

Annual Report and Accounts 2023-24

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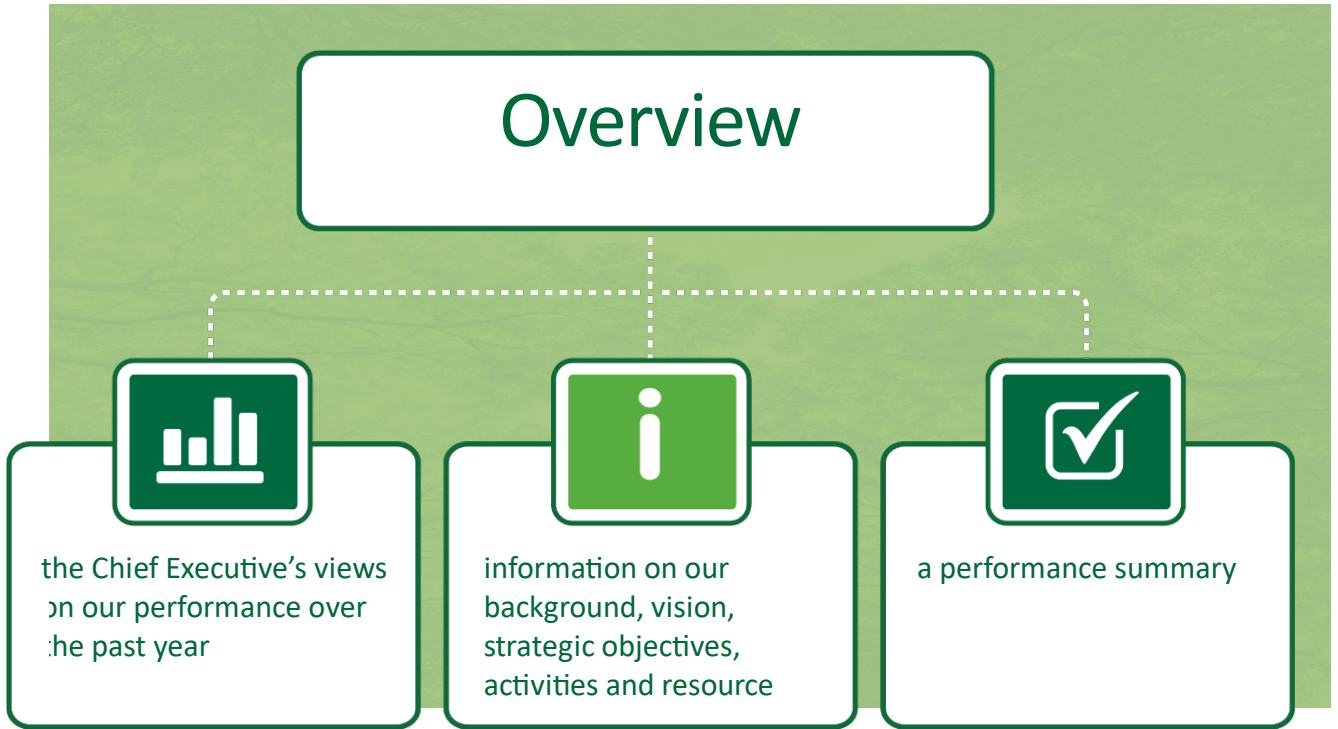
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This Annual Report and Accounts includes Forest Services and the Commissioners' Office (as Core Forestry Commission) and Forest Research.

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

Sections one: Performance report



Foreword by Sir William Worsley, Chair



In October last year we launched our 5-year strategy *Thriving for the Future*. Our vision is to help tackle some of society's biggest challenges with thriving trees, woods, and forests. To accomplish this, we need to grow more trees and increase species diversity. We need better managed woods and forests that are protected

and improving to provide greater benefits for nature, climate, people, and the economy. The Forestry Commission was set up at arm's length from government to be able to plan and act over a time horizon beyond the political cycle; being mindful of how long it takes trees to grow. The strategy makes clear how we intend to focus our actions with urgency for the next five years, to put us on track to be thriving for the next fifty years and beyond.

Trees need to be front-and-centre of responding to today's biggest challenges. Trees provide a uniquely versatile and proven solution to a range of today's problems, from reducing carbon in the atmosphere and creating habitats for biodiversity, through to supporting rural economies, preventing flooding, providing timber and locking up carbon for the long-term within this, and relieving the burdens on our health services. To ensure

our forests and woodlands can continue to deliver these benefits they must be resilient and thriving, especially in the face of climate change and increasing threats from tree pests and diseases. Our vision reminds us that we need to act boldly now, while taking a long view. Trees can take many decades to grow to maturity, so delaying decisions, or making the wrong decisions, represents a huge opportunity cost for the nation.

The Forestry Commission achieved an enormous amount in the past year despite the very challenging economic context which included high inflation, a tough trading environment, reducing core funding and ongoing challenges with pay. It is most unfortunate that we have been unable to progress our pay flex case, Your Offer, as far as we had hoped to help us mitigate against a failing pay structure. Retention and recruitment of qualified and experienced staff, and uncertainty over future funding, remain our highest risks to delivering our outcomes. With a growing private forestry sector giving good pay packages the risk to retention and recruitment is not improving; we are exploring all avenues to address the risk. Despite this, we have met our targets and delivered everything we have been asked to, proving that this is a high performing organisation that needs to be recognised for the outstanding efforts, deep expertise and innovative ideas of its staff.

It is particularly significant that we have managed to publish an update to the UK Forestry Standard together with Forestry and Land Scotland, and the other Devolved

Administrations. The new Standard will drive increased resilience in forests across the UK for years to come by prescribing a reduction in the proportion of a single species in a woodland. This is important as we face the increasing volatility and threats due to climate change, pests and diseases. We have continued to demonstrate our progressive, forward-thinking approach through activities such as initiation of a horizon scanning exercise for UK forests, the Horizon Scan and Forestry England's Natural Capital Accounting. Both these initiatives will have global influence and provide leadership for the entire sector for years to come.

From a more operational perspective, last summer we worked with the Secretary of State on the revocation of Ministerial Directions, which has helped speed up the woodland creation approvals process. In addition, we have revised guidance for the approach to assessing breeding waders in the uplands, greatly increasing the land available for woodland creation. Increasing the term for woodland management grants from 10 to 15 years was a real achievement and one I believe will benefit everyone in years to come.

Of course, very little could be achieved without the excellent work of Forest Research who have grown their business with new funding streams and delivery of world-class science. Increased investment in their offices and labs has provided improved facilities for staff and opportunities to expand services to the wider forestry sector.

There is so much more that has been achieved this year ranging from Forestry England holding its first People Awards, the London Tree Awards, relaunch of tree alert, Trees on Tees, Delamere seed processing and Wollemi pines conservation, and trialling of faster tree planting approvals in areas of Low sensitivity. I am especially proud of our work on improving our inclusive approach, including multi-faith tree planting at Wing Wood and our Includability Diversity and Inclusion Star award.

Without a doubt, the very best part of my role is when I manage to get out and meet Forestry Commission colleagues across the country. Whenever I do so, I am always amazed by their cheerfulness, passion and dedication to delivering our joint outcomes. It continues to be a great honour to be the Chair of an organisation with such committed, professional, and enthusiastic staff. I would like to thank them for continuing to deliver across the wide range of our outcomes in challenging circumstances.

Sir William Worsley
Forestry Commission Chair



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 over 600 people in Forest Services (2022-23: 500 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 253,000 hectares (2022-23: 253,000 hectares) and is the largest provider of home-grown sustainably produced timber in England, selling over 1.2 million tonnes per year (2022-23: over 1 million tonnes).

This is nearly half the English grown annual supply. There are more than 1,300 (2022-23: 1,200) 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 as well as contributing to the UK's timber security. The natural capital benefits our forests and diverse landscapes bring to society are valued at £63.5 billion (2022-23: £61 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. There are nearly 400 (2022-23: 300) people in Forest Research.

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.

The UN Global Goals

The UN Sustainable Development Goals (SDGs) are a roadmap of seventeen interlinked social, economic, and environmental objectives to deliver global sustainable development by securing the rights and well-being of everyone on a healthy planet. The SDGs are illustrated below, and the following section shows how the Forestry Commission’s strategic goals support a number of the SDGs.



Sustainability

The Forestry Commission Strategy sets out our commitment to achieve net zero and includes actions that support nature recovery, biodiversity, as well as actions specific to climate change adaptation. These priorities are

interwoven with the positive impacts on people and the economy that our work leading sustainable forest management delivers.

Forestry England, (including on behalf of Forest Services and the Commissioner's office), and Forest Research maintain environmental management systems (EMS) to deliver the organisation's environmental policy and requirements of the Greening Government Commitments (GGC). Our sustainability performance update for this year follows the GGC framework and is set out within the performance section of this report.

Forestry Commission's activities take place in rural and semi-rural environments. We seek to ensure that the impact of our activities supports UK environmental policy and the UN SDGs by balancing social, economic, and environmental needs whilst transitioning our own organisation to become net zero.



Delivery of our objectives in 2023-24

This Annual Report summarises the performance of the Forestry Commission. Forest Research accounts are consolidated within this report and 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 the Forestry Commission in 2023-24, against its three strategic goals.

More trees, more diverse species, growing and thriving



This year we have built upon the increasing rate of tree planting seen in 2022-23, with stronger promotion of incentives available to landowners, and through Forestry England's acquisition of freehold and leasehold land for woodland creation. Provisional statistics show that there were approximately 4,547 hectares (2022-23: 3,100 hectares) of new planting of woodland in England in 2023-24, in addition, 546,000 trees (2022-23: 360,000) trees were planted outside woodland (ca. 982 hectares, 2022-23: ca. 500 hectares). The England Woodland Creation Offer (EWCO) contributed to new planting of woodland with 1,648 hectares (ca. 2.5m trees (2022-23: 1,700 hectares (ca. 1.5m trees) in this period. The EWCO payment uplift was announced on 18th March 2024, to align with increased ELM payments announced for other land uses. In addition, the Woodland Creation Fast Track launched on 29th February 2024 and was well received. We will monitor progress of the applications that meet the eligibility criteria. Both of these changes supports our

policy priorities, as well as complying with the need to protect the most productive farming land.

Forest Research development of geographical mapping to inform decisions and trade-offs around woodland creation will support this acceleration, along with internal and inter-agency improvements to regulatory processes. For the first time in more than a generation Forest Research is establishing new plot-scale trials, as well as reassessing old ones, to identify and broaden species choice to provide diversity of species giving resilience in a changing climate. As full implementation of Environmental Land Management schemes approaches, we have provided technical advice on the design and delivery of future use of government funding to achieve planting expansion in tree and woodland cover.

This goal supports the UN SDGs ‘3, Good Health and Wellbeing’, ‘13, Climate Action’ and ‘15, Life on Land’.

Key Outcome	Performance indicators
Expanding tree cover in England	<ul style="list-style-type: none"> • Government supported new trees and woodland • Area of planting covered by applications in progress • Area of new woodland created on Forestry England-acquired land
Government targets and commitments	
<ul style="list-style-type: none"> • Increasing the rate of planting and the net increase of tree cover in England is a key commitment of government, as reflected in: • Environment Act 2021 statutory target: Increase tree canopy and woodland cover from 14.5% to at least 16.5% of total land area in England by 2050. • Environmental Improvement Plan 2023: new interim target to increase tree cover by 0.26% (equivalent to 34,000 hectares) by 31 January 2028. 	

More trees, more diverse species, growing and thriving



4,547 ha

Total number of hectares of woodland planted in 2023-24



546,000 trees

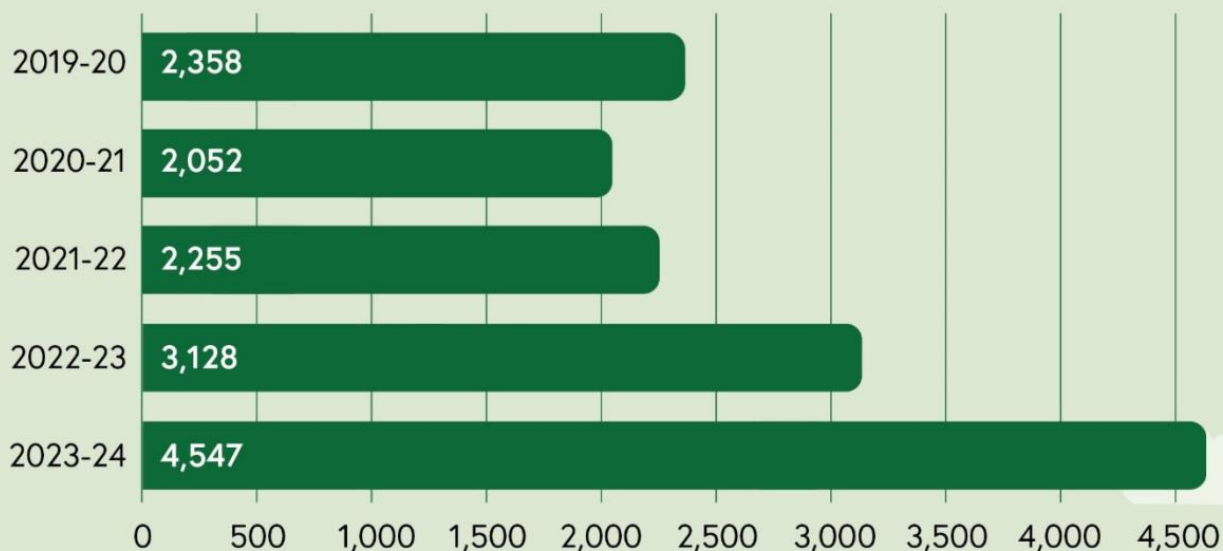
Total number of trees outside of woodland facilitated by the Forestry Commission and planted in 2023-24



170 ha

Area of new woodland created on Forestry England acquired land

New planting of woodland and trees in England



Better managed woods and forests that are protected and improving



Improving sustainable management of woods and forests and protecting them from threats will need increased focus and resources if the Forestry Commission is going to help safeguard the resilience of woodland natural capital. There are significant demand pressures on our core regulatory activities to investigate alleged illegal felling and to respond to outbreaks of pests and diseases, as well as managing critical incidents including wildfires and storm damage in the nation's forests and beyond. Exacerbating these challenges is the under-management of significant areas of existing private woodland. We will step-up efforts to bring more woods into management over the next two years as part of building resilience and we recognise that managing woodlands has to be financially viable for the landowner.

