
Forestry Commission England/Central Services

Annual Report and Accounts 2013-14

Incorporating:

Forestry Commission England/Central Services Accounts

and

Forest Enterprise England Accounts

(For the year ended 31 March 2014)

Presented to the House of Commons pursuant to Section 7(3) of the Government Resources
and Accounts Act 2000

Ordered by the House of Commons to be printed on 7 July 2014

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FOREWORD by Sir Harry Studholme, Chair

This has been another year of challenge, change and reorganisation for the Forestry Commission. The Government set out its plans for the future of the Public Forest Estate in England and the Forestry Commission has responded quickly and positively to meet the challenges of this and the changes these plans call for. Threats from pests and diseases continue to impact on our trees and woodlands and we have addressed these continued threats through on-going research and collaboration with external partners, and through practical work to prevent the spread of harmful pests and diseases.

Following the publication of the Government's Forestry and Woodlands Policy Statement in January 2013, Forestry Commission England began work to take forward the policy proposals and ensure that any changes are dealt with in an integrated way. The Woodland Policy Enabling Programme was instituted to bring together the three main strands of work coming out of the forestry and woodlands policy statement. The three strands are concerned with: setting up the new Public Forest Estate Management Organisation; the organisational options for the forestry functions which currently sit within Forest Services; and effective delivery of cross-border functions and activities currently undertaken by Central Services, in particular those undertaken by Corporate and Forestry Support and Forest Research.

Natural Resources Wales came into existence on 1 April 2013, bringing together Forestry Commission Wales, Environment Agency Wales and the Countryside Council for Wales. The formation of Natural Resources Wales created a new partner and a new working relationship for the Forestry Commission. We continue to work with both Natural Resources Wales and the Welsh Government on cross-border issues such as Research, Plant Health, Statistics and Forestry standards.

Ministers have announced changes to the way the Department for Environment Food and Rural Affairs (Defra) network delivers European Union (EU) payments in the future. We are one of four delivery bodies who will be affected, and this will mean significant change to how we conduct some important aspects of our business with woodland owners and managers.

Protecting the trees and forests of Great Britain from pests and diseases continued to be a high priority for the Forestry Commission. We made significant contributions to the work of the Biosecurity Taskforce and helped to produce a single, prioritised plant health risk register. In addition, we helped to prepare contingency plans for disease outbreaks and were heavily involved in the revision of four Pest Risk Assessments. Forest Research contributed to research into screening for resistance to *Chalara* and to disease control management of *Dothistroma*. Work also continues on other major pests and diseases including *Phytophthora ramorum*, Oak Processionary Moth, and Asian Longhorn Beetle.

The Forestry Commission's Health & Safety Strategy was launched in June. The vision behind the strategy is that everyone working with the Forestry Commission remains safe and well and that our woodlands are safe and enjoyable places to visit. The Health & Safety Strategy launch pack included a video featuring staff talking about how health and safety applies in the workplace, the Strategy, and an Action Plan. Our Safety, Health & Environment team are working closely with the country health and safety committees to develop their action plans and we are working hard to ensure that health and safety is embedded into our core values. In addition, the Forestry Commission is working through the Forestry Industry Safety Accord to raise health and safety standards throughout the forestry industry.

This Annual Report shows many examples of the wide range of activities and achievements of the Forestry Commission and its staff. The Forestry Commission and its staff face many new challenges in the coming year and our achievements and accomplishments to date show the commitment and professionalism of staff in managing and meeting a variety of challenges.

ANNUAL REPORT

STRATEGIC REPORT

On 1 October 2013 the Companies Act 2006 (Strategic and Directors' Report) Regulation 2013 came into force. The new requirements have been incorporated into the Annual Report with the Strategic Report covering Forestry Commission England/Central Services and Forest Enterprise England.

Who we are

The Forestry Commission is responsible for advising Forestry Ministers on forestry matters and for implementing forestry policy. Forestry is a devolved matter, with Commissioners accountable separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. On 1 April 2013 the Welsh Government transferred the majority of the functions of the Forestry Commissioners in Wales to the Natural Resources Body for Wales (NRW). This resulted in the Great Britain functions being reorganised into Central Services, consisting of cross border and shared services. The Forestry Commission is a non-Ministerial Government Department and has a Royal Charter. It has a Chair and Board of Commissioners.

While most forestry functions are now provided at country level, a number are provided centrally on behalf of all three administrations. In the Cross Border role, the Forestry Commission provides advice and support to the UK Government and to the devolved administrations in Scotland and Wales. We set the standards for sustainable forest management and encourage good forestry practice. We conduct forestry research, provide information and we have statutory duties for some regulations that, by agreement with Ministers, are GB-wide. Working with other departments, it supports the development of UK policy in international negotiations, develops the UK's national forest programme and advises on implementation of international and European obligations.

This Annual Report reports performance against Forestry Commission England's Corporate Plan as well as the activities in the Cross Border Corporate Plan and Central Services.

Priorities

The Forestry Commission works with others to protect, improve and expand our nation's forests and woodland, increasing their value to society and the environment.

Everything we do is focussed on achieving the following objectives in priority order:

- **Protecting** our trees, woods and forests from increasing threats such as pests, diseases and climate change.
- **Improving** our woodland assets, making them more resilient to those threats and increasing their contribution to economic growth, people's lives and nature.
- **Expanding** our woodland resources to increase their economic, social and environmental value.

Our performance is measured against a variety of key performance indicators which are examined in more depth later in this report. These KPIs will be subject to review over the coming year.

The priorities for the Cross Border activities focus on the following common themes:

- **Resilience:** Protecting our woodland resource and increase its resilience to pests, diseases and the impact of climate change so that our woodlands continue to deliver a wide range of economic, social and environmental benefits.
- **Evidence:** Ensuring that there is a robust evidence base available to the forestry authorities across the UK to underpin their policies, decisions and advice.
- **Standards:** Setting the standards for sustainable forest management in the UK and promoting it domestically and internationally.

Values

Our values determine how we behave in fulfilling our objectives. They are:

- **Teamwork** – Working as teams with colleagues and others to ensure that trees, woods and forests meet the needs of people in each part of the country.
- **Professionalism** – Enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability.
- **Respect** – Treating one another with consideration and trust, recognising each person's contribution.
- **Communication** – Being open, honest and straightforward with colleagues and others, as willing to listen as to tell.
- **Learning** – Always learning, from outside the Forestry Commission as well as from within.
- **Creativity** – Not being afraid to try new ways of doing things.

Honours

The following Forestry Commission nominees were successful in the Queen's Honours List:

- Dr Robert McIntosh CBE, Director Scotland
- William Anthony Willis OBE, former Managing Director, Euroforest
- David Kingsnorth BEM, Community Ranger
- Brian Mahony MBE, recently retired Director Forest Enterprise, England

People

The Forestry Commission's People Strategy sets out the strategic direction in relation to our people. We continue to be an organisation that is committed to high levels of employee engagement, motivation and achievement, and one that openly encourages participation, personal development and which values its staff.

The results of the 2013 Staff survey were published in December which showed high levels of staff engagement. In order to address the poor perception staff had on our internal post filling and recruitment procedures, we commissioned social research to gather further feedback.

We continued to improve policies and procedures by:

- Commissioning and analysing social research to understand employee mobility, using this information to develop and launch a new Relocation Transfer Expenses policy and procedure.
- Evaluating and refreshing the Disciplinary and Grievance policies and procedures incorporating a number of improvements.
- Introducing the Civil Service Competency Framework into: Recruitment & Selection; Performance Management; and Probation.

Learning & Development (L&D)

In line with our L&D strategy we have continued to deliver good quality training, both technical and people based, alongside greater organisational development support particularly in the area of change management.

Interest and demand for the Management Development Programme (MDP) continues and a review of the Leadership Programme has been carried out with recommendations due in Spring 2014.

We received a Bronze award at the prestigious Training Journal Awards in recognition of our commitment to our apprentice programme.

Support to the wider sector has grown. We have provided support to the Forestry Industry Safety Accord (FISA) training initiatives and have secured a contract to deliver training to industry managers and main contractors. As in previous years we will also deliver the Health & Safety Executive's Safety and Health awareness days and training for their inspectors in basic forestry matters.

Equality and Diversity

Equality and Diversity continues to be a high priority. All legal obligations were met with progress updates being published during the year.

We commissioned social scientists to carry out research to explore why people with disabilities do not apply for FC jobs and re-constituted our Staff Diversity Forum to provide further support in driving forward the diversity agenda.

Health and Safety

Our policy is to ensure the health, safety and wellbeing of all employees, and to provide appropriately for the health and safety of others, including contractors, visitors, neighbours and members of the public who use our forests.

We remain committed to the Forest Industry Safety Accord. We have representatives on the Steering Group and the eight Working Groups; include Managing Safety, Electricity, Haulage and Forest Training.

We launched our first Health and Safety Strategy. Each area of the business, has its own health and safety group and they are using the new strategy to develop their own local action plans.

Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than 3 days) in 2013-14 and the preceding years:

Year	RIDDOR Accidents per 100 employees	
	Forestry Commission	FC England
2013-14	0.44	0.46
2012-13	0.71	1.21
2011-12	1.03	1.37

Lyme disease

The numbers of Lyme disease cases has remained steady over the past 5 years. However, we continue to look for ways to improve our control measures to reduce the risk to our staff.

Sickness absence

Year	Working days lost per staff year	
	Forestry Commission	FC England
2013-14	5.6	5.6
2012-13	4.7	4.6
2011-12	5.1	5.5

Pay & Recognition

Our October 2013 pay award was the first year of the Government's 1% limit on the percentage increase to the paybill. All staff received a modest increase, pay bands were shortened, an overlap anomaly was addressed and the dog and ferret allowance was increased.

We are undertaking a full Equal Pay Audit which will conclude during the first half of 2014-15.

Restructuring our business

The government's response to the Independent Panel on Forestry included the establishment in the longer term of a new body to hold the Public Forest Estate in trust for the nation. Establishing such a new body with greater independence from government, and greater freedom to manage its own resources, will require further significant structural reform and demand long term resourcing to manage the transition. The response also recognised the retention of core forestry expertise within government

The Woodland Policy Enabling Programme (WPEP) brings together the three main strands of work coming out of the Government's forestry and woodlands policy statement:

- setting up the new Public Forest Estate Management Organisation (PFE MO);
- considering the future of our government forestry functions; and,
- establishing a fresh basis for future cross border working.

This joint Forestry Commission / Defra programme will ensure that changes are dealt with in an integrated way, including corporate services and consulting with staff, Trade Union Side and external stakeholders.

On 9 December 2013 Ministers announced important changes to the way the Defra network delivers European Union (EU) payments in the future. We are one of four delivery bodies who will be affected, along with Natural England, the Rural Payments Agency and Defra's Rural Development Programme for England (RDPE) Delivery Team.

Office-based grant administration and support work, the important transactional functions which enable us to deliver EU Payments to our customers, will be brought together into the Rural Payments Agency. Having one organisation delivering EU Payments – using a single IT system – should make the administration of EU payments much simpler for customers and significantly reduce costly EU disallowance fines. It will also make the process of delivering the payments much more efficient, which will save money.

Technical functions on land management schemes will be focused in Natural England, while the Forestry Commission will remain the principal source of expert forestry advice. We will work closely with Natural England and the Rural Payments Agency to develop the detailed business processes for the new environmental land management scheme, to ensure that the service provided to customers is as integrated as possible.

These changes will have a significant impact, principally on Forest Services. Staff in the admin hubs, as well as those in National Office who support EU grant payments, will be affected, and it is likely that a number of posts will transfer to the Rural Payments Agency. A very small number of posts may transfer to Natural England. We will of course need to retain within Forest Services both the expert forestry skills to provide our customers with the advice they need, and the administrative support capacity for all our other important work on, for example, felling licences and plant health. A lot of detailed work needs to be done before we will be able to say which posts will transfer and how many will be affected.

None of this is likely to happen until 2015-16. In 2014 we will be involved in further detailed design work with the other delivery bodies, and the Defra 'one business' team. We will work together to ensure we make any changes in the best possible way both for our staff, and for our customers.

From April 2013, the duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. NRW have continued to purchase a number of services from FC Central Services following vesting, notably research, technical forestry and financial systems support. Appropriate structures have been put in place to manage this continued service provision.

New governance and management arrangements were put in place for Shared Services and Cross Border Functions. These were brought together under the Director Central Services who will continue to devolve these services and functions to the countries and implement a sustainable model for those functions which will continue to be needed and provided at a GB or UK level.

Forestry and Woodland Advisory Committees

The terms of office of the England Regional Advisory Committees expired on 30 November 2013. We took the opportunity to amend the working title of the RACs to Forestry and Woodlands Advisory Committees to better reflect the remit and direction of forestry in England as set out by the Government's Forestry and Woodlands Policy Statement.

The refreshed remit is to:

- Advocate and champion forestry interests and woodlands partnership working at local level for woodland resilience and sector development, providing independent insight into local needs and priorities;
- Provide advice, expertise and challenge on the application of national policies into Area and local programmes, and assist in aggregating local priorities into national programmes;
- Support the Government's interests by engaging with and developing strong local connections and networks to enhance synergies across the diverse forest and woodland sector, including the public forest estate;
- Conciliate in disputed applications for grant aid, felling licences, or approval of forest plans where there is a sustained objection by a statutory body.

Of the nine Committees for England, seven have newly appointed Chairs, one has been reappointed for a second and the other a third 3-year term. New committee members have also been appointed from a wide range of backgrounds including community groups, environmental NGOs and government agencies.

The changes to the Committees have also seen the diversity of Chairs increase, the number of female Chairs has risen from 2 to 4. The proportion of female members remains at 24% while the total number of members has increased from 70 to 105.

Communications

Over the year we have grown our national social media following by 500%. The Grown in Britain Week campaign reached over half a million people and we reached 120,000 during National Tree Week. Page views for our top six visitor sites were up 10%, following the successful relaunch of our 'visit' England web pages.

Our 'More in the Forest' campaign with Visit England and The Guardian reached half a million subscribers, helping to increase visitors to our forest centre car parks by 11% across the summer months, pushing up Discovery Pass sales by 13% and increasing GoApe! bookings by almost 1,000.

BBC Countryfile featured our work in a number of episodes, including Westonbirt's Enchanted Christmas, Cardinham Woods and Grizedale. Other national news coverage included St Jude Storm, the awarding of Dark Skies status to Kielder Forest and over 200 news items on autumn colour.

Our Priorities

Protect

Tree Health and Plant Biosecurity Expert Taskforce report

The Tree Health and Plant Biosecurity Expert Taskforce Report was published in May and the Government responded swiftly by accepting the recommendations to develop a UK Plant Health Risk Register, to appoint

Professor Nicola Spence as Chief Plant Health Officer, and to improve contingency planning in response to threats from pests and diseases. The Forestry Commission provided expert input to the Taskforce as members of an Officials' Advisory Group and has been actively involved in the work programmes involved with preparing the risk register, developing contingency plans and commissioning a number of pest risk assessments which were identified as priorities for publication in 2014. We have continued to develop the effective working relationship with Defra's new Plant Health team and colleagues in the Food and Environment Research Agency, (FERA) as members of the UK Plant Health Service and the other UK Plant Health Inspectorates to ensure, as far as possible, that pests and diseases are addressed in a consistent way across Britain.

Oak Processionary Moth Control Programme

After several years of continuous Oak Processionary Moth (OPM) spread and limited control success, in 2013 the Forestry Commission worked with stakeholders to develop a more coordinated, effective and efficient control programme for OPM in London and beyond. Defra made available an additional £2m of funding for 2013/14 to complement the work already taking place. The OPM Control Plan was signed off by the OPM Advisory Group in Spring 2013 and was rapidly implemented before OPM larval emergence began.

There was a step change in activity including control, surveying, communication and resources. More than 39,000 trees across London were sprayed during the 4 week window of opportunity. Spraying in Berkshire included aerial application by helicopter, an approach not used before. Where surveys had found larval infestation before moths emerged, all known nests were manually removed. After moth emergence, nest removal was implemented where there was a risk of human health impact.

There was also a four fold increase in survey effort, covering a significantly larger area and more thoroughly than previous years. A pheromone trap programme was employed and a mobile phone app based field recording system was also introduced for on the spot reporting.

The control programme cost less than expected at around £600,000 and was significantly more cost effective than in previous years due to the collaborative approach. Total Defra budget spend on the 2013 programme has amounted to just under £1.1m. Forestry Commission spend, including staff time, was approximately £242,000.

None of this would have been possible without a collaborative control and survey programme with key stakeholders, landowners, contractors and volunteers and a common commitment to the control programme. Coordination of the survey effort was needed for maximum coverage and a communications plan implemented which included media liaison and handling, leaflets, signs and public events. Major efficiency savings were realised through the use of a single control contract.

