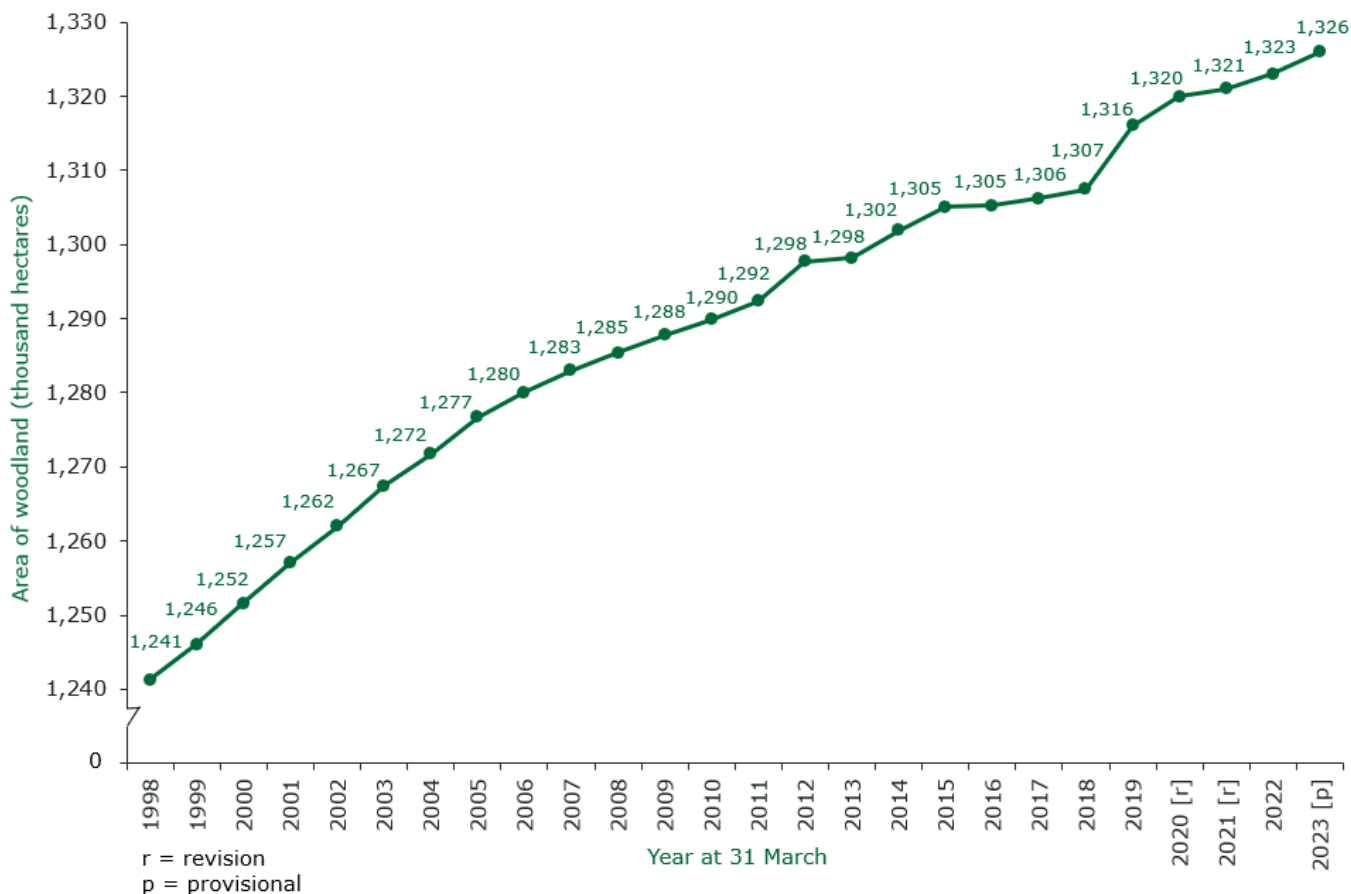
Together they show our contribution to expanding, protecting, improving and connecting trees and woodlands in England. The indicators reflect our strong commitment to play our part in supporting the delivery of the Government's plans as set out in the Environment Act 2021, the 25 Year Environment Plan, the England Trees Action Plan 2021-2024 and the Tree Health Resilience Strategy 2018. The indicators enable monitoring of our key aspirations to plant more trees and increase the area of woodland in England. They also help us monitor progress in bringing more woodlands into management and protecting our treescape from pests and diseases.

The indicators are one of the sources of information for our evidence-based decision making, conveying key trends in forestry in England to all our stakeholders, government and non-government. They are produced to adhere to the standards of the Code of Practice for Statistics (Office for Statistics Regulation and UK

Statistics Authority, 2022), and the year-end outturns have again each been successfully assured by the Government Internal Audit Agency.

Expanding and connecting our trees and woodlands

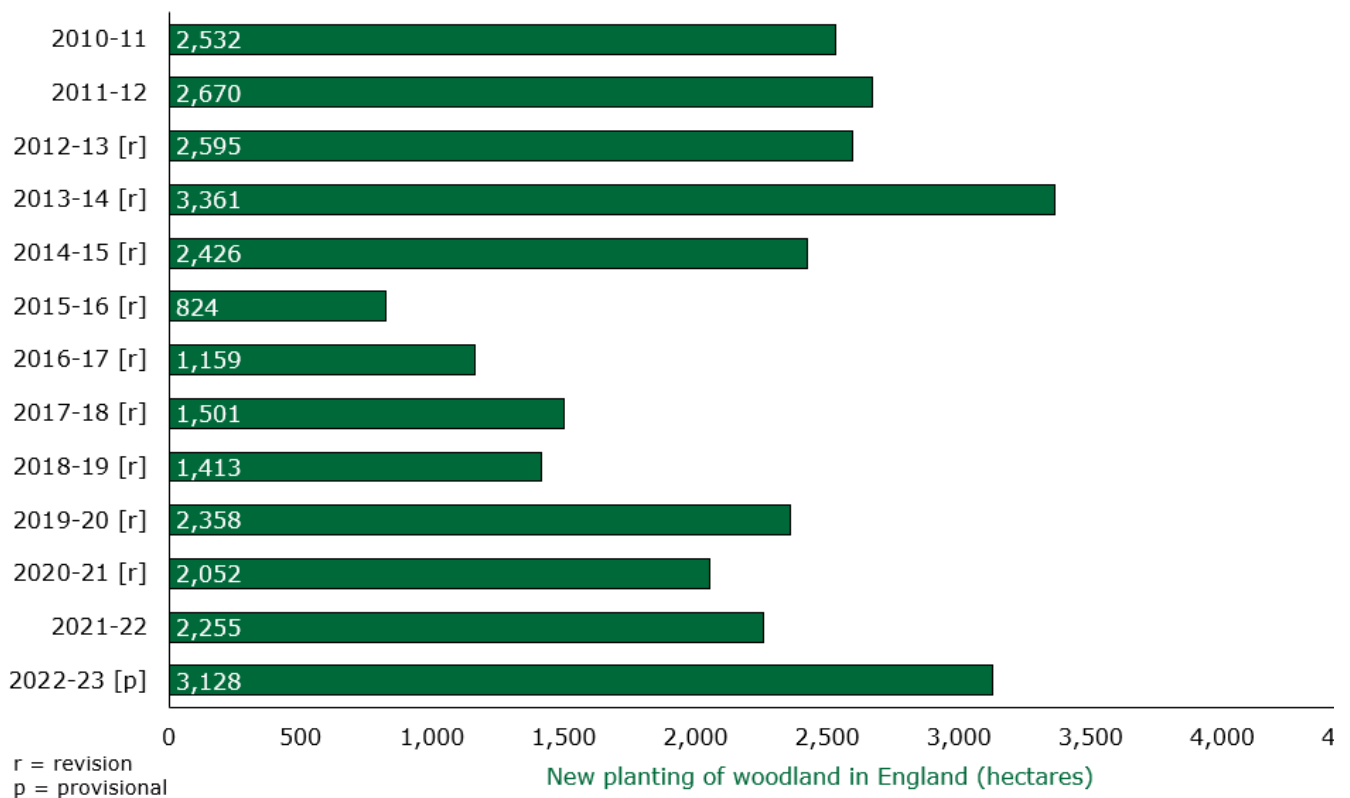
Area of woodland in England



Source: Forestry Statistics 2022 and Provisional Woodland Statistics 2023 (Forest Research), based mainly on the National Forest Inventory and Forestry Commission administrative data.

The area of woodland in England is 1,326 thousand hectares (10.2% of the land area) at 31 March 2023 (provisional statistics). This statistic is scheduled to be confirmed in Forestry Statistics 2023 (published by Forest Research) later in the year. The March 2023 figure is an increase of three thousand hectares on the previous year.

New planting of woodland and trees in England



Source: Forestry Statistics 2022 (Forest Research) and Forestry Commission Key Performance Indicators.

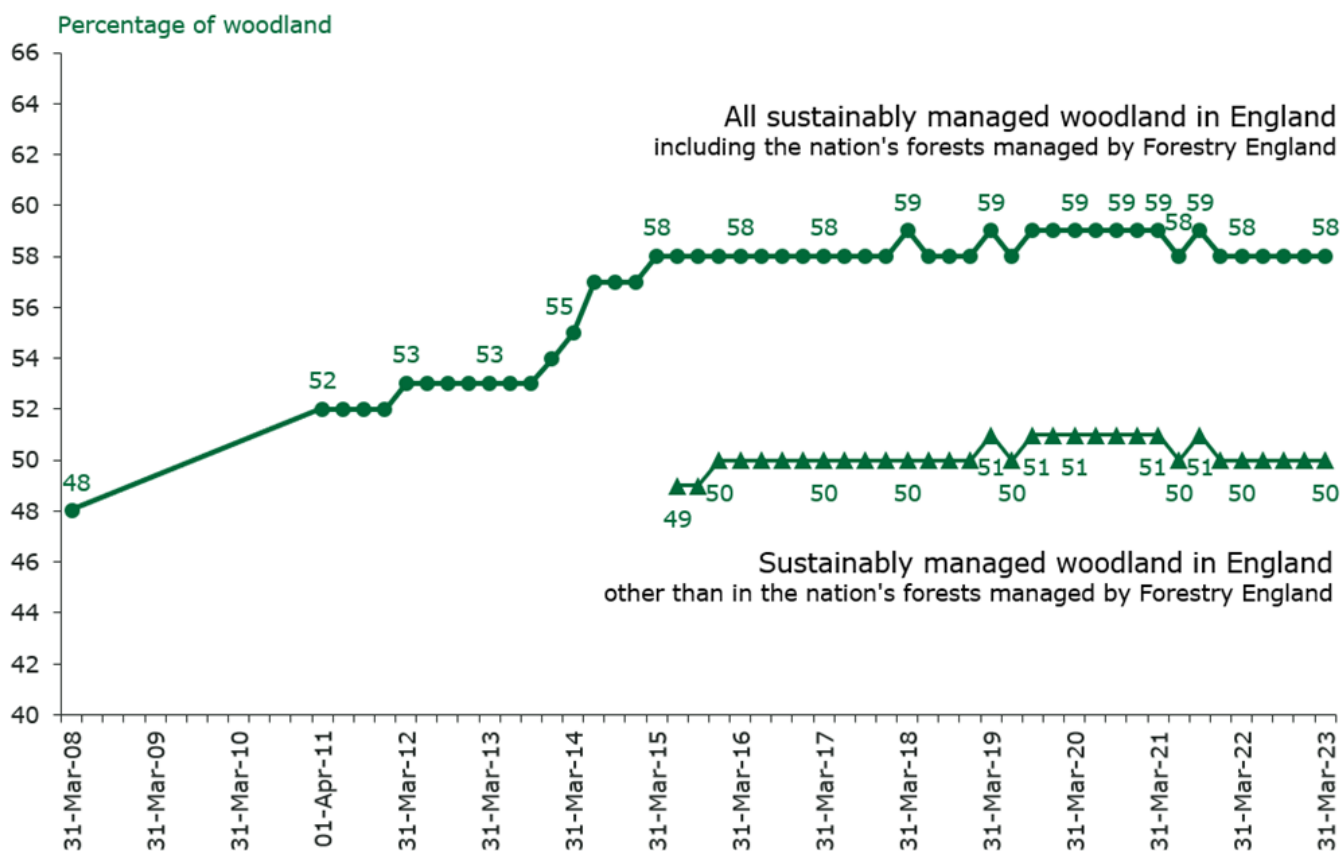
A total of 3,128 hectares of new woodland planting was recorded in England in 202223, corresponding to about 4 million trees. Of this, Government funding supported the planting of 2,721 hectares, corresponding to about 3.6 million trees. The Community Forests and the Forestry Commission's, the England Woodland Creation Offer, were the largest contributors, supporting the planting of 953 hectares and 871 hectares, respectively; both are

funded by the Nature for Climate Fund. Other contributions have come with support from Countryside Stewardship, the Northern Forest Partnership, the Woodland Carbon Fund, the High Speed 2 Woodland Fund, Forestry England, the Environment Agency, and the National Forest Company.