Three additional tree pests and diseases became established in England in the 2014-23 ten-year period. This is the same as in the previous rolling ten-year period. There are now 408 pests identified as tree risks

on the UK Plant Health Risk Register (UKPHRR), 15 (4%) of which have been assessed and are considered high priority as at 31 March 2024.

Also remaining steady are the number of pest and disease outbreaks being actively managed. There are four as at 31 March 2024; namely *Ips typographus* (the larger eight-toothed European spruce bark beetle), the Oak Processionary Moth (*Thaumetopoea processionea*), Sweet chestnut blight (*Cryphonectria parasitica*), and *Phytophthora pluvialis*. There is also longer-term pest and pathogen management (e.g. *Phytophthora ramorum*). The Forestry Commission's Plant Health Forestry team remains very active in disease management of existing pests and diseases in conjunction with the UK Plant Health service and is ever vigilant in continuing inland surveillance of the treescape and pre-border and border activity at a Great Britain level to help minimise plant health risks associated with trade in wood and wood products.

Overall, regulatory compliance remains very good. Only 0.23% (2022-23: 0.13%) of known tree felling in woodland was carried out without a Forestry Commission granted felling licence in the year to 31 March 2024.


The total of all woodland that is sustainably managed in England as at 31 March 2024 has dropped fractionally to 57%, with 49% of woodland outside the nation's forests being sustainably managed. Applications for Woodland Management Plans covered over 43,000 hectares in 541

separate plans in 2023-24. This is about 10% more than the ca. 39,000 hectares in 585 plans in 2022-23, and greater than the previous two years.

This goal supports the UN SDGs '12, Responsible Consumption and Production', '13, Climate Action' and '15, Life on Land'.

Key Outcome	Performance indicators
Sustainably managing more of England's woods and forests	<ul style="list-style-type: none"> • Percentage of woodland in England that is sustainably managed • Total area of the Nation's Forests managed by Forestry England • Nation's Forests managed by Forestry England certified to UKWAS
Protecting trees from pests, diseases and invasive species	<ul style="list-style-type: none"> • Border inspections undertaken • Number of regulated pests and pathogens intercepted at the border • Number of regulated pests and pathogens identified during surveillance • Number of regulated pests and pathogens eradicated or contained
Preventing illegal felling of trees in England	<ul style="list-style-type: none"> • Number of Alleged Illegal Felling (AIF) reports received in last 90 days • Number of AIF investigations completed in last 90 days
Government targets and commitments	
<p>Protecting and improving our woodland resource is an area where the government has international obligations, including the "30 by 30" pledge to protect 30% of land for nature by 2030. Sustainable management of woodland and biosecurity measures are set out in:</p> <ul style="list-style-type: none"> • Environmental Improvement Plan 2023: Goal 9. Enhancing biosecurity • Environmental Improvement Plan 2023: Goal 6: Using resources from nature more sustainably • Plant Biosecurity Strategy for Great Britain 2022 	

Better managed woodland, protected and improving




57%

Percentage of all woodland in England that is sustainably managed, approximately 760,000 hectares



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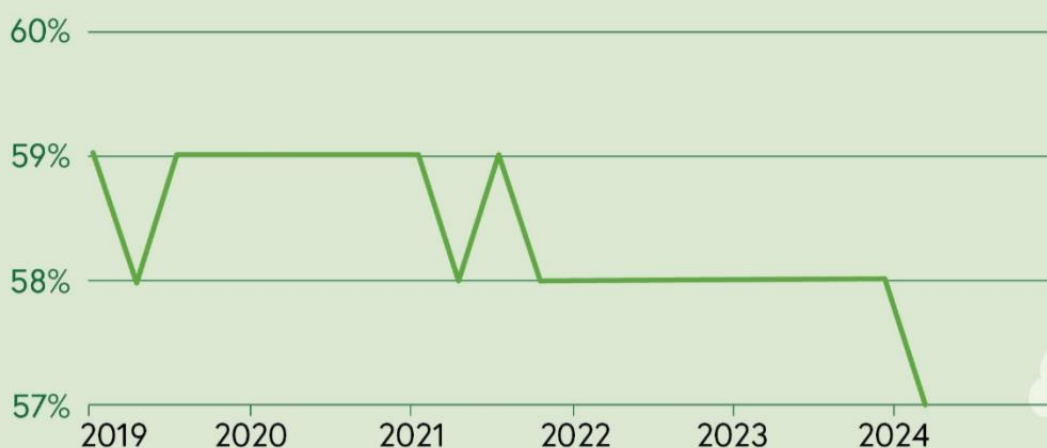
Total number of additional tree pests and diseases becoming established in England since 2020



0.23%

Percentage of known tree felling in England carried out without Forestry Commission approval

Percentage of woodland that is sustainably managed



Bigger benefits for nature, climate, people and the economy



The Forestry Commission is playing a leading role in mainstreaming natural capital approaches through our work. Over the last year we continued to build the evidence base and create strong partnerships to drive future investment in creating and managing woodland. Nature is in decline and many people are struggling with their physical health and mental well-being. We have taken action to make trees, woods and forests more impactful for people and nature, contributing to the Environmental Improvement Plan goals and improving the health of the nation.

The Woodland Access Implementation Plan was published in November 2023. It represents the Government's commitment to improve connecting people with trees and woodland, and outlines the ambitions for improving the quantity, quality, and permanency of access to woodlands. The plan builds on the England Trees Action Plan (ETAP) that the Government published in 2021 committing us to producing a plan for public

access to woodlands in the chapter on connecting people with trees and woodland and also supports the Environmental Improvement Plan target of everyone having access to nature within a 15-minute walk. The latest estimates show that 33% of adults in England visited a woodland or forest in 2022-23, an increase from 31% in 2021-22. These results are from Natural England's People and Nature Survey. Gross value added by domestic forestry, as recorded in the Office for National Statistics Annual Business Survey has fallen, as expected, to pre COVID levels.

Implementation of the Plan is underpinned by over 30 projects and many of these are already underway. There is also a related significant research programme being commissioned through Forest Research.

Our England Woodland Creation Offer (EWCO) is also providing additional financial support to landowners who newly plant woodland including public access. EWCO schemes are also linking up with existing public rights of way and access land, as well as including existing access rights within the design of the new woodland. Countryside Stewardship provides additional financial support to landowners who choose to offer permissive access within existing woodlands in management.

We have also worked with key construction stakeholders, including the Green Construction Board, Construction Leadership Council, House Building Federation, and Federation of Master Builders to develop a policy

roadmap on use of timber, and have launched an Impact Fund to leverage private finance into new natural capital markets for carbon, water quality, biodiversity, natural flood alleviation and other ecosystem services. Other highlights include work on forestry skills, including recruiting a second cohort of Professional Forester degree-apprentices and opening recruitment of a third cohort, undertaking outreach and engagement activity for Forest Craftsperson apprenticeships, as well as supporting the work of the Forestry Skills Forum.

This goal supports the UN SDGs ‘3, Good Health and Wellbeing’, ‘8, Decent Work and Economic Growth’, ‘11, Sustainable Cities and Communities’ and ‘13, Climate Action’.

Key Outcome	Performance indicators
Enhancing the natural capital of trees, woods and forests	<ul style="list-style-type: none"> Total natural capital of the nation’s forests held by Forestry England
Making woods and forests work for nature	<ul style="list-style-type: none"> Area of grant-supported woodland where SSSI condition is improving Hectares of restoration of plantations on ancient woodland sites (PAWS) and of open habitat in woodland in England. Area of SSSIs in the nation’s forests with actions underway to achieve favourable condition
Making woods and forests work for tackling the climate crisis	<ul style="list-style-type: none"> Number of woodland creation projects with validated/verified WCUs
Making woods and forests work for people and communities	<ul style="list-style-type: none"> Area of grant-supported new woodland with access rights Number of visits per annum to the nation’s forests managed by Forestry England Number of volunteer hours in the nation’s forests
Making woods and forests work for the economy	<ul style="list-style-type: none"> Sustainable volume of timber brought to market by Forestry England as stated in annual sales plan Number of people supported via the Forestry Training Fund securing employment in forestry

Environmental Improvement Plan Goals and related targets

- Relevant to the government’s approach to monitoring and evaluating progress on the Environmental Improvement Plan, which takes a Natural Capital approach.
- Goal 1: Thriving plants and wildlife. Restore or create more than 500,000 hectares of wildlife-rich habitat by 2042, alongside our international commitment to protect 30% of our land and ocean by 2030
- Goal 7: Mitigating and adapting to climate change. A UK-wide legally binding target of net zero emissions by 2050, including carbon budgets 4, 5, and 6 from 2023 to 2037
- Goal 10: Enhancing beauty, heritage and engagement with the natural environment. Work across government to fulfil a new and ambitious commitment that everyone should live within 15 minutes’ walk of a green space.
- We will also connect the benefits of trees and woods to policy agendas in Health and Social Care, Energy Security and Net Zero and Science, Innovation and Technology.

Bigger benefits for nature, climate, people and the economy



£63.5 billion
Total natural capital value of the nation's forests



285 million
Number of visits per annum to the nation's forests managed by Forestry England



£436 million
Gross Value Added from domestic forestry

Gross Value Added from domestic forestry



Issues and risks

Many important issues and risks affect the delivery of the Forestry Commission's objectives.

Ambitious tree 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, and a sufficiently trained workforce and landowner engagement. The scale of the challenge should not be underestimated. Statutory targets for increasing tree canopy cover sit alongside the Government's commitment to the global target 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 is important to identify mutually compatible ways to achieve both woodland expansion and nature recovery whilst protecting both food and timber security.

Woodland creation is a permanent land use change, and landowners need to be persuaded about the long-term financial benefits of growing woods. Spending Review 2021 (SR21) secured sufficient funding for Forestry Commission programmes, but uncertainty over the sustainability of funding beyond 2024-25 and an erosion of core funding over the past 10 years, may result in a shortfall which could threaten Forestry Commission's

ability to deliver statutory functions, meet statutory targets, and wider Government objectives.

Whilst some progress has been made this year through increases to EWCO rates and through the woodland creation fast track offer, more needs to be done to achieve this ambitious target. The Forestry Commission will continue to work with its stakeholders to promote tree planting by creating parity with other land incentives, and securing green finance incentives and legislative changes to unlock regulatory reform as committed to in the England Trees Action Plan.

Uncertainty of future funding

Against the backdrop of the global shocks of the pandemic and the Russia invasion of Ukraine, the economic outlook for the Nation is challenging. Whilst government will prioritise its limited resources against competing objectives, if insufficient resources are provided to the Forestry Commission in the next Spending Review it will fail to deliver its goals set out in its 5-year Strategy.

Furthermore, without understanding the underpinning confidence of the level of funding that will be provided into the medium term, decision making today will impact the Forestry Commissions ability to deliver positive progress against ambitious tree targets.

The Forestry Commission will therefore robustly make its case running up to the next Spending Review,

highlighting the tangible difference it makes in the sector, whilst showcasing its ambition in the years ahead.

In the near term, further efficiencies for the Forestry Commission are required in the next year 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 date these have not been realised and a combination of challenging economic conditions, high inflation including pay inflation, and reducing government funding means that Forestry England's financial position is insecure in the medium term. To realise these savings the Forestry Commission and Defra need to accelerate work to deliver these freedoms as well as exploring new approaches for how Government funds are provided in support of Forestry England and its work caring for the nation's forests. These are dependent on the decision and implementation of options being considered for non-legislative reform.

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 better pay and progression for comparable roles elsewhere. It is notable that both Scottish and Welsh governments pay more for the same skills in the

forestry sector. This pressure on staff is increasing with the current economic climate. A pay case was submitted this year, but it was unsuccessful, with management attention now focused on the creation of a forward action plan. Without addressing structural pay issues, the risk remains that the Forestry Commission will fail to retain and attract the required expertise and numbers of staff needed to successfully deliver Government commitments if not treated. 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, noting that circa 300 posts are not currently funded beyond March 2025. We have continued the delivery of the Professional Manager Programme and are introducing a Senior Leadership Programme in the coming year to retain current staff and encourage individuals to progress to other roles within the Commission. Applications for the various graduate entry and technical apprenticeship schemes run by the Commission remain significantly oversubscribed. The Forestry Commission People Strategy continues to work on maintaining the Forestry Commission's wider offer and attractiveness as an employer.