This work has resulted in a 53% reduction in total nest numbers reversing the previous exponential increase. Significant reduction in nest numbers was found on some sites but there is evidence that sustained control will be needed to avoid risk of re-infestation. There has also been a clear reduction in the rate of spread.

This year's programme has helped create capacity in contractors and surveyors, including new machinery and use of continental capacity and experience. Various research programmes will provide further evidence to adapt future control programmes to ensure delivery of the current eradication strategy (with containment in West London) with the possibility of eradication of OPM everywhere. The control programme will need to continue to ensure that the efforts during 2013/14 are not wasted. Improvements to systems and processes will help deliver an even more effective and efficient programme in future.

Chalara dieback of Ash

2013 was our first opportunity to observe the impact of Chalara on ash trees over a full growing season. Surveillance concentrated on finding infections in newly planted sites and the number of these confirmed cases grew steadily as the suspect batches of trees were traced to planting sites. Numerous reports of suspected dieback were received by our diagnostic teams through a new Tree Alert recording system but the majority of these turned out to be false alarms.

We updated the Forest Research risk assessment on Chalara to incorporate the most recent findings and the evidence which was emerging from the scientific community. What became apparent was that the risk from the well established wider environment infections was far greater than the risk from recently planted trees. Evidence emerged of the disease being present in East Anglia since at least 2008 and Natural Resources Wales found the first clear link between an infected 2006 planting site and the disease spreading into trees growing in hedgerows nearby. Further evidence of an association between older infected planting and the spread into trees in the wider environment emerged during the year at sites in Devon, Dorset and Somerset.

As at 31 March 2014 there had been 641 diseased sites confirmed in the UK with 226 at locations in the wider environment. During the year we undertook further survey work to establish a baseline for the known areas of infection. This confirmed 169 10 km grid squares with the infection.

We continued to Chair an outbreak management team for Great Britain and to work with Defra and stakeholders to update the management plan for England to be published in 2014. We also continued to engage closely with stakeholder groups in Wales and Scotland.

Phytophthora

By January 2014 10,000 hectares of larch infected with *Phytophthora ramorum* had been identified in the UK, as requiring felling. It was estimated that further action would be required to treat an additional 7,000 hectares of larch for which felling hadn't been prescribed. Most of these were in the vicinity of previously known infections in south west Scotland and Wales. Extensive helicopter surveillance during the summer allowed identification of symptomatic stands at an early stage of disease. It is likely that the large increase in area infected is due to the cooler and wetter summer in 2012, which was considered to be more favorable to sporulation and disease dispersal than in the previous two years.

The extensive damage observed in Wales and Scotland contrasted with the south west of England where the woodlands are smaller and larch woodland is less contiguous. Unfortunately there were a small number of new infections in the northwest of England where woodland blocks are more contiguous and of concern is the possibility that the EU2 strain in Scotland will spread to England. To date only the EU1 strain has been recorded in England.

We continued to chair the Phytophthora outbreak management team, and liaise closely with stakeholders in the four UK countries to encourage a consistent approach to disease management.

We also established Outbreak Management Teams for *Phytophthora lateralis* and *Phytophthora austrocedrae* to work with stakeholders to coordinate disease control activities across Great Britain. Statutory action continues to be taken to destroy all Lawson cypress trees infected with *P. lateralis* whereas eradication measures on *P. austrocedrae* are restricted to infected juniper at places of production.

Wood Packaging from China

Between January and June 2013 20,000 consignments of stone products were reported as entering the EU from China and 12% of these were landed in the UK. This had been the source of the Asian Longhorn beetle outbreak in Kent which was successfully eradicated in 2012. The European Commission introduced a minimum level of physical inspections on associated wood packaging requiring us to carry out over 1000 import checks. We inspected approximately 40% of these consignments and 99% complied with the international standard of wood packaging, ISPM15. No harmful organisms were found.

Legislative changes

On 1 April 2013 Welsh Ministers became the competent authority under the Plant Health Act 1967 for tree health in Wales, as part of the arrangements to create Natural Resources Wales (NRW). The change was implemented through the Natural Resources Body for Wales (Functions) Order 2013. The Welsh Government made arrangements under section 83 of the Government of Wales Act 2006 for certain Plant Health (Forestry) and forest reproductive materials functions to be exercised by the Forestry Commission (FC) and certain other functions to be delivered by NRW.

During the year there were two Orders made by the Commissioners using their powers as the competent authority for plant health. These were The Plant Health (Forestry) (Amendment) (England and Scotland) Order 2013 which strengthened the measures to prevent the entry and spread of plane wilt and sweet chestnut blight in England and Scotland. The Plant Health (Fees) (Forestry) (Amendment) (England and Scotland) Regulations 2014 amended the level and scope of fees charged for plant health checks to achieve full cost recovery.

Tree Felling

Forestry Commission England issued 2,125 felling licences which were not linked to new grant agreements in 2013-14. These covered an area of 23,292 hectares.

We received 250 reports of alleged illegal felling, the felling of trees without the required licence. Of these 46 have, so far, been subject to a full investigation and as a consequence the following action has been taken:

- Twelve investigations resulted in Forestry Commission England serving a Notice to restock land with trees.
- Four investigations resulted in formal warnings being issued.
- Three investigations led to advisory letters being issued; this is where an offence could not be confirmed.
- One investigation led to no further action because the tree felling related to the safe running of the railway.
- 26 investigations are either still pending a decision on the final action or are in the process of having a Restocking Notice issued.

No cases have, so far, been considered for prosecution. A further 17 Restocking Notices were issued in the year as a result of investigations into reports of illegal felling that had taken place in previous years.

Environmental Impact Assessment

During the year we provided one Determination on projects under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999. This was for the large-scale and long-term restoration of lowland heath on land managed by Forest Enterprise in Dorset. We issued one Enforcement Notice for the deforestation of an ancient woodland site. The issuing of this Notice was appealed but it was upheld by the Secretary of State for Environment, Food and Rural Affairs following a detailed assessment of the case.

Species Diversification on the Public Forest Estate

The Forestry Commission faces the challenge of selecting tree species that will survive changes in climate over the 50-60 years they take to reach maturity. This is an important factor as regional changes in annual timber volume production per hectare are expected for different tree species over time. In a bid to combat the effects and provide information on alternative species a trial is being carried out on the public forest estate in East England.

Species such as Corsican Pine are tolerant to the dry conditions in Thetford Forest but fungal diseases are becoming widespread here, with over 80% of trees infected. This increased incidence is caused by changes in the optimal climate for spore dispersal and infection as a result of higher rainfall in spring and summer coupled with warmer springs. This is exacerbated by drought and windstorms which are damaging trees and making them more susceptible to infection. In addition to reduced timber production, climate-induced forest deterioration is likely to affect recreation and tourism if left unchecked.

In response to climate change, the Forestry Commission has adopted a strategy of species diversification and is managing more productive forests over shorter rotations, offsetting reduced production of timber from Thetford with increased yields elsewhere. In Thetford Forest, Corsican Pine is no longer being planted.

The Forestry Commission is minimising exposure to risk through species diversification and changes to the management of its land portfolio. This strategy is being supported by long-term monitoring and evaluation so that the Commission can determine which species are best adapted to our evolving climate, enabling the effectiveness of interventions to be maintained over time or a change of direction to be initiated, if required.

Improve

Grown in Britain

The Grown in Britain movement has developed in response to the Independent Panel on Forestry urging both Government and forestry businesses to 'seize the opportunity provided by woodlands to grow our green economy', promote the use of wood products and increase the value society puts on woodlands and the services they provide.

Between February and October 2013, with encouragement from both the Secretary of State and many in the forestry sector, Grown in Britain was driven by Dr Peter Bonfield OBE who worked with a wide range of organisations to increase demand for British wood products, attract investment into woodland creation and management projects and develop a 'wood culture'. This work culminated with the inaugural 'Grown in Britain week' during which the Grown in Britain report was handed over to Secretary of State. The Forestry Commission provided seed corn funding of £54,000 as well as staff time to help build momentum throughout this period.

Early successes include the launch of new 'Grown in Britain' badged ash furniture at Heal's store in London, commitment from members of the UK Contractor Group to buy British grown timber, a very successful pilot of British grown wood in a number of Travis Perkin's stores and increased alignment between the UK Forestry Standard and government timber procurement policy.

Since October the work of Grown in Britain has been taken forward by an executive group comprised of representatives from Forestry Commission, Wilmott Dixon, Confor, Woodsure, Buildings Research Establishment and Defra. The development of a wider 'wood culture' is being delivered by a growing list of

supporters including the National Forest Company, Community Woodlands, Wildlife Trusts as well as construction companies, saw millers, woodfuel suppliers and woodland managers. The Forestry Commission will carry on working with the rest of the Grown in Britain team to help consolidate on the excellent start made.

Woodland Management

We continued to support the production of Woodland Management plans with grant aid to ensure the comprehensive and long-term approach to forest management, approving management plans on 47,614 hectares of woodland in 2013-14. Of this, 1,523 hectares of managed woodland (or 3.2%) was marked as 'Category B' compliant, with a management plan and monitoring regime that will meet the evidence requirements of the Defra funded Central Point of Expertise on Timber, allowing timber from these woodlands to be procured for Government projects.

Forest Art and Recreation

England's first permanent memorial to the members of the Women's Timber Corps, or Lumberjills, was unveiled at Dalby Forest in North Yorkshire on Remembrance Sunday to commemorate the role they played during the Second World War.

Sculptor Ray Lonsdale won the competition set by the Forestry Commission to create a lasting memorial in honour of the role of the Lumberjills and the work they carried out for the war effort. The sculpture, titled Pull Don't Push features a steel fabrication of a felled tree and two Lumberjills. It captures the arduous nature of the work in the forests as well as the fun that many of the Lumberjills experienced while working in the forests during the war.

The Forestry Commission played an active part in the effort to locate all surviving members of the Women's Timber Corps in order to recognise their achievements and create a lasting legacy to them.

Jerwood Open Forest

Two major partner-funded commissions have been awarded to artists to produce works on the public forest estate in England. Jerwood Open Forest is a new initiative in the Jerwood Visual Arts programme, launched by Jerwood Charitable Foundation and Forestry Commission England, with additional support of public funding by the National Lottery through Arts Council England's Grants for the arts programme.

Semiconductor (Ruth Jarman and Joe Gerhardt) will produce their first ever public sculpture based on a year's worth of data collected from the top of a flux tower at Alice Holt Forest in Surrey. The work considers scientific data as a means of understanding the environment, and explores the relationship between how science represents the physical world and how we experience it. Through a process of re-contextualising the data, it will become abstract in form and meaning, taking on sculptural properties.

Chris Watson and Iain Pate will produce a multi-channel sound installation featuring the remarkable, and seldom witnessed, conversations of ravens returning to roost. Hrafn; Conversations with Odin will take place in Kielder Forest in Northumberland in September 2014. Speakers high in the forest canopy will immerse the audience in sound starting with calls of distant ravens and concluding with several thousand birds arriving overhead. The work anticipates and celebrates the return of these powerful voices to the forest, making a connection back through history and folklore to the present day.

Countryside and Rights of Way Act

Around 155,000 hectares of woodland remains dedicated for public access on foot under the Countryside and Rights of Way Act 2000. During the year the Forestry Commission received 292 requests to close access to the woodland to enable management activities, granting permission for 290 of the closures to take place.

Evidence

The Science and Innovation Strategy for Forestry in Great Britain was launched on 14 March 2014. Research commissioned to deliver the Strategy will provide the evidence base for delivering long term, sustainable health and wellbeing benefits of trees and woodlands to people; steer practical woodland management and expansion; help to direct environmentally sustainable land-use change and direct a wide range of sustainable benefits from trees and woodlands to support economic growth in Britain. Research programmes will integrate social, biological, and physical sciences to deliver more effective impacts.

The strategy was developed with stakeholders from England, Scotland and Wales during 2012 and on a public consultation exercise in 2013. They endorsed the strategic outcomes, and helped to identify the key research areas for the next generation of research programmes. The research will involve all three countries, reflecting their priorities and addressing current and emerging challenges on cross border issues such as biodiversity, plant health, and climate change.

We established the Expert Committee on Forest Science to provide independent, expert advice on the provision of science to support the objectives of United Kingdom forestry through the delivery of the Science & Innovation Strategy and the quality of science and evidence provided by our Forest Research agency and other providers. The Committee met three times during the year, and is providing valuable advice and challenge, which will strengthen our future research.

Standards: setting standards for sustainable forest management

The UK Forestry Standard and Guidelines articulate the UK's approach to sustainable forest management. A key focus during the year has been to ensure the UKFS provides a proportionate way of meeting requirements in relation to sustainable biomass, the EU Timber Regulation, the Woodland Carbon Code, timber procurement policy and Grown in Britain. In support of the UKFS Guidelines, we produced the FC Practice Guide: "Managing Forests in Acid Sensitive Water Catchments" and an accompanying Research Note. We also published a UKFS "signposting" guide to provide a quick-start for woodland owners and managers.

Expand

Woodland Creation

The total area of woodland creation grant paid in 2013-14 was 2,691 hectares. This is more than the seven-year RDPE target of, on average, 2,200 hectares per year and a considerable increase (47%) from last year's area.

In addition to woodland creation under EWGS, Forestry Commission staff assisted Natural England in delivering woodland planting under Environmental Stewardship, the RDPE agri-environment scheme. The Woodland Trust have also planted woodland without grant aid from the Forestry Commission.

The Forestry Commission provided grant aid for 2,424 hectares of woodland regeneration (replanting and natural regeneration). Of this, 517 hectares relates to the restoration of native or broadleaved trees on ancient woodland sites. A supplement was introduced to support replanting after tree felling in connection with statutory notices issued to control the spread of *P ramorum*. In the year 290 hectares of woodland has been replanted with this additional support.

The Big Tree Plant

Following the final grants round, the Big Tree Plant is confident of reaching its 1 million trees target by the conclusion of the campaign in April 2015. The main aim of The Big Tree Plant funding scheme is to encourage and support community groups to plant trees in neighbourhoods where people live and work.

Over 170 groups have committed to plant 1m trees by 2015 and the total number of trees approved so far stands at over 992,000 with over 746,000 trees planted by April 2014. The 500,000th tree was planted during National Tree Week by Parliamentary under Secretary Dan Rogerson, MP and Sir Harry Studholme.

Woodland markets in carbon and other ecosystem services

Our research into forest carbon modelling and scientific understanding of the role of woodlands in mitigating climate change is helping us adapt to its inevitable impacts. The research provides a vital evidence base underpinning efforts to develop forest carbon markets.

The Woodland Carbon Code, a voluntary code of good practice for the forest carbon market in the UK, has been at the centre of our work in this area in recent years. In May, we introduced a group scheme to enable projects to collaborate and share costs associated with certification, monitoring and verification. This was followed in July, with the launch of the carbon registry for the Code, a significant step in ensuring market transparency and confidence. We are now examining the potential for the scope of the Code to be widened in future; for example, whether other social and environmental impacts could be reported under the Code.

The Code is helping UK forestry to meet the objectives of all UK administrations to increase woodland cover and to reduce net greenhouse gas emissions over decades to come. The area of woodland registered under the Code grew significantly in 2013 to over 14,000 hectares, covering over 140 projects. These projects are predicted to sequester over 5 million tonnes of carbon dioxide over their lifetimes (of up to 100 years).

The Code is also part of our work to support the development of new market opportunities and revenue streams for the forest sector. In 2013, we commissioned work to analyse the potential scale of future market opportunities, both in carbon and in other ecosystem services; for example, the regulation of flooding and water quality and the provision of biodiversity. We are also funding pilot projects to develop metrics which businesses and investors could use to report the social and environmental impacts of investments in woodlands in the UK. In addition, a major study is underway into the cost-effectiveness of woodland creation as a means of abating carbon dioxide emissions. The aim of such work is to provide analysis and tools which can encourage businesses and other organisations to invest in woodland creation and management.

Following publication of the UK Government's Forestry and Woodlands Policy Statement in January 2013, we are developing a roadmap of actions to help the development of markets in forest ecosystem services in the UK in the coming years.

Forestry and Flooding

Following the wettest January in over 100 years, the flooding in many parts of England and the press coverage about the potential for land management and forestry in particular to reduce flood risk, Defra, Environment Agency, and Forestry Commission produced a joint briefing note on the role of forestry in flood risk management. The scientific evidence supports the premise that forestry has the potential to significantly reduce flood risk in certain circumstances – mainly in small to medium sized catchments (<100km²) and generally for flood events with a probability of occurring once every 100 years or more.

Woodland creation is one of a number of potential options for helping to manage flood risk. Opportunities to achieve a sufficient level of woodland creation to make a difference are likely to be greatest for affected communities within smaller catchments (<10-100 km²). There is much less scope for woodland planting to alleviate flooding in major towns and cities located downstream in larger river catchments, where there will be a continued reliance on conventional flood defence infrastructure. However, co-ordinated and appropriately located woodland creation could be used to complement the effectiveness of conventional measures, especially to help address expected increases in flood risk due to climate change.