The total area of new planting was nearly 40% more than in 2021-22. The area supported by the England Woodland Creation Offer increased significantly, although we know due to the time between new planting and paid grant claims that the area recorded for the financial year 2021-22 only showed a very small part of new planting in winter 2021-22.

In addition to 3,128 hectares of new woodland being planted in 2022-23, Government funding supported the planting of 360,000 trees outside woodland, equivalent to about 499 hectares of additional tree canopy; the Environment Agency, the Local Authority Treescapes Fund and the Community Forests being the largest contributors. This brings the total area of woodland and tree canopy outside woodland newly established in 2022-23 to 3,627 hectares corresponding to 4,399,000 trees.

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



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

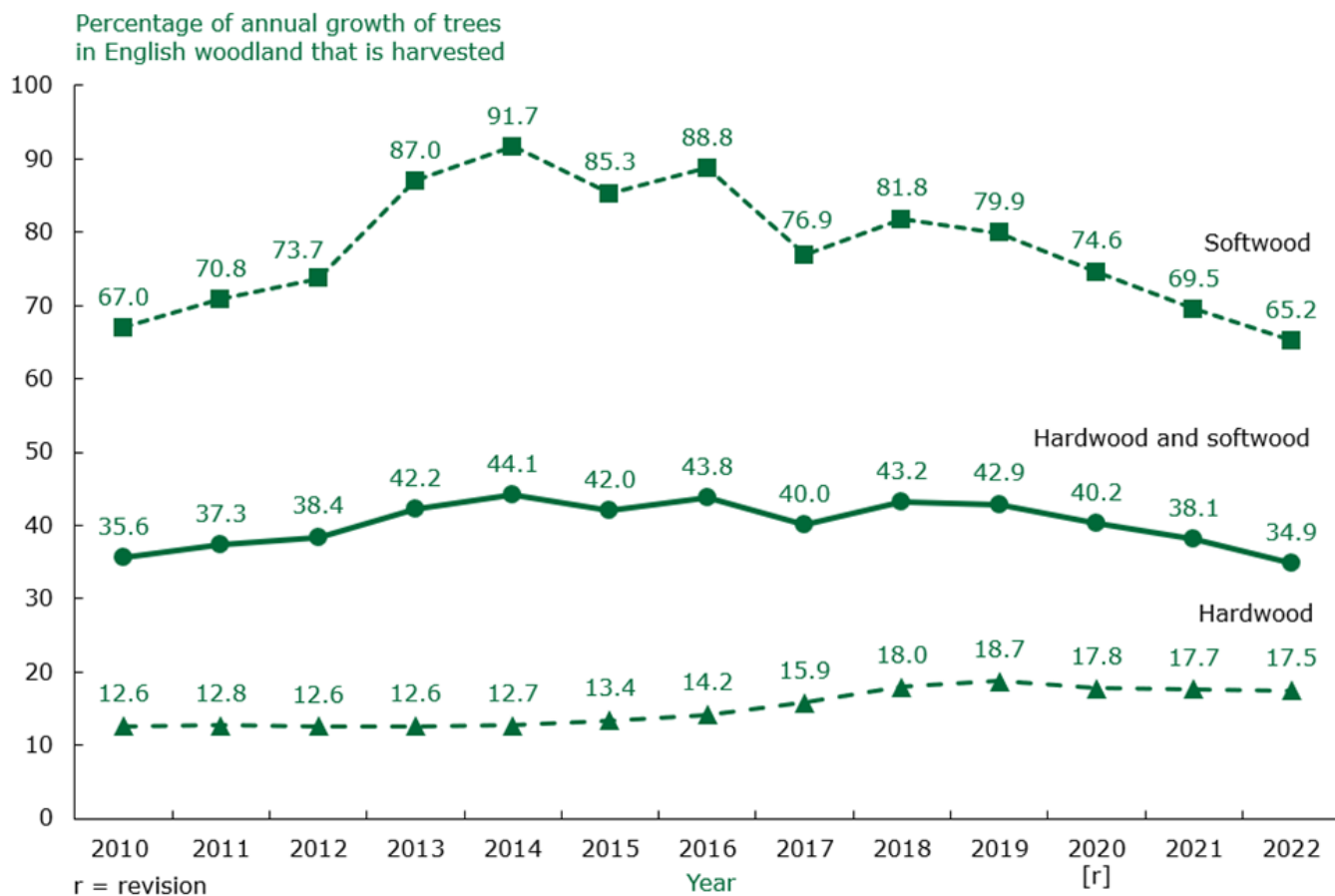
As at 31 March 2023, 58% of all woodland in England was sustainably managed (circa 768,000 hectares). The equivalent figure for woodland other than in the nation's forests was 50% (circa 554,000 hectares).

Our definition of 'sustainably managed' is woodland managed to the UK Forestry Standard that has a Woodland Management Plan, or for which we have provided a grant or felling licence in the last 15 years. It also includes all woodland in the nation's forests managed by Forestry England and all woodland on Defence Infrastructure Organisation training areas. It is recognised that other woodland might be considered as managed as well, however, we do not have the data to include this.

Demand for timber and timber products remains high, and there is scope to further increase the area of woodland sustainably managed to meet demand for UK grown timber and reduce England's reliance on timber imports in the face of global supplychain uncertainties.

Increasing woods in management will also help to improve woodland resilience in the light of climate change and increasing tree pest and disease pressure.

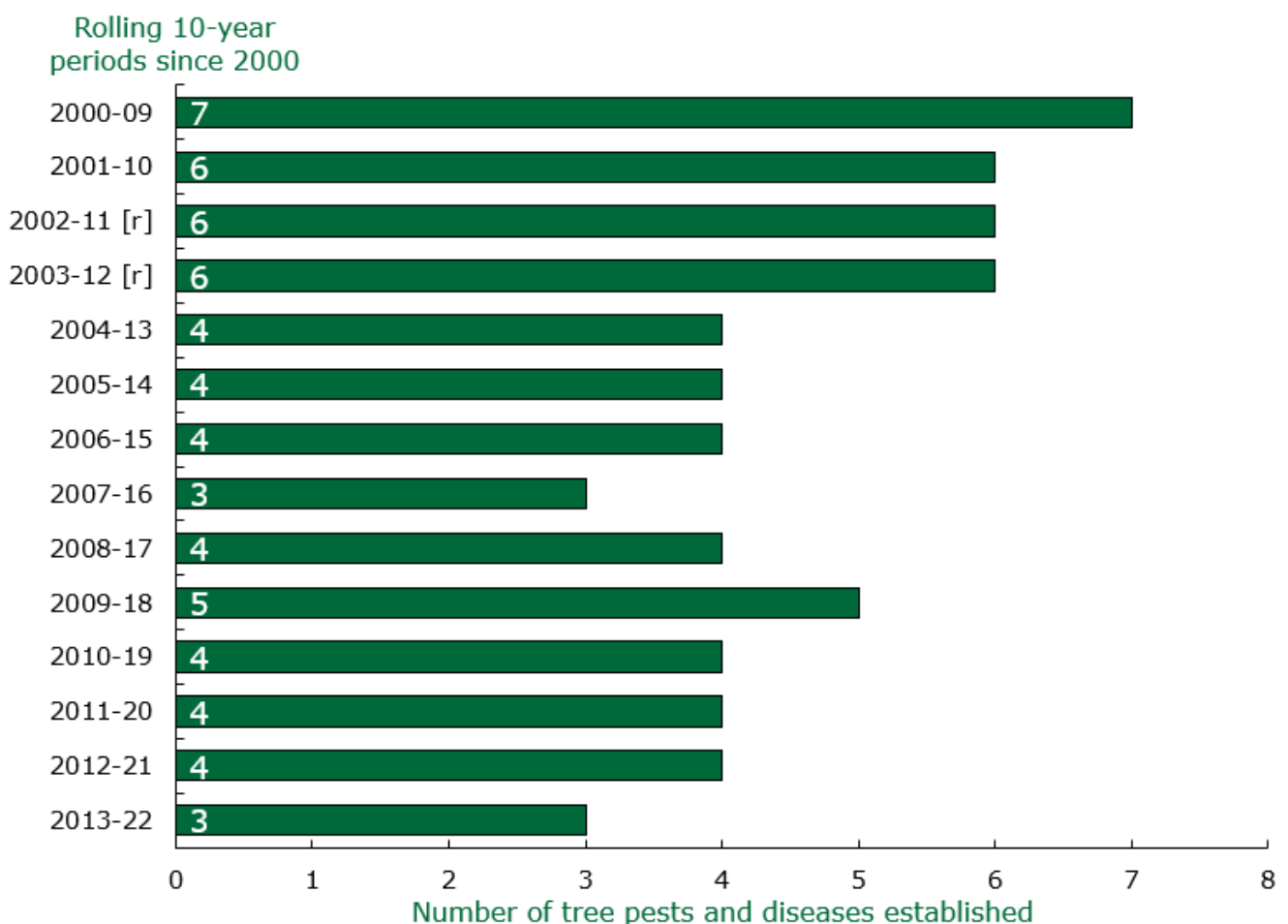
Percentage of the annual growth of trees in English woodlands that is harvested



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

There is an opportunity to considerably increase the hardwood harvest if new markets are developed. The Woods into Management Innovation Fund includes a Timber in Construction Innovation Fund that should help to increase the percentage of hardwood harvested as products developed under the fund are market-tested. The proportion of softwood annual increment that is harvested has reduced but remains high, reflecting ongoing strong demand. Private sector and Government action on increasing English softwood used in construction should help to increase the softwood harvest.

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



Source: Forestry Commission administrative data

The number of additional tree pests and diseases becoming established in England within a rolling 10-year period fell from a peak of seven in the 10-year period 2000-2009 to a low of three in 2007-2016 and 2013-2022.

In the most recent ten-year period (2013-2022), three tree pests and diseases became ‘established’ in England:

Chalara Ash dieback (*Hymenoscyphus fraxineus*)

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

Oriental chestnut gall wasp (*Dryocosmus kuriphilus*)

The wasp population continues to spread and is now present at over 150 sites across southern England and the Midlands. In 2021, following a robust scientific review, approval was given for the release of a natural biological control agent, parasitoid wasp called *Torymus sinensis*, to help reduce the spread of Oriental Chestnut Gall Wasp in England to protect the health of sweet chestnut trees. *Torymus sinensis* was already present naturally in England but in very low numbers. Further releases of the parasitoid will enable the population to build up to a level to effectively control Oriental Chestnut Gall Wasp. This method of biological control is used successfully in many countries across Europe.

Sweet chestnut blight (*Cryphonectria parasitica*)

Surveillance has continued across England to determine the extent of the disease, with a view to removing infected trees where possible. There have been no significant new findings of the disease in the last year, and ongoing monitoring and management of sites is in place along with an extensive programme of research to inform longer term management actions.