Our changing climate

There is a risk that without sufficient action to mitigate against our changing climate and related biosecurity risks, trees and woodlands will fail to deliver the full range

of benefits, such as carbon sequestration, improved biodiversity and social factors to the nation. The nation requires resilient forests to resist pests and diseases from overwhelming our response capability, which would result 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 57% (2022-23: 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. However, for many owners managing woodlands is an uneconomic activity.

Management of Grants

The increasing volume of approved woodland creation grants focuses the need to adequately manage our grants procedures and processes. Without management action, there is a risk that frictions which may prevent delivery of our goals remain. The initial deployment of the new Grant Management System this year remains a critical dependency for Forestry Commission's successful delivery of the Nature for Climate Fund programme target, and beyond. Failure to fully roll out this programme will have detrimental operational and reputational impact. There remains good compliance with the functional standard for grants with ongoing engagement with Cabinet Office and Defra Group forums on grant management.

The Forestry Commission is working hard with our stakeholders to robustly challenge and strengthen our procedures ensuring that we minimise the risk against fraud, error and irregularity to demonstrate value for money for the taxpayer. Growth in grant value is on pages 37 and 148.

Performance analysis

Our complete range of key performance indicators (KPIs) for Forest Services are published on www.gov.uk.

Some key indicators are reported here, 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.

Current tree pests and pathogens

Chalara Ash dieback (*Hymenoscyphus fraxineus*)

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

Ramorum Disease (*Phytophthora ramorum*)

Ramorum disease is a highly destructive, algae-like organism which has been found in most regions of the United Kingdom, but it is more often reported in wetter, western regions. This pathogen is under official control (containment).

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. This pest is under official controls (eradication and containment).

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. This pest is under official control (eradication and containment).

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. This pest is under official control (Eradication).

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. This pathogen is under official control (Eradication and containment).

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:

Alleged illegal felling figures continue their trend of rising in England, although as a proportion of legal felling activity they remain extremely low. While the absolute numbers of alleged illegal felling reports continues their upward trend, it is unclear whether this is a result of additional illegal activity, or whether tree felling controls have become more well known among the public owing potentially to high profile cases such as Sycamore Gap, or Plymouth and Sheffield City street trees which result in more reports being made to the Forestry Commission.

What is clear is that the number of felling licences that have been applied for and granted continues to rise, which keeps the proportion of felling which is alleged to have been illegal as a consistently small percentage of overall felling rates.

Inhouse Investigations	2023-24	2022-23
AIF reports in 2022-23	753	635
Restocking Notices issued	65	35
Enforcement Notices issued	44	36
Formal warnings issued	36	4
Active cases still pending a Forestry Commission decision	118	71
Defra Investigation Services (DIS) referrals		
Cases currently under investigation	39	51
Prosecutions	11	6
Formal cautions issued	0	2
Cases closed without action	2	5
Criminal investigations concluded with Crown Prosecution Service rejection	1	2

Financial review

Following the Spending Review in 2021, the budget allocations provided for 2023-24 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 again in the 2023-24 financial year with increases in staff numbers and grants provided to deliver services secured through additional funding. Balancing the Forestry Commission portfolio of outcomes in 2023-24 has again been challenging, however.

The prevailing economic circumstances in relation to inflationary pressures and fluctuating prices has meant

that some activities and recruitment originally planned, have been halted or slowed. In addition, due to uncertainty regarding future plans in the next Spending Review a decision not to over commit, and thus bring in more temporary roles has been made. The underpinning efficiency savings in the funding baseline in SR21 have not been delivered, however the Forestry Commission remained within budget for the year.

Comparison with prior years

The follow table describes the high level financial performance over the past 5 years:

Consolidated	2023-24 £000	2022-23 £000	2021-22 £000	2020-211 £000	2019-20 £000
Operating Income	(18,184)	(16,900)	(15,589)	(13,884)	(15,378)
Staff Costs	50,932	38,006	31,432	25,976	24,124
Other Operating Expenditure	123,906	76,018	71,060	47,176	35,776
Net Operating expenditure	156,654	97,124	86,903	59,268	44,522

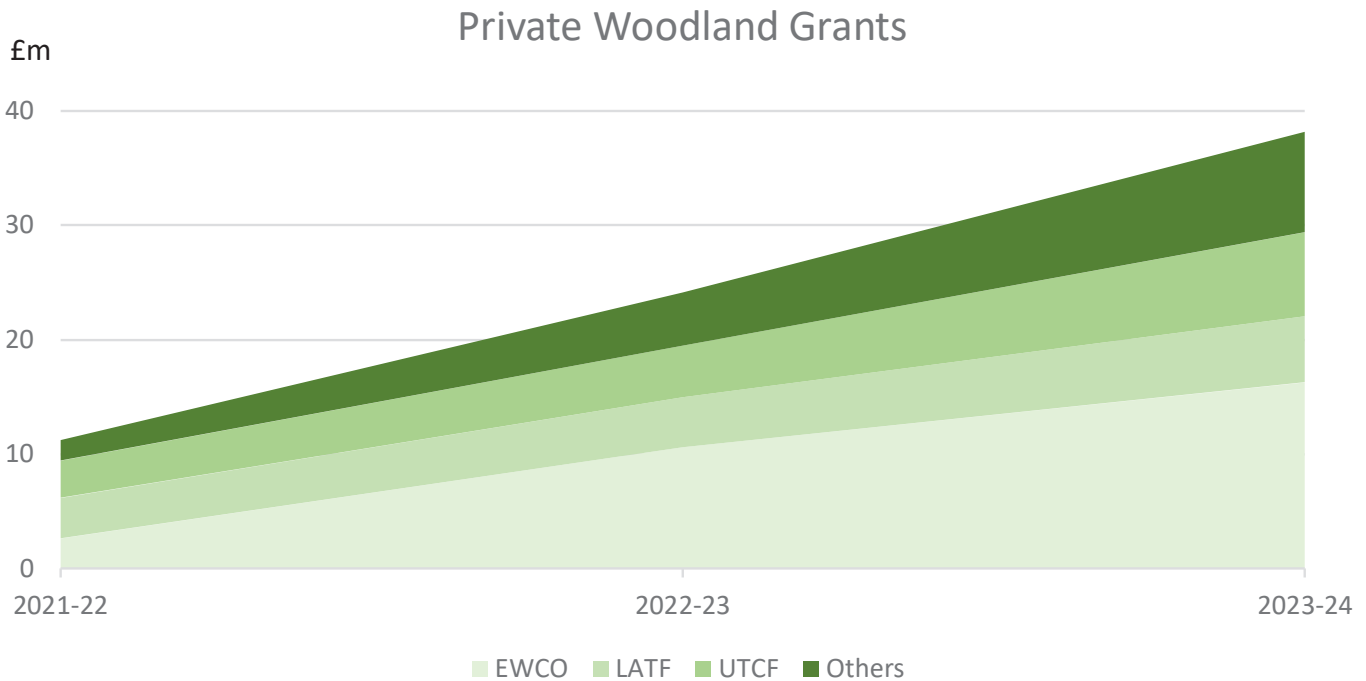
Operating income is largely secured under the Memorandum of Understanding agreement for Forest Research. Forest Research has been successful in winning additional bids during the year which have led to the expansion of services across multiple research areas, resulting in increasing operating income for 2023-24.

Despite not meeting the recruitment targets for 2023-24, staffing costs increased by 29% (an increase of £12.9 million over 2022-23 levels) in order to meet the

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.

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 direct funding to Forestry England. This has increased by £46.9 million over the prior year. This is due in the main to increases to grants provided (private woodland grants increased by 58%; some £12.9 million over 2022-23) as well as a £24.6m increase in direct Forestry England funding.



The increase in Forestry England funding is as a result of Nature for Climate activities (such as freehold purchases for planting) as well as a number of one-off funding approvals for vital estate work/vehicle replacements. It is expected that this relief will continue in 2024-25 in order to assist Forestry England in meeting its current financial

challenges, against difficult trading conditions as a Public Corporation.

Compared to previous years which witnessed large growth in Forest Services activities, it is anticipated that this will level off in the next financial year (a further £10 million over the 2023-24 position) as further recruitment and grant activity is required to meet the steady state on delivering the range of targets incumbent on the Forestry Commission.

The balance sheet has been impacted in recent years by the large increase (61%) 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 £14.7 million) the Forestry Commission is content that funding for this was covered within our 2023-24 budget and does not pose a risk to 2024-25 activity.

Sustainability report

Forestry Commission reports sustainability in line with the Greening Government Commitments and HM Treasury's Financial Reporting Manual requirements.

Forestry England, Forest Services and Commissioners' Office provide combined reporting against Greening Government Commitments (GGC). Forest Research report their GGC commitments separately, but their results are combined below with Forest Services and Commissioners' Office data in our performance summary against the GGC below.

The environmental impacts of our forest management activities are managed through our Environmental Management System (EMS) which is designed to meet the requirements of BS EN ISO 14001 2015, to which we are endeavouring to re-gain certification.

Sustainable forest management is demonstrated by conforming to the UK Woodland Assurance Standard (UKWAS), which incorporates the UK Forestry Standard (UKFS) requirements. Forestry England is independently certified by accredited certification assessors under the Forestry Stewardship Council's (FSC) and Programme for the Endorsement of Forest Certification (PEFC).

Carbon sequestration by the nation's forests is included in our annual corporate natural capital account.

Emissions By Source and Scope		2023-24	2022-23	2021-22	2020-21	2017-18
		Actual	Actual	Actual	Actual	GGC B/L
Scope 1 - Direct emissions	tCO₂e	599	506	405	420	237
Built estate	tCO ₂ e	162	286	259	306	-
Natural Gas	tCO ₂ e	162	283	259	306	-
Heating Oil (Burning Oil)	tCO ₂ e	-	3	-	-	-
F-Gas	tCO ₂ e	14	3	23	-	-
Fleet vehicles (includes company cars)	tCO ₂ e	423	217	123	114	237
Scope 2 - Energy indirect emissions	tCO₂e	330	292	265	337	520
Location-based	tCO ₂ e	307	277	272	253	528
Market-based	tCO ₂ e	25	24	5	94	-
On site energy generation (emissions avoided)	tCO ₂ e	(2)	(9)	(12)	(10)	(8)
Scope 3 - Other indirect emissions (where measured)	tCO₂e	537	453	207	71	-
Business Travel	tCO₂e	537	453	207	71	-
Personal car	tCO ₂ e	156	180	136	65	-
Hire car	tCO ₂ e	183	157	51	6	-
Domestic Flight	tCO ₂ e	84	44	10	-	-
International Flight	tCO ₂ e	71	47	4	-	-
Rail-National	tCO ₂ e	41	24	6	-	-
Taxi	tCO ₂ e	2	1	-	-	-

Consumption by source						
		2023/24	2022/23	2021/22	2020/21	2017/18
Scope 1						
Natural Gas	kwh	966,465	1,547,913	1,414,920	1,665,175	1,355,120
	£000	60	66	47	47	40
Heating Oil (Burning Oil)	kwh	-	10,630	-	-	6,426
	£000	-	1	-	-	0
Fleet vehicles (includes CAPES leased vehicles)	km	2,522,637	1,409,726	869,308	747,579	2,024,558
	£000	11	54	283	166	288
F-Gas	kg CO2e	11	2	-	-	-
Scope 2						
Electricity - green tariff	kwh	1,456,197	1,314,507	1,180,249	981,523	1,101,095
	£000	381	289	197	148	151
Renewable generation	kwh	-	42,915	43,674	42,156	24,115
Scope 3						
Non fleet road vehicles (personal and hire car)	km	2,599,632	1,683,857	1,102,709	355,602	-
	£ 000	533	421	163	64	-
Personal car	km	1,684,055	961,571	792,674	323,466	-
	£000	328	263	107	57	-
Hire car	km	915,577	722,286	310,035	32,136	-
	£000	205	158	56	7	-
Public transport	km	1,421,713	1,129,281	224,360	14,413	-
	£000	404	194	61	3	-
Light rail / Tram	km	2,102	686	200	-	-
	£000	1	0	0	-	-
London Underground	km	3,537	2,256	351	196	-
	£000	1	1	0	-	-
Taxi	km	9,552	2,568	1,520	109	-
	£000	17	5	2	-	-
Bus	km	6,433	1,542	500	43	-
	£000	4	1	0	-	-
Ferry	km	2,237	1,010	412	77	-
	£000	5	2	1	-	-
Domestic Flight	km	206,828	180,373	40,424	925	-
	£000	80	48	11	0	-
International Flight	km	259,888	266,408	22,185	-	-
	£000	28	29	3	-	-
Rail-National	km	930,724	674,438	158,768	13,063	-
	£000	267	108	44	3	-
Rail International	km	412	-	-	-	-
	£000	1	-	-	-	-

Waste (excl. sewage) total	tonnes	175	119	77	84	72
	£000	89	60	33	32	219
Recycled	tonnes	167	111	69	81	60
Incinerated with energy recovery	tonnes	3	5	0	2	-
Incinerated without energy recovery	tonnes	2	-	-	-	-
Landfill	tonnes	1	1	1	1	12
Hazardous	tonnes	2	2	7	-	-
Sewage	tonnes	531	669	451	548	-
Water consumption - total	m3	12,863	13,358	7,146	11,626	32,279
	£000	33	30	11	17	33
Mains	m3	12,863	13,358	7,146	11,626	13,725
Office	m3	2,573	2,672	1,429	2,325	2,745
Non office	m3	10,290	10,686	5,717	9,301	10,980
Paper use	reams	245	288	200	280	940
Total estate energy (all scope 1 & 2 energy)	kwh	2,422,662	2,915,965	2,638,843	2,688,854	2,438,526
Total energy for heat from fossil fuel (gas and oil)	kwh	966,465	1,558,543	1,414,920	1,665,175	1,361,546

Note: Additional granularity of cost of waste has been captured within our improvement plan for future reporting.