The Forestry Commission's English Woodland Grant Scheme has supported the establishment of new woodlands that meet government priorities - to create woodlands that generate multiple benefits for society. An enhanced rate of grant was introduced in April 2012 to encourage planting by landowners in areas where woodland creation could help to reduce flood risk, as identified by a national opportunity map. By the end of 2013, when the current grant scheme closed, around 1,000 ha of new woodland planting schemes had been agreed with landowners in target areas.

Forestry measures have to be carefully targeted, both to maximise the flood risk benefits and avoid increasing flood risk by inadvertently synchronising flood flows. The current debate is useful for raising the profile of forestry and the benefits it can offer but there is a risk that some might see forestry as a panacea for flood risk more generally when it can only be a part of the solution.

Sustainability Reporting

Forestry Commission England/Central Services and Forest Enterprise England undertakes sustainability reporting in line with the Greening Government Commitments and HM Treasury's Financial Reporting Manual disclosure requirements. The full Sustainability Report can be found within the Annex to this document.

Review of Tax Arrangements of Public Sector Employees

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

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months.

	Forestry Commission
31 March 2014	10
Of which...	
one year at time of reporting.	2
one and two years at time of	2
No. that have existed for between two and three years at time of reporting.	1
No. that have existed for between three and four years at time of reporting.	0
No. that have existed for four or more years at time of reporting.	5
Total	10

Table 2: For all new off-payroll engagements between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months.

	Forestry Commission
No. of new engagements between 1 April 2013 and 31 March 2014	2
No. of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	0
No. for whom assurance has been requested	2
Of which...	
No. for whom assurance has been received	2
No. for whom assurance has not been received	0
No. that have been terminated as a result of assurance not being received or ended before assurance was received.	0
Total	2

All board members are on the payroll and as far as contractors are concerned our Procurement team is considering the issues and how best to move individuals to the 2013 Frameworks. In the meantime, all the contractors involved have given verbal assurances that they will comply with our requests in 2014-15.

FORESTRY COMMISSION ENGLAND KEY PERFORMANCE INDICATORS 2011-15

HEADLINE PERFORMANCE REPORT AT 31 MARCH 2014

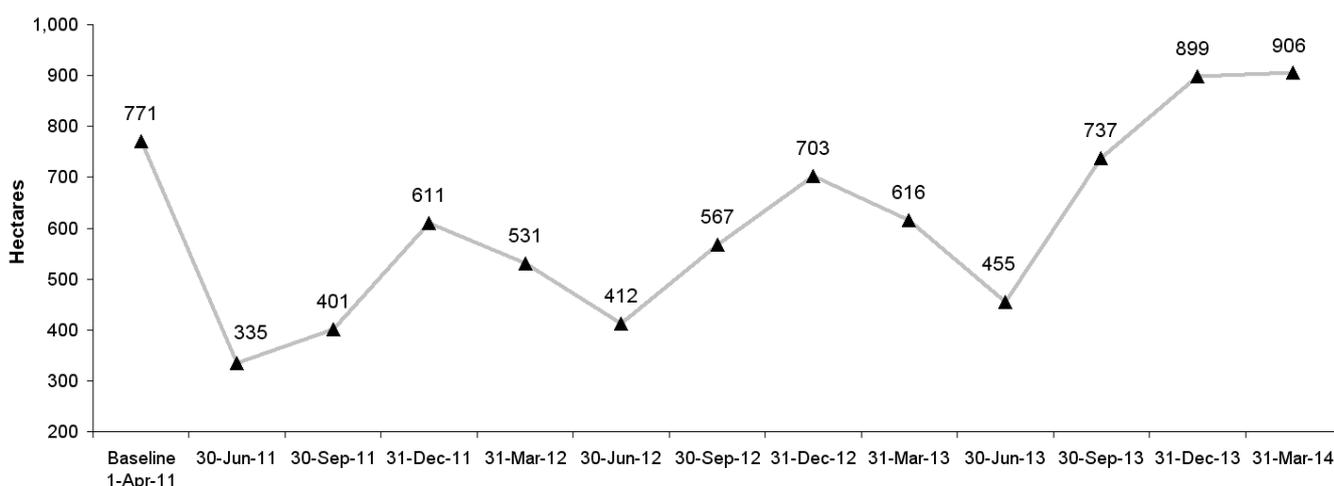
Forestry Commission England's Corporate Plan 2011-15 set out our key Impact and Input Indicators to show our contribution towards the wider State of England's Woodlands. The Indicators are also covered in our more recent [Corporate Plan 2013-14](#).

Our [Indicators Report 2013](#) provided our second annual monitoring report on all the Indicators.

This section provides the 2013-14 year-end position on our six headline performance indicators. It reflects our key priorities of protection, improvement and expansion of England's woodlands, as set out in the recent [Government Forestry and Woodlands Policy Statement \(January 2013\)](#) and with the progress reported in the [Forestry and Woodlands Policy Statement Implementation Plan - One Year On \(January 2014\)](#)

Protection

Impact Indicator: *Hectares of woodland covered by plant-health notices (includes notices issued on the Public Forest Estate)*



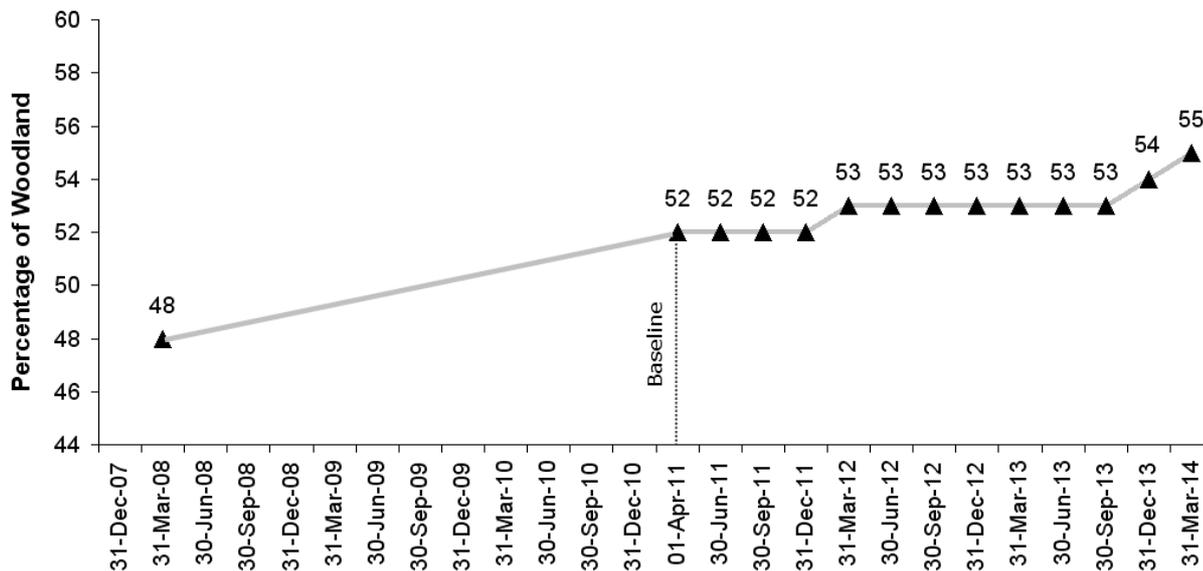
Position at 31 March 2014: 906 hectares of land requiring treatment.

The slight increase in area under notice this quarter is what was expected given the season.

Figures for the *Chalara fraxinea* disease are not included in this Key Performance Indicator (KPI) report due to Statutory Plant Health Notices not being issued for this.

Improvement

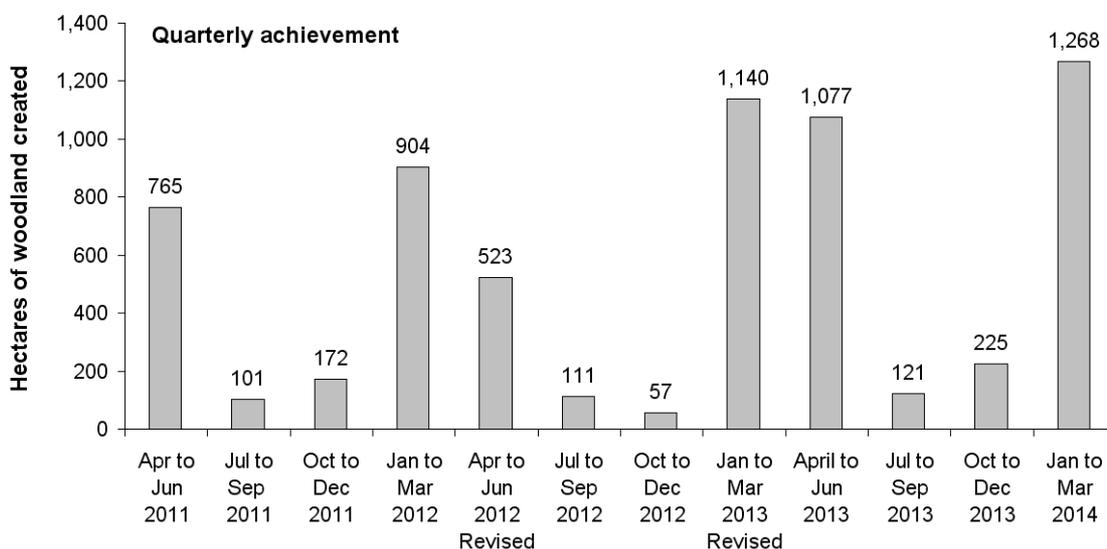
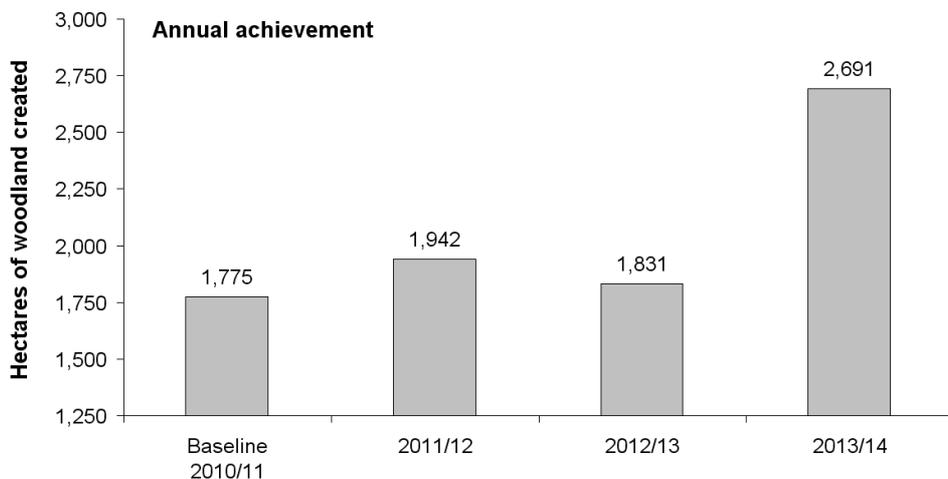
Impact Indicator: *Percentage of woodland in active management (including the Public Forest Estate)*



Position at 31 March 2014: 55%.

The percentage of woodland in active management has gradually increased since the April 2011 baseline (52%) including an increase from the position of December 2013 of 54%. Some of this increase is due to a refinement of the methodology for this indicator to include previously under reported management plan areas. This indicator of woodland in management includes woodlands where there has been FC England grant or felling licence activity typically in the previous 5 to 10 years – it is recognised that other woodlands might be considered as managed as well.

Expansion **Impact Indicator: Hectares of woodland created (gross)**



Report for 2013-14 year: 2,691 hectares created, of which some 1,268 hectares of woodland were created during January to March 2014.

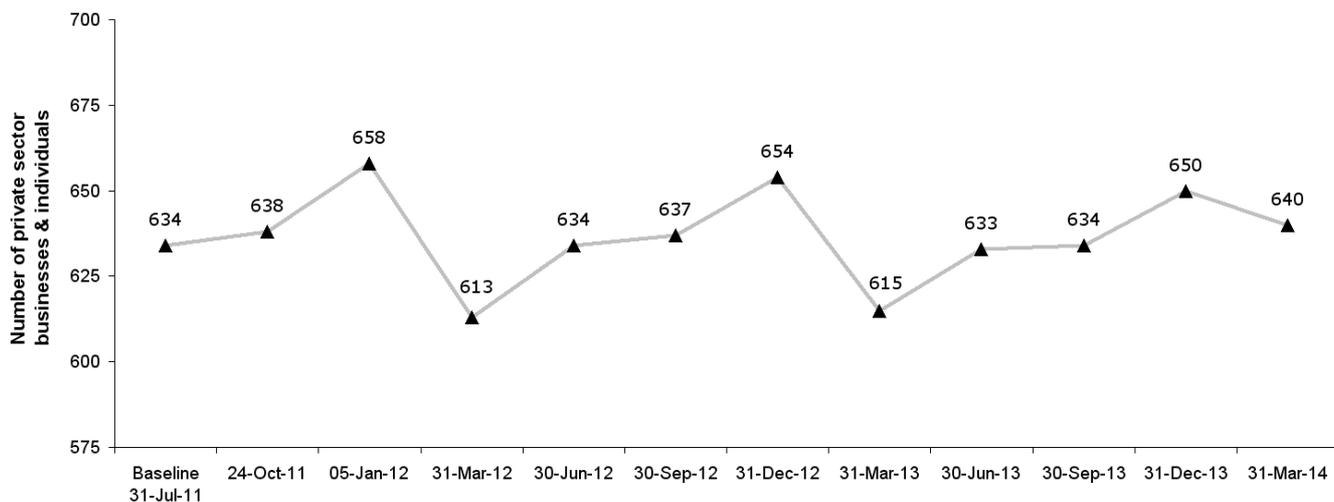
This annual total presents a 52% increase against the 2010-11 baseline. This strong performance can be accounted for by more planting in spring 2013 and late winter 2014 which in turn may reflect the mild winter of 2013-14, landowners securing the support of the current, and well established, Rural Development Programme for England ahead of the next programme, a supportive regulatory framework as well as increased interest in woodland creation due to demand for the ecosystem services that woodland creation can provide and the buoyancy of the forestry economy, with initiatives such as Grown in Britain beginning to have an impact on woodland creation.

Nevertheless, there is more to do. The Government Forestry and Woodlands Policy Statement (January 2013) sets out ambitions for an increase in the rate of woodland creation so that the % of England covered by woodland rises from 10% to 12% by 2060. This implies a net rate of woodland creation of 5,000ha per year.

Note: The quarterly achievement graph reports minor revisions necessary to reconcile to full-year figures.