Elm zigzag sawfly (*Aproceros leucopoda*)

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

Pests and pathogens currently under official control

Oak Processionary Moth (*Thaumetopoea processionea*)

The Oak Processionary Moth (OPM) was first identified in London in 2006. The caterpillars of OPM infest oak trees, eating their leaves and weakening the tree making it vulnerable to other threats. OPM are also a hazard to human and animal health as their hairs can cause itchy rashes, eye and throat irritations.

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

The eight-toothed European spruce bark beetle is a destructive pest that affects spruce and some other

conifer trees. If unchecked this pest poses a serious risk to UK's spruce-based forestry and timber industries.

Phytophthora pluvialis

In 2021-22, the Forestry Commission identified the first finding of this pathogen in Europe, as well as the first reported finding on Western Hemlock. It is thought to have a limited known distribution and host range. It was first described in 2013 in the USA from mixed Tanoak and Douglas Fir forests in Western Oregon and is also present in New Zealand on Radiata Pine and Douglas Fir. The pathogen is reported as causing needle cast, shoot dieback, twig, and branch lesions.

Alleged Illegal Felling

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

Inhouse investigations:

- 635 AIF reports in 2022-23 (2021-22: 616)
- 35 Restocking Notices issued (2021-22: 61)
- 36 Enforcement Notices issued (2021-22: 29)
- 4 formal warnings issued (2021-22: 23)
- 71 active cases from 2022-23 were still pending a Forestry Commission decision (2021-22: 135)

Alleged Illegal Felling and non-compliance with Felling Licence Conditions, Defra Investigation Services (DIS) referrals:

- 51 cases currently under DIS investigation (2021-22: 52)
- 6 prosecutions (2021-22: 6)
- 2 formal cautions issued (2021-22: 1)
- 5 cases closed without action (2021-22: 4)
- 2 criminal investigations concluded with Crown Prosecution Service rejection (2021-22: 6)

Sustainability report

The Forestry Commission carries out sustainability reporting in line with the Greening Government Commitments (GGC) and HM Treasury's Financial Reporting Manual reporting requirements. The environmental impacts of the organisation's forest management support activities on the built estate are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel based energy and reducing waste and our use of water. Our EMS is designed to conform to BS EN ISO 14001-2015 as we strive for certification under the standard. All sustainable woodland management activity of Forestry Commission is measured and managed through conformance to the United Kingdom Forestry Standard (UKFS) and is independently certified by accredited UKFS assessors using the UK Woodland Assurance Standard.

Emissions By Source and Scope		2022-23	2021-22	2020-21	2019-20
Scope 1 - Direct emissions	tCO2e	506	404	420	407
Natural Gas	tCO2e	283	259	306	243
Heating Oil (Burning Oil)	tCO2e	3	-	-	2
F-Gas	tCO2e	3	23	-	-
Fleet vehicles (includes company cars)	tCO2e	217	123	114	162
Scope 2 - Energy indirect emissions	tCO2e	292	266	337	346
Location-based	tCO2e	277	272	253	352
Market-based	tCO2e	24	5	94	-
On site renewable energy generation (emissions avoided)	tCO2e	(9)	(12)	(10)	(6)
Scope 3 - Other indirect emissions (where currently measured)	tCO2e	453	237	71	369
Purchased goods and services	tCO2e	-	-	-	-
Fuel- and energy-related activities	tCO2e	-	-	-	-
Waste generated in operations	tCO2e	-	-	-	-
Business Travel	tCO2e	453	237	71	369

Consumption by source					
		2022-23	2021-22	2020-21	2019-20
Scope 1					
Natural Gas	kwh	1,547,913	1,414,920	1,665,175	1,405,452
	£ 000	66	47	47	50
Heating Oil (Burning Oil)	kwh	10,630	-	-	6,445
	£ 000	1	-	-	-
Fleet vehicles (includes CAPES leased vehicles)	km	1,409,726	869,308	747,579	1,136,863
	£ 000	54	283	166	227
Scope 2					
Electricity - standard tariff	kwh	1,314,507	1,180,249	981,523	1,051,150
	£ 000	289	197	148	170
Renewable generation	kwh	42,915	43,674	42,156	22,865
Scope 3					
Non-fleet road vehicles (personal and hire car)	km	1,683,857	1,102,709	355,602	824,438
	£ 000	421	163	64	133
-Personal car	km	961,571	792,674	323,466	637,090
	£ 000	263	107	57	110
-Hire car	km	722,286	310,035	32,136	187,348
	£ 000	158	56	7	23
Public transport	km	8,062	2,982	426	10,372
	£ 000	9	4	-	12
-Light rail / Tram	km	686	200	-	-
	£ 000	0	0	-	-
-London Underground	km	2,256	351	196	4,619
	£ 000	1	0	-	3
-Taxi	km	2,568	1,520	109	2,834
	£ 000	5	2	-	6
-Bus	km	1,542	500	43	2,659
	£ 000	1	0	-	2
-Ferry	km	1,010	412	77	261
	£ 000	2	1	-	1
Domestic Flight	km	180,373	40,424	925	67,649
	£ 000	1	1	-	11
International Flight	km	266,408	22,185	-	47,233
	£ 000	3	-	-	4
Rail-National	km	674,438	158,768	13,063	750,289
	£ 000	108	44	3	189
Other travel (includes FR)	km	338,538	263,530	66,645	1,285,660
	£ 000	185	60	11	165
Waste (excl sewage) total	tonnes	119	76	84	67
	£ 000	60	33	32	34
recycled	tonnes	111	69	81	61
incinerated with energy recovery	tonnes	5	-	2	4
landfill	tonnes	1	1	1	2
hazardous	tonnes	2	7	-	-
sewage, re-used or recycled	tonnes	669	451	548	712
Water consumption - total	m3	13,358	7,146	11,626	14,693
	£ 000	30	11	17	23
Paper use	reams	288	200	280	625
Total estate energy (all scope 1 & 2 energy)					
	kwh	2,915,965	2,638,843	2,688,854	2,485,912
Total energy for heat from fossil fuel (gas, oil and LPG)					
	kwh	1,558,543	1,414,920	1,665,175	1,411,897

Notes
Presented data contains Forestry Commission and Forest Research emissions and consumption.
During 2021 Forestry England cleansed the sustainability data removing estimated apportionment for core Forestry Commission (Forest Services and the Commissioners' Office). All estate consumption of energy, water and waste is reported by the building owners which is Forestry England and at this time there is no apportionment to Core Forestry Commission.
Scope 1 emissions: the only direct emissions attributed to Forest Services and Commissioners' Office are fleet emissions.
Scope 2 emissions: all scope 2 indirect energy emissions are reported under the building owner, Forestry England.
Scope 3 emissions: include only those emissions categories currently measured.
Scope 3 emissions: business travel includes non-fleet road, public transport and flights.
Scope 3 emissions: All public transport costs for Forest Research are included in Other Travel, the km data per public transport category represents both Forest Research and Forestry Commission.

Overview

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

Summary of future strategy

The Forestry Commission Executive Board has approved the 2018 Energy and Infrastructure Strategy which is now

being applied across all of the properties and travel activities of core Forestry Commission. The Strategy seeks to reduce carbon emissions, increase energy efficiency and move away from fossil fuels.

In 2022-23 we have focused on;

- improving data quality using a new data platform and reviewing financial information related to the data collected
- increasing awareness and uptake of the Woodland Carbon Code
- working through transition to ISO 14001-2015 standard and recertification
- cooperating with Forestry England to reduce their environmental impacts
- reducing energy needs from fossil fuel derived sources and supporting sustainable wood fuel and renewable energy in the rural sector

Cooperation and governance

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

Sustainable business in core Forestry Commission is overseen by the Director of Estates and the Sustainable Business team in Forestry England. They are responsible

for formulating and championing the Forestry Commission's environmental policy and delivery through our integrated EMS.

Performance against Greening Government Commitments 2021-2025

Forestry England and Forest Services and Commissioners' Office provide combined reporting against Greening Government Commitments (GGC). These figures are taken from 2022-23 and are reported against a 2017-18 baseline.

The evaluation of Forestry England's, Forest Services' and the Commissioners' Office's combined performance on each of the commitments is as follows:

Mitigating climate change: working towards Net Zero by 2050

- Both our overall and direct CO₂e emissions have reduced against our 2017-18 baseline. Our overall emissions reduced by 37%. Direct emissions reduced by 31%.
- To meet the government targets for CO₂e we will need to reduce overall emissions by a further 13%
- The Government have set a target for 100% of its car and van fleet to be fully zero emission (ZEV) by 31 December 2027. Fleet emissions represent a significant contributor to the organisation's direct scope 1 emissions and we are evolving our fleet to

ultra-low and zero emissions vehicles where operationally possible with the aim to meet the target

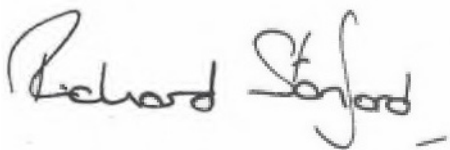
- We also reduced emissions associated with domestic flights by 90%, which is above the target for a 30% reduction by 2025

Minimising waste and promoting resource efficiency

Our waste has reduced by 25% against a government target for an overall reduction of 15%. The organisation has to focus now on improving our recycling rate (35%) and reduce waste sent to landfill, currently 20%.

Reducing our water use

Similar focus is required on organisational water use as despite targets to reduce water by 8%, we have doubled our water consumption since our baseline. The reason for this is not clear beyond seasonal variances; we have low confidence in the baseline data and continue to improve monitoring of water consumption going forward.



R J Æ Stanford

29 June 2023

Accounting Officer
Forestry Commission

Accountability report

Corporate governance report

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

Directors' report

Relationship with Defra and the wider Defra group

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

- George Eustice MP, Secretary of State until 6 September 2022
- Ranil Jayawardena MP, Secretary of State from 6 September 2022 until 25 October 2022
- Thérèse Coffey MP, Secretary of State from 25 October 2022
- Lord Goldsmith, Minister of State until 15 September 2022
- Lord Benyon, Minister of State from 30 October 2022

- Lord Benyon, Parliamentary Under Secretary of State until 30 October 2022
- Trudy Harrison MP, Parliamentary Under Secretary of State from 7 September 2022

Chair and Chief Executive

The Chair of the Forestry Commission, Sir William Worsley, has been in post since 10 February 2020. Richard Stanford, Chief Executive Officer was appointed senior executive officer within the Forestry Commission on 9 August 2021.

Composition of the management board

The composition of the various governance fora, their structure and activities are set out in full within the Governance Statement. The membership of the Board of Commissioners during 2022-23 was:

- Sir William Worsley, chair Forestry Commission
- Julia Grant, non-executive commissioner
- Jennie Price, non-executive commissioner
- Peter Latham, non-executive commissioner
- Julian Evans, non-executive commissioner
- Hilary Allison, non-executive commissioner
- Sandy Storrie, non-executive commissioner
- Ross Murray, non-executive commissioner, from October 2022

- Richard Stanford, executive commissioner

Significant interests held by Board members

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

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

Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission in 2022-23 (2021-22: nil).

Supplier payment policy

The Forestry Commission complies with government's better payment practice code. Unless otherwise stated in the contract, we aim to pay within five days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2022-23 94.8% (2021-22: 96.3%) of invoices for core Forestry Commission and 97.3% (2021-22: 97.8%) of invoices of the Forestry Commission including Forest Research were paid within the statutory 30 days or agreed due date. Arrangements for handling complaints on payment performance are notified to suppliers in contracts.

During the year zero late payment interest and charges were incurred (2021-22: £1).

Auditors

The Forestry Commission's accounts are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The audit fee was £54,300 (202122: £46,000). In addition, the notional fee for the audit of the Forest Research Agency was £49,900 (202122: £42,000). No fees were charged for other services (2021-22: nil).

Disclosure of audit information to the auditors

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

Statement of Accounting Officer's responsibilities

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

The Chief Executive, Forestry England has been designated by the Forestry Commission Chief Executive

Officer as Accounting Officer for that part of the department's accounts relating to the Agency's activities and the associated assets, liabilities and cash flows.