There were no reportable environmental incidents in 2023-24.

Overview

The Forestry Commission works with others to enable sustainable forest and land management and to manage its own environmental impacts, whether as a tenant or landlord. Prior year comparison figures include buildings and sites that were part of our Central Services function. Core Forestry Commission does not independently occupy any buildings, so 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.

Sustainability strategy

The Forestry Commission Executive Board continue to support sustainability across our functions.

In 2023-24 we have focused on;

- increasing awareness and uptake of the Woodland Carbon Code
- working through transition to ISO 14001-2015 standard and recertification
- cooperating with Forestry England to prepare a net zero strategy which will set out how we will achieve Forestry England's net zero ambition.
- 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.

Forestry England’s strategy for the nation’s forests ‘Growing the Future’ sets a target of meaningfully reducing our direct emissions whilst better measuring our indirect emissions. We have an ambition of net zero by 2030.

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 2023-24 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

Consideration of climate change impacts is embedded all governance and key decisions made by the Forestry Commission, it is also considered in performance management.

- Despite efforts to manage our carbon emissions, in 2023-24 our overall emissions have increased on last year. However, the organisation's emissions have reduced 42% against the baseline year of 2017. The target is for a 50% reduction by 2025. The main causes of the emissions increases this year come from increasing amounts of travel and operational fuel use.
- However, we have seen reductions in the emissions from our buildings and so we now exceed the GGC target of a 15% reduction in direct emissions by 2025.
- The organisation has also managed to reduce the number of domestic flights in line with the target.
- Our fleet represents a significant contributor to the organisation's direct scope 1 emissions. Getting our fleet to zero emissions by 2027 remains a challenge. We remain operationally reliant on road transport and are working with the challenges of sourcing appropriate vehicles as well as the electricity grid capacity.
- Investment in evolving our fleet to ultra-low and zero emissions vehicles where operationally possible is ongoing.

Minimising waste and promoting resource efficiency

The organisation is managing to reduce the volume of waste it produces, with a >50% reduction against the baseline year of 2017. Efforts are needed now to improve our recycling rate and reduce waste sent to landfill in order to meet government targets by 2025.

Although sewage waste is not included within the reporting requirements for GGC it remains a significant waste stream for the organisation.

This year, we have completed a review of the products available through our office supplies contract to ensure that where alternative products are available we have removed Consumer Single Use Plastics (CSUPs) from our catalogue. We have also issued a reminder to teams about the ban on CSUPs on the government office estate. Paper use across our office estate is measured and has reduced by 46% against a 2017-18 baseline.

Where we offer a food service these are required to comply with sustainable principles including the using fresh, local, and ethically sourced ingredients, reducing food miles, packaging, waste and increasing composting and recycling.

Addressing a need for improved sustainability within our corporate clothing contract, any unwanted or worn-out branded clothing is now returned to the supplier for re-use as biofuel.

Reducing our water use

Despite a target to reduce water by 8%, water use across the Forestry Commission has increased and is now significantly up since our baseline year of 2017. To some extent we feel this may be due to improved reporting of water use, however the organisation is reviewing the water inventory and management systems to establish accurate usage and improve water management.

The scope of reported water does not yet include our indirect water use. This, also known as embodied water (in the products and services that we procure) will be considered within the implementation of our net zero and environmental sustainability strategy, currently in development.

We have also yet to include within our reporting scope purchase of licences for water use. This has been captured in our improvement plan for future reporting.

Procuring Sustainable products and services

Forestry England aims to buy sustainable goods and services as far as possible. Internal guidance includes sustainability at each stage of the procurement cycle. Procurement processes advise buyers to consider sustainability of the goods and services and link to Government Buying Standards where these are relevant.

Our customer food outlets are leased to third party providers. These providers must follow sustainable principles and we have key performance indicators to

monitor this in new leases. These include using fresh, local, and ethically sourced ingredients, reducing food miles, packaging, waste and increasing composting and recycling.

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

Alternatives to plastic signs, tree shelters and Christmas tree netting are being trialled to reduce the use of plastics made from fossil fuels and to increase the recycling of signs.

This year, as part of the work to develop our net zero strategy, Forestry Commission has measured the carbon emissions associated with our supply chain. We have also surveyed our key suppliers to understand sustainability in our supply chain. The results of the supplier survey and analysis of emissions associated with our purchased goods and service will inform how we engage with suppliers to deliver our net zero strategy.

Nature recovery and biodiversity action planning and adapting to climate change

Forestry Commission already delivers a range of programmes supporting biodiversity and nature recovery, whilst our core business managing the nation's forests

drives environmental sustainability and consideration of adaptation to projected climate impacts. As part of our Growing the Future commitment to achieve net zero and building on our work to date under the GGC, Forestry Commission is currently developing a Net Zero Strategy with the intention for internal approval and implementation to be underway during 2024-25.

We are also now working to draw together under one strategic framework the breadth of our ongoing environmental work with our emerging emissions reduction work. We are preparing to develop an Environmental Sustainability Strategy and Climate Change Adaptation Strategy from 2024-25 aligned with our Net Zero timescales. We intend to align this with Task Force on Climate-Related Financial Disclosures (TCFD) reporting requirements to create an integrated delivery and reporting model going forwards.

Reducing environmental impacts from ICT and Digital

The Forestry Commission Information Technology team is reducing the environmental impacts of its service. This complements and aligns with the recently launched IT Strategy (2023-26). The programme focuses on architecting IT and technology solutions with sustainability principles in mind. It has key focus areas, with links to the wider aims of the Defra, Greening Government: ICT and digital services strategy and Forestry Commission values.

These key focus areas include:

- Developing regular reporting on the department's environmental impact.
- Reporting an annual ICT and digital footprint (as part of Forestry England annual carbon footprint).
- Working with supply chains and third parties to reduce the impact of IT services (including scope 3 emissions).
- Key focus on waste management.
- Promoting 'responsible digital citizens'.

The workstreams for these focus areas will need some project work before becoming business as usual. Critical to these workstreams is linking with colleagues across the organisation so they are understood and implemented.

There are essential frameworks and requirements that IT must have to provide its service. Whilst sustainability will not be the only consideration in scoping IT products and services, it will form one part of the central decision-making process and guiding principles. This applies to services that IT implement as a part of its core offering, as well as those on behalf of other business areas.

Task Force on Climate-Related Financial Disclosures

Forestry Commission is currently partially aligned against the TCFD reporting requirements under Phase 1. We

disclose our metrics used in our reporting through the GGC process. As we report our climate metrics under GGC we have used this as the basis for identifying our headline climate-related risks and opportunities, alongside risks for more specific areas of our business that have been identified by our subject matter expertise within our organisation.

Our Board considers climate risk and environmental issues at a strategic level as evidenced through our ‘Thriving for the Future’ (2023-28) strategy which prioritises climate action. However, we recognise that more work is needed to strengthen appropriate processes that enable our Board to assess climate risks and impacts for our organisation in coming years.

Our Executive Team considers climate and environmental risks through the development of our business planning process and the implementation of our forest management operations. It is also considered as part of our major programmes, such as our work on woodland creation, natural capital and biodiversity management. The Executive Team has also mandated the establishment of a climate and emissions reduction strategic framework, which is currently in development. This builds on our existing range of work across our core business managing the nation’s forests that drives environmental sustainability and consideration of adaptation to projected climate impacts.

Completing the TCFD reporting exercise for 2023-24 according to Phase 1 guidance has identified where we need to strengthen our processes for Phase 2 building on our current capabilities. We have a number of workstreams in development to do so, including:

- Development and publication of our Net Zero Strategy that goes beyond GGC reporting metrics to include all Scope 1, 2 & 3 emissions within our defined reporting boundary
- Planning for the development of an Environmental Sustainability & Climate Risk & Adaptation Strategy that will draw together our climate management and net zero approaches under one strategic framework, to be aligned with TCFD requirements
- Developing a Climate Risk Register
- Strengthening our existing governance and accountability framework from Board through Executive and Management.

R J Æ Stanford 11 November 2024
Accounting Officer
Forestry Commission

Section two: Accountability report

Corporate Governance



The purpose of the Corporate Governance Report is to explain the composition and organisation of Forestry Commission's governance structures and how they support the achievement of our objectives.



It sets out how we have managed and controlled our resources during the year. It provides assurance on how we have carried out our corporate governance, how we have managed significant organisational risks and how we have addressed control issues.



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 the HM Treasury's Financial Reporting Manual.

Directors' report

Relationship with Defra and the wider Defra group

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

- Thérèse Coffey MP, Secretary of State until 13 November 2023
- Trudy Harrison MP, Parliamentary Under Secretary of State until 13 November 2023
- Lord Benyon, Minister of State for Biosecurity, Marine and Rural Affairs until 14 November 2023
- Steve Barclay MP, Secretary of State from 13 November 2023
- Rebecca Pow MP, Parliamentary Under Secretary of State from 13 November 2023
- Robbie Douglas-Miller OBE, Parliamentary Under Secretary of State for Biosecurity, Marine and Rural Affairs from 1 December 2023

Our Board



Sir William Worsley

Chair



Julia Grant

Non-Executive Commissioner



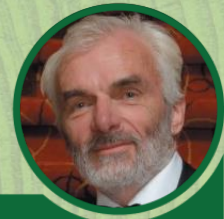
Jennie Price

Non-Executive Commissioner



Peter Latham

Non-Executive Commissioner



Jo Bradwell

Non-Executive Commissioner



Hillary Allison

Non-Executive Commissioner



Sandy Storrie

Non-Executive Commissioner



Ross Murray

Non-Executive Commissioner



Richard Stanford

Executive Commissioner

Julian Evans served as a Non-Executive Commissioner on the Board of Commissioners until the end of his contract on 31 December 2023: he was replaced on 19 February 2024 by Jo Bradwell.

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.

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 2023-24 (2022-23: 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 2023-24 95.9% (2022-23: 94.8%)

of invoices for core Forestry Commission and 98.5% (202223: 97.3%) 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 late payment interest and charges of £10.36 were incurred (2022-23: nil).

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 £55,000 (202223: £54,300). In addition, the notional fee for the audit of the Forest Research Agency was £50,750 (202223: £49,900). These fees may be subject to increase due to additional work performed on grants. No fees were charged for other services (2022-23: 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 2023-24 up to the date of the production of the annual report and accounts, with the combined Forestry Commission Audit and Risk Assurance Committee (ARAC) operating from November 2020, and accords with HM Treasury guidance.

The governance framework

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

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

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

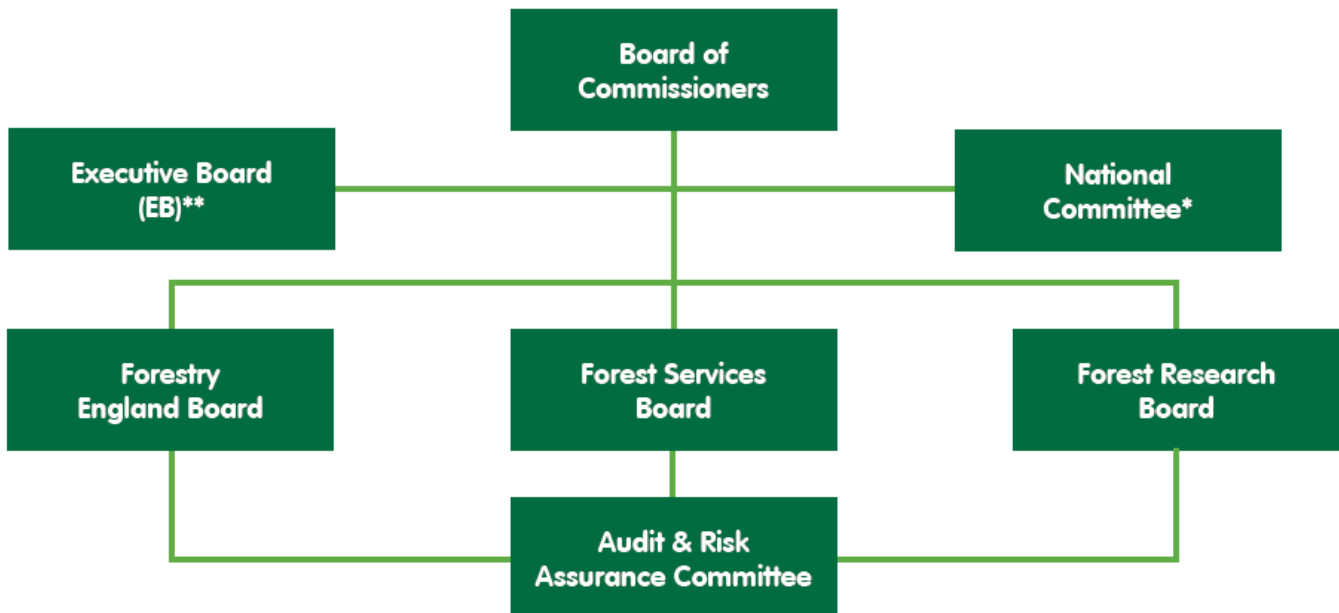
Only international forestry policy is reserved but the Forestry Commission continues to operate some cross-border functions, such as biosecurity at the UK border and forestry research, which are cofunded with the devolved administrations. Defra is responsible for forestry policy in England.