Improvement

Impact Indicator: *Number of private sector businesses operating on the Public Forest Estate*

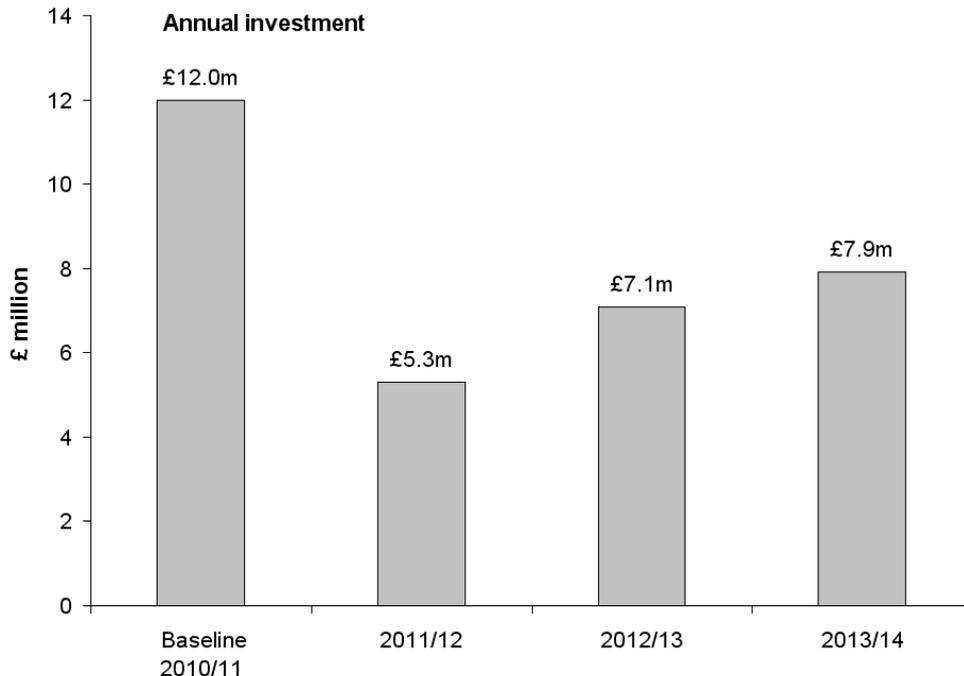


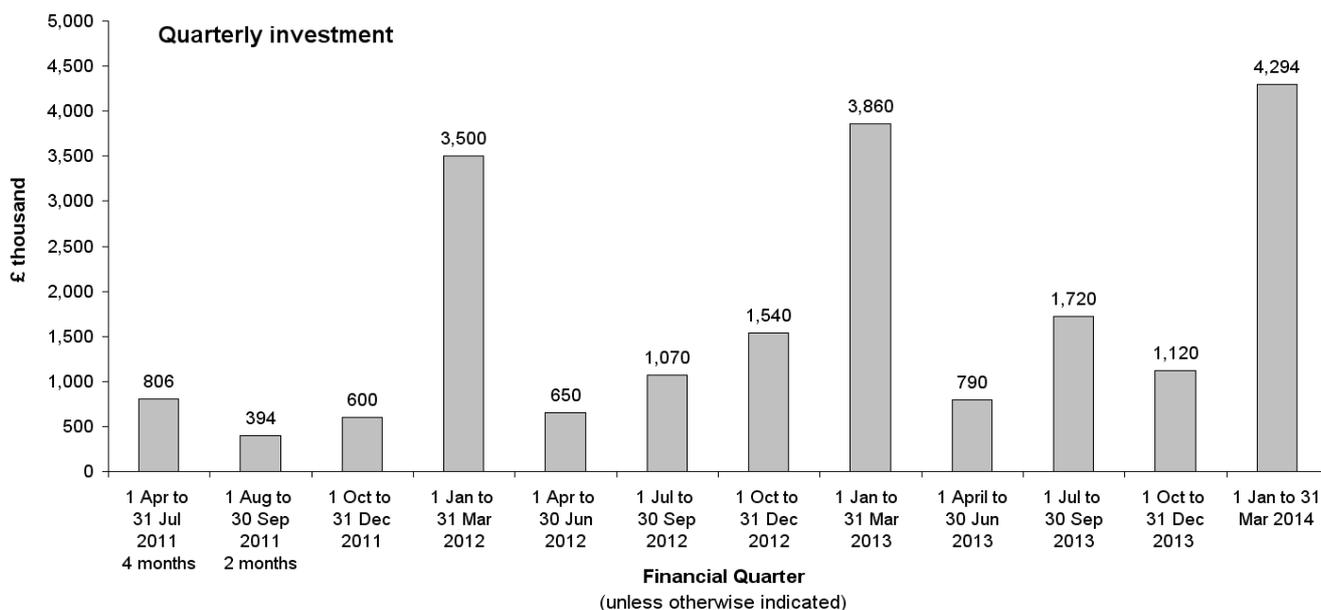
Position at 31 March 2014: 640 private businesses and individuals.

The number of businesses on the estate has increased by 4% from the 615 businesses at the same time last year.

Improvement

Input Indicator: *Cash spent on partnerships and engagement by Forest Services*



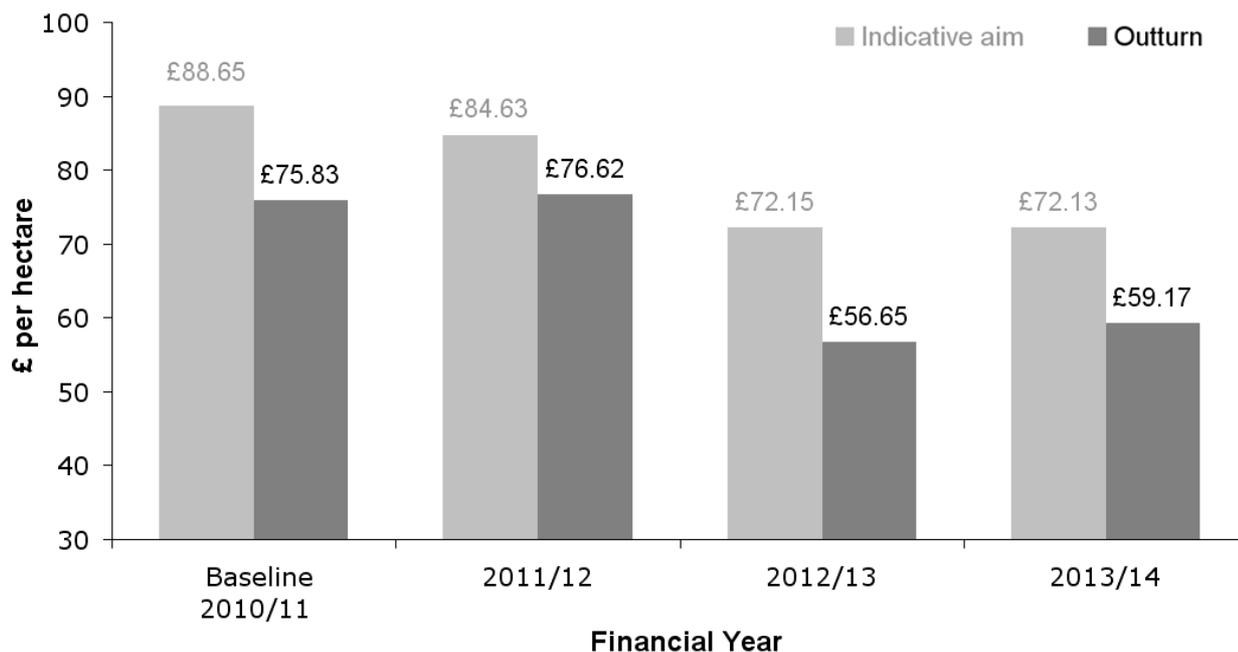


Position at 31 March 2014: £7.92m invested in the financial year 2013-14.

The additional investment in 2013-14 over and above that achieved in 2012-13 is largely accounted for by action to address the Oak Processionary Moth threat in London and the South East (£1.07 million). Other larger investments have included the Newlands Project in the North West (£1.4 million), the Big Tree Plant (£1.4 million), plant health (£1.3 million), London Mayor’s Street Trees (£798 thousand), Woodfuel East (£850 thousand) and support for the Deer Initiative Ltd (£230 thousand). There has also been targeted support for local partnerships and initiatives that have increased capacity for delivery of priority objectives including: Cumbria Woodlands Partnership, Heartwoods, Yorwoods/Northwoods, Southwest Environment Network and the Merseybelt Initiative.

Restructuring our Business

Input Indicator: *Cost of managing the Public Forest Estate (per hectare)*



Provisional Outturn for the 2013-14 financial year: £59.17 per hectare. This is less than the indicative figure aimed for of £72.13 per hectare.

The improved performance compared to the aim is due to timber sales being greater than plan.

These six headline key performance indicators were reviewed in the year and it has been agreed they should remain in place until at least the end of 2014-15. The design of our full suite of indicators will be revisited in 2014-15 with a view to proposing any amendments necessary for 2015-16 onwards.

Reports for our other Corporate Plan performance indicators and wider State of England's Woodlands indicators are available from our website at www.forestry.gov.uk > [England](#) > [About us](#) > [Indicators](#)

Source: These Forestry Commission England key performance indicators are based on our administrative data. The outturns against these indicators have been verified by Internal Audit at the Forestry Commission.

I Gambles
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Forestry Commission
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BS16 1EJ

23 June 2014

Forestry Commission England/Central Services

Annual Accounts 2013-14

DIRECTORS' REPORT

Basis of accounts

The Forestry Commission England/Central Services Accounts are prepared in accordance with a direction given by HM Treasury in pursuance of Section 7(2) of the Government Resources and Accounts Act 2000.

Financial Review

Resources to fund our activities in England and our Cross Border functions come from Defra, from regional agencies, from the European Union, from Local Authorities, from some Non-Governmental organisations and from income from the public forest estate managed by Forest Enterprise England.

Funding for Forestry Commission England/Central Services was decided as part of SR10. The planned sources of income and expenditure up to 2014-15 are shown in the latest Corporate Plans for England, Forest Research and for Cross Border activities.

In addition to the expenditure shown in our accounts, Forestry Commission England manages grant schemes on behalf of Defra. These schemes total a further £36.4m (2012-13 £32.4m) of public funds that are administered by Forestry Commission England/Central Services staff.

Significant variances against budget

The comparison of resource and capital expenditure outturn to budget is shown below:

	2013-14				
	Net Budget total	Gross Expenditure	Income	Net Total	Outturn comparison to budget
	£000	£000	£000	£000	£000
Resource Departmental Expenditure Limit (RDEL)	52,387	78,239	(26,419)	51,820	(567)
Resource Annually Managed Expenditure (AME)	(911)	(390)	-	(390)	521
Total resource outturn	51,476	77,849	(26,419)	51,430	(46)
Capital Department Expenditure Limit (CDEL)	800	578	-	578	(222)
Total capital outturn	800	578	-	578	(222)

The Net Budget Total includes Supplementary Estimate budget switches and variances approved by Defra.

The RDEL underspend relates mainly to depreciation, and the CDEL to reduced levels of capital enhancements to The Grants and Licences Online System (GLOS).

The underspend to AME related to an under utilisation of provisions.

Other Disclosures

Supplier Payment Policy

Forestry Commission England/Central Services complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2013-14 indicates

that 98.7% of invoices paid by Forestry Commission Central Services, 99.6% of invoices paid by Forestry Commission England and 99.6% of invoices paid by Forest Research were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.5.

Significant interests held by Board members

Details of company directorships and other significant interests held by Board members are included within the register of interests maintained by the Forestry Commission and published on our website www.forestry.gov.uk. Related party transactions are separately disclosed within note 21.

Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission England/Central Services in 2013-14. Forestry Commission England/Central Services will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

Auditors

The accounts of Forestry Commission England/Central Services are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £50,000 (2012-13: £55,000). In addition, the notional fee for the audit of the Forest Research Agency was £29,000 (2012-13: £31,000). No fees were charged for other services (2012-13: 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 Forestry Commission England/Central Services 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 Forestry Commission England/Central Services auditors are aware of that information.

I Gambles

23 June 2014

Additional Accounting Officer
Forestry Commission
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REMUNERATION REPORT

Remuneration Policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission or Defra employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive Commissioner. The Chairman and non-executive members took the decision in respect of Director Scotland and because Director England was a new appointment he was not subject to a pay review in 2013. The Chairman, Director Scotland and the non-executive Commissioner took decisions in respect of the remaining senior staff posts.

In reaching its decisions on an individual's salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at www.ome.uk.com.
- Reporting Officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid, and if so, whether low or high. The Senior Pay Committee consider the recommendations, determines the allocation of senior staff to tranches, and decides the percentage increase to salary and any bonus to be awarded in line with Cabinet Office guidance.

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 (PMS) of the Forestry Commission.

Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commission Recruitment Principles, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Unless otherwise stated below, the senior staff covered in this report hold appointments which are open-ended with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Non-executives are generally appointed as Office Holders for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

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

	Date of current contract / letter	Unexpired term (months*)
Sir Harry Studholme	10/02/2014	34
Judith Webb MBE	18/01/2010	0**
Clive Tucker	08/07/2013	27
Hamish Macleod	01/04/2012	12
Amanda Bryan	31/07/2012	14
William Weston	31/03/2012	9
Keith Oates	01/04/2013	24
Sarah Hendry	N/A	N/A***

* months remaining from 31 March 2014.

** Judith Webb left on the expiration of her contract on 17 January 2014.

*** Sarah Hendry, Director Defra member of the National Committee for England during 2013-14, is employed by Defra.

Salary and pension entitlements (information subject to audit)

The salary and pension entitlements of the civil servants who are members of the Forestry Commission Executive Board, the National Committee for England and the England Executive Board were as follows:

Single total figure of remuneration										
	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension Benefits		Total	
	£'000	£'000	£'000	£'000	£	£	£'000	£'000	£'000	£'000
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Tim Rollinson	-	105-110 ¹	-	-	-	-	-	(1)	-	105-110
Ian Gambles	105-110	5-10 ³	-	-	-	-	29	3	135-140	5-10
Jean Lindsay	90-95	80-85 ²	-	-	-	-	72	121	165-170	200-205
Paul Snaith	70-75	70-75	-	-	-	-	3	12	75-80	80-85
Wilma Harper	70-75	70-75	-	5-10	-	-	16	42	85-90	120-125
Richard Greenhous	65-70	65-70	5-10	-	-	-	13	28	90-95	90-95
Steve Meeks	65-70	65-70	-	-	-	-	(1)	3	65-70	70-75
Andrew Smith	65-70	-	-	-	-	-	4	-	70-75	-
Mark Funnell	60-65	60-65	-	-	-	-	25	25	85-90	85-90
Sarah England	55-60	55-60	-	-	1,700	1,500	(20)	23	40-45	80-85
PK Khaira-Creswell	45-50	45-50	-	-	-	-	8	9	55-60	55-60

¹ Figure quoted is for the period 1 April 2012 to 31 January 2013 whilst Director General, Great Britain. The full year equivalent is 125-130.

² Figure quoted is for the period 1 April 2012 to 02 January 2013 Director HR and remaining part of year as Director of Corporate Services.

³ Figure quoted is for the period 11 March 2013 to 31 March 2013 whilst Director, England. The full year equivalent is 105-110.

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 Bob McIntosh, Director Scotland, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2013-14 as he is Director, Forestry Commission Scotland.

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Management Board are borne and disclosed in each of the agency's Annual Report and Accounts 2013-14.

Salary

'Salary' includes basic salary; overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry Commission England/Central Services and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and house purchase loans.

Highest paid Director and median salary cost disclosure

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

The banded remuneration of the highest-paid director of Forestry Commission England/Central Services in the financial year 2013-14 was £105,000 - £110,000 (2012-13, £125,000 - £130,000). This was 3.55 times (2012-13, 4.2) the median remuneration of the workforce, which was £30,441 (2012-13, £30,156). In 2013-14, no (2012-13, nil) employees received remuneration in excess of the highest-paid director.

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

Pension benefits (information subject to audit)

	Accrued pension at pension age at 31 March 2014 and related lump sum	Real increase (decrease) in pension and related lump sum at pension age	CETV at 31 March 2014	CETV at 31 March 2013*	Real increase (decrease) in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	to nearest £100
Ian Gambles	5-10 plus 0-5 LS	0-2.5 plus (0-2.5) LS	150	50	88	-
Jean Lindsay	35-40 plus 105-110 LS	2.5-5 plus 10-12.5 LS	668	573	57	-
Paul Snaith	45-50 plus 0-5 LS	0-2.5 plus 0-2.5 LS	926	868	2	-
Wilma Harper	40-45 plus 0-5 LS	0-2.5 plus 0-2.5 LS	761	701	14	-
Richard Greenhous	10-15 plus 35-40 LS	0-2.5 plus 0-2.5 LS	144	128	5	-
Steve Meeks	25-30 plus 85-90 LS	0-2.5 plus 0-2.5 LS	539	508	(2)	-
Andrew Smith	15-20 plus 50-55 LS	0-2.5 plus 0-2.5 LS	269	250	1	-
Mark Funnell	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	38	23	9	-
Sarah England	20-25 plus 60-65 LS	(0-2.5) plus (0-2.5) LS	312	305	(14)	-
PK Khaira-Creswell	5-10 plus 20-25 LS	0-2.5 plus 0-2.5 LS	82	72	3	-

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

For 2013-14 employee contributions are set as follows:

Annual pensionable earnings	Classic contribution rate before tax relief	Premium, nuvos and classic plus contribution rates before tax relief
(full-time equivalent basis)		
Up to £15,000	3.50	3.50
£15,001 - £21,000	4.10	4.70
£21,001 - £30,000	4.70	5.88
£30,001 - £50,000	5.10	6.67
£50,001 - £60,000	5.50	7.46
Over £60,000	5.90	8.25

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>.

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 (information subject to audit)

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2014.

	2013-14		2012-13	
	Fees £'000	Expenses £'000	Fees £'000	Expenses £'000
Sir Harry Studholme	23	1	16	-
Judith Webb MBE	12	-	11	-
Jon Owen Jones	-	-	14	-
Clive Tucker	4	-	-	-
Hamish Macleod	16	1	16	-
Amanda Bryan	10	1	6	1
Pam Warhurst	-	-	22	-
William Weston	5	3	5	4
Keith Oates	11	2	5	1
Sarah Hendry	N/A*	N/A*	N/A*	N/A*

*Sarah Hendry, Director Defra, a member of the National Committee for England during 2013-14, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

I Gambles
Additional Accounting Officer

23 June 2014

STATEMENT OF RESPONSIBILITIES OF THE FORESTRY COMMISSION AND THE ACCOUNTING OFFICER

Under Section 5, subsection 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed Forestry Commission England/Central Services 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.

From February 2012 Forestry Commission England/Central Services (including Forest Enterprise England and Forest Research) expenditure was no longer disclosed as a separate entity within the resource estimate structure. All expenditure falls within Defra's overall control totals.