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

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

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

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

- prepare the accounts on a going concern basis

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

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

Governance statement

Introduction and scope of responsibility

Richard Stanford has been appointed by the Principal Accounting Officer of Defra as Accounting Officer for the Forestry Commission. The Accounting Officer's financial responsibilities mirror those of the Principal Accounting Officer. He has responsibility for ensuring that the Forestry Commission's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently, and effectively in accordance with Managing Public Money.

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

The purpose of the governance framework

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

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

The governance framework has been in place at the Forestry Commission throughout 2022-23 up to the date of the production of the annual report and accounts, with the combined Forestry Commission Audit and Risk Assurance Committee (ARAC) operating from November 2020, and accords with HM Treasury guidance.

The governance framework

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

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

Forestry Commission activities in Scotland ceased in April 2019 on completion of devolution. Forestry Commission activities in Wales became part of Natural

Resources Wales in April 2013 and the Forestry Commission has never operated in Northern Ireland. However, some activities (Research and Plant Health) continue to be delivered cross border on behalf of the GB Devolved Administrations under a Memorandum of Understanding.

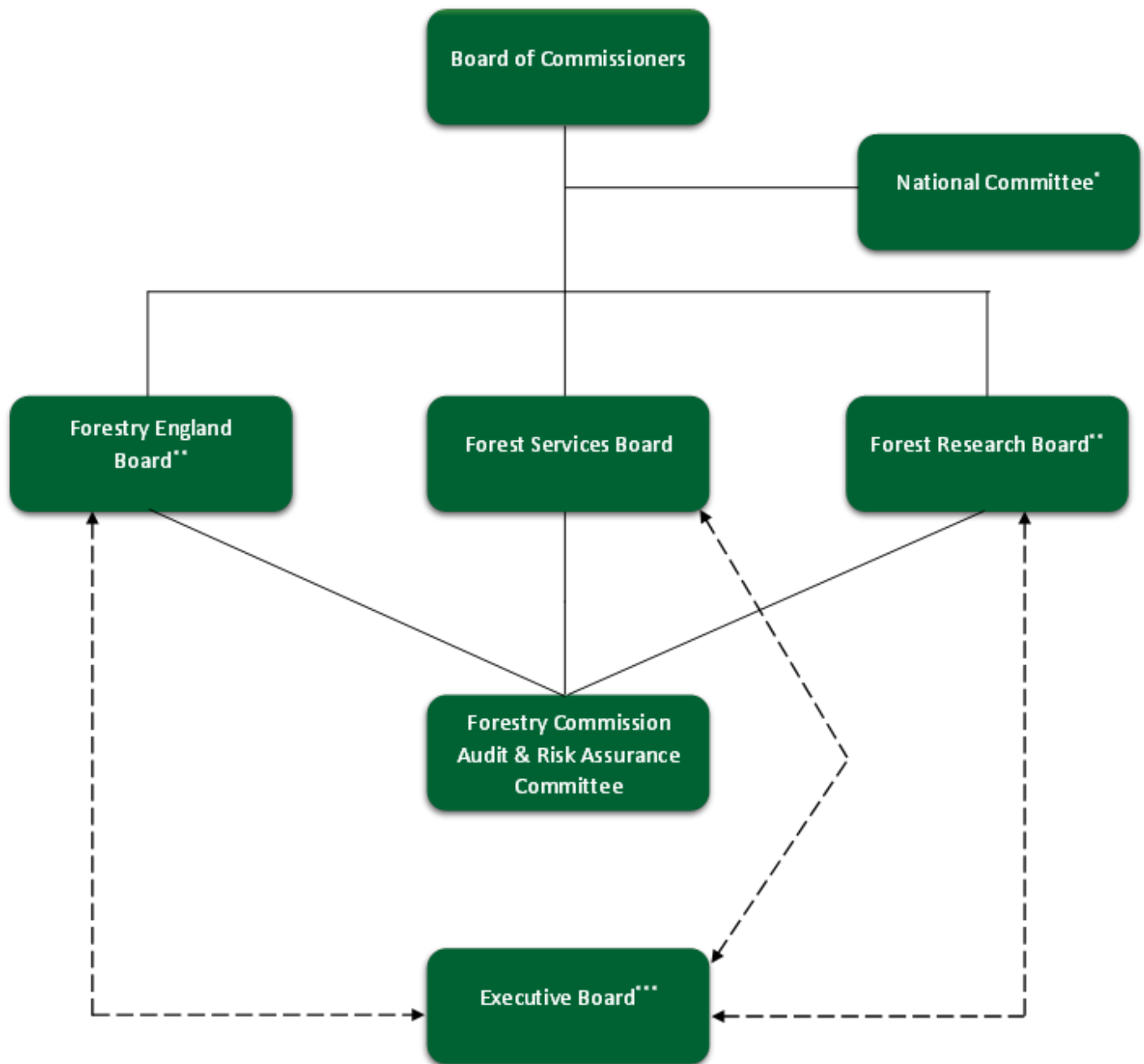
Only international forestry policy is reserved but the Forestry Commission continues to operate some cross-border functions, such as biosecurity at the UK border and forestry research, which are cofunded with the devolved administrations. Defra is responsible for forestry policy in England.

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

How we operate

The governance structure in operation throughout 2022-23 is outlined below and shows the most numerous interactions between the groups. Further information on

the Forest Research Board and the Forestry England Board can be found in their respective Annual Report and Accounts.



Solid line = Governance board structure

Dotted line = Executive management structure

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

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

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

Forestry Commissioners

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

The Board of Commissioners met in June and December 2022.

Further information on the Board of Commissioners is available on www.gov.uk and papers for these meetings are accessed by Commissioners on the SharePoint site. Further information on the Board of Commissioners responsibilities is available on www.gov.uk in the Forestry Commission framework document.

The Forest Services Board

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

The Forest Services Board will share information as appropriate with the Forestry England Board, the Forest

Research Board and the Forestry Commission Executive Board, ensuring collaboration and cooperative working on matters that require decision, resolution or co-ordinated action across the Forestry Commission.

The membership of the Forest Services Board during 2022-23 was:

- Sir William Worsley, chair Forestry Commission
- Hilary Allison, non-executive commissioner
- Sandy Storrie, non-executive commissioner
- Ross Murray, non-executive commissioner, from 1 October 2022
- John Lockhart, non-executive member
- Richard Stanford, executive commissioner and Forestry Commission Chief Executive Officer
- Anna Brown, Director Forest Services
- Jacqueline Davies, interim Forestry Commission Director Finance and Corporate Governance, until 30 September 2022
- Derrick Osgood, Forestry Commission Director Finance and Corporate Governance, from 1 August 2022
- Steph Rhodes, Forestry Commission England Tree Planting Programme Delivery Director

- Edward Barker, Defra Natural Environment Trees and Landscape Directorate

The Forest Services Board met in May, July, October, December 2022 and March 2023.

Papers for these meetings and further information about the Forest Services Board, including membership, attendance and their main duties, are available on www.gov.uk and in the Forestry Commission framework document.

The Forestry Commission Executive Board

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

The Forestry Commission Executive Board met in April, May, August, September, November 2022 and January 2023.

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

Forestry and Woodland Advisory Committees

Forestry and Woodland Advisory Committees (FWACs) provide strategic advice, expertise and challenge to the Forestry Commission on implementing forestry and woodlands policy in England as well as advocating and championing forestry interests and woodland partnership working.

There are currently nine separate regional FWACs across England, each consisting of up to 11 individuals drawn from a range of sector interests. The term of office for FWAC Chairs and members is for a term of three years, although there is the possibility of reappointment for a further term subject to satisfactory performance.

Chairs and members are appointed as individuals and not as representatives of a particular organisation. While acting as an independent Chair or member, individuals are allocated to one of three main fields of interest that comprise the expert membership of the Committee: forest industry and land ownership; social, access and environment expertise; and local communities, economy and government interest.

Audit and Risk Assurance Committee

The Forestry Commission Board is supported by the Forestry Commission Audit, Risk and Assurance Committee (ARAC), which also serves the Boards of Forestry England and Forest Research. The ARAC supports Board assurance for issues of risk, control and governance. Its focus is on external and internal audit

reports, the annual report and accounts including the governance statement, risk management and compliance with functional standards.

Summary of the ARAC 2022-23

Assurance activities:

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

ARAC Membership:

- Three Commissioners
- One non-executive
- with recent relevant financial experience, drawn from across the three Boards.

In attendance:

- Government Internal Audit Agency (GIAA)
- external auditors from the National Audit Office
- the Director, Natural Environment, Trees & Landscape, Defra
- The Accounting Officers
- Senior Executives from across the Forestry Commission

2022-23 work programme

The Committee met in June 2022, September 2022, November 2022 and February 2023.

In 2022-23 it has considered GIAA audit plan and reports, including:

- Bridges
- Apprenticeship Levy
- Budgetary Control and management information
- Government Procurement Card
- Chainsaws
- Estate management
- Forestry England Woodland Partnership
- Expenses
- Tax
- Follow-up Tree Safety Inspections

- Energy Strategy and Carbon board
- external audit plan and reports
- risk management processes, risks and risk appetite
- preparation of annual report and accounts, including the governance statement
- annual safeguarding report
- security arrangements against Functional standards
- counter fraud, bribery and corruption arrangements

Performance

All of the committees and boards have linkages through shared membership. Each sub-board provides a nonexecutive commissioner as a member of the ARAC. This ensures a breadth of knowledge and understanding of the organisation and forestry issues, which enhances the contribution made by nonexecutives and thus the effectiveness of all the committees. Each board and committee receive relevant reports from the other committees and the nonexecutives play an active part in agreeing and selecting items for inclusion in agendas.

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

Review of effectiveness

The Accounting Officer has responsibility for conducting, at least annually, a review of the effectiveness of the

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

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

The GIAA Head of Internal Audit for the Forestry Commission has prepared a suite of audit reports and assurance statements for the Forestry Commission, Forestry England and Forest Research throughout 2022-23. These are summarised in an Annual Opinion and Report which continues to provide an overall ‘moderate’ opinion on the adequacy and effectiveness of the framework of governance, risk management and control. Plans to ensure continuous improvement of the framework are in place.

The Forestry Commission has continued to apply the principles of HM Treasury’s Code of Good Practice for Corporate Governance in the context of its own circumstances as a nonministerial department, which

encourage the adoption of practices set out, where relevant and practical.

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

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

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

Whistleblowing

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

One case was raised and carried forward to the investigation stage in 2022-23 relating to alleged financial disparities and behavioural issues. There was enough evidence to take certain aspects of the complaint via a disciplinary process which has since concluded.

Two other cases were concluded in 2022-23 which had been raised in the previous year, one relating to alleged fraud and recruitment anomalies which was investigated

by the GIAA. A recommendation from GIAA was to add a provision within the policy to ensure there is support available to all parties involved in an investigation which has since been actioned. The other concern raised was around the procurement process and was not upheld.

Risk management

The Forestry Commission's risk management policy demonstrates the full commitment of the Forestry Commission to effective risk management, adopting best practice in the identification, evaluation and control of risks. During 2022, additional guidance was included in this policy on risk appetite and the Forestry Commission Executive Board and Board of Commissioners developed a Risk Appetite Statement which provides a framework to enable the organisation to make informed management decisions.

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

Fraud and error

The Forestry Commission has in place a Counter Fraud, Bribery and Corruption Strategy, Policy and a Fraud Response Plan. These documents along with wider processes form an effective framework of controls, protecting the organisation from fraud and enabling appropriate responses to fraudulent attempts.

A GIAA audit was carried out in 2022-23 to assess adequacy of fraud management controls. Moderate assurance was received with recommended actions being taken forward for implementation in 2023.

Ministerial direction

No ministerial directions were received during the year.

Significant governance and risk issues

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

Other governance and risk issues are as follows.