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 2023-24 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.



* Although the Board of Commissioners has appointed a National 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.

** 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 July and December 2023.

Further information on the Board of Commissioners and their responsibilities is available on www.gov.uk

The Forest Services Board

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

The 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 2023-24 was:

- Sir William Worsley, chair Forestry Commission
- Hilary Allison, non-executive commissioner
- Sandy Storrie, non-executive commissioner
- Ross Murray, non-executive commissioner
- John Lockhart, non-executive member
- Richard Stanford, executive commissioner and Forestry Commission Chief Executive Officer
- Anna Brown, Director Forest Services
- Steph Rhodes, Forest Services Chief Operating Officer
- Derrick Osgood, Forestry Commission Director Finance and Corporate Governance
- Edward Barker, Defra Natural Environment Trees and Landscape Directorate

The Forest Services Board met in May, July, November, December 2023 and March 2024.

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, June, September, November 2023 and January 2024.

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

All Forestry Commission entities are covered by a single Audit and Risk Assurance Committee (ARAC) which advises the Board of Commissioners, the Forestry England, Forest Services and Forest Research Boards, and Accounting Officers for the Forestry Commission, Forestry England and Forest Research.

Through its work, the ARAC provides independent assurance to the Forestry Commission board on those key activities that support the achievement of the Forestry Commissions' objectives. The Forestry Commission has a risk register which is reviewed by the executive board and is overseen annually by the ARAC. Assurance is also provided through the findings from work carried out by the Government Internal Audit Agency (GIAA). The ARAC operates in accordance with

the principles contained in HM Treasury’s Audit and Risk Assurance Committee Handbook.

A register of interests and of all ARAC members is maintained by the Forestry Commission and published on www.gov.uk which also includes further details of ARAC members, activities and meetings.

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

Summary of the ARAC 2023-24

During the year, the Committee discussed a wide range of issues, detailed in the following graphic.



- ARA
 - Review and scrutiny of the ARA
- Risk Management
 - Medium term horizon scanning
 - Review and scrutiny of risk management and controls
- Internal & External Audit
 - Review of external audit planning
 - Oversight of internal audit reporting & planning
- Security
 - Data protection
 - Department Security Health check
- Governance
 - Safeguarding
 - Complaints
 - Fraud
 - Whistleblowing
- Committee Structure & Effectiveness
 - Programme of work
 - Alignment with CO – functional Standards
- Financial Sustainability

ARAC Membership:

- Three Commissioners (Four from December 2023 to March 2024)
- Two non-executives
- One of whom must have recent relevant financial experience, drawn from across the three Boards.

In attendance:

- 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

The Committee met twice in June then September and November 2023 and March 2024.

Valuation of the Nations Forests

ARAC is presently working with the Board and Executive Management of Forestry England to ascertain the impact on the Forestry England ARA of a material methodological error in calculating the value² of the nation's forests. This issue has only recently been

² For the purposes of this Annual Report and Accounts, 'valuation' refers to an estimation of the value of the land, biological and other assets relating to the nation's forests which are managed by Forestry England.

identified and has possibly existed for many years. Actions will be taken to correct the error and enable an accurate valuation to be completed for 2023-24 accounts, including a prior year adjustment to restate the Forest Estate valuation at 31 March 2023, and at 31 March 2022.

As Forestry England is a separate reporting entity, this issue has no impact on the Forestry Commission annual report.

Task Force on Climate-Related Financial Disclosures

This is the first year that Forestry Commission has reported on climate-related financial disclosures consistent with HM Treasury's TCFD aligned disclosure application guidance which interprets and adapts the framework for the UK public sector.

We can confirm that Forestry Commission has complied with the TCFD recommendations and recommendations disclosures around:

- governance (all recommended disclosures) – for details of how we are managing our compliance see our Governance statement and performance report.
- metrics and targets (disclosures (b)) – for details of how we are complying refer to our report on environmental sustainability.

This is in line with the central government’s TCFD-aligned disclosure implementation timetable.

Recognising the urgent nature of responding to the climate crisis, and the impact this could have on our organisation we are committed to maturing and enhancing our climate risk disclosures, as such Forestry Commission plans to make disclosures for Strategy, Risk Management and Metrics and Targets disclosures (a) and (c) in future reporting periods in line with the central government implementation timetable.

Performance

All of the committees and boards have linkages through shared membership. Each sub-board provides a nonexecutive commissioner or director 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 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 2023-24. 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 and the Board of Commissioners 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.

There have been no whistleblowing cases raised in the Forestry Commission in 2023-24; there is one ongoing case reported in Forestry England.

Risk management

The Forestry Commission's risk management policy demonstrates the full commitment of the Forestry Commission to effective risk management, adopting best practice in the identification, evaluation and control of risks. By adopting its risk management policy, the Forestry Commission recognises risk management as an important function in helping to ensure it achieves its aims and objectives. In addition to the policy, the Forestry Commission has an agreed Risk Appetite Statement which provides a framework to enable the organisation to make informed management decisions.

Our risk management policy and processes have been designed to comply with the requirements of the Orange Book's five principles.

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.

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.

Grants

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 enough to compete with other land use incentives. 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. In most cases however woodland creation grants are paid in arrears once the planting has been completed and the claim reviewed for accuracy (and inspected as necessary) thus reducing the risk of fraud. Where this is not the case expenditure is covered under Section 31 of the Local Government Finance Act 2003, with similar reviews and inspections as appropriate. Additionally, the Forestry Commission is actively reviewing and improving its grant policy and processes to avoid irregularity, improve throughput on applications whilst taking a risk-based approach as appropriate. Current sampling is not currently extrapolated across the entire grant population future development is planned to improve this. In addition, we are developing increased reporting of possible fraud and error across all grant schemes with the intent of providing estimates of potential error by scheme in the future.

Pay

Whilst staff were provided a minimum of a 4.5% salary uplift in line with the annual civil service pay guidance, pay continues to be a contentious and challenging issue. The Forestry Commission was unsuccessful in gaining final approval in time to implement the ‘Your Offer’ pay flex business case in 2023-24. This proposal would have mitigated in part perceived problems within the current pay model and is the main area of concern flagged in Staff Surveys. Against a challenging economic backdrop, management will now take stock and examine options, building on the work achieved thus far, working in concert with Defra, the Cabinet Office, Treasury and Forestry Commission Trade Unions.

Limited legal powers of the Forestry Commission

The Forestry Act is over 50 years old, and the duties and powers of the Forestry Commission should be updated and extended. There is a risk that without legislative and non-legislative reform it will not have the legal powers and processes needed to deliver its contribution to the successful delivery of thriving trees, woods and forests. In particular, commercial revenue generating opportunities within the nation’s forests will be missed.

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. 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. Activities this year include the creation of new physical security and business continuity policies as well as initial work to assure our most vital cyber systems through the National Cyber Security Centre's Cyber Assessment Framework (CAF).

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.

Wider circumstances and future challenges

The main challenges for the Forestry Commission during 2023-24 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 any 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.

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.

Remuneration Report

Employment contracts

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

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 civilservicecommission.independent.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	Unexpired term (months ¹)
Sir William Worsley	10/02/2023	23
Hilary Allison	01/04/2023	24
Julian Evans²	01/04/2023	-
Julia Grant	01/11/2022	7 ³
Peter Latham	01/04/2022	12
Jennie Price	01/04/2022	12
Sandy Storrie	01/04/2023	24
Ross Murray	01/10/2022	18
John Lockhart⁴	01/08/2023	16
Jo Bradwell	19/02/2024	34

1 months remaining from 31 March 2024

2 Commissioner contract expired 31 Dec 2023, now a non-executive member of the Forest Research board

3 24 month contract

4 non-executive member of the Forest Services board

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 2023. 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 the nearest £100)	Pension benefits (to nearest £1,000)	Total
		£000	£000	£	£000	£000
Richard Stanford	2023-24	140-145	5-10	-	56	200-205
Chief Executive Officer	2022-23	130-135	-	-	53	185-190
Derrick Osgood	2023-24	80-85	0-5	-	34	120-125
Director of Finance and Corporate Governance	2022-23	50-55 ¹	-	-	(26)	60-65
Jo Ridgway	2023-24	65-70	0-5	-	26	90-95
HR Director	2022-23	60-65	-	-	23	85-90
Steph Rhodes	2023-24	70-75	-	-	35	105-110
Forest Services Chief Operating Officer ²	2022-23	65-70	5-10	-	9	85-90
Anna Brown	2023-24	80-85	-	-	35	115-120
Director Forest Services	2022-23	70-75	-	-	27	100-105

1 From 1 August 2022. Full year equivalent £75-80,000

2 The post was formally called the Delivery Director England Tree Planting Programme

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

- Paula Rice, Director of Finance & Corporate Services of Forest Research

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 2023-24.

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 2023-24 (nil in 2022-23).

Disclosure of salary, pension and compensation information for 2023-24 – subject to audit

	Accrued pension at pension age at 31 March 2024 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2024	CETV at 31 March 2023	Real increase (decrease) in CETV
	£000	£000	£000	£000	£000
Richard Stanford	5 - 10	2.5 - 5	140	79	41
Derrick Osgood	30 - 35 plus a lump sum of 85 - 90	0 - 2.5 plus a lump sum of 0 - 2.5	705	625	22
Jo Ridgway	10 - 15	0 - 2.5	227	181	20
Steph Rhodes	20 - 25	0 - 2.5	421	363	22
Anna Brown	20 - 25 plus a lump sum of 60 - 65	0 - 2.5 plus a lump sum of 0 - 2.5	513	445	24

Any members affected by the Public Service Pensions Remedy were reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. 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. All newly

appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year.

Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as “rollback”.

For members who are in scope of the public service pension remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2023 and 31 March 2024, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or alpha benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

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).

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 2024.

	2023-24		2022-23	
	Fees	Expenses	Fees	Expenses
	£000	£000	£000	£000
Sir William Worsley	39	2	39	2
Hilary Allison	12	1	12	1
Julian Evans ¹	9	-	12	-
Julia Grant	12	1	12	1
Peter Latham	12	2	12	1
John Lockhart	5	1	8	-
Jennie Price	12	-	12	-
Sandy Storrie	12	2	12	-
Ross Murray	12	-	5	-
Jo Bradwell ²	1	-	-	-

1 Commissioner contract expired 31 Dec 2023, now a non-executive member of the Forest Research board

2 Commissioner term started 19 February 2024

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

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 202324 was £140-145,000 (2022-23: £130135,000).

In 2023-24, no (2022-23: nil) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £22,000 to £142,000 (202223: £20,000 to £135,000).

		2023-24	2022-23
25 th Percentile	Salary	£29,863	£27,779
	Pay and Benefits	£31,363	£27,779
	Pay Ratio	4.77	4.77
Median	Salary	£34,292	£34,240
	Pay and Benefits	£35,792	£34,240
	Pay Ratio	4.16	3.87
75 th Percentile	Salary	£37,485	£38,842
	Pay and Benefits	£38,985	£38,842
	Pay Ratio	3.80	3.41

The percentage change from 2022-23 of the highest paid director is 5.5% (from 2021-22: 1.43%). The average percentage change from 2022-23 in respect of the employees as a whole is 3.43% (from 2021-22: 1.85%).

Pay ratios have deteriorated slightly in 2023-24 due to the value of the SCS pay deal exceeding the 2022-23 pay award, this is unfortunately not consistent with our pay and reward policy. This was particularly evident at upper and median pay where there is a higher concentration of headcount. The upper quartile salary has reduced due to significant new recruitment at pay band 4 where new starters are on the band minimum.

Pay and benefits includes a £1,500 cost of living payment made to all eligible staff during the year.

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.

Staff report

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

	Directors and senior civil servants	Permanently employed staff	Others	2023-24	2022-23
	Number	Number	Number	Total	Total
				Number	Number
Core					
Male	2	279	24	305	249
Female	3	252	29	284	203
Total	5	531	53	589	452
Forest Research					
Male	2	155	51	208	174
Female	1	114	60	175	134
Total	3	269	111	383	308
Consolidated	8	800	164	972	760

There are six senior civil servants, two are employed at Band 2, and four at Band 1.

We publish our gender pay gap report on www.gov.uk.