In March 2013, and following the decision to make the post of Director General redundant, Defra appointed the Director Forestry Commission England as the Additional Accounting Officer for the Forestry Commission. A Memorandum of Agreement exists between the Accounting Officers for the Forestry Commission and Defra.

The Chief Executive, Forest Enterprise England has been designated by Director Forestry Commission England as an Agency Accounting Officer for that part of the department's accounts relating to the Agency within England-wide activities and the associated assets, liabilities and cash flows. The Director Forestry Commission England has continued the designation of the Chief Executive, Forest Research Agency as an Agency Accounting Officer for that part of the department's accounts relating to the Agency resources within Great Britain-wide activities and the associated assets, liabilities and cash flows. None of these appointments detract from the Director Forestry Commission England's overall responsibility as Accounting Officer for the department's accounts. Under the terms of the Accounting Officers' Memorandum, the relationship between the Accounting Officers, together with their respective responsibilities, is set out in writing.

In preparing the accounts, the Forestry Commission is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the 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;
- 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; and
- 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 England/Central Services assets) are set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT

1. Introduction and Scope of Responsibility

As Additional Accounting Officer for Forestry Commission England and Central Services, I have responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

In discharging this overall responsibility, I am responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes ensuring a sound system of control is maintained through the year and that arrangements are in place for the management of risk.

This Statement covers Forestry Commission England and Central Services, and fully complies with the Corporate Governance Code. In addition, we publish separate Governance Statements for our agencies Forest Enterprise England and Forest Research.

2. The Purpose of the Governance Framework

The governance framework 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.

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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Forestry Commission for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

3. The Governance Framework

The Forestry Act 1967 (as amended) and the Forestry Act 1979 set out the principal legislative framework within which the FC 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.

The Forestry Commission is a non-Ministerial Government Department and has a Royal Charter, dated 25 March 1920. It is headed by a Board of Commissioners.

Forestry is devolved and Commissioners are accountable separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. From April 2013, the duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. Defra are responsible for forestry policy in England.

Under section 2(3) of the Forestry Act 1967, the Commissioners have delegated their responsibilities to the National Committees in each country. National Committees are comprised of non-executive and executive members and they oversee the work of each country, making decisions about country forestry strategies and policies.

Although the vast majority of FC functions are now devolved, by agreement of Ministers in the three countries, certain functions and responsibilities are delivered on a GB-wide basis. This includes the work of its Agency, Forest Research.

Director Central Services is responsible for the oversight and leadership of these cross border and shared service functions and driving forward continued evolution and review of these services.

Relationship with Defra

The Defra Ministers who had responsibility for Forestry Commission England and Central Services during the year were:

Owen Paterson MP, Secretary of State

David Heath MP, Minister of State for Agriculture and Food to 6 October 2013

Dan Rogerson MP, Parliamentary Under Secretary of State from 7 October 2013

Lord de Mauley, Parliamentary Under Secretary of State

Various meetings were held with the Secretary of State and other Ministers by the Forestry Commission Chair, and other FC senior staff throughout 2013-14.

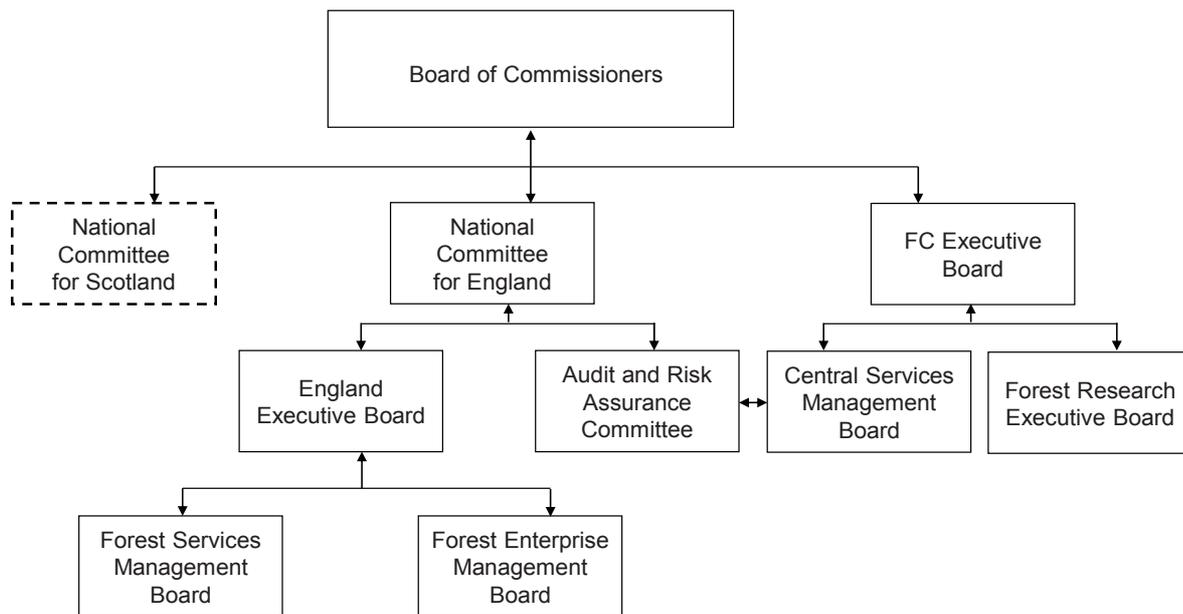
An agreement, 'Working Together: Defra and the Forestry Commission', is in place which sets out a framework for the Forestry Commission in England and Defra to work together to develop and deliver forestry policy. It is a statement of the principles which guide relations between the Forestry Commission and Defra to ensure sufficient communication and co-ordination to enable each to discharge their respective responsibilities effectively and efficiently. This will continue to be updated as necessary to maintain clarity in light of evolving arrangements, for example following the conclusion in January 2014 of the forestry functions review.

Formal quarterly 'Forestry Strategy and Finance' meetings are held between senior Forestry Commission and Defra officials. Defra officials attend in support of their Principal Accounting Officer and to maintain oversight of sound management of the overall Defra vote. In year financial and corporate reporting is provided to the Defra Supervisory Board.

Our closer working arrangements with the Environment Agency and Natural England have consolidated during 2013/14 around joint working to improve the service we offer our shared customers and to ensure we offer a better, more joined-up advice service. This has focussed on supporting the priority for economic growth through providing joint advice on new economic investment strategies and products such as the Local Environment and Economic Development Toolkit package targeted at Local Enterprise Partnerships and Enterprise Zones.

How we operate

The governance structure is outlined below and shows the most numerous interactions between the groups. An overlap in the membership of many of the Boards enhances cohesion.



Forestry Commissioners

The Board of Commissioners consists of a Chair and up to 10 other members appointed by the Queen to be Forestry Commissioners. Sir Harry Studholme served as interim Chair until the end of his appointment as a Commissioner on 17 January 2014, and was then appointed, following open competition, as Chair of the Commission with effect from 10th February 2014.

The Board of Commissioners is responsible for:

- Ensuring that Commissioners' statutory duties are fulfilled.
- Determining the strategic direction for the Forestry Commission.
- Delegating to the England National Committee such functions as are required to support the Government Forestry and Woodlands Policy in England.
- Delegating to the Scotland National Committee such functions as are required to support the National Committee's role in ensuring that the Ministers policies are delivered efficiently and effectively.
- Maintaining an overview of the Central Services and recommending the Corporate Plan for cross border activities and the Forest Research Corporate Plan to Secretary of State Defra.
- Maintaining an overview of corporate risk.

The Board of Commissioners met in June, October, December and March.

They discussed a wide range of topics including:

- external science and forest research;
- future of the Forestry Commission and Governance;
- tree health and biosecurity;
- health and safety in the forestry sector; and

- Business Sustainability.

At each meeting the Board also discussed the Director Central Services' report and country reports from the Forestry Commission's Directors in England and Scotland. Papers for these meetings and further information on the Board of Commissioners are available on our website www.forestry.gov.uk.

The FC Executive Board

The FC Executive Board is responsible for:

- Overseeing the operation and direction of the Forestry Commission with regard to organisational issues. The EB makes decisions on those issues which impact on the FC as a whole and so responsibility cannot be devolved e.g. staff pay and conditions.
- Approving and overseeing plans to deliver the strategic cross-border activities and shared services of the Forestry Commission.
- Approving the strategies for each main area and recommending the Corporate Plan for cross border activities to Commissioners.
- Setting targets and monitoring performance of Forest Research. As sponsor, the EB oversees the relationship between the Forest Research Agency and Director Central Services. The EB achieves this through approving Forest Research's Framework Document or other Memorandum of Agreement and by recommending its Corporate Plan to Commissioners.
- Providing leadership on health and safety and equality and diversity. The EB provides a clear vision for health and safety and equality and diversity, to ensure that both agendas are considered at the early stages of planning, decision making and strategy forming and ensuring that staff are empowered to provide the sustained commitment of time and resources.
- Monitoring performance for cross border activities and shared services to ensure the Forestry Commission is sharing information including providing advice on overseeing and mitigating risk. The EB manage risk through a framework of prudent and effective controls, including horizon scanning.

As well as reviewing the annual reports of the Forestry Commission's Shared Service Boards, the Executive Board addressed a wide range of issues during the year, including:

- Pay 2013-14;
- Climate Change;
- Woodland Policy Enabling Programme;
- FR Governance;
- Procurement;
- Staff Survey 2013 results;
- Tree Alert;
- The Cross Border and Forest Research Corporate Plans;
- Shared Services; and
- Biosecurity.

Further information about the FC Executive Board, including membership and attendance, is available on our website, www.forestry.gov.uk.

National Committee for England

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit.

The National Committee for England is responsible for:

- working with the Westminster parliament and Whitehall departments to develop and promote forestry policy which meets England's needs;
- giving strategic direction to the Forestry Commission's activities in England to ensure delivery of the Government's Forestry and Woodlands Policy Statement;
- identifying and allocating the resources required to meet objectives and monitoring performance in that country against agreed objectives;
- setting targets for, and managing the performance of Forest Enterprise England, a Public Corporation, in managing the public forest estate; and
- ensuring the safeguarding of resources in that country through internal control systems.

During the year the Committee discussed a wide range of issues including:

- finance and business planning;
- Annual Report and Accounts 2012-13;
- tree health and biosecurity;
- Woodland Policy Enabling Programme;
- Performance indicators;
- Forestry aspects of the next Rural Development Programme;
- Succession planning; and,
- Advisory Committee appointments.

At each meeting the National Committee also discussed the Director's report. Papers for these meetings and further information on the National Committee, including membership and attendance, are available on our website, www.forestry.gov.uk.

England Executive Board

The England Executive Board was established to manage the operations of the business of Forestry Commission England within the policy framework set by Ministers and the National Committee for England.

The Board addressed a wide range of issues including:

- finance and business planning;
- risk management;
- Tree health and biosecurity;
- Woodland Policy Enabling Programme;
- Corporate plans;

- Grown in Britain;
- Human Resources;
- Communications; and
- Defra “One Business”.

Further information on the England Executive Board, including membership and attendance, is available on our website, www.forestry.gov.uk.

The England Executive Board is supported by two sub-committees, the Forest Enterprise England Management Board and Forest Services Management Board. The sub-committees were established to manage the operations of the two main delivery arms of Forestry Commission England under the overall direction of the England Executive Board.

Central Services Management Board

The CSMB is a decision making and discussion forum which provides leadership and direction for the collective delivery of Central Services, which comprise Corporate and Forestry Support, Forest Research and Shared Services. It monitors the delivery of services against the policies, strategies and performance measures agreed with the FC Executive Board and the Forestry Commissioners. It further provides advice and support to the Director Central Services in discharge of their duties as an EB member and a member of the Board of Commissioners.

Further information on the Central Services Management Board, including membership and attendance, is available on our website, www.forestry.gov.uk.

Audit and Risk Assurance Committee

As part of a structural review which followed the retirement of the Director General in January 2013 the England Audit and Risk Committee was expanded in 2013-14 to include cross border and shared services risks, and renamed as the England Plus Westminster ARAC.

The ARAC has been established by the National Committee for England to support it in its responsibilities for the effective management of risk, control and governance. Each of the component parts of the organisation maintain their own risk register which is overseen by their respective ARACs.

Through its work the England Plus ARAC provides independent assurance to the Board of Commissioners and the National Committee on those key activities which support the achievement of England and Cross Border objectives, with the exception of Forest Research which has a separate ARAC. Assurance is also provided through the review of the annual accounts and the findings from work carried out by Internal and External Audit. The ARAC operates in accordance with the principles contained in the Treasury’s Audit and Risk Assurance Committee Handbook.

During the year the Committee discussed a wide range of issues including:

- risk management;
- Annual Report and Accounts 2012-13;
- Period 9 Accounts 2013-14;
- External and Internal Audit strategy and reports;
- Information Security;
- tree health and biosecurity;

- Contingency Planning;
- Governance Statement;
- CAP-Delivery programme; and,
- review of committee's structure and effectiveness.

Further information on the England Plus Audit and Risk Assurance Committee, including membership and attendance, is available on our website, www.forestry.gov.uk.

Performance

All of the committees have linkages through shared membership. Commissioners are members of the National Committee, who in turn are members of the Audit and Risk Assurance Committee. This ensures a breadth of knowledge and understanding of the organisation and forestry issues which enhances the contribution made by non-executives and thus the effectiveness of all the committees. Each board and committee receives relevant reports from the other committees and the non-executives play an active part in agreeing and selecting items for inclusion in agendas.

The structures also ensure sharing of best practice and discussion of common issues between England and Scotland. The Chair of the England Plus Audit and Risk Assurance Committee (ARAC) also attends meetings of the other ARC Chairs across the Defra family.

The range of topics covered by all boards and committees have been highlighted under the individual sections above.

FC Internal Audit have previously reviewed the National Committee and accompanying Management Board structure in England and have given a full assurance on the set-up and functioning of these key elements of the corporate governance framework. They have continued to monitor the work of the National Committee during the year through review of meeting agendas, papers and minutes and are content with the approach taken.

The England Plus Audit & Risk Assurance Committee has been assessed as being in line with requirements for public sector bodies as per Treasury guidance.

A review of the effectiveness of the revised board and committee structures will be formally considered in 2014-15 to ensure standards are maintained.

Register of interests

A register of interests of all Board Members is maintained by the Forestry Commission and published on our website, www.forestry.gov.uk.

4. Review of Effectiveness

As Accounting Officer I have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. My review is informed by the work of Internal Audit, the Agency Accounting Officers and the executive managers across the Forestry Commission who have responsibility for the development and maintenance of the governance and control framework, and comments made by the external auditors in their management letter and other reports.

I receive Annual Assurance Statements from the executive managers across the Forestry Commission and have been advised on the implications of the result of my review of effectiveness by the various Boards and the ARAC.

The Head of Internal Audit has prepared a suite of annual reports and assurance statements to me and the Agency Chief Executives in their capacities as Accounting Officers. The reports include an overall assessment of the adequacy and effectiveness of risk management, control and governance within each entity.

The overall opinion is that internal control within Forestry Commission England and Central Services continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

Plans to address weaknesses and ensure continuous improvement of the system are in place.

The Forestry Commission has continued to apply the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances as a Non Ministerial Department, which encourage the adoption of practices set out, where relevant and practical.

The Audit and Risk Assurance Committee review its effectiveness in line with best practice as set out in HM Treasury's Audit Committee Handbook.

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

5. Risk Management

The Risk Management Policy of Forestry Commission England and Central Services is to be fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks, in order to:

- integrate and embed risk management into the culture of Forestry Commission England and Central Services;
- eliminate or reduce risks to an acceptable level;
- anticipate and respond to changing social, environmental and legislative requirements;
- prevent injury and damage and reduce the cost of risk;
- raise awareness of the need for risk management; and,
- ensure that business continuity plans are in place and are effective.

Forestry Commission England and Central Services has identified the following principal areas of risk in achieving its aims and objectives:

Economic – this relates to those financial events which would affect management of the public and private forest estate and its impact on the wider economy. This includes opportunities or possible adverse effects relating from timber markets and exchange rates.

Reputational – this relates to exposure to events which might undermine the level of confidence, held by organisations and the general public, in Government Ministers and the Forestry Commission England/Central Services and the consequences on effective delivery and relationships that might result from a loss of confidence.

Environmental – this relates to the exposure of the forest estate to climatic and ecological events. This includes implications for the targets of maintaining and enhancing the biodiversity, cultural value and landscape character of our estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.

Social – this relates to the implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

By adopting its Risk Management Policy, Forestry Commission England/Central Services recognises Risk Management as a key function in helping to ensure it achieves its aims and objectives.

Further refinements of the organisation's risk registers were put into place during the year, including the addition of the cross border and shared services registers to the suite of registers reviewed by the Audit and Risk Assurance Committee.

Work has continued on Business Continuity within shared services. During the year all services completed Business Impact Assessments and a draft Business Continuity policy was agreed. Further refinements are being made with the aim of publishing the final policy and Business Continuity Plans being available for all shared services by September 2014.