Financial risk

The ability to deliver woodland creation through grants has inherent risks, due to the timing of requests for repayment over multiple planting seasons, the possibility of non-delivery of expected planting and whether the incentive is strong economically. Much of the planting season also takes place through the winter period, and whilst communication between Forestry Commission staff, and those which have grants approved for planting is strong there are risks of non-delivery.

Further efficiencies for the Forestry Commission are required in the next two years as part of the SR21 settlement. These are based on a number of assumptions, including greater freedoms for Forestry England to generate greater income streams. To realise these savings the Forestry Commission and Defra need

to accelerate work to deliver these freedoms in the next financial year. These are dependent on the decision and implementation of options being considered for non-legislative reform.

Pay

Pay continues to be a contentious and challenging issue given pay bill restraint, and perceived problems within the current pay model, and is the main area of concern flagged in Staff Surveys. The ‘Your Offer’ Project seeks to address issues which are within the Forestry Commission’s control subject to discussion and agreement with Defra, the Cabinet Office, Treasury and with Forestry Commission Trade Unions.

Security

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

Russia

The Forestry Commission has no investments in Russia or Belarus. Procurement in the Commission continues to follow the Cabinet Office policy and guidance Procurement Policy Note '01/22: Contracts with suppliers from Russia and Belarus'. We have not identified any prime contractors that are Russian or Belarusian.

Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across the Forestry Commission, incorporating a programme of management audits for the application of policy and procedures guidance with summary reports provided for senior management and the ARAC.

Functional Standards

UK Government Functional standards set expectations for the management of functional work and the functional model across government. During 2022-23 the Forestry Commission, via an assurance mapping process, and completion of functional standard assessments, has identified plans for improvement. This action will ensure compliance with the UK Government Functional Standards with the aim of embedding the standards into ways of working, ultimately driving coherence, consistency and continuous improvement.

Wider circumstances and future challenges

The main challenges for the Forestry Commission during 2022-23 and beyond are:

- addressing our outdated pay structure to prevent the loss of forestry skills. Demand for foresters is growing rapidly, and there is a real risk that net zero and tree cover targets will be impacted by a lack of forestry expertise
- working with Defra to determine clarity over Environmental Land Management for landowners to meet the Government's commitment to create 30,000 hectares per year of new woodland across the UK by the end of this Parliament
- supporting our staff through the effects of a challenging economic landscape and mitigating the resulting impact of industrial action on the Forestry Commission's operational delivery
- securing sufficient funding from Defra to support the delivery of the Forestry Commission's business and corporate plan targets at a time of significant financial constraint
- working with Defra teams to streamline the regulatory process to encourage woodland creation
- ensuring that Forest Research's pan GB outputs are protected

- continuing to develop an appropriate response to the increasing threat of cyber security attacks
- handling the continued biosecurity threat and the potential substantial cost of countermeasures
- mitigating and adapting to climate change as an organisation and through the delivery of our functions

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

Financial review

Following the previous year's Spending Review (SR21), the budget allocations provided for 2022-23 and the following two years were set. This incorporated the Forestry Commission's contributions to the England Tree Planting Programme, Future Farming & Countryside Programme, and dealing with tree health pest outbreaks.

The Forestry Commission has continued to build on the successes of previous years and delivered positive financial and operational results, meeting our key business plan objectives. The overall business has grown in the 2022-23 financial year with significant increases in staff numbers and grants provided to deliver services secured through additional funding.

Balancing the Forestry Commission portfolio of outcomes in 2022-23 has been challenging against the prevailing economic circumstances in relation to inflationary pressures and fluctuating prices. Efficiency savings which were baked into the funding baseline to assist Defra in

bridging their funding shortfall have not been delivered, but due to not meeting recruitment targets, the Forestry Commission remained within budget for the year.

Comparison with prior years

Operating income is largely secured under the Memorandum of Understanding agreement for Forest Research. Forest Research has been successful in winning additional bids during the year which have led to the expansion of services across multiple research areas, resulting in increasing operating income for 2022-23.

Despite not meeting the recruitment targets for 2022-23 staffing levels increased by 24% (an increase of £6.574 million over 2021-22 levels) in order to meet the challenging targets through the Nature for Climate Fund and increases in Research and Development activities relating to Forest Research.

Other Operating Expenditure is largely made up of woodland stimulation grants and has increased by £4.958 million over the prior year. This is due in the main to increases to grants provided (private woodland grants increased by 116%; some £12.886 million over 2021-22) offset by a 25% reduction in direct Forestry England funding as well as publicity and partnership expenditure declining by £6.855 million.

Consolidated	2022-23	2021-22	2020-21	2019-20	2018-19
	£000	£000	£000	£000	£000
Operating Income	(16,900)	(15,589)	(13,884)	(15,378)	(19,835)
Staff Costs	38,006	31,432	25,976	24,124	24,467
Other Operating Expenditure	76,018	71,060	47,176	35,776	40,824
Net Operating expenditure	97,124	86,903	59,268	44,522	45,456

This overall upward trajectory in expenditure (a further £30 million over 2022-23) is expected to increase in the coming year as further recruitment and grant activity is required to meet the range of targets incumbent on the Forestry Commission.

The balance sheet has been impacted by the large increase (50%) in accrued expenditure liabilities relating to a number of our woodland creation grants. While this has resulted in a significant depletion of the reserves (general fund has reduced by £10.110 million) the Forestry Commission is content that funding for this was covered within our 2022-23 budget and does not pose a risk to 2023-24 activity. Offsetting the decline in reserves was a positive revaluation movement of £7.639 million relating to improvements on buildings on the Forest Research estate.

-
- 1 Net Operating Expenditure increased from 2020-21 to 2021-22 by 47% largely to meet the Nature for Climate Fund related tree planting targets.
 - 2 Since 1 April 2019, forestry in the United Kingdom has been fully devolved. 2018-19 accounts included 'back office' services to the public sector forestry bodies in Scotland; this resulted in a significant decrease in income, and related expenditure.

Remuneration and staff report

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

Employment contracts

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

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

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

Non-executives are generally appointed as Office Holders for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for

further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

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

	Date of current contract / letter	Unexpired term (months) ¹
Sir William Worsley	10/02/2023	35
Hilary Allison	01/04/2023	36
Julian Evans	01/04/2023	9 ²
Julia Grant	01/11/2022	19 ³
Peter Latham	01/04/2022	24
John Lockhart	01/08/2022	4
Jennie Price	01/04/2022	24
Sandy Storrie	01/04/2023	36
Ross Murray	01/10/2022	30

1. months remaining from 31 March 2023
2. 9 month contract
3. 24 month contract

Remuneration policy

Fees for non-executive Commissioners and members who are not Forestry Commission or Defra employees, and remuneration for senior civil servants, are determined in accordance with guidelines prescribed by the Cabinet Office. The Performance Pay reviews for Senior Staff Grades are undertaken by Defra within the stipulated Cabinet Office guidelines with the aim of paying any agreed Senior Civil Servant pay award in Autumn. Any base pay increases awarded will be backdated to the pay settlement date of 1 April 2022.

The reviews and moderation are undertaken across the Defra group based on Performance reviews, position in the salary range and cross group moderation.

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

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

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

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Ian Gambles	2022-23	-	-	-	-	-
Chief Executive Officer	2021-22	15-20 ¹	-	-	6	20-25
Richard Stanford	2022-23	130-135	-	-	53	185-190
Chief Executive Officer	2021-22	85-90 ²	-	-	34	115-120
Steve Meeks	2022-23	-	-	-	-	-
Finance Director	2021-22	45-50 ³	-	-	19	65-70
Jacqueline Davies	2022-23	35-40 ⁴	-	-	51	85-90
Interim Director Finance and Corporate Governance	2021-22	15-20 ⁵	-	-	3	20-25
Derrick Osgood	2022-23	50-55 ⁶	-	-	(26)	60-65
Director of Finance and Corporate Governance	2021-22	-	-	-	-	-
Richard Greenhouse	2022-23	-	-	-	-	-
Director Forest Services	2021-22	60-65 ⁷	-	-	15	75-80
Jo Ridgway	2022-23	60-65 ⁸	-	-	23	85-90
HR Director	2021-22	70-75	-	-	23	90-95
Steph Rhodes	2022-23	65-70	5-10	-	9	85-90
Delivery Director England Tree Planting Programme	2021-22	65-70	-	-	35	100-105
Anna Brown	2022-23	70-75	-	-	27	100-105
Director Forest Services	2021-22	15-20 ⁹	-	-	10	25-30

1. Chief Executive Officer until 27 May 2021. Full year equivalent £100105,000
2. Chief Executive Officer from 9 August 2021. Full year equivalent £130-135,000
3. Finance Director until 31 October 2021. Full year equivalent £7075,000
4. Interim Director Finance and Corporate Governance until 30 September 2022. Full year equivalent £70-75,000
5. Interim Director Finance and Corporate Governance from 4 January 2022. Full year equivalent £70-75,000
6. Director of Finance and Corporate Governance from 1 August 2022. Full year equivalent £75-80,000
7. Director Forest Services until 17 January 2022. Full year equivalent £75-80,000
8. Part time from start of 2022-23
9. Interim Director Forest Services from 11 January 2022. Full year equivalent £7075,000

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

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

- Forest Research Annual Report and Accounts

- James Pendlebury, Chief Executive of Forest Research
- Chris Quine, Forest Research Chief Scientist
- Nick Clinton, Interim Finance Director of Forest Research, until June 2022

Paula Rice, Director of Finance & Corporate Services of Forest Research, from October 2022

- Forestry England Annual Report and Accounts
- Mike Seddon, Chief Executive of Forestry England
- Tristram Hilborn, Chief Operating Officer of Forestry England

Amanda Grist, Chief Financial Officer of Forestry England

The salary and pension entitlements of the members of the Forest Research Board and Forestry England Board are borne and disclosed in each of the agencies Annual Report and Accounts 2022-23.

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by Forestry Commission and treated by HM Revenue and Customs as a taxable emolument. No benefits in kind were paid in 2022-23 (nil in 2021-22).

Fair pay disclosure – subject to audit

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

The banded remuneration of the highestpaid director of the Forestry Commission in the financial year 202223 was £130-£135,000 (2021-22: £130135,000).

		2022-23	2021-22
Lower Quartile	Salary	£27,779	£ 27,235
	Pay and Benefits	£27,779	£ 27,235
	Pay Ratio	4.77	4.87
Median	Salary	£34,240	£ 32,270
	Pay and Benefits	£34,240	£ 32,270
	Pay Ratio	3.87	4.11
Upper Quartile	Salary	£38,842	£ 38,380
	Pay and Benefits	£38,842	£ 38,380
	Pay Ratio	3.41	3.45

The percentage change from 2021-22 of the highest paid director is 1.43%. The average percentage change from 2021-22 in respect of the employees as a whole is 1.85%.

Pay ratios have improved in 2022-23 due to the 2021-22 pay award. This was particularly evident at pay median where there is a higher concentration of headcount.

In 2022-23, no (2021-22: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 to £80,000 (2021-22: £22,000 to £81,000).

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

Disclosure of salary, pension and compensation information for 2022-23 – subject to audit

	Accrued pension at pension age at 31 March 2023 and related lump sum £000	Real increase (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2023 £000	CETV at 31 March 2022 £000	Real increase (decrease) in CETV £000	Employer contribution to partnership pension account to nearest £100
Richard Stanford	5 - 10	2.5 - 5	71	27	33	-
Jacqueline Davies	40 - 45 plus a lump sum of 75 - 80	2.5 - 5 plus a lump sum of 0	748	687	32	-
Derrick Osgood	35 - 40 plus a lump sum of 60 - 65	0 plus a lump sum of 0	564	546	(28) ¹	-
Jo Ridgway	10 - 15	0 - 2.5	171	139	17	-
Steph Rhodes	20 - 25	0 - 2.5	289	260	(2) ¹	-
Anna Brown	20 - 25 plus a lump sum of 35 - 40	0 - 2.5 plus a lump sum of 0	386	334	14	-

Taking account of inflation, the CETV funded by the employer has decreased in real terms.