Staff costs – subject to audit

			2023-24	2022-23
	Permanently employed staff £000	Others £000	Total £000	Total £000
Core				
Wages and salaries	20,735	1,181	21,916	15,446
Social security costs	2,260	96	2,356	1,698
Other pension costs	5,378	274	5,652	4,112
Agency and temporary staff	-	634	634	1,007
Total net staff cost	28,373	2,185	30,558	22,263
Forest Research				
Wages and salaries	10,971	3,080	14,051	10,826
Social security costs	1,228	288	1,516	1,202
Other pension costs	2,824	789	3,614	2,874
Agency and temporary staff	-	1,194	1,194	842
Total net staff cost	15,023	5,351	20,375	15,744
Total net staff cost	43,396	7,536	50,932	38,007

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 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2023-24, employers' contributions of £9,096,000 were payable to the PCSPS (2022-23: £6,871,000) 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 2023-24 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 £57,000 (2022-23: £33,000) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £800 (2022-23: £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 £6,000. Contributions prepaid at that date were £nil.

Ill-health retirement

No one retired early on illhealth grounds (2022-23: nil); the total additional accrued pension liabilities in the year amounted to £nil (2022-23: £nil).

Sickness absence data

Year	Working days lost per staff year
2023-24	5.7
2022-23	5.3
2021-22	6.0

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

The Forestry Commission puts Health and Safety at the core of all our staff policies and practices. We have refocused efforts and made positive improvements across a range of health and safety systems and reporting commitments led through our Health and Safety Committee. We have maintained certification on ISO 14001 and implemented our Environmental Management System action plan as well as a new COSHH system in year. There were no reportable accidents (those causing incapacity for more than 7 days) in 2023-24 (2022-23: nil).

Staff turnover

In 2023-24, Forest Services and Commissioners' Office had a staff turnover percentage of 8.78% (2022-23:

10.77%), Forest Research had a staff turnover of 21.84% (2022-23: 18.48%).

Reason for leaving*	2023-24	2022-23
End of fixed term contract	0.17%	-
Redundancy	-	-
Retirement	0.84%	0.88%
Resignation	3.21%	4.84%
Resignation – less than 2 years	2.03%	3.30%
Transfer	1.52%	1.32%
Other	1.01%	0.44%

* Forest Services and Commissioners’ office data only.

People Strategy

In 2021, 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 third year with 312 managers in 12 learning groups from across the business completing the programme by March 2024. 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 exemplary behaviours, placing continuing professional development (CPD), at its core.

The programme is accredited by the Chartered Management Institute and 95 participants in total have registered to complete the Level 3 Award in Principles of Management & Leadership, with 35 participants having submitted their assignments to obtain the qualification.

During the latter part of the year a Senior Leadership Programme (SLP) was designed with support, input and direction from a Forestry Commission-wide Project Group and a wide range of stakeholders.

Building upon the success of the PMP, the programme will offer a range of development support and self-awareness tools such as 360 degree feedback through a range of workshops, masterclasses and Action Learning Sets. A pilot will launch in May 2024 and the programme will be rolled out across the organisation over the coming years with an agile approach to evaluation and continuous improvement to ensure the best development experience for our senior leadership group.

People Recognition Scheme

The Forestry Commission launched its first People Recognition Scheme in September 2023 to celebrate our employees' outstanding contributions and create a culture of appreciation across the organisation. The scheme includes an intranet hub with resources and tools for managers and employees, with five ways for giving

recognition: Thank you scheme, letters of appreciation, long service awards, nominations for external awards, and the Honours System and Ceremony Awards. Forestry England hosted the first edition of their People Awards, which was a great success.

Diversity and Inclusion

Everyone who works for the Forestry Commission is unique. We want to ensure that every single member of staff feels truly valued and included so that they feel able to share their diverse and unique perspectives and reach their full potential. Our Diversity and Inclusion strategy guides what we do, making sure we fulfil our requirements under the Public Sector Duty and the Equality Act 2010. More information can be found at [Equality and diversity at the Forestry Commission](#).

We continue to improve on our Gender Pay Gap, which is now 2.84% (mean) and 0% (median) for the period 1 April 2022 to 31 March 2023.

Our Diversity and Inclusion initiatives have been cited as examples of good practice inside and outside the Civil Service.

- We ran several events and webinars on behalf of our staff networks which were attended by external participants, including colleagues from over 40 Civil Service departments.

- We set up our Everyone Belongs Board with engaged members from across the organisation who are passionate about championing diversity and inclusion.
- We sponsored three people from groups under-represented in the organisation, to participate in the award winning Stepping Up Diversity Leadership Programme.
- We launched a reverse mentoring pilot programme with a small group of volunteers. This is a unique platform where a reverse mentor from an under-represented group, is paired up with a more senior reverse mentee, focusing on supporting them to understand the experiences of staff with certain protected characteristics.

In recognition of these and other initiatives, we won the Includability Diversity and Inclusion Star Award, recognising outstanding efforts in diversity and inclusion awareness and support in the workplace for 2023.

Wellbeing

We also understand that health and wellbeing is vital to ensuring staff flourish and are able to take on challenges at work. We continue to develop and evolve our support for staff wellbeing.

Last year, we were pleased to be awarded Silver in the Mind Workplace Wellbeing Awards 2022-23. This builds our achievement from 2018, when we secured the Bronze Award.

We have used the recommendations included within the Mind Report to inform the development of a Forestry Commission-wide Wellbeing Action Plan. The evidence base for this Wellbeing Action Plan includes the 2023-23 Mind Report, the 2022 Staff Engagement Survey results, sickness absence data, and management information from our Occupational Health data and Employee Assistance Programme. Colleagues from across the organisation are currently being consulted on the development of this plan.

We have a network of 121 Mental Health First Aiders equipped with the skills to support and signpost our staff and 70 Wellbeing Champions passionate about promoting wellbeing in their teams.

Employee consultation and Trade Union relationship

The Forestry Commission continues to strive for a mutually respectful and effective relationship with its Forestry Commission trade unions. Formal meetings are held with a Tier 1 Forestry Commission Trade Unions staff council meeting taking place 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. Frequent dialogue between management and trade unions take place outside of those formal meetings as well.

Key issues discussed included Your Offer, ongoing industrial action, workforce policies, organisational design

and organisational restructuring, diversity, inclusion and wellbeing alongside health and safety issues and employee relations matters.

Trade union facility time (Core only)

Relevant union officials

There were 12 union officials during 2023-24 with a full time equivalent of 11.5 (2022-23: 10/9.8).

Percentage of time spent on facility time

Percentage of time	2023-24	2022-23
	Number of employees	Number of employees
0%	0	0
1-50%	11	9
51-99%	1	1
100%	0	0

Percentage of pay bill spent on facility time

Percentage of the total pay bill spent on facility time was 0.18% (2022-23: 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 191.3% (2022-23: 217.2%).

Expenditure on consultancy

During the year Forestry Commission (including Forest Research) incurred £285,000 on consultancy services related to the Nature for Climate Fund (2022-23: £147,000).

Expenditure on agency and temporary staff – subject to audit

Costs incurred on agency and temporary staff including inward secondments by Forestry Commission (including Forest Research) during the period total £1,825,000 (2022-23: £1,849,000).

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 2024 (2022-23: nil). They received a total compensation payment of £nil (2022-23: nil).

No members of staff left under Compulsory Early Retirement or Compulsory Redundancy terms in the year to 31 March 2024 (2022-23: 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.

Off-payroll engagements

Defra are required to disclose information in their annual report and accounts relating to the review of tax arrangements of public sector employees. Information relating to off payroll engagements for Forestry Commission 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 2024, earning £245 per day or greater.

Number of existing engagements as of 31 March 2024	21
Of which...	
Number that have existed for less than one year at time of reporting	12
Number that have existed for between one and two years at time of reporting	7
Number that have existed for between two and three years at time of reporting	2
Number that have existed for between three and four years at time of reporting	-
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 2024, earning £245 per day or greater.

Number of off-payroll workers engaged during the year ended 31 March 2024	21
Of which...	
Not subject to off-payroll legislation	19
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	2
Number of engagements reassessed for compliance or assurance purposes during the year	1
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 2023 and 31 March 2024.

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
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	28

Parliamentary Accountability and Audit Report – subject to audit

Losses and special payments – subject to audit

Total losses and special payments for the Forestry Commission (including Forest Research), across 68 payments is £62,000 (2022-23: 54 payments, £29,000), none were material.

There have been no reportable gifts made or received.

Across the £15.7M EWCO grant planting value there is a risk that 3.15% (£0.494M) has been paid out for incomplete planting based on analysis of remedial work resulting from 5% inspections. These results are being analysed, remedial actions are being taken and proven cases of fraud and error will be reported when identified.

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.

Government Functional Standards

UK Government Functional standards set expectations for the management of functional work and the functional model across government. During 2023-24 the Forestry Commission continued to monitor compliance through assessments against a range of functional standards. This ongoing action ensures 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.

R J Æ Stanford
Accounting Officer
Forestry Commission

11 November 2024

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 2024 under the Government Resources and Accounts Act 2000.

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

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

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

2024 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 issued 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 issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

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

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;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued 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 non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations³, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

3 Non-compliance is defined as acts of omission or commission intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations. Non-compliance does not include personal misconduct unrelated to the business activities of the entity. ISA 700 uses the word “irregularities” to describe non-compliance with laws and regulations. We do not use the word irregularities to describe non-compliance within our certificates and reports as it has another meaning in the context of PN10.

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;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Forestry Commission and its Group's controls relating to the Forestry Commission's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;

- 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 team and the relevant internal, including Property, Plant and Equipment valuers, 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, bias in management estimates and fraud and error within the grants scheme expenditure 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, grant expenditure legislation, employment law, pensions legislation and tax legislation.

I considered Forestry Commission's estimate of the risk of fraud and error within the scheme expenditure population.

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

- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- other audit procedures responsive to the risk of fraud and irregularity within grant scheme expenditure.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and the significant component audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

Other auditor's responsibilities

I am required to obtain sufficient appropriate audit evidence 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

13 November 2024

Comptroller and Auditor General

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

Section three: Financial statements

Consolidated statement of comprehensive net expenditure

for the year ended 31 March 2024

	Note	2023-24 Core £000	2023-24 Consolidated £000	Core Restated £000	2022-23 Consolidated £000
Revenue from contracts with customers	3	(1,616)	(18,184)	(948)	(16,900)
Total operating income		(1,616)	(18,184)	(948)	(16,900)
Staff costs	2	30,558	50,932	22,263	38,006
Other costs ¹	2	57,204	70,088	37,408 ²	47,993
Rentals under operating leases ¹	2	38	38	-	-
Forest Research programme costs	2	26,750	-	17,989 ³	-
Forestry England funding ¹	2	49,789	49,789	25,182	25,182
Non-cash costs ¹	2	1,080	3,991	922	2,843
Total operating expenditure		165,419	174,838	103,764	114,024
Net operating expenditure		163,803	156,654	102,816	97,124
Other comprehensive expenditure					
Net (gain)/loss on revaluation of property, plant and equipment	4	-	(667)	-	(7,676)
Comprehensive net expenditure for the period		163,803	155,987	102,816	89,448

All income and expenditure is derived from continuing operations.

¹ These costs were previously included in other operating expenditure but have been disclosed separately in the current and prior years

² Prior year core other costs have been restated to reflect the payment made to Forest Research for contractual services rendered. See note 1.22 on page 143.

³ Prior year core total operating expenditure has been restated to include Forest Research programme costs. See note 1.22 on page 143.

The notes on pages 125 to 163 form part of these accounts

Consolidated statement of financial position

as at 31 March 2024

	Note	31 March 2024		31 March 2023	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Non-current assets					
Property, plant and equipment	4	541	43,091	598	36,200
Intangible assets	5	2,183	2,227	2,007	2,072
Investment in associate		-	75	-	75
Trade receivables, financial and other assets	7	15	15	23	23
Total non-current assets		2,739	45,408	2,628	38,370
Current assets					
Inventories		-	9	-	14
Trade receivables, financial and other assets	7	4,504	10,965	1,189	10,032
Cash and cash equivalents	8	11,326	16,618	1,825	3,709
Total current assets		15,830	27,592	3,014	13,755
Total assets		18,569	73,000	5,642	52,125
Current liabilities					
Trade payables, financial and other liabilities	9	(64,472)	(69,566)	(29,588)	(34,593)
Finance lease liabilities	12	(60)	(69)	(60)	(77)
Provisions	11	-	-	-	-
Total current liabilities		(64,532)	(69,635)	(29,648)	(34,670)
Total assets less current liabilities		(45,963)	3,365	(24,006)	17,455
Non-current liabilities					
Finance lease liabilities	12	(486)	(486)	(540)	(540)
Total non-current liabilities		(486)	(486)	(540)	(540)
Total assets less total liabilities		(46,449)	2,879	(24,546)	16,915
Taxpayers' equity					
General fund		(46,449)	(13,240)	(24,546)	1,444
Revaluation reserve		-	16,119	-	15,471
Total taxpayers' equity		(46,449)	2,879	(24,546)	16,915

R J Æ Stanford
Accounting Officer
Forestry Commission

11 November 2024

The notes on pages 125 to 163 form part of these accounts

Consolidated statement of cash flows

for the year ended 31 March 2024

		2023-24		2022-23	
		Core	Consolidated	Core Restated	Consolidated
	Note	£000	£000	£000	£000
Cash flows from operating activities					
Net operating expenditure		(163,803)	(156,654)	(102,816) ¹	(97,124)
Adjustment for non-cash transactions	2	1,080	3,991	922	2,843
Decrease in inventories		-	5	-	19
(Increase)/decrease in trade receivables, financial and other assets	7	(3,307)	(925)	1,353	(2,140)
Increase/(decrease) in trade payables, financial and other liabilities	9	34,884	34,973	15,761	17,213
Less movement in Defra supply creditor	9	(12,909)	(12,909)	792	792
Net cash outflow from operating activities		(144,055)	(131,519)	(83,988)	(78,397)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(9,122)	-	(7,258)
Purchase of intangible assets	5	(604)	(604)	(624)	(673)
Proceeds on disposal of non-current assets		-	2	-	-
Net cash outflow from investing activities		(604)	(9,724)	(624)	(7,931)
Cash flows from financing activities					
Funding from Defra		157,923	157,923	90,100	90,100
Repayment of prior year Defra creditor		(3,709)	(3,709)	(4,501)	(4,501)
Payment of principal portion of leases liabilities	12	(54)	(62)	(55)	(62)
Net cash inflow from financing activities		154,160	154,152	85,544	85,537
Net (decrease)/increase in cash and cash equivalents		9,501	12,909	932	(792)
Cash and cash equivalents at the beginning of the period	8	1,825	3,709	893	4,501
Cash and cash equivalents at the end of the period	8	11,326	16,618	1,825	3,709

¹ Prior year core net operating expenditure has been restated to reflect the payment made to Forest Research for contractual services rendered and Forest Research programme costs. Further restatements have been made to cash flows from financing activities to reflect the presentation of Defra funding. See note 1.22 on page 143.