6. Ministerial Direction

No ministerial directions were given during the year.

7. Significant Governance and Risk Issues

Tree Health

The Annual Report discusses the biosecurity threat which continues to be significant governance and risk issue for FC England/Central Services.

Forestry Policy

In July 2012 The Independent Panel on Forestry Policy in England published its report on the future direction of forestry and woodland policy in England, and advised on the role of the Forestry Commission in implementing policy on forestry and woodland in relation to England.

The Government's response to the report was published in January 2013 within a policy statement on forestry and woodlands. The policy is based on the need to ensure resilience in our woodlands and businesses that depend on them. It reflects a clear hierarchy of priorities focused on protecting, improving and expanding public and private woodland assets.

For FC England this means delivering a number of new policy commitments, including the establishment of a new public body to hold the public forest estate in trust for the nation.

The timescale for the establishment of the new PFE management body with separate governance to that of FC England is reliant on the passage of primary legislation.

Ministers have decided that the key forestry functions of government – currently discharged by the Forest Services arm of FCE – will continue to be delivered by the Forestry Commission, with enhanced working arrangements between Defra and the Commission at all levels to strengthen integration between policy and delivery.

Financial Environment

The decision to suspend woodland sales in February 2011 had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover has been made available for the period 2012-2015, with an indicative value for 2015-16, following discussion of the financial implications with Defra.

However, the increasingly constrained financial environment across government continues to put significant pressure on FCE/CS, and places risks on the delivery of government forestry & woodlands policy statement commitments. These risks are subject to active discussion with Defra policy and finance teams.

Non-Executive Succession Planning

With the recent appointment of Sir Harry Studholme as Chair for a three year term and England Commissioner Keith Oates not due to complete his first term of office until March 2016 there should not be any continuity concerns for non-executive Commissioners on the England National Committee at any point in the coming year. A second England Commissioner is expected to be appointed for a three year term by mid 2014. The National Committee non-Executives have a reasonable overlap between their expected terms of office causing no immediate concerns. William Weston will complete his second term of office at the end of December 2014 and Clive Tucker is serving a first term in office which is not due to conclude until July 2016.

CAP Delivery Programme (CAP and RDPE IT delivery tool)

The 'CAP Delivery Programme' exists to provide the IT systems required to deliver the next CAP programme, including the woodland elements of the next Rural Development Programme for England. The CAP Delivery Programme Board oversees the programme. This is chaired by Defra's permanent secretary and includes the Chief Executives of FC, NE and RPA. The programme's governance brings together the SRO, Programme team, CAP Reform negotiation and policy teams and Network Bodies. The Forestry Commission currently delivers c.£32m of rural development programme England (RDPE) grants annually on behalf of Defra. A move to a new single delivery system across all CAP delivery bodies within the Defra family will have a significant impact on Forest Services operations, as will the potential integration of grant schemes across the Defra network. Forestry Commission staff are fully and positively engaged on the programme.

There are a number of high level risks associated with the CAP Delivery Programme. Reputational risk should the single delivery system not meet customer expectations which would reflect negatively on Forestry Commission England. Financial risk should we need to maintain and develop legacy systems to meet new RDPE requirements, and to support legacy claims. Finally, over a quarter of Forest Services staff are working to shape and deliver the Programme on top of their core roles, which is further stretching human resources.

Forest Enterprise Non-Forestry Development Projects

Forest Enterprise's long term financial plan is heavily dependent on releasing the commercial potential from non-forestry developments on the public forest estate. This includes a range of opportunities including renewable energy, mineral extraction, green burials and built commercial development. In order for these opportunities to come to fruition, FE will need to have the assurance that they will be acceptable to Government, and to be able to sustain the confidence of business partners and stakeholders. FC has endeavoured to maintain a range of development prospects during a period of major uncertainty, but their ongoing progression will need careful management and consultation.

Information Communication Technology (ICT) infrastructure

The ARAC had a presentation and detailed discussion on this topic at their February meeting. The ICT Infrastructure modernisation programme continues with further migration of key business applications to the new platform. Step by step this programme is making positive inroads into the business risk posed by ICT infrastructure failure. The disaster recovery site at Northern Research Station is now operational and has capacity to restore major corporate systems within 5 working days.

Whilst some risk to the business still remains as work continues, the overall risk position has substantially improved.

Information Risk Management

We continue to make steady progress to identify and address information risks. Our approach continues to take account of the fact that we do not handle as much sensitive information as most other departments and our information holdings are relatively small.

The Forestry Commission Information Security Management Forum has agreed that Privacy Impact Assessments will be re-introduced for all projects that involve the handling of personal information. Forestry Commission England's Senior Information Risk Owner will nominate appropriate members of staff to undertake

Privacy Impact Assessment training, and there will be internal communication throughout the organisation on the reintroduction of the Assessments.

Three levels of 'Responsible for Information' training are now online and will be undertaken by all staff at the appropriate level for their role.

Following staff changes within the Executive Office team there has been a delay in developing the local Information Asset Owner implementation and training process, however these issues are now resolved and the programme will be rolled out to all Districts and Areas during 2014.

There were three lapses of data security reported during 2013-14:

- A laptop and Blackberry were stolen from a member of staff in July 2013. Both devices were locked / encrypted and fortunately were recovered three weeks later with no loss of data.
- A Blackberry was stolen from a member of staff in December 2013. The account was successfully deleted with no loss of data.
- A laptop was stolen from a Forestry Commission vehicle in February 2014. The device was encrypted and no data was lost.

Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across FC England/Central Services in terms of business critical models and the associated risks are being managed properly.

Communications

Forestry issues remain high profile, particularly tree health threats and organisational change. Through e-consultation, social media and innovative digital communications we have continued to build stronger relationships with stakeholders through change and inform the public and land managers about emerging biosecurity issues.

Ash dieback remained in the headlines early in the year. Our new pest and disease app Tree Alert! continued to receive around 50 reports a week. Working with local partners, our push in the London area to raise awareness about oak processionary moth ran alongside 2013's successful treatment programme, resulting in 49 newspaper and magazine articles and 168 online articles.

8. Wider circumstances and future challenges

The main challenges for FC England/Central Services from 2014-15 and beyond are:

- handling the continued and increasing biosecurity threat;
- delivering government forestry & woodlands policy statement commitments, and agreed performance targets, within an increasingly constrained financial environment, including continued progress towards targets for woodland improvement and creation;
- handling the impact and consequences to Forestry Commission England of the introduction of new grant schemes under the next rural development programme for England, its delivery through CAP-Delivery and the restructuring of how EU payments are administered across the Defra network;
- managing Woodland Policy Enabling Programme (WPEP) organisational change, including setting up the new Public Forest Estate Management Organisation (PFE MO), the future design of Forest Services and engaging with cross-border change, whilst maintaining business continuity and UKWAS certification;
- broadening and deepening our engagement with other Defra network bodies, such as with Natural England on New Environmental Land Management Schemes (NELMs);
- working with Defra on "One Business" through Strategic Alignment which aims to identify work streams, functions and geographies where the Defra Network can co-operate more closely, and

- continuing to devolve Central Shared Services out from the centre to the countries.

In 2014-15 FC England/Central Services will remain focussed on managing these challenges either directly, or in partnership with other bodies across the Defra Network and wider government, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectation in line with the Corporate Plan.

I Gambles
Additional Accounting Officer

23 June 2014

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Forestry Commission England/Central Services for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. These financial statements comprise the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Forestry Commission England/Central Services, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Forestry Commission England/Central Services and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Forestry Commission England/Central Services' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Forestry Commission England/Central Services and Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Forestry Commission England/Central Services affairs as at 31 March 2014 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report, Directors' Report and Annex 1 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

2 July 2014

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2014

	Note	Core			2013-14 Consolidated			2012-13 Core Consolidated	
		Staff Costs £000	Other Costs £000	Income £000	Staff Costs £000	Other Costs £000	Income £000	£000	£000
Administration costs:									
Staff costs	3	8,253			8,253			8,010	8,010
Other costs	4		7,857			7,857		7,655	7,655
Income	6			(5,160)			(5,160)	(4,617)	(4,617)
Programme costs:									
Staff costs	3	11,794			19,478			11,531	19,208
Other costs	5		37,413			42,261		44,349	48,510
Income	6			(16,128)			(21,259)	(16,715)	(21,237)
Totals		20,047	45,270	(21,288)	27,731	50,118	(26,419)	50,213	57,529
Net operating cost				44,029			51,430	50,213	57,529
Other Comprehensive Net Expenditure									
Net (gain) / loss on revaluation of property plant and equipment			(32)			(137)		418	1,073
Net loss on revaluation of intangible assets			-			(1)		-	6
Total other comprehensive expenditure/(income) for the year			(32)			(138)		418	1,079
Total comprehensive net expenditure				43,997			51,292	50,631	58,608

All income and expenditure are derived from continuing operations.

The notes on pages 53 to 80 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

	Note	31 March 2014		31 March 2013	
		Core £000	Consolidated £000	Core £000	Consolidated £000
Non-current assets					
Property, plant and equipment	7	1,872	12,469	2,229	13,036
Intangible assets	8	1,761	1,805	2,981	3,022
Financial assets		-	25	-	25
Trade and other receivables	9	172	191	390	390
Total non-current assets		3,805	14,490	5,600	16,473
Current assets					
Inventories		133	135	135	137
Trade and other receivables	9	4,550	6,134	6,934	8,157
Cash and cash equivalents	10	1,938	2,193	7,447	7,706
Total current assets		6,621	8,462	14,516	16,000
Total assets		10,426	22,952	20,116	32,473
Current liabilities					
Trade and other payables	11	(6,649)	(8,814)	(17,939)	(20,057)
Provisions	12	(449)	(604)	(454)	(745)
Total current liabilities		(7,098)	(9,418)	(18,393)	(20,802)
Non-current assets plus/less net current assets/liabilities		3,328	13,534	1,723	11,671
Non-current liabilities					
Trade and other payables	11	(617)	(617)	(485)	(485)
Provisions	12	(537)	(830)	(867)	(1,079)
Total non-current liabilities		(1,154)	(1,447)	(1,352)	(1,564)
Assets less liabilities		2,174	12,087	371	10,107
Taxpayers' equity					
General fund		1,621	4,857	(339)	2,810
Revaluation reserve		553	7,230	710	7,297
Total taxpayers' equity		2,174	12,087	371	10,107

I. Gambles

Additional Accounting Officer

23 June 2014

The notes on pages 53 to 80 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2014

		2013-14	2012-13
	Note	£000	£000
Cash flows from operating activities			
Net operating cost		(51,430)	(57,529)
Adjustments for non cash transactions	4/5	2,873	3,199
Share of results of associate		-	(17)
Decrease / (increase) in inventories		2	(12)
Decrease / (increase) in trade and other receivables	9	2,222	(4)
(Decrease) / increase in trade and other payables	11	(11,111)	3,932
Movements in trade payables relating to Defra	11	5,513	(4,713)
Use of provisions	12	(671)	(2,320)
Timing between accrual and cash VAT		-	(1,891)
Non-cash inter-country transfers		(193)	3,776
Net cash outflow from operating activities		(52,795)	(55,579)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(772)	(733)
Purchase of intangible assets	8	(48)	(149)
Proceeds of disposal of non-current assets		230	-
Net cash outflow from investing activities		(590)	(882)
Cash flows from financing activities			
Defra Funding		55,578	64,167
Net financing		55,578	64,167
Net increase in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		2,193	7,706
Payment of amount due to Defra		(7,706)	(3,145)
Balance at 31 March 2014		(5,513)	4,561
Cash and cash equivalents at the beginning of the period		7,706	3,145
Cash and cash equivalents at the end of the period		2,193	7,706

The notes on pages 53 to 80 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2014

	Core			Consolidated		
	General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2013	(339)	710	371	2,810	7,297	10,107
Changes in taxpayers' equity for 2013-14						
Net operating cost for the year	(44,029)	-	(44,029)	(51,430)	-	(51,430)
Non-cash charges - auditors remuneration	4/5 50	-	50	79	-	79
Transfer of property, plant and equipment from/to other forestry bodies	(8)	8	-	(8)	8	-
Transfer from revaluation reserve	200	(200)	-	214	(214)	-
Internal charges adjustment	(7,718)	-	(7,718)	-	-	-
Net gain on revaluation of property, plant and equipment	-	32	32	-	137	137
Net loss on revaluation of intangible assets	-	-	-	-	(1)	(1)
Release of reserves to the SCE	-	3	3	-	3	3
Non-cash inter-country transfers	(292)	-	(292)	(193)	-	(193)
Total recognised income and expense for 2013-14	(51,797)	(157)	(51,954)	(51,338)	(67)	(51,405)
Funding received from Defra vote	55,950	-	55,950	55,578	-	55,578
Amounts issued from Defra vote but not spent at year end	(2,193)	-	(2,193)	(2,193)	-	(2,193)
At 31 March 2014	1,621	553	2,174	4,857	7,230	12,087

Note	Core			Consolidated		
	General Fund	Revaluation Reserve	Total	General Fund	Revaluation Reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2012	(656)	358	(298)	1,722	6,412	8,134
Changes in taxpayers' equity for 2012-13						
Net operating cost for the year	(50,213)	-	(50,213)	(57,529)	-	(57,529)
Non-cash charges - auditors remuneration	4/5 55	-	55	86	-	86
Net loss on revaluation of financial asset	-	-	-	-	(6)	(6)
Transfer of property, plant and equipment from/to other forestry bodies	5	(3)	2	2	(5)	(3)
Transfer from revaluation reserve	63	(63)	-	183	(183)	-
Internal charges adjustment	(8,265)	-	(8,265)	-	-	-
Non-cash charges - timing between accrual and cash VAT	9 (1,803)	-	(1,803)	(1,891)	-	(1,891)
Non-cash inter-country transfers	3,776	-	3,776	3,776	-	3,776
Net gain on revaluation of property, plant and equipment	-	418	418	-	1,073	1,073
Net gain on revaluation of intangible assets	-	-	-	-	6	6
Total recognised income and expense for 2012-13	(56,382)	352	(56,030)	(55,373)	885	(54,488)
Amounts issued from Defra vote but not spent at year end	(7,706)	-	(7,706)	(7,706)	-	(7,706)
Funding received from Defra vote	64,405	-	64,405	64,167	-	64,167
At 31 March 2013	(339)	710	371	2,810	7,297	10,107

The notes on pages 53 to 80 form part of these accounts.

NOTES TO THE ACCOUNTS

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis and in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Forestry Commission England/Central Services for the purpose of giving a true and fair view has been selected. The particular policies selected by Forestry Commission are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

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

1.2 Administrative and programme expenditure

The Consolidated Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The Forestry Commission is required to comply with the Administration Budget Regime. HM Treasury and Defra determined how the Forestry Commission programme and administration income and expenditure outturn should be recorded to best meet the requirements of the Administration Budget Regime.

Administration income and expenditure is recognised where the activity has not been classified as a front line service by HM Treasury and Defra. Where an activity has been classified as a front line service, the associated income and expenditure is recognised as programme.

Grants that include an element of co-financing from the European Union are accounted for by the Department for the Environment, Food and Rural Affairs.

1.3 Funding paid to Forest Enterprise England

Forestry Commission England makes an annual funding payment to Forest Enterprise England. Funding is equal to Forest Enterprise England's agreed annual subsidy limit and is accounted for as programme expenditure through the Consolidated Statement of Comprehensive Net Expenditure.

1.4 Public corporation dividend

Forestry Commission England receives a dividend from Forest Enterprise England, reflecting the expected rate of return on funding provided. This is included within programme income in the Consolidated Statement of Comprehensive Net Expenditure. The dividend rate has been agreed with HM Treasury and is set at 0% whilst Forest Enterprise England is loss-making. If Forest Enterprise England makes a surplus before revaluation gains on biological assets in the future, HM Treasury's real rate of 3.5% will apply.

1.5 Employee benefits

Pensions

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

Performance pay

The Forestry Commission's Senior Pay Committee determines performance pay for staff in the Senior Staff Grade. The Committee comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive commissioner. Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining and the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission.

Short-term employee benefits

A liability has been recognised for holiday entitlements earned to 31 March but not yet taken.

1.6 Contingent liabilities

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

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted where applicable. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament where applicable.

1.7 Property, plant and equipment

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

Property, plant and equipment are revalued annually as at 31 March using specialist indices provided by Smiths Gore.

Buildings

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

Professionally qualified staff members, employed by Forestry Commission England/Central Services, undertake a full revaluation of buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land. Internal professionally qualified staff members follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 31 March 2013 and Smiths Gore, Chartered Surveyors, reviewed this.

Subsequent expenditure

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

Non-current assets held for sale

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

Plant and machinery

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

Information technology

Information technology (IT) is shown at fair value less subsequent depreciation. IT values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of IT assets is £2,000.

Assets under construction

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

Revaluation reserve

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to the 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.