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: 3 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 switch 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 his pensionable earnings during their period of scheme membership. At the end of the scheme

year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** 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.)

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Remuneration of non-executives – subject to audit

The non-executive Forestry Commissioners received the following remuneration for their services during the year ended 31 March 2023.

	2022-23		2021-22	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir William Worsley	39	2	39	2
Julia Grant	12	1	12	-
Liz Philip	-	-	12	1
Jennie Price	12	-	12	-
Peter Latham	12	1	12	1
Sandy Storrie	12	-	12	1
Julian Evans	12	-	12	-
Hilary Allison	12	1	12	-
John Lockhart	8	-	8	-
Ross Murray	5	-	-	-

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

Staff report

Number of Senior Civil Servants by band

Band	Number of Senior Civil Servants
2	2
1	4

Average number of persons employed (FTE) – subject to audit

			2022-23	2021-22
	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number
Forestry Commission	414	38	452	367
Forest Research	243	65	308	275
Total	657	103	760	642

Staff costs – subject to audit

			2022-23	2021-22
	Permanently employed staff £000	Others £000	Total £000	Total £000
Core				
Wages and salaries	14,847	599	15,446	12,436
Social security costs	1,650	48	1,698	1,320
Other pension costs	3,990	122	4,112	3,323
Agency and temporary staff	-	1,007	1,007	502
Total net staff cost	20,487	1,776	22,263	17,581
Forest Research				
Wages and salaries	9,137	1,689	10,826	9,651
Social security costs	1,053	148	1,201	1,030
Other pension costs	2,451	423	2,874	2,563
Agency and temporary staff	-	842	842	607
Total net staff cost	12,641	3,102	15,743	13,851
Total net staff cost	33,128	4,878	38,006	31,432

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

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as **alpha** are unfunded multiemployer defined benefit schemes but Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2022-23, employers' contributions of £6,871,000 were payable to the PCSPS (2021-22: £5,740,000) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands.

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the

benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £33,000 (2021-22: £38,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £400 (2021-22: £400), 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Ill-health retirement

No one retired early on illhealth grounds (2021-22: nil); the total additional accrued pension liabilities in the year amounted to £nil (2021-22: £nil).

Staff composition

				2022-23	2021-22
	Directors and senior civil servants	Permanently employed staff	Others	Total	Total
	Number	Number	Number	Number	Number
Core					
Male	2	219	28	249	204
Female	3	190	10	203	163
Total	5	409	38	452	367
Forest Research					
Male	2	140	32	174	155
Female	1	100	33	134	120
Total	3	240	65	308	275
Consolidated	8	649	103	760	642

Details of the latest Forestry Commission Gender Pay Gap report for 2021-22 is available from www.gov.uk.

Sickness absence data

Year	Working days lost per staff year
2022-23	5.3
2021-22	6.0
2020-21	3.3
2019-20	7.3

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

Accidents and reportable incidents

There were no reportable accidents (those causing incapacity for more than 7 days) in 2022-23 (2021-22: nil).

Staff turnover

In 2022-23, Forest Services and Commissioners' Office had a staff turnover percentage of 10.77%, Forest Research had a staff turnover of 18.48%.

Reason for leaving*	2022-23	2021-22
End of fixed term contract	-	0.27%
Redundancy	-	-
Retirement	0.88%	2.45%
Resignation	4.84%	3.54%
Resignation – less than 2 years	3.30%	5.72%
Transfer	1.32%	1.09%
Other	0.44%	0.27%

* Forest Services and Commissioners' office data only.

Compensation for loss of office – subject to audit

No members of staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2023 (2021-22: nil). They received a total compensation payment of £nil (2021-22: nil).

No members of staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2023 (2021-22: nil).

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

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

People Strategy

Last year, the Forestry Commission launched its first People Strategy.

The ambitious strategy set out a four-year plan of improvements on leadership and training, wellbeing, diversity and inclusion, resourcing and development, changing the way we work and our reward offer.

Leadership development

The Forestry Commission Professional Manager Programme (PMP) is now in its second year with seven learning groups completing the programme by March 2023. Focusing on strengths, personal impact and encouraging a coaching approach, participation in the programme is proving very popular and evidence of a culture change across our business is being seen.

The programme allows leaders and managers to focus upon improving levels of competence and confidence in leading and inspiring teams, fostering exemplar behaviours, placing continuing professional development (CPD), at its core.

Diversity and Inclusion

The Forestry Commission recognises the importance of a diverse workforce and is committed to ensuring we create an inclusive workplace where everyone feels welcomed and valued.

Our Diversity and Inclusion strategy sets out how we are doing this, making sure we fulfil our requirements under the Equality Act 2010. The diversity and inclusion strategy is endorsed by the Executive Board and is a key part of the Forestry Commission People Strategy.

In addition to the Rainbow Canopy (LGBTQ+ supporters) Staff Network,

three new staff networks were set up in 2022. These are:

- Disability, Neurodiversity and Carers Staff Network
- Women's Staff Network
- Race Equality and Cultural Heritage (REACH) Staff Network

The purpose of the staff networks is to provide mutual support to their members and allies, to help inform staff about issues affecting them, and to advise the

organisation on how to improve the quality of working life for all staff.

A Forests for Everyone (FFE) network group has also been established. Work carried out last year under the programme includes exploring opportunities for work placements with partner organisations for young people from diverse backgrounds to undertake a range of environmental roles, and continuing our partnership with EcoSikh UK to develop one-ness groves with local communities.

Wellbeing

The health and wellbeing of our staff remains a high priority. Results from the most recent staff survey revealed 78% agreed they knew how to access support for their health and wellbeing if they needed it. Internally, the continued promotion of the wellbeing offer is being refreshed to reflect a more holistic and balanced view of health, to include physical and financial wellbeing in addition to mental health.

We currently have a network of over 135 Mental Health First Aiders, plus a growing network of 51 Wellbeing Champions. To support the Mental Health First Aider Network, we continue to offer refresher training to ensure their skills and knowledge remain up to date.

Your Offer

The Your Offer Project team shared a proposed pay transformational business case with Defra in December

2022. The aim of the business case is to reform the current Forestry Commission pay structure. The business case will be formally submitted in June 2023. It will need to be approved by Defra, Cabinet Office and HM Treasury.

The Forestry Commission continues to engage with the Forestry Commission Trade Unions on the Your Offer proposals.

Employee consultation and trade union relationship

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

Key issues discussed include Your Offer, ongoing industrial action, workforce policies, organisational design and organisational restructuring, wellbeing, mental health, and health and safety issues.

Trade union facility time (Core only)

Relevant union officials

Number of employees who were relevant union officials during 2022-23	Full-time equivalent number
10	9.8

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	0
1-50%	9
51-99%	1
100%	0

Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time was 0.26%.

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 217.2%.

Expenditure on consultancy

During the year Forestry Commission incurred £147,000 on consultancy services related to the Nature for Climate Fund (202122: £196,000).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff including inward secondments during the period total £1,849,000 (2021-22: £1,109,000).

Off-payroll engagements

Defra are required to disclose information in their annual report and accounts relating to the review of tax arrangements of public sector employees. Information relating to offpayroll engagements for Forestry

Commission and Forest Research is reported below for consistency with Defra’s annual report and accounts.

Table 1: Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater.

Number of existing engagements as of 31 March 2023	17
Of which...	
Number that have existed for less than one year at time of reporting	13
Number that have existed for between one and two years at time of reporting	3
Number that have existed for between two and three years at time of reporting	-
Number that have existed for between three and four years at time of reporting	1
Number that have existed for four or more years at time of reporting	-

Table 2: All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater.

Number of off-payroll workers engaged during the year ended 31 March 2023	26
Of which...	
Not subject to off-payroll legislation	14
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	12
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which: number of engagements that saw a change to IR35 status following review	-

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

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1
Total number of individuals on payroll and off payroll that have been deemed “board members, and/or senior officials with significant financial responsibility”, during the financial year. This figure should include both on-payroll and off-payroll engagements	29

Parliamentary Accountability and Audit Report – subject to audit

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

Losses and special payments – subject to audit

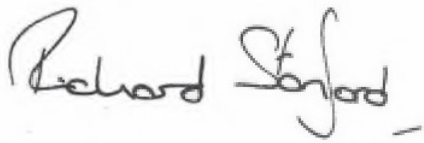
Total losses and special payments for the Forestry Commission, across 54 payments is £29,000 (2021-22: 19 payments, £32,000).

Fees and charges – subject to audit

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

Remote contingent liabilities – subject to audit

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



R J Æ Stanford 29 June 2023

Accounting Officer
Forestry Commission

The Certificate and Report of the Comptroller and Auditor General to The House Of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Forestry Commission and its Group for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

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

- Consolidated Statement of Financial Position as at 31 March 2023;
- Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the Forestry Commission and its Group's affairs as at 31 March

2023 and its net operating expenditure for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. 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 am independent of the Forestry Commission and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

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

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

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

Other information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in

accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Forestry Commission and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

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

- Adequate accounting records have not been kept by the Forestry Commission and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or

- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Forestry Commission and its Group

from whom the auditor determines it necessary to obtain audit evidence;

- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Forestry Commission and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Forestry Commission and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

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

Extent to which the audit was considered capable of detecting noncompliance 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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Forestry Commission and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, the Forestry Commission's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Forestry Commission and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations; and
 - detecting and responding to the risks of fraud.
- the internal controls established to mitigate risks related to fraud or noncompliance with laws and regulations including the Forestry Commission and its Group's controls relating to the Forestry Commission's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;

- inquired of management, the Forestry Commission's head of internal audit and those charged with governance whether:
- they were aware of any instances of non-compliance with laws and regulations;
- they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including significant component audit teams and the relevant internal specialists, including property valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of the Forestry Commission and its Group's framework of authority and other legal and regulatory frameworks in which the Forestry Commission and its Group operates. I focused on those laws and regulations that had a direct effect on material

amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Forestry Commission and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, the Forestry Act 1967, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed 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, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated 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 risks of fraud to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or noncompliance 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 expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

7 July 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2023


	Note	2022-23 Core £000	2022-23 Consolidated £000	2021-22 Core £000	2021-22 Consolidated £000
Revenue from contracts with customers	3	(948)	(16,900)	(1,352)	(15,589)
Total operating income		(948)	(16,900)	(1,352)	(15,589)
Staff costs	2	22,263	38,006	17,581	31,432
Other operating expenditure	2	62,508	76,018	58,530	71,060
Total operating expenditure		84,771	114,024	76,111	102,492
Net operating expenditure		83,823	97,124	74,759	86,903
Other comprehensive expenditure					
Net (gain)/loss on revaluation of property, plant and equipment	4	-	(7,676)	-	(587)
Comprehensive net expenditure for the period		83,823	89,448	74,759	86,316

All income and expenditure is derived from continuing operations.