The notes on pages 125 to 163 form part of these accounts

Consolidated statement of changes in taxpayers' equity

for the year ended 31 March 2024

	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 2022		(8,657)	-	(8,657)	11,554	7,832	19,387
Net Defra funding		86,391	-	86,391	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 year		(102,816)	-	(102,816)	(89,448)	-	(89,448)
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	16,915
Net Defra funding		141,305	-	141,305	141,305	-	141,305
Notional charges							
Auditors' remuneration	2	55	-	55	106	-	106
Defra corporate services	2	540	-	540	540	-	540
Comprehensive net expenditure for the year		(163,803)	-	(163,803)	(155,987)	-	(155,987)
Net gain on revaluation of							
Property, plant and equipment	4	-	-	-	(667)	667	-
Realised element of revaluation reserve		-	-	-	19	(19)	-
Balance at 31 March 2024		(46,449)	-	(46,449)	(13,240)	16,119	2,879

¹ Net Defra funding has been disclosed to reflect all funding received from Defra less amount payable to Defra at year end. This was previously disclosed as Net Defra funding (net of capital payments made to Forest Research). The General Fund has therefore been restated. See note 1.22 on page 143.

² Prior year core comprehensive net expenditure for the year has been restated to reflect the payment made to Forest Research for contractual services rendered and Forest Research programme costs. See note 1.22 on page 143.

The notes on pages 125 to 163 form part of these accounts

Notes to the accounts

NOTE 1 Statement of accounting policies

These financial statements have been prepared on a going concern basis and are in accordance with accounts directions issued by the Secretary of State for the Environment, Food and Rural Affairs in accordance with the 2023/24 government Financial Reporting Manual (FReM) issued by HM Treasury and. All International Financial Reporting Standards, interpretations and amendments effective at 31 March 2024 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.

The Northern Research Station Main Building and externals were revalued by Savills, Chartered Surveyors, in March 2024 following completion of the major refurbishment works. The significant assumptions used in the valuation was a design fee of 10%, a Location Factor adjustment factor of 0.95, build costs based on build rates taken from BCIS, adjusted for Tender Price Index (TPI) and a LF adjustment of 0.95, to reflect the Modern Equivalent Asset (MEA) and an adjustment for obsolescence. A desktop valuation was carried out for the remainder of the buildings (Alice Holt and the remainder of NRS) as using the BCIS index at 31 March 2024. Future revaluations of property may result in further material changes to the carrying value of non-current assets.

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 assumes 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 2024 shows taxpayer's equity (being the consolidated general fund) of -£13.2million (at 31 March 2023 £1.4 million). This significant movement is driven by higher grant accruals and Forestry England funding accruals at year end. 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 2023-24 funding). Parliament approves this funding annually.

Forestry Commission's funding for 2024-25 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 2024-25 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

The Core Forestry Commission delivery and management units called Forest Services and Commissioners' Office, are consolidated with Forest Research, an executive agency of the Forestry Commission. Forestry Commission Core as disclosed relates to the transactions of Forest Services and the Commissioners' office only, including contractual payments and funding to Forest Research. These transactions between entities within the consolidation boundary (intragroup transactions) have been eliminated from the consolidated accounts. 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 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.

1.6.1 Recognition and valuation

External valuers undertake a full revaluation of dwellings and other buildings at five-yearly intervals coinciding with that for the non-forest land. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow, as appropriate under the RICS Standards for determining fair value. A full valuation took place on 31 March 2023 by Savills, Chartered Surveyors. In the intervening years, the assets are revalued using the indices. NRS Main Building and externals were revalued by Savills,

Chartered Surveyors, in March 2024 following completion of the major refurbishment works.

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

1.6.2 Assets Under Construction

Forest Research assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

1.6.3 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.

1.6.4 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.

1.6.5 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.

1.7 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.

1.8 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.

1.9 Government grants receivable

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

The Forestry Commission receives funding directly from Defra, which is credited to reserves in accordance with IAS20, as adapted by the FReM. Any unused cash balances at the end of each accounting period are returned to Defra, in accordance with the terms of the Framework Agreement and are disclosed as amounts payable to the Defra Supply Creditor in note 9

1.10 Directly funded grants payable

Planting and non-planting grants are administered by the Forestry Commission to mitigate climate change, deliver nature recovery and provide wider environmental and social benefits. Most of the Forestry Commission administered grants are in relation to the promotion of tree planting, with smaller non-planting grants available for example, woodland maintenance and plant health. Planting grants also provide an opportunity for some applicants to apply for an additional establishment grant in order for a tree to reach a certain level of maturity. This is paid annually across the term of the establishment (post planting) if certain criteria and deadlines are met.

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 except in relation to payments to local authorities through the Local Authorities Treescape Fund (LATF). LATF grant determinations are provided through Section 31 agreements through the Local Government Act 2003. On grant award the local authority is paid 50% of the planting grant, and subsequently on receipt of a valid grant claim form by the applicant, up to 50% of the remaining value is accrued. Payments on the remaining balance, and any subsequent maintenance elements are made after a qualified assessment of the claim(s) and adjusted accordingly.

The liability for a claim from an individual or organisation that has a live grant agreement with the Forestry Commission, irrespective of compliance checks, exists from the receipt of the checked claim when an accrual is raised.

The claim will then be reviewed by the grants team against a defined checklist for all claims. Some of these claims may also be subject to a separate inspection. Should checks (and inspection where applicable) be compliant against these checks, payment will be made to the claimant.

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.

1.11 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 (ceased 31 December 2023). 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.

1.12 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.

1.13 Financial instruments

1.13.1 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.

1.13.2 Financial liabilities

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

1.13.3 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 lease liability was measured at the value of the remaining lease payments, discounted by 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.

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

1.13.4 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.

1.14 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.

1.15 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.

1.16 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.

Non-IAS 37 Remote Contingent Liabilities are reported in the Accountability Report, where any have been identified. Non-IAS 37 Contingent Liabilities are not reported in the Contingent Liability note to the financial statements.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

1.21 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.

1.22 Prior Period Adjustment

In the current year, Forestry Commission has changed its accounting policy (see note 1.4) of the presentation of core results, to include funding and contractual services paid to Forest Research. This change was made to reflect the substance of the transaction, being programme costs for the delivery of the Commission's objectives through Forest Research as its executive agency. In accordance with the requirements of IAS 8, the 2022-23 financial statements have been restated to reflect this change. The change in accounting policy resulted in an increase in the total operating expenditure

within core for 2022-23 by £18.993 million (comprising £17.989 million programme funding and £1.004 million payments for contractual services). This programme expenditure had previously been excluded by elimination between the two entities, reflected in the prior year core accounts in the statement of cash flows and the statement of changes in taxpayers' equity as an "adjustment for intercompany transactions". "Funding from Defra" in the cash flow from financing activities has been restated, as a consequence of the above it had been incorrectly disclosed net of capital funding to Forest Research in the Forestry Commission Core accounts. The change has no impact on the Consolidated Results of the Forestry Commission Group.

This was as a result of a misinterpretation of the requirement of the Financial Reporting Framework (FReM). In accordance with the requirements of IAS 8, the prior year financial statements have been restated. The correction of the above misstatement resulted in an increase in the net cash inflow from financing activities of £5.071 million and a corresponding increase in the net cash outflows from operating activities. This adjustment had no impact on the overall funding from Defra and the disclosure in the consolidated accounts.

The following extracts from the primary financial statements have been prepared to illustrate the impact of this presentation adjustment for the year ending 31 March 2023.

	Note	Core As previously reported £000	Core Adjustments £000	Core As restated £000
Other costs	2	36,404	1,004	37,408
Forest Research programme costs	2	-	17,989	17,989
Total operating expenditure		84,771	18,993	103,764
Net operating expenditure		83,823	18,993	102,816
Comprehensive net expenditure for the period		83,823	18,993	102,816

Consolidated statement of cash flows

for the period ended 31 March 2023

	Core As previously reported £000	Core Adjustments £000	Core As restated £000
Cash flows from operating activities			
Net operating expenditure	(83,823)	(18,993)	(102,816)
Adjustment for intercompany transactions	(13,922)	13,922	-
Net cash outflow from operating activities	(78,917)	(5,071)	(83,988)
Cash flows from financing activities			
Funding from Defra	85,029	5,071	90,100
Net cash inflow from financing activities	80,473	5,071	85,544

Consolidated statement of changes in taxpayers' equity (General Fund)

for the period ended 31 March 2023

	Core As previously reported £000	Core Adjustments	Core As restated
Balance at 31 March 2022	(8,657)	-	(8,657)
Net Defra funding	81,320	5,071	86,391
Comprehensive net expenditure for	(83,823)	(18,993)	(102,816)
Intercompany adjustments	(13,922)	13,922	-
Balance at 31 March 2023	(24,546)	-	(24,546)

Note 2: Staff and other costs

	2022-23 Core As previously reported £000	2022-23 Core Adjustments £000	2022-23 Core As restated £000
Note			
Other costs			
Partnerships and publicity	7,376	1,004	8,380
	36,404	1,004	37,408
Forest Research funding			
Forest Research programme costs	-	17,989	17,989

NOTE 2 Staff and other costs

		2023-24		2022-23	
	Note	Core £000	Consolidated £000	Core Restated £000	Consolidated £000
Staff costs¹					
Wages and salaries		21,916	35,967	15,446	26,272
Social security costs		2,356	3,872	1,698	2,899
Other pension costs		5,652	9,266	4,112	6,986
Agency and temporary staff		634	1,827	1,007	1,849
		30,558	50,932	22,263	38,006
Other costs					
Travel and subsistence		1,588	2,919	1,164	2,159
Staff transfers		39	52	29	29
Corporate services charges		3,185	3,116	1,724	1,724
Computer costs		218	3,056	72	3,083
Accommodation and office services		88	2,287	251	2,243
Communication		292	458	152	290
Training		188	350	88	396
Losses and compensation		54	62	12	31
Legal expenses		43	104	26	44
Partnerships and publicity ²		12,309	18,281	8,380	12,218
Private woodland grants ³	2.1	37,597	37,597	24,108	24,108
Research and development		9	9	-	-
Other expenditure		1,594	1,797	1,402	1,668
		57,204	70,088	37,408	47,993
Rentals under operating leases					
Land and buildings ⁴		38	38	-	-
Plant and machinery		-	-	-	-
		38	38	-	-
Forest Research funding					
Forest Research programme costs ⁵		26,750	-	17,989	-
Forestry England funding					
Forestry England funding		16,147	16,147	20,427	20,427
Forestry England capital funding		33,642	33,642	4,755	4,755
		49,789	49,789	25,182	25,182
Non-cash costs					
Depreciation		57	2,114	57	1,628
Amortisation		428	448	338	350
Impairment of property, plant and equipment		-	759	-	252
Loss on disposal of property, plant and equipment		-	24	-	44
Provisions					
Not required and written back		-	-	(9)	(17)
Notional charges					
Auditors' remuneration		55	106	54	104
Defra corporate services		540	540	482	482
		1,080	3,991	922	2,843
Total		165,419	174,838	103,764	114,024

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

² Prior year core other costs (partnerships and publicity) have been restated to reflect the payment made to Forest Research for contractual services rendered. See note 1.22 on page 143.

³ Further analysis of Private Woodland Grants is shown in note 2.1.

⁴ Land and buildings rentals under operating leases costs were included in Other Costs, Accommodation and office services in 2022-23.

⁵ Prior year core total operating expenditure has been restated to include Forest Research programme costs. See note 1.22 on page 143.