1.8 Depreciation

Land is assumed to have an indefinite economic life and is not depreciated. Assets under construction are not depreciated until the asset under construction is capable of operating in the manner intended by management. Depreciation is provided on all other tangible assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

Lease premium	unexpired term of the lease
Freehold buildings	over 1 to 60 years
Buildings held under a finance lease	lesser of unexpired term of lease and 60 years
Plant and machinery	over 3 to 16 years
Plant and machinery held under a finance lease	lesser of unexpired term of lease and 16 years
Information technology	over 4 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Consolidated Statement of Comprehensive Net Expenditure. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

1.9 Land and buildings leased to customers

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

1.10 Government grants receivable

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

1.11 Subsidiaries, associates and joint ventures

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where Forestry Commission England/Central Services does not exercise in-year budgetary control are accounted for in accordance with paragraph 4.2.4 of the FReM. 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 (see note 1.23).

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

1.12 Inventories

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

1.13 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts. Forestry Commission England/Central Services recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset are borne by Forestry Commission England/Central Services (a Finance Lease), the right to use the asset is initially recorded as a tangible asset. Finance leases are capitalised at the lease commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5%.

Assets held under Finance Lease are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in the Forestry Commissioners. The policies and procedures for carrying out revaluations are described in note 1.7.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Consolidated Statement of Comprehensive Net Expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

1.15 Grants payable

Grants payable to individuals and bodies by Forestry Commission England/Central Services in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified in note 17.

1.16 European Union (EU) funding

The Forestry Commission acts under delegated authority from Parliament to administer third party grants paid from Objective 1 and Woodland Grant Scheme payments made under the national European Agricultural Guarantee and Guidance Fund and the European Agricultural Fund for Rural Development. Once grants become recognised, contributions from the EU are claimed. If grants are subsequently recovered because of failure to fulfill 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.

1.17 Provisions

Forestry Commission England/Central Services provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the real rate set by HM Treasury.

1.18 Value Added Tax (VAT)

The Forestry Commission is registered for VAT. In order 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. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in the Forestry Commission England/Central Services 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.

1.19 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.

1.20 Foreign currency translation**(a) Functional and presentation currency**

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

(b) Transactions and balances

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

1.21 Intangible assets

Intangible assets are valued initially at cost and subsequently at fair value using the revaluation model.

Where an active market does not exist, income generating assets are valued at the lower of depreciated replacement cost and value in use. Non-income generating assets are carried at depreciated replacement cost. These valuation methods are considered to be a proxy for fair value.

Software licences

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.

Information Technology and Development Expenditure

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Forestry Commission England/Central Services are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, that are capitalised as part of the Information Technology internally developed software product, include the software development and employee costs. Information Technology intangible assets are amortised over their estimated useful lives of seven years.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Computer software development costs relate to internally developed software under construction and are recognised as intangible assets and subsequently revalued to depreciated replacement cost and amortised over their estimated useful lives of seven years.

1.22 Impairment of non-financial assets

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

1.23 Financial assets

Classification

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to

dispose of the investment within 12 months of the reporting date. Available for sale financial assets comprise investments.

Recognition and measurement

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

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

(a) Financial assets at fair value through profit or loss

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forestry Commission England/Central Services establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

1.24 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held by the Government Banking Service and other short-term highly liquid investments with original maturities of three

months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

1.25 Financial Liabilities

Classification

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

(a) Financial liabilities at fair value through profit or loss

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

(a) Financial liabilities at fair value through profit or loss

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

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

(b) Other financial liabilities

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

1.26 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2014 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

1.27 Effective for future Financial Years

At the date of authorisation of these financial statements, the following standards relevant to the Forestry Commission were issued but not yet effective:

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income);
- IAS 19 Post-Employment Benefits (Pensions);
- IAS 27 Separate Financial Statements;
- IFRS 9 Financial Instruments, Classification and Measurement;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

These standards have not been adopted by the Forestry Commission ahead of their implementation date. The future impact of IAS 1 and 19 is not considered to be significant. IFRS 9, 10, 11, 12, 13 and IAS 27 are still

subject to consultation by HM Treasury. The Forestry Commission will review and assess the impact following the outcome of these consultations.

The Forestry Commission has also reviewed the changes in the FReM and determined that there will be no significant impact on the accounts from 2013–14.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the Forestry Commission England/Central Services to make estimates, assumptions and judgements. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Estimates, assumptions and judgements that are deemed to have a significant risk of causing a material adjustment to the carrying amounts of the Forestry Commission England/Central Services' assets and liabilities are as follows:

Forest Research Agency development activities

Per IAS 38 Intangible Assets an intangible asset arising from development shall be recognised if all of the following can be demonstrated by the entity:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset itself, or if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure the expenditure attributable to the intangible asset during its development.

To date it has been deemed that the development activities undertaken by the Forest Research Agency have not met these conditions and therefore no intangible assets relating to development have been recognised by the Agency. This will continue to be reviewed on an on-going basis.

NOTE 3 STAFF NUMBERS AND RELATED COSTS**3 (a) Employee benefit expense**

			2013-14	2012-13
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
England/Central Services Core				
Wages and salaries	14,765	-	14,765	15,063
Social security costs	1,188	-	1,188	1,220
Other pension costs	2,702	-	2,702	2,748
Agency staff	-	1,336	1,336	487
Inward secondments	56	-	56	23
Total net costs	18,711	1,336	20,047	19,541
Forest Research				
Wages and salaries	5,519	554	6,073	6,058
Social security costs	444	37	481	498
Other pension costs	1,024	83	1,107	1,116
Agency staff	-	23	23	5
Total net costs	6,987	697	7,684	7,677
Forestry Commission England/Central Services Consolidated Department				
Total net costs	25,698	2,033	27,731	27,218

Staff costs comprise Forestry Commission England and staff employed within Central Services and Forest Research, to provide support to Forestry Commission activities in England and Scotland and to their agencies.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Forestry Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2013-14, employers' contributions of £4,555,000 were payable to the PCSPS (2012-13: £4,636,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2013-14 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 £35,800 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,600 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

No individual retired early on ill health grounds (2012-13: 1); the total additional accrued pension liabilities in the year amounted to nil (2012-13: £1,900).

3 (b) Average number of persons employed

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

			2013-14	2012-13
	Permanently - employed staff	Others	Total	Total
	number	number	number	number
England/Central Services Core	420	32	452	451
Forest Research	160	23	183	178
England/Central Services consolidated department total	580	55	635	629
Split by gender				
England/Central Services Core				
Male	240	12	252	253
Female	180	20	200	198
Forest Research				
Male	105	11	116	115
Female	55	12	67	63
England/Central Services consolidated department total	580	55	635	629

3 (c) Benefits in kind are provided under the following schemes:

- Advances of salary for house purchase – available only for staff on relocation;
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/health equipment, including bicycles; and
- Car provision for employee scheme.

Each scheme is subject to conditions and financial limits.

Forestry Commission England/Central Services had house purchase loans totaling £103,000 outstanding at 31 March 2014 relating to 11 employees (2012-13: £96,000 relating to 10 employees). The core department had house purchase loans totaling £82,000 outstanding at 31 March 2014 relating to 10 employees (2012-13: £96,000 relating to 10 employees). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

3 (d) Compensation for loss of office

5 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2014 (2012-13: 34). They received a compensation payment of £148,622 (2012-13: £1,205,262).

1 member of staff left under Compulsory Redundancy terms in the year to 31 March 2014 (2012-13: 3). They received a compensation payment of £8,053 (2012-13: £47,383).

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1 - (2012-13: nil)	Nil - (2012-13: 6)	1 - (2012-13: 6)
£10,000 - £25,000	Nil - (2012-13: 3)	1 - (2012-13: 8)	1 - (2012-13: 11)
£25,000 - £50,000	Nil - (2012-13: nil)	4 - (2012-13: 14)	4 - (2012-13: 14)
£50,000 - £100,000	Nil - (2012-13: nil)	Nil - (2012-13: 4)	Nil - (2012-13: 4)
£100,000- £150,000	Nil - (2012-13: nil)	Nil - (2012-13: 1)	Nil - (2012-13: 1)
£150,000- £200,000	Nil - (2012-13: nil)	Nil - (2012-13: 1)	Nil - (2012-13: 1)
£200,000- £250,000	Nil - (2012-13: nil)	Nil - (2012-13: nil)	Nil - (2012-13: nil)
Total number of exit packages	1 - (2012-13: 3)	5 - (2012-13: 34)	6 - (2012-13: 37)
Total resource cost / £	£8,053 (2012-13: £47,383)	£148,622 (2012-13: £1,205,262)	£156,675 (2012-13: £1,252,645)

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

NOTE 4 ADMINISTRATION COSTS

	Core	2013-14 Consolidated	Core	2012-13 Consolidated
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Staff transfers	238	238	225	225
Computer costs	62	62	20	20
Travel and subsistence	488	488	591	591
Accommodation	628	628	722	722
Communication	68	68	66	66
Training	81	81	90	90
Premature retirement costs	(42)	(42)	39	39
Losses and compensation	6	6	(120)	(120)
Legal expenses	30	30	45	45
Partnership and Publicity	4,971	4,971	4,913	4,913
Private Woodland Grants	579	579	545	545
Other	712	712	379	379
	<u>7,821</u>	<u>7,821</u>	<u>7,515</u>	<u>7,515</u>
Non cash items				
Notional audit fees - audit work	50	50	55	55
(Profit) / Loss on disposal of property, plant and equipment	(14)	(14)	74	74
Impairment	-	-	10	10
Release from Revaluation Reserve	-	-	1	1
	<u>36</u>	<u>36</u>	<u>140</u>	<u>140</u>
Total	<u>7,857</u>	<u>7,857</u>	<u>7,655</u>	<u>7,655</u>

NOTE 5 PROGRAMME COSTS

	2013-14		2012-13	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Staff transfers	45	58	213	228
Computer costs	3,030	3,094	3,926	3,969
Travel and subsistence	679	1,196	714	1,205
Accommodation	534	1,826	1,143	2,086
Communication	1,286	1,331	2,084	2,137
Training	315	371	210	228
Premature retirement costs	43	52	(71)	(101)
Losses and compensation	2	(64)	22	(68)
Legal expenses	46	51	100	100
Partnership and Publicity	3,809	5,694	2,981	4,511
Funding to Forest Enterprise England	19,850	19,850	26,133	26,133
Other	2,154	2,436	1,744	2,133
	31,793	35,895	39,199	42,561
Rentals under operating leases:				
Hire of plant and machinery	92	92	95	95
Other operating leases	2,586	2,586	1,993	1,993
	2,678	2,678	2,088	2,088
Research and development expenditure:	851	851	802	802
Non cash items				
Notional audit fees - audit work	-	29	-	31
Depreciation of property, plant and equipment	598	1,234	626	1,205
Amortisation of intangible assets	1,252	1,264	1,568	1,583
Losses on disposal of property, plant and equipment	14	26	18	134
Losses on disposal of intangible assets	-	-	-	(1)
Impairment	-	-	-	50
Provisions				
Provided in year	272	347	63	129
Provisions not required written back	(49)	(75)	(49)	(131)
Unwinding of discount	4	12	34	59
	2,091	2,837	2,260	3,059
Total	37,413	42,261	44,349	48,510

NOTE 6 INCOME

	Core	2013-14 Consolidated	Core	2012-13 Consolidated
	£000	£000	£000	£000
Administration Income				
Project and partnership income	4,437	4,437	4,523	4,523
Other income	723	723	94	94
Total	5,160	5,160	4,617	4,617
Programme Income				
EU receipts	-	531	-	486
Other income	4,334	8,934	1,620	5,656
Shared Services				
Income from Scotland	6,892	6,892	7,151	7,151
Income from Wales	-	-	2,690	2,690
Income from Forest Enterprise England	4,902	4,902	5,254	5,254
	16,128	21,259	16,715	21,237
Total	21,288	26,419	21,332	25,854

On consolidation, the internal income received by Central Shared Services from Cross Border functions £3,659,000 (2012-13: £4,279,000), Forestry Commission England £1,787,000 (2012-13: £1,830,000) and Forest Research £720,000 (2012-13: £861,000) was removed from programme income.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & Machinery	OME	AUC	Total
	£000	£000	£000	£000	£000	£000
Valuation :						
At 1 April 2013	1,861	13,652	4,160	2,357	-	22,030
Additions	-	-	609	60	103	772
Disposals	-	(308)	(608)	(365)	-	(1,281)
Revaluations	52	153	108	(64)	-	249
At 31 March 2014	1,913	13,497	4,269	1,988	103	21,770
Depreciation :						
At 1 April 2013	-	5,749	2,114	1,131	-	8,994
Charged in year	-	375	439	420	-	1,234
Disposals	-	(88)	(590)	(361)	-	(1,039)
Revaluations	-	115	20	(23)	-	112
At 31 March 2014	-	6,151	1,983	1,167	-	9,301
Net Book Value :						
At 31 March 2014	1,913	7,346	2,286	821	103	12,469
At 31 March 2013	1,861	7,903	2,046	1,226	-	13,036
Asset Financing :						
Owned	1,913	7,346	1,747	821	103	11,930
Finance leased	-	-	539	-	-	539
Net Book Value at 31 March 2014	1,913	7,346	2,286	821	103	12,469

Land and Buildings were valued as at 31 March 2013 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Thornycroft, FRICS who is Head of Estates. The results of this valuation were also subject to professional review by Smiths Gore, Chartered Surveyors. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

Plant and Machinery are valued at five-year intervals. A professional valuation took place on 31 March 2011. Professionally qualified staff employed by the Forestry Commission undertook the valuation which was approved by Jeffrey Livingston, CEng, Head of Mechanical Engineering Services. In the intervening years, revaluations are on the basis of indices provided by the Office of National Statistics (ONS) or internal professional staff as appropriate.

Office machinery and equipment assets were restated to a current value of £821,000 as at 31 March 2014 using an index provided by the ONS.

Depreciation expense of £1,234,000 (2012-13: £1,208,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure.

	Land £000	Buildings £000	Plant & Machinery £000	OME £000	AUC £000	Total £000
Valuation :						
At 1 April 2012	1,716	14,017	3,806	2,365	-	21,904
Additions	-	24	555	307	-	886
Disposals	-	(501)	(288)	(544)	-	(1,333)
Revaluations	145	172	87	229	-	633
Impairment	-	(60)	-	-	-	(60)
At 31 March 2013	1,861	13,652	4,160	2,357	-	22,030
Depreciation :						
At 1 April 2012	-	6,278	1,911	1,162	-	9,351
Charged in year	-	318	435	455	-	1,208
Disposals	-	(319)	(264)	(542)	-	(1,125)
Revaluations	-	(528)	32	56	-	(440)
At 31 March 2013	-	5,749	2,114	1,131	-	8,994
Net Book Value :						
At 31 March 2013	1,861	7,903	2,046	1,226	-	13,036
At 31 March 2012	1,716	7,739	1,895	1,203	-	12,553
Asset Financing :						
Owned	1,861	7,903	1,777	1,226	-	12,767
Finance leased	-	-	269	-	-	269
Net Book Value at 31 March 2013	1,861	7,903	2,046	1,226	-	13,036

Analysis of property, plant and equipment:

The net book value of property, plant and equipment comprises:

	Land £000	Buildings £000	Plant & Machinery £000	OME £000	AUC	Total £000
Core at 31 March 2014	-	436	615	821	-	1,872
Agency at 31 March 2014	1,913	6,910	1,671	-	103	10,597
Core at 31 March 2013	-	664	345	1,220	-	2,229
Agency at 31 March 2013	1,861	7,239	1,701	6	-	10,807

NOTE 8 INTANGIBLE ASSETS

				2013-14
	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2013	1,904	10,784	42	12,730
Additions	17	31	-	48
Disposals	(16)	-	-	(16)
Revaluation to current prices	(3)	-	-	(3)
At 31 March 2014	1,902	10,815	42	12,759
Amortisation:				
At 1 April 2013	1,446	8,262	-	9,708
Provided during year	107	1,157	-	1,264
Disposals	(16)	-	-	(16)
Transfers	146	(146)	-	-
Revaluation to current prices	(2)	-	-	(2)
At 31 March 2014	1,681	9,273	-	10,954
Net Book Value :				
At 31 March 2014	221	1,542	42	1,805
At 31 March 2013	458	2,522	42	3,022

				2012-13
	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2012	1,925	10,647	42	12,614
Additions	12	137	-	149
Disposals	(43)	-	-	(43)
Transfers	-	-	-	-
Revaluation to current prices	10	-	-	10
At 31 March 2013	1,904	10,784	42	12,730
Amortisation:				
At 1 April 2012	1,456	6,707	-	8,163
Provided during year	28	1,555	-	1,583
Disposals	(42)	-	-	(42)
Transfers	-	-	-	-
Revaluation to current prices	4	-	-	4
At 31 March 2013	1,446	8,262	-	9,708
Net Book Value :				
At 31 March 2013	458	2,522	42	3,022
At 31 March 2012	469	3,940	42	4,451

Analysis of intangible assets:

The net book value of intangible assets comprises:

	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Core at 31 March 2014	177	1,542	42	1,761
Agency at 31 March 2014	44	-	-	44
Core at 31 March 2013	417	2,522	42	2,981
Agency at 31 March 2013	41	-	-	41

Amortisation of £1,264,000 (2012-13: £1,583,000) is included in other programme costs in the statement of Comprehensive Net Expenditure.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Information Technology asset class. The carrying amount at 31 March 2014 is £1,056,000 and is being amortised over 7 years.