Consolidated statement of financial position

as at 31 March 2023

	Note	Core £000	31 March 2023 Consolidated £000	Core £000	31 March 2022 Consolidated £000
Non-current assets					
Property, plant and equipment	4	598	36,200	-	22,510
Intangible assets	5	2,007	2,072	1,721	1,748
Investment in associate		-	75	-	75
Trade receivables, financial and other assets	7	23	23	5	5
Total non-current assets		2,628	38,370	1,726	24,338
Current assets					
Inventories		-	14	-	32
Trade receivables, financial and other assets	7	1,189	10,032	2,560	7,912
Cash and cash equivalents	8	1,825	3,709	893	4,501
Total current assets		3,014	13,755	3,453	12,445
Total assets		5,642	52,125	5,179	36,783
Current liabilities					
Trade payables, financial and other liabilities	9	(29,648)	(34,670)	(13,827)	(17,380)
Provisions	11	-	-	(9)	(17)
Total current liabilities		(29,648)	(34,670)	(13,836)	(17,397)
Total assets less current liabilities		(24,006)	17,455	(8,657)	19,386
Non-current liabilities					
Trade payables, financial and other liabilities	9	(540)	(540)	-	-
Total non-current liabilities		(540)	(540)	-	-
Total assets less total liabilities		(24,546)	16,915	(8,657)	19,386
Taxpayers' equity					
General fund		(24,546)	1,444	(8,657)	11,554
Revaluation reserve		-	15,471	-	7,832
Total taxpayers' equity		(24,546)	16,915	(8,657)	19,386



R J Æ Stanford 29 June 2023

Accounting Officer
Forestry Commission

Consolidated statement of cash flows

for the year ended 31 March 2023

	Note	2022-23 Core £000	2022-23 Consolidated £000	2021-22 Core £000	2021-22 Consolidated £000
Cash flows from operating activities					
Net operating expenditure		(83,823)	(97,124)	(74,759)	(86,903)
Adjustment for intercompany transactions		(13,922)	-	(10,360)	-
Adjustment for non-cash transactions	2	922	2,843	802	4,786
Decrease in inventories		-	19	-	25
(Increase)/decrease in trade receivables, financial and other assets	7	1,353	(2,140)	(1,778)	(5,423)
Increase/(decrease) in trade payables, financial and other liabilities	9	15,761	17,213	(2,304)	(2,304)
Less movement in Defra supply creditor	9	792	792	6,507	6,507
Use of provisions	11	-	-	-	(1)
Net cash outflow from operating activities		(78,917)	(78,396)	(81,892)	(83,313)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(7,258)	-	(5,926)
Purchase of intangible assets	5	(624)	(674)	(843)	(843)
Net cash outflow from investing activities		(624)	(7,933)	(843)	(6,769)
Cash flows from financing activities					
Funding from Defra		85,029	90,100	88,164	94,583
Repayment of prior year Defra creditor		(4,501)	(4,501)	(11,008)	(11,008)
Payment of principal portion of leases liabilities		(55)	(62)	-	-
Net cash inflow from financial activities		80,473	85,537	77,156	83,575
Net (decrease)/increase in cash and cash equivalents		932	(792)	(5,579)	(6,507)
Cash and cash equivalents at the beginning of the period	8	893	4,501	6,472	11,008
Cash and cash equivalents at the end of the period	8	1,825	3,709	893	4,501

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2023

	Note	General fund £000	Revaluation reserve £000	Core Taxpayers' equity £000	General fund £000	Revaluation reserve £000	Consolidated Taxpayers' equity £000
Balance at 31 March 2021		(7,764)	-	(7,764)	7,711	7,305	15,016
Net Defra funding		83,663	-	83,663	90,082	-	90,082
Notional charges Auditors' remuneration	2	46	-	46	88	-	88
Defra corporate services	2	517	-	517	517	-	517
Comprehensive net expenditure for the year		(74,759)	-	(74,759)	(86,316)	-	(86,316)
Intercompany adjustments		(10,360)	-	(10,360)	-	-	-
Net gain on revaluation of Property, plant and equipment	4	-	-	-	(587)	587	-
Realised element of revaluation reserve		-	-	-	60	(60)	-
Balance at 31 March 2022		(8,657)	-	(8,657)	11,554	7,832	19,387
Net Defra funding		81,320	-	81,320	86,391	-	86,391
Notional charges Auditors' remuneration	2	54	-	54	104	-	104
Defra corporate services	2	482	-	482	482	-	482
Comprehensive net expenditure for the period		(83,823)	-	(83,823)	(89,448)	-	(89,448)
Intercompany adjustments		(13,922)	-	(13,922)	-	-	-
Net gain on revaluation of Property, plant and equipment	4	-	-	-	(7,676)	7,676	-
Realised element of revaluation reserve		-	-	-	37	(37)	-
Balance at 31 March 2023		(24,546)	-	(24,546)	1,444	15,471	16,916

Notes to the accounts

NOTE 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 202223 government Financial Reporting Manual (FReM) issued by HM Treasury and are in accordance with directions issued by the Secretary of State for the Environment, Food and Rural Affairs. All International Financial Reporting Standards, interpretations and amendments effective at 31 March 2023 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

1.1 Significant judgements and estimation uncertainty

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

Management have made significant judgements in respect of Forest Research's development activities, where they have judged that the development activities undertaken by Forest Research have not met the

conditions outlined in IAS 38, Intangible Assets, and therefore no assets have been recognised by Forest Research, or consolidated within these accounts. The activities are reviewed on an on-going basis against the criteria of IAS 38.

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

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

1.2 Accounting convention

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

1.3 Going concern

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

The statement of financial position at 31 March 2023 shows taxpayer's equity of £1.4 million (at 31 March 2022 £11.6 million). In common with other public bodies across government, the future funding for our liabilities will be sourced from our parent department (Defra funding formed 99% of our 2022-23 funding). Parliament approves this funding annually.

Forestry Commission's funding for 2023-24 is included within the Defra estimates which have already been approved by Parliament. A three-year government spending review (SR21) to determine future funding for government departments including Defra for the period 2022-23 to 2024-25 is ongoing. Continued support of the Forestry Commission from 2023-24 onwards will be considered and reviewed as part of this Spending Review.

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

1.4 Basis of consolidation

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

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

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

Forestry Commission makes an annual funding payment, equal to the agreed annual subsidy limit, to Forestry England, which is accounted for as expenditure in the Forestry Commission accounts. Forestry Commission receives a dividend from Forestry England reflecting the

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

1.6 Administrative and programme expenditure

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

1.7 Property, plant and equipment

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

1.7.1 Recognition and valuation

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

members, who adhere to the principles outlined in the Royal Institution of Chartered Surveyors (RICS) Red Book. The most recent valuation was carried out on 31 March 2023 and was reviewed by Savills, Chartered Surveyors.

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

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

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

subject to an annual revaluation using indices provided by the Office for National Statistics

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

- Freehold land – nil
- Buildings – £10,000
- Plant and machinery – £3,000
- Office machinery and equipment – £2,000

1.7.2 Subsequent expenditure

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

1.7.3 Valuation movements

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the Consolidated Statement of Comprehensive Net Expenditure. Each year the difference between

depreciation based on the revalued carrying amount of the asset charged to the Consolidated Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the revaluation reserve to the general fund.

1.7.4 Depreciation

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

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

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

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

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

1.8 Intangible non-current assets

Intangible non-current assets are defined as identifiable non-monetary assets without physical substance. These comprise software licences and internally developed

information technology software, including assets under construction.

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

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

Capitalisation of internally developed software is contingent on fulfilment of the criteria noted in IAS 38 *Intangible Assets and includes capitalisation of internal IT employee costs on projects. Internally developed software assets are valued at depreciated replacement cost and amortised over an estimated useful economic life of seven years.*

1.9 Income

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

1.10 Government grants receivable

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

1.11 Directly funded grants payable

Grants payable to individuals and bodies by the Forestry Commission in accordance with its statutory powers and duties are accounted for as post planting applications are received. Accruals for actual work done will be raised based on initial review of an application, with final payment made after qualified assessment of the claim and adjusted accordingly. No provision is made in the financial statements for the future cost of grant offers made but not yet approved for payment, although they are quantified in note 14.

1.12 Co-funded grants payable

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

1.13 Foreign currency transactions

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

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

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

1.14 Financial instruments

1.14.1 Financial assets

The Forestry Commission discloses receivables and other financial assets with a positive fair value in this category. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are valued in accordance with IFRS 9 *Financial Instruments, as adapted for Government*.

Receivables have been impaired in accordance with the expected credit loss model below.

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

Aged debtors are individually analysed based on known history. Newly aged receivables with good payment policy may not be discounted and known cases where recovery is not expected will be fully provided for.

1.14.2 Financial liabilities

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

1.14.3 Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The assets, are described as “right of use” assets and will be presented under Property, Plant and Equipment. Under HM Treasury’s Financial Report Manual, the standard was effective from 1 April 2022.

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

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

The lease liability was measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease, or where this is not readily determinable, the incremental rate of borrowing advised by HM Treasury. Where the lease includes

extension or termination options, the lease payments will be for the non-cancellable period together with any extension options the Forestry Commission is reasonably certain to exercise and any termination options the Forestry Commission is reasonably certain not to exercise.

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

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

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

Where the lease requires nil or nominal consideration (usually referred to as a ‘peppercorn’ lease), provided all other relevant criteria are met, apart from containing consideration, such leases are in the scope of IFRS 16. In this situation, the right-of-use asset will be initially measured at its current value in existing use or fair value, depending on whether the right-of-use asset is held for its service potential. A lease liability will be recognised in accordance with IFRS 16 and based on the value of

remaining lease payments discounted at the incremental rate of borrowing advised by HM Treasury. The difference between the carrying amount of the right-of-use asset and lease liability will be included as part of the adjustment to the opening balances of taxpayers' equity and other reserves.

Subsequent lease payments are allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the Statement of Net Comprehensive Expenditure over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Forestry Commission has elected not to recognise right-of-use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low-value assets. Forestry Commission recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Current operating lease commitments largely relate to Memorandum of Terms of Understanding (MOTU) leases for office space. The impact of implementation of IFRS 16 was small. For the arrangements within the scope of IFRS 16, the impact of implementation was:

- an increase in assets and liabilities of approximately £0.68 million and £0.68 million respectively

- an increase in depreciation expense and interest expense replacing the current operating lease expense currently included in purchase of goods or services
- within the cash flow statement, depreciation is presented within cash flows from operating activities and cash flows from financing activities in respect of the payment of lease liabilities and interest expense. The timing of cash flows will remain unchanged.

The reconciliation of operating lease commitments disclosed at 31 March 2022 to lease liabilities recognised at 1 April 2022 is as follows:

	£000
Operating lease commitments at 31 March 2022	283
Operating leases with no RoU	(241)
Incremental lease liability recognised under IFRS16	696
Effect of discounting	(59)
Additional lease liabilities recognised at 1 April 2022	679

The weighted average incremental borrowing rate applied on transition to IFRS 16 was 0.95%.

1.14.4 Impairment of non-financial assets

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

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

1.15 Cash and cash equivalents

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

1.16 Pensions

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

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

payment of future benefits is a charge on the schemes. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the government actuary at four-yearly intervals.

1.17 Contingent liabilities

Contingent liabilities are disclosed in accordance with IAS 37. In addition, where applicable certain statutory and nonstatutory contingent liabilities are disclosed for parliamentary reporting and accountability purposes under HM Treasury's Managing Public Money. These include liabilities where the likelihood of economic costs and benefits are remote but there is a requirement to report them to Parliament where applicable.

1.18 Provisions

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

1.19 Subsidiaries, associates and joint ventures

Investments held in subsidiaries, associates or joint ventures that are outside the consolidation boundary, and where Forestry Commission does not exercise in-year budgetary control, are accounted for in accordance with HM Treasury's Financial Reporting Manual. Where such an investment is in another public

sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39.

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

1.20 Value Added Tax

The Forestry Commission is registered for Value Added Tax (VAT). To comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Consolidated Statement of Comprehensive Net Expenditure is net of VAT. Any VAT due to or from HM Revenue and Customs at the year-end is included in the Forestry Commission accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure in the year in which it is incurred.

1.21 Segmental reporting

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

1.22 Impending application of newly issued Accounting Standards not yet effective

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

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

- IFRS 17 – Insurance Contracts. This standard is likely to be mandated by HM Treasury from the 2025-26 accounts. This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities.