NOTE 2.1 Private Woodland Grants

	2023-24		2022-23	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Private Woodland Grants				
England Woodland Creation Offer	16,828	16,828	10,596	10,596
Local Authority Treescapes Fund	5,552	5,552	4,405	4,405
Urban Tree Challenge Fund	6,423	6,423	4,499	4,499
Woods into Management	2,771	2,771	1,764	1,764
Tree Production Innovation Fund	2,564	2,564	1,096	1,096
Tree Production Capital Grant	2,242	2,242	1,535	1,535
Smaller grant schemes	1,217	1,217	213	213
Total	37,597	37,597	24,108	24,108

Future commitments for these grant schemes are in note 14.

See page 31 in the Performance Report for further detail on grants.

NOTE 3 Income

	2023-24		2022-23	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Revenue from contracts with customers				
Forest Research MOU income from:				
Scotland	-	4,895	-	4,079
Wales	-	1,088	-	906
Other charges to public sector forestry bodies in:				
Scotland	349	2,908	26	2,630
England	186	1,710	188	1,731
Wales	78	1,202	-	1,019
	613	11,803	214	10,365
Project and partnership income	726	726	434	434
EU income	-	399	-	250
Other income	277	5,256	300	5,851
Total	1,616	18,184	948	16,900

Transactions with Forest Research of £20,500,000 (2022-23: £13,278,000) were removed on consolidation.

NOTE 4 Property, plant and equipment

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2023	1,664	37,273	10,558	-	6,763	56,258
Additions	-	3	785	-	8,334	9,122
Reclassifications	-	4,654	468	-	(5,122)	-
Disposals	-	-	(140)	-	-	(140)
Revaluation	71	693	265	-	-	1,029
Impairment	-	(759)	-	-	-	(759)
At 31 March 2024	1,735	41,864	11,936	-	9,975	65,510
Depreciation						
At 1 April 2023	7	14,995	5,057	-	-	20,058
Charged in year	7	995	1,112	-	-	2,114
Disposals	-	-	(113)	-	-	(113)
Revaluation	-	260	102	-	-	362
At 31 March 2024	14	16,250	6,158	-	-	22,421
Carrying value						
At 31 March 2024	1,720	25,615	5,780	-	9,976	43,091
At 31 March 2023	1,657	22,278	5,502	-	6,763	36,200
Asset financing						
Owned	1,711	25,074	5,780	-	9,976	42,541
Leased	9	541	-	-	-	550
Total	1,720	25,615	5,780	-	9,976	43,091
Asset ownership						
Core	-	541	-	-	-	541
Forest Research	1,720	25,074	5,780	-	9,976	42,550
Total	1,720	25,615	5,780	-	9,976	43,091

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 fiveyear period. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

Forest Research fixed assets were revalued as at 31 March 2024, using indexation alongside professional review by Savills, Chartered Surveyors, on one building project. This valuation was undertaken for the Northern

Research Station, Roslin, near Edinburgh, with a net book value (excluding land) of £7 million, at 31 March 2024.

Plant and Machinery is usually valued at five-year intervals. Professionally qualified staff employed by Forestry England undertook the full valuation at 31 March 2023. 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	Office machinery £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2023	23	655	155	-	-	833
Additions	-	-	-	-	-	-
Depreciation						
At 1 April 2023	7	57	155	-	-	219
Charged in year	7	57	-	-	-	64
At 31 March 2024						
Cost or valuation	23	655	155	-	-	833
Depreciation	(14)	(114)	(155)	-	-	(283)
Carrying value	9	541	-	-	-	550
Asset ownership						
Core	-	541	-	-	-	541
Forest Research	9	-	-	-	-	9
Total	9	541	-	-	-	550

	Land £000	Buildings £000	Plant and machinery £000	Office machinery £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 April 2022	1,561	24,729	9,051	-	3,492	38,833
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	37,273	10,558	-	6,763	56,258
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	-	-	20,058
Carrying value						
At 31 March 2023	1,657	22,278	5,502	-	6,763	36,200
At 31 March 2022	1,561	12,433	5,023	-	3,492	22,509
Asset financing						
Owned	1,641	21,680	5,502	-	6,763	35,586
Leased	16	598	-	-	-	614
Total	1,657	22,278	5,502	-	6,763	36,200
Asset ownership						
Core	-	598	-	-	-	598
Forest Research	1,657	21,680	5,502	-	6,763	35,602
Total	1,657	22,278	5,502	-	6,763	36,200

NOTE 5 Intangible assets

	Software licences £000	Internally developed £000	Assets Under Construction £000	Total £000
Cost or valuation				
At 1 April 2023	126	11,904	-	12,030
Additions	-	604	-	604
At 31 March 2024	126	12,508	-	12,634
Amortisation				
At 1 April 2023	62	9,897	-	9,959
Charged in year	20	428	-	448
At 31 March 2024	82	10,325	-	10,407
Carrying value				
At 31 March 2024	44	2,183	-	2,227
At 31 March 2023	64	2,007	-	2,071
Asset financing				
Owned	44	2,183	-	2,227
Total	44	2,183	-	2,227
Asset ownership				
Core	-	2,183	-	2,183
Forest Research	44	-	-	44
Total	44	2,183	-	2,227

	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	49	624	-	673
At 31 March 2023	126	11,904	-	12,030
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	64	2,007	-	2,071
At 31 March 2022	27	1,721	-	1,748
Asset financing				
Owned	64	2,007	-	2,071
Total	64	2,007	-	2,071
Asset ownership				
Core	-	2,007	-	2,007
Forest Research	65	-	-	65
Total	65	2,007	-	2,072

NOTE 6 Financial instruments

Consolidated	31 March 2024			31 March 2023		
	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)	6,712	-	6,712	8,888	-	8,888
Cash and cash equivalents	16,618	-	16,618	3,709	-	3,709
Less provision for impairment	-	-	-	(2)	-	(2)
Total assets	23,330	75	23,405	12,595	75	12,670

Consolidated	Other financial liabilities		Other financial liabilities	
	£000	Total £000	£000	Total £000
Finance lease liabilities	555	555	617	617
Trade and other payables (excluding statutory liabilities)	51,255	51,255	30,065	30,065
Total liabilities	51,810	51,810	30,682	30,682

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 which is classified as Fair Value through Other Comprehensive Income (FVOCI).

NOTE 7 Trade receivables, financial and other assets

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade receivables	290	4,637	119	7,528
Provision for impairment	-	-	(2)	(2)
Trade receivables - net	290	4,637	117	7,526
VAT receivable	69	69	35	35
Other receivables	14	19	7	11
House purchase and other loans to employees	4	4	5	7
Prepayments and accrued income	4,127	6,236	1,025	2,453
	4,504	10,965	1,189	10,032
Amounts falling due after more than one year				
House purchase and other loans to employees	1	1	2	2
Prepayments and accrued income	14	14	21	21
	15	15	23	23
Total current and non-current	4,519	10,980	1,212	10,055

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

Trade receivables of £403,000 were past due but not impaired as of 31 March 2024. These relate to a number of customers for whom there is no recent history of default.

NOTE 8 Cash and cash equivalents

	2023-24		2022-23	
	Core £000	Consolidated £000	Core £000	Consolidated £000
At 1 April	1,825	3,709	893	4,501
Net change in balances	9,501	12,909	932	(792)
At 31 March	11,326	16,618	1,825	3,709

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Held at				
Government Banking Service	11,326	16,618	1,825	3,709
Commercial banks and in hand	-	-	-	-
Total	11,326	16,618	1,825	3,709

NOTE 9 Trade payables and other current liabilities

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Amounts falling due within one year				
Trade payables	6,457	7,586	908	2,831
Other payables	788	1,285	469	827
VAT payable	-	467	-	62
Other taxation and social security	735	1,226	440	757
Accruals	39,874	41,711	24,062	25,502
Contract liabilities	-	445	-	302
Payments received on account	-	228	-	603
Defra Supply creditor	16,618	16,618	3,709	3,709
	64,472	69,566	29,588	34,593
Amounts falling due after more than one year				
Deferred income	-	-	-	-
	-	-	-	-
Total current and non-current	64,472	69,566	29,588	34,593

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

1. The increase in accruals value is driven by an increase in Grant payment accruals to £24.8M and

Forestry England funding accruals of £12.4M both due in the following financial year

The Defra Supply Creditor value represents the actual cash holdings at 31st March 2024 which is a liability to be returned to Defra in 2024-25

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

	31 March 2024 £000	31 March 2023 £000
GBP Sterling	69,518	34,237
Euro	132	310
US Dollar	-	39
New Zealand Dollar	-	7
Total	69,650	34,593

NOTE 10 Contract balances

	31 March 2024 £000	31 March 2023 £000
Contract liabilities	529	302

NOTE 11 Provisions for liabilities and charges

	Core		Core		Consolidated	
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
Balance at 31 March 2023	-	-	-	-	-	-
Provided in year	-	-	-	-	-	-
Not required written back	-	-	-	-	-	-
Utilised in year	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	-	-
Balance at 31 March 2024	-	-	-	-	-	-
Expected timing of discounted cash flows						
Not later than one year	-	-	-	-	-	-
Later than one year and not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
Total	-	-	-	-	-	-

	Core		Core		Consolidated	
	Early departures £000	Other £000	Total £000	Early departures £000	Other £000	Total £000
At 1 April 2022	-	9	9	-	17	17
Provided in year	-	-	-	-	-	-
Not required written back	-	(9)	(9)	-	(17)	(17)
Utilised in year	-	-	-	-	-	-
Unwinding of discount	-	-	-	-	-	-
Balance at 31 March 2023	-	-	-	-	-	-
Expected timing of discounted cash flows						
Not later than one year	-	-	-	-	-	-
Later than one year and not later than five years	-	-	-	-	-	-
Later than five years	-	-	-	-	-	-
Total	-	-	-	-	-	-

NOTE 12 Commitments under leases

Finance leases

Obligations under finance leases fall due as follows:

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Land and buildings				
Not later than one year	60	60	60	60
Later than one year and not later than five years	200	200	240	240
Later than five years	394	394	414	414
	654	654	714	714
Interest element	(54)	(54)	(59)	(59)
Present value of obligations	600	600	655	655
Plant and machinery				
Not later than one year	-	7	-	8
Later than one year and not later than five years	-	2	-	9
Later than five years	-	-	-	-
	-	9	-	17
Interest element	-	-	-	-
Present value of obligations	-	9	-	17
Amounts falling due within one year	60	69	60	77
Amounts falling due after one year	486	486	540	540
	546	555	600	617

Reconciliation of liabilities arising from finance leases is as follows:

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
At 1 April 2023	(600)	(617)	-	-
Finance lease additions	-	-	(655)	(679)
Finance lease interest	(5)	(5)	(6)	(6)
Payment of lease liabilities	59	67	61	68
At 31 March 2024	(546)	(555)	(600)	(617)

NOTE 13 Capital commitments

There were contracted capital commitments of £1,213,000 at 31 March 2024 (202223: £1,879,224) for an entomology and pathology quarantine laboratory at Forest Research.

	Core £000	31 March 2024 Consolidated £000	Core £000	31 March 2023 Consolidated £000
Not later than one year	38,641	38,641	6,320	6,320
Later than one year but not later than five years	33,617	33,617	9,380	9,380
Later than five years	22,776	22,776	2,131	2,131
Total	95,034	95,034	17,831	17,831

The commitments in the table above represent the signed commitment values for grant payments for the grant schemes detailed in note 2.1. All in year grant payments and accruals are excluded from this figure.

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 2024 is £10.7 million (2022-23: £11.1 million). This contingent liability is included in the Defra Main Supply Estimates with a £20.9 million limit of liability and, if realised, will be funded as part of the Defra Spending Review process.

NOTE 16 Operating lease receivables

	31 March 2024		31 March 2023	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	-	5	-	5
Later than one year but not later than five years	-	20	-	20
Later than five years	-	43	-	48
Total	-	68	-	73

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 £49,789,000 to Forestry England (2022-23 £25,182,000).

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	2023-24	2022-23
	£000	£000
William Robinson Gravetye Charity (Julia Grant trustee)	2	-
Hovingham Farms (Sir William Worsley partner)	01	-
Bradford Rural Estates Ltd (Ross Murray director)	222	56
Hilary Allison	2	-
Norbury Park (Jo Bradwell partner)	-3	-
Duchy of Lancaster (Ross Murray Rural Committee Member)	6	-

The following transactions were made within the wider Defra group with Forestry Commission input but are not disclosed in the Forestry commission accounts.

1. £123,000 Defra grants received in 2023-24, Countryside Stewardship, Farming in Protected Landscapes and Basic Payment Scheme, £140,000 in 2022-23
2. £8,000 Defra Countryside Stewardship Grant received in 2023-24,
3. £77,000 Defra Rural Payments received in 2023-24

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:

	2023-24	2022-23
	£000	£000
Sales	2	3

There were sales invoices of £1,000 outstanding as at 31 March 2024 (2022-23: nil).

Others

Some members of the Forestry Commission Executive Board and the Forest Services Board are also members of the Forestry England Board, and are directors or trustees of organisations for which Forestry England had transactions throughout the year. Details of these transactions can be found in the Forestry England Annual Report and Accounts 202324.

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 2024

In accordance with the requirements of IAS 10, events after 31 March 2024 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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