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

NOTE 2 Staff and other costs

	2022-23		2021-22	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Staff costs				
Wages and salaries	15,446	26,272	12,436	22,087
Social security costs	1,698	2,899	1,320	2,350
Other pension costs	4,112	6,986	3,323	5,886
Agency and temporary staff	1,007	1,849	502	1,109
	22,263	38,006	17,581	31,432
Other costs				
Travel and subsistence	1,164	2,159	543	1,384
Staff transfers	29	29	19	19
Corporate services charges	1,724	1,724	1,574	1,574
Computer costs	72	3,083	35	2,564
Accommodation and office services	251	2,243	494	2,658
Communication	152	290	139	278
Training	88	396	165	264
Losses and compensation	12	31	7	33
Legal expenses	26	44	54	78
Partnerships and publicity	7,376	12,218	15,110	17,587
Private woodland grants	24,108	24,108	11,222	11,222
Research and development	-	-	4	4
Other expenditure	1,402	1,668	1,080	1,327
	36,404	47,993	30,446	38,992
Forestry England funding	20,427	20,427	27,282	27,282
Forestry England capital grants	4,755	4,755	-	-
	25,182	25,182	27,282	27,282
Non-cash costs				
Depreciation	57	1,628	-	1,336
Amortisation	338	350	230	240
Impairment of property, plant and equipment	-	252	-	2,596
Loss on disposal of property, plant and equipment	-	44	-	-
Provisions				
Provided in year	-	-	9	9
Not required and written back	(9)	(17)	-	-
Notional charges				
Auditors' remuneration	54	104	46	88
Defra corporate services	482	482	517	517
	922	2,843	802	4,786
Total	84,771	114,024	76,111	102,492

1. Further analysis of staff costs is located in the Staff Report.
2. Further analysis of Private Woodland Grants is shown in note 2.1.

NOTE 2.1 Private Woodland Grants

	2022-23		2021-22	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Private Woodland Grants				
England Woodland Creation Offer	10,596	10,596	2,637	2,637
Local Authority Treescaping Fund	4,405	4,405	3,551	3,551
Urban Tree Challenge Fund	4,499	4,499	3,252	3,252
Woods into Management	1,764	1,764	447	447
Tree Production Innovation Fund	1,096	1,096	879	879
Smaller grant schemes	1,748	1,748	456	456
Total	24,108	24,108	11,222	11,222

NOTE 3 Income

	2022-23		2021-22	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Revenue from contracts with customers				
Forest Research MOU income from:				
Scotland	-	4,079	-	4,079
Wales	-	906	-	907
Other charges to public sector forestry bodies in:				
Scotland	26	2,630	349	2,881
England	188	1,731	(129)	1,364
Wales	-	1,019	78	542
	214	10,365	298	9,773
Project and partnership income	434	434	653	653
EU income	-	250	-	55
Other income	300	5,851	401	5,108
Total	948	16,900	1,352	15,589

Internal income from Forest Research of £13,278,000 (2021-22: £9,904,000) was removed on consolidation.

NOTE 4 Property, plant and equipment

	Land £000	Buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2022	1,561	24,730	9,051	3,492	38,834
Additions	24	655	1,010	6,248	7,937
Reclassifications	-	2,937	40	(2,977)	-
Disposals	-	(70)	(76)	-	(146)
Revaluation	79	9,022	533	-	9,634
At 31 March 2023	1,664	37,274	10,558	6,763	56,259
Depreciation					
At 1 April 2022	-	12,296	4,028	-	16,324
Charged in year	7	735	885	-	1,627
Disposals	-	(34)	(68)	-	(102)
Revaluation	-	1,998	212	-	2,210
At 31 March 2023	7	14,995	5,057	-	20,059
Carrying value At 31 March 2023	1,657	22,278	5,501	6,763	36,200
At 31 March 2022	1,561	12,434	5,023	3,492	22,510
Asset financing					
Owned	1,640	21,680	5,501	6,763	35,585
Leased	16	598	-	-	614
Total	1,657	22,278	5,501	6,763	36,200
Asset ownership					
Core	-	598	-	-	598
Forest Research	1,656	21,680	5,501	6,763	35,601
Total	1,657	22,278	5,501	6,763	36,200

Land and Buildings were valued as at 31 March 2023 by professionally qualified staff employed by the Forestry Commission and approved by Mrs Mari Sibley, MRICS Director of Estates. The results of this valuation were also subject to professional review by Savills, Chartered Surveyors. It is our intention that professional valuation timings will be changed in future to allow for one-fifth of the estate to be valued annually, with the intention that all of the estate will have been revalued over a five year period. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

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

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

Within the results above, the following represent right-of-use assets held under lease agreements.

	Land £000	Buildings £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation					
Carrying value	17	598	-	-	615
Additions	24	655	-	-	679
Depreciation expense					
Total	7	57	-	-	64

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

NOTE 5 Intangible assets

	Software licences £000	Internally developed £000	Assets Under Construction £000	Total £000
Cost or valuation				
At 1 April 2022	77	11,280	-	11,357
Additions	50	624	-	674
At 31 March 2023	127	11,904	-	12,031
Amortisation				
At 1 April 2022	50	9,559	-	9,609
Charged in year	12	338	-	350
At 31 March 2023	62	9,897	-	9,959
Carrying value				
At 31 March 2023	65	2,007	-	2,072
At 31 March 2022	27	1,721	-	1,748
Asset financing				
Owned	65	2,007	-	2,072
Total	65	2,007	-	2,072
Asset ownership				
Core	-	2,007	-	2,007
Forest Research	65	-	-	65
Total	65	2,007	-	2,072

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

NOTE 6 Financial instruments

Financial instruments by category

Consolidated	31 March 2023			31 March 2022		
	Loans and receivables £000	Available for sale £000	Total £000	Loans and receivables £000	Available for sale £000	Total £000
Financial assets	-	75	75	-	75	75
Trade and other receivables (excluding prepayments)	8,888	-	8,888	5,611	-	5,611
Cash and cash equivalents	3,709	-	3,709	4,501	-	4,501
Less provision for impairment	(2)	-	(2)	-	-	-
Total assets	12,595	75	12,670	10,112	75	10,187

Consolidated	31 March 2023		31 March 2022	
	Other financial liabilities £000	Total £000	Other financial liabilities £000	Total £000
Finance lease liabilities	617	617	-	-
Trade and other payables (excluding statutory liabilities)	30,065	30,065	12,364	12,364
Total liabilities	30,682	30,682	12,364	12,364

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

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

On the 1 April 2022 C-Cure board entered into a sales and purchase agreement, please see Note 17. After the

initial agreement and as part of the winding up arrangements, Genomia transferred preference shares, with a face value of £50,000 to Forest Research for nil cost. This has raised the Forest Research shareholding to over 45%. The orderly winding-up of C-Cure, will continue into the first 6 months of 2023-24, with an anticipated distribution of funds to Forest Research to crystallise over this period. The ultimate distribution of funds to Forest Research, from this event in 2023-24, is still uncertain, but is likely to be in the region of £50,000, increased from the estimated £22,000 in 2021-22 due to the change in shareholding.

NOTE 7 Trade receivables, financial and other assets

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade receivables	119	7,528	664	5,286
Provision for impairment	(2)	(2)	-	-
Trade receivables - net	117	7,526	664	5,286
VAT receivable	35	35	87	87
Other receivables	7	11	10	12
House purchase and other loans to employees	5	7	5	11
Prepayments and accrued income	1,025	2,453	1,794	2,514
	1,189	10,032	2,560	7,910
Amounts falling due after more than one year				
House purchase and other loans to employees	2	2	5	5
Prepayments and accrued income	21	21	-	-
	23	23	5	5
Total current and non-current	1,212	10,055	2,565	7,915

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

Trade receivables of £246,000 were past due but not impaired as of 31 March 2023. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	2022-23		2021-22	
	Core £000	Consolidated £000	Core £000	Consolidated £000
At 1 April	893	4,501	6,472	11,008
Net change in balances	932	(792)	(5,579)	(6,507)
At 31 March	1,825	3,709	893	4,501

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Held at				
Government Banking Service	1,825	3,709	893	4,501
Total	1,825	3,709	893	4,501

NOTE 9 Trade payables and other current liabilities

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade payables	908	2,831	797	1,584
Other payables	469	827	363	373
VAT payable	-	62	-	180
Other taxation and social security	440	757	335	335
Accruals	24,062	25,502	7,831	9,212
Contract liabilities	-	302	-	424
Finance lease payables	60	77	-	-
Payments received on account	-	603	-	771
Defra Supply creditor	3,709	3,709	4,501	4,501
	29,648	34,670	13,827	17,380
Amounts falling due after more than one year				
Finance lease payables	540	540	-	-
	540	540	-	-
Total current and non-current	30,188	35,210	13,827	17,380

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

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

	31 March 2023 £000	31 March 2022 £000
GBP Sterling	34,854	17,372
Euro	310	8
US Dollar	39	-
New Zealand Dollar	7	-
Total	35,210	17,380

NOTE 10 Contract balances

	31 March 2023 £000	31 March 2022 £000
Contract liabilities	302	424

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

NOTE 11 Provisions for liabilities and charges

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
Balance at 31 March 2022	-	9	9	-	17	17
Not required written back	-	(9)	(9)	-	(17)	(17)
Balance at 31 March 2023	-	-	-	-	-	-

	Core			Consolidated		
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
At 1 April 2021	-	-	-	-	9	9
Provided in year	-	9	9	-	9	9
Utilised in year	-	-	-	-	(1)	(1)
Unwinding of discount	-	-	-	-	-	-
Balance at 31 March 2022	-	9	9	-	17	17
Expected timing of discounted cash flows						
Not later than one year	-	9	9	-	17	17
Total	-	9	9	-	17	17

NOTE 12 Commitments under leases

Operating leases

Forestry Research has the following operating lease rentals that are not subject to IFRS 16.

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Land and Buildings				
Not later than one year	-	7	-	7
Later than one year and not later than five years	-	8	-	15
Later than five years	-	-	-	-
	-	15	-	22

Finance leases

Forestry Commission does not have any finance leases.

NOTE 13 Capital commitments

There were £1,879,224 contracted capital commitments at 31 March 2023 (202122: £970,000) for an entomology and pathology quarantine laboratory at Forest Research.

NOTE 14 Other financial commitments

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	6,320	6,320	16,471	16,471
Later than one year but not later than five years	9,380	9,380	10,940	10,940
Later than five years	2,131	2,131	1,854	1,854
Total	17,831	17,831	29,265	29,265

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

NOTE 15 Contingent liabilities disclosed under IAS 37

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

It provides the option to sell captured carbon in the form of verified carbon credits, called Woodland Carbon Units, to the Government for a guaranteed price every five or ten years up to 2055-56. If preferred, credits can be sold on the open market rather than to the Government. The first credits will mature in 2025-26.

The Forestry Commission's liabilities under the Woodland Carbon Guarantee are contingent on others deciding to exercise their rights to sell the Woodland Carbon Units to the Government. The discounted limit of this liability under the Guarantee at 31 March 2023 is £11.1 million. This contingent liability is backed by Defra and, if realised, will be funded as part of the Defra Spending Review process.

NOTE 16 Operating lease receivables

There are no future minimum lease payments receivable under non-cancellable operating leases:

	31 March 2023		31 March 2022	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	-	-	5
Later than one year but not later than five years	-	-	-	20
Later than five years	-	-	-	53
Total	-	-	-	78

NOTE 17 Consolidated related-party transactions

Forestry Commission's agency Forestry England is regarded as a related party. During the year, Forestry Commission provided an annual subsidy and other grant income of £25,182,000 to Forestry England (2021-22 £37,012,000).

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

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

Woodland Grants

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

Recipient	2022-23	2021-22
	£000	£000
Sir William Worsley, Forestry Commissioner (chair)	140	18
Ross Murray, Forestry Commissioner	56	-

James Latham PLC

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

	2022-23	2021-22
	£000	£000
Sales	3	4

There were no debts or sales invoices outstanding as at 31 March 2023 (2021-22: £1,000).

Others

Some members of the Forestry Commission Executive Board and the Forest Services Board are also members of the Forestry England Board, and are directors or trustees of organisations for which Forestry England had transactions throughout the year. Details of these transactions can be found in the Forestry England Annual Report and Accounts 202223.

Key management compensation

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

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

NOTE 18 Events after 31 March 2023

In accordance with the requirements of IAS 10, events after 31 March 2023 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. The authorised for issue date is the date of the Comptroller and Auditor General's audit certificate.

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

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