NOTE 9 TRADE AND OTHER RECEIVABLES

9(a) Analysis by type

	Core	31 March 2014 Consolidated	Core	31 March 2013 Consolidated
	£000	£000	£000	£000
Current				
Trade receivables	2,329	3,288	2,513	3,301
Less: provision for impairment of trade receivables	(6)	(6)	(8)	(8)
Trade receivables - net	<u>2,323</u>	<u>3,282</u>	<u>2,505</u>	<u>3,293</u>
VAT	379	382	3,246	3,246
Other receivables	40	40	44	44
House purchase loans to employees	14	16	12	12
Prepayments and accrued income	1,794	2,414	1,127	1,562
Total current receivables	<u>4,550</u>	<u>6,134</u>	<u>6,934</u>	<u>8,157</u>
Non-current				
House purchase loans to employees	68	87	84	84
Prepayments and other accrued income	81	81	279	279
Other Receivables	23	23	27	27
Total non-current receivables	<u>172</u>	<u>191</u>	<u>390</u>	<u>390</u>
Total receivables	<u>4,722</u>	<u>6,325</u>	<u>7,324</u>	<u>8,547</u>

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

Trade receivables of £631,000 (2012-13: £335,000) were past due but not impaired as of 31 March 2014. These relate to a number of customers for whom there is no recent history of default.

From 2013-14, VAT receivables are included within the relevant entities receivables balance, as opposed to nominally allocating through non cash transfers from FC Central Services via the General Fund.

9(b) Intra-government balances

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Balances with other central government bodies	2,212	1,046	-	-
Balances with local authorities	-	44	-	-
Intra-government balances	2,212	1,090	-	-
Balances with bodies external to government	3,922	7,067	191	390
Total receivables at 31 March	6,134	8,157	191	390

NOTE 10 CASH AND CASH EQUIVALENTS

	31 March 2014		31 March 2013	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Balance at 1 April	7,447	7,706	3,140	3,145
Net change in cash and cash equivalent balances	(5,509)	(5,513)	4,307	4,561
Balance at 31 March	1,938	2,193	7,447	7,706

	31 March 2014		31 March 2013	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
The following balances are held at:				
Balance with the Government Banking Service	1,938	1,938	7,447	7,447
Cash at commercial banks and cash in hand	-	255	-	259
Total	1,938	2,193	7,447	7,706

The balance at 31 March comprises:

	31 March 2014	31 March 2013
	£000	£000
Amounts issued from the consolidated fund for supply but not spent at the year end	1,938	7,706

NOTE 11 TRADE AND OTHER PAYABLES**11(a) Analysis by type**

	Core	31 March 2014	Core	31 March 2013
	£000	Consolidated	£000	Consolidated
		£000		£000
Current				
Other taxation and social security	194	277	254	351
Trade payables	2,311	2,782	5,420	5,860
Other payables	(8)	(8)	113	113
Accruals and deferred income	1,790	2,470	4,095	5,201
Current part of finance leases	125	125	70	70
Payments received on account	44	975	281	756
Amounts issued from Defra vote but not spent at year end	2,193	2,193	7,706	7,706
Total current	6,649	8,814	17,939	20,057
Non current				
Finance leases	260	260	106	106
Payments received on account	357	357	377	377
Deferred income	-	-	2	2
Total non current	617	617	485	485
Total payables	7,266	9,431	18,424	20,542

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

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

	31 March 2014	31 March 2013
	£000	£000
GBP Sterling	8,694	20,272
Euro	737	259
US Dollar	-	11
	9,431	20,542

11(b) Intra-government balances

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	£000	£000	£000	£000
Balances with other central government bodies	24	75	-	-
Balances with local authorities	12	177	-	-
Balances with public corporations and trading funds	2	2	-	-
Intra-government balances	38	254	-	-
Balances with bodies external to government	8,776	19,803	617	485
Total payables at 31 March	8,814	20,057	617	485

NOTE 12 PROVISIONS FOR LIABILITIES AND CHARGES

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2012	2,418	-	2,418	3,561	527	4,088
Provided in year	62	-	62	128	-	128
Provisions not required written back	(49)	-	(49)	(41)	(90)	(131)
Utilised in the year	(1,144)	-	(1,144)	(1,883)	(437)	(2,320)
Unwinding of discount	34	-	34	59	-	59
At 1 April 2013	1,321	-	1,321	1,824	-	1,824
Provided in year	271	-	271	279	67	346
Provisions not required written back	(49)	-	(49)	(75)	-	(75)
Utilised in the year	(560)	-	(560)	(671)	-	(671)
Unwinding of discount	3	-	3	10	-	10
At 31 March 2014	986	-	986	1,367	67	1,434

Analysis of expected timing of discounted cash flows:

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	449	-	449	537	67	604
Later than one year and not later than five years	537	-	537	830	-	830
At 31 March 2014	986	-	986	1,367	67	1,434

Early Departure Costs

Forestry Commission England/Central Services meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry Commission England/Central Services provides for this in full when the early retirement programme becomes binding on Forestry Commission England/Central Services by establishing a provision for the estimated payments.

NOTE 13 FINANCIAL INSTRUMENTS

13(a) Financial Instruments by category

	31 March 2014			31 March 2013		
	Loans and receivables	Available for Sale	Total	Loans and receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Assets as per the Statement of Financial Position						
Available for sale financial assets	-	25	25	-	25	25
Trade and other receivables	3,529	-	3,529	3,739	-	3,739
Cash and cash equivalents	2,193	-	2,193	7,706	-	7,706
Total	5,722	25	5,747	11,445	25	11,470

	31 March 2014		31 March 2013	
	Other financial liabilities	Total	Other financial liabilities	Total
	£000	£000	£000	£000
Liabilities as per the Statement of Financial Position				
Finance lease liabilities	385	385	178	178
Trade and other payables excluding statutory liabilities	6,071	6,071	13,531	13,531
Total	6,456	6,456	13,709	13,709

13(b) Exposure to risk

The Forestry Commission's activities expose it to a variety of financial risks.

Credit risk: the possibility that other parties might fail to pay amounts due;

Liquidity risk: the possibility that Forestry Commission England/Central Services might not have funds available to meet its commitments to make payments; and

Market risk: the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Due to the largely non-trading nature of its activities and the way in which government departments are financed, Forestry Commission England/Central Services is not exposed to the degree of financial risk faced by business entities.

i) Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Forestry Commission England/Central Services' exposure to credit risk is limited to the risk on non-payment by customers, as minimal deposits are held with commercial banks.

Customers are assessed, taking into account their financial position, past experience and other factors with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Forestry Commission England/Central Services. The utilisation of credit limits is regularly monitored.

ii) Liquidity risk

Each financial year, the Westminster Parliament makes provision for the use of resources by Forestry Commission England/Central Services for revenue and capital purposes in a Finance Act. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Finance Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forestry Commission England/Central Services is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years
	<u>£000</u>	<u>£000</u>
At 31 March 2014		
Finance lease liabilities	144	272
Trade and other payables excluding statutory liabilities	6,071	-
Total	<u>6,215</u>	<u>272</u>

	Less than 1 year	Between 1 and 2 years
	<u>£000</u>	<u>£000</u>
At 31 March 2013		
Finance lease liabilities	74	107
Trade and other payables excluding statutory liabilities	13,531	-
Total	<u>13,605</u>	<u>107</u>

iii) Market risk

Forestry Commission England/Central Services has no powers to borrow or invest surplus funds. Financial assets and liabilities are generally generated by day-to-day operational activities and are not held to manage the risks facing Forestry Commission England/Central Services in undertaking its activities. However, under the

Regulatory Reform (Forestry) Order 2006, with Treasury approval, Forestry Commission England/Central Services may form or participate in the forming of, a body corporate, invest in a body corporate and provide loans. Forestry Commission England/Central Services may also exploit any intellectual property arising from research.

(1) Cash flow and fair value interest rate risk

Forestry Commission England/Central Services has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

(2) Foreign Currency Risk

The Forest Research Agency is exposed to foreign exchange rates through a bank account denominated in Euros and through contracts which are denominated in Euros. However, contract income denominated in Euros forms only 4% of the Agency's total income. Therefore, fluctuations in exchange rates do not have a significant impact on financial position.

13(c) Capital risk management

Forestry Commission England/Central Services' objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

13(d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

NOTE 14 SEGMENTAL INFORMATION

Management has determined that Forestry Commission England/Central Services operates as one operating segment, with results reviewed by the chief operating decision maker for Forestry Commission England/Central Services as a whole.

NOTE 15 CAPITAL COMMITMENTS

There were contracted capital commitments of £152,000 at 31 March 2014 (2012-13: £nil).

NOTE 16 COMMITMENTS UNDER LEASES**Operating Leases**

Operating lease rentals are charged on a straight-line basis over the term of the lease. Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2014		31 March 2013	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Obligations under operating leases for the following periods comprise:				
Land				
Not later than one year	-	2	-	2
Later than one year and not later than five years	-	5	-	7
Total	-	7	-	9
Buildings				
Not later than one year	2,355	2,355	2,300	2,300
Later than one year and not later than five years	9,177	9,177	9,201	9,201
More than five years	11,369	11,369	11,779	11,779
Total	22,901	22,901	23,280	23,280
Other leases				
Not later than one year	45	50	38	46
Later than one year and not later than five years	38	38	11	16
Total	83	88	49	62

Building lease rentals include irrecoverable VAT.

Finance Leases

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

	31 March 2014		31 March 2013	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Obligations under finance leases for the following periods comprise:				
Plant and Machinery				
Not later than one year	144	144	81	81
Later than one year and not later than five years	272	272	113	113
	416	416	194	194
Less: interest element	(32)	(32)	(18)	(18)
Present value of obligations	384	384	176	176

NOTE 17 OTHER FINANCIAL COMMITMENTS**Existing woodlands**

Forestry Commission England was committed under draft and signed contracts to the payment of future installments of grants which support existing woodlands amounting to £1,663,000 at 31 March 2014 (2012-13: £2,124,000). All commitments relate to the Core department.

The above payments analysed by the period during which the commitment expires are as follows:

	2013-14	2012-13
	Consolidated	Consolidated
	<u>£000</u>	<u>£000</u>
Not later than one year	538	605
Later than one year and not later than five years	1,125	1,519
	<u>1,663</u>	<u>2,124</u>

NOTE 18 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There were no contingent liabilities as at 31 March 2014 (2012-13: nil).

NOTE 19 OPERATING LEASE RECEIVABLES

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 March 2014		31 March 2013	
	Core	Consolidated	Core	Consolidated
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Not later than one year	1,014	1,014	1,014	1,014
Later than one year and not later than five years	4,056	4,056	1,473	1,473
More than five years	2,415	2,415	1,223	1,223
	<u>7,485</u>	<u>7,485</u>	<u>3,710</u>	<u>3,710</u>

The Forestry Commission sub-leased parts of two buildings to three 3rd parties under agreements which will terminate in October 2020 and August 2022.

NOTE 20 LOSSES AND SPECIAL PAYMENTS

	2013-14		2012-13	
	<u>Number</u>	<u>£000</u>	<u>Number</u>	<u>£000</u>
Losses total	5	3	15	20
Special Payments total	5	2	3	3
	10	5	18	23

All losses and special payments relate to the core.

NOTE 21 CONSOLIDATED RELATED PARTY TRANSACTIONS

Forestry Commission England's Public Corporation Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England provided an annual subsidy limit of £19,850,000 to Forest Enterprise England.

In addition, Forestry Commission England/Central Services has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are HM Treasury, UK Co-ordinating Body, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, the Department for Communities and Local Government, Government Banking Service and the Greater London Authority.

In the year to 31 March 2014, Forest Enterprise England entered into material transactions involving Hamish Macleod, a non-executive Forestry Commissioner, which are disclosed in their Annual Report and Accounts for 2013-14.

The following additional transactions were carried out with related parties:

21(a) Purchases of goods and services

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
University of Southampton	-	1
	-	1

The above transactions, for course fees, student stipend, samples and amendments to an existing database, production of a new database, occurred on an arm's length basis. These transactions are disclosed as Peter Freer-Smith holds a visiting professorship at the University of Southampton. The outstanding balance at 31 March 2014 was nil (2012-13: £1,000).

21(b) Transactions with C-Cure Solutions Ltd

	<u>2013-14</u>	<u>2012-13</u>
	<u>£000</u>	<u>£000</u>
C-Cure Solutions Ltd	11	6
	11	6

The above value related to income received from the investment in C-Cure Solutions Ltd. James Pendlebury is the Forest Research Director of the company. The balance outstanding as at 31 March 2014 amounted to £2,186 (2012-13: £435).

21(c) Other

	2013-14	2012-13
	£000	£000
Farm Woodland Premium Scheme (FWPS) grant	13	1
Scottish Forestry Scheme (SFS) grant	4	5
Daughter employee salary package	29	9
	46	15

Sir Harry Studholme, Chair and Commissioner for Forestry Commission England, received a Farm Woodland Premium Scheme grant of £13,000 during the year (2012-13: £700). There were no further payments due as at 31 March 2014.

Judith Webb, a member of the Great Britain Executive Board was also a Director and Trustee at the Deer Initiative in 2012-13 which also received funding from the Forestry Commission. The funding received from the Forestry Commission was £43,582.

The partner of Amanda Bryan, a member of the Great Britain Executive Board was involved in a receipt of a Community Grant for Aigas community forest. The grant received during 2013-14 was £4,200 (2012-13: 4,500).

The daughter of a member of the Great Britain Executive Board, received salary payments of £29,000 (2012-13: £9,000). There were no outstanding balances at 31 March 2013. The Great Britain Executive member played no role on the appointment, management or setting the remuneration of their daughter.

21(d) Key management compensation

Key management personnel are deemed to be the members of the Forestry Commission Executive Board, the National Committee for England, the England Executive Board and the Executive Board of Forest Research.

Refer to the Remuneration Report for further details of remuneration of the Forestry Commission Executive Board, the National Committee for England and the England Executive Board.

NOTE 22 EVENTS AFTER 31 March 2014

In accordance with the requirements of IAS 10, events after 31 March 2014 are considered up to the date on which the accounts are authorised for issue. The Accounting Officer authorised these financial statements for issue on 2 July 2014.

Forest Enterprise England

Annual Report 2013-14

DIRECTORS' REPORT

Basis of accounts

The Forest Enterprise England (FEE) accounts have been prepared under a direction given by the Forestry Commission England/Central Services in accordance with the framework document between the Forestry Commission England and Forest Enterprise England.

Status

Forest Enterprise England is designated as a public corporation for national accounting purposes, by the Office of National Statistics, in accordance with European System of Accounts (ESA) 95.

Forest Enterprise is part of Forestry Commission England which serves as the forestry department of the Westminster Parliament to advise on and implement forestry policies. Through the Public Corporation, it also manages the public forest estate to deliver public benefits. The Secretary of State for Environment, Food and Rural Affairs is answerable to the Westminster Parliament for Forestry Commission England/Central Services' overall policies and performance. Further information on Forestry Commission England/Central Services can be found in its Annual Report and Accounts.

Financial review

Forest Enterprise England receives income from two main sources; operating income from the sales of goods and services and funding income from the Annual Subsidy Limit from the Forestry Commission.

The Annual Subsidy Limit is a charge to the Forestry Commission (shown as Resource Departmental Expenditure Limit) and appears in the Forestry Commission accounts as programme cost. A baseline level of funding is agreed at the start of each financial year and may be varied during the course of the year.

Defra agreed to an additional £8m Resource DEL funding in 2013-14 to strengthen FEE's reserves for plant health activities. The additional funding will also assist in alleviating ongoing budget pressures within FEE.

Total government funding was £19.85m in 2013-14 (£26.1m 2012-13).

The apparent reduction in funding between years is due to an injection of £7m that Defra made in 2012-13 to cover the historic shortfall from the sale of woodland assets.

Operating performance

Forest Enterprise England incurred a reported operating deficit, before financing, of £8.6 million (2012-13 £60.5 million deficit).

IAS 41 requires that changes in fair value, less costs to sell, of biological assets during a period are reported in net profit or loss. The valuation movements in 2013-14 have had a small impact on the results for the year.

The operating performance should be considered in the context of the impact of these valuation movements (non-distributable gains or losses) on timber holdings and felling. Removing the impact of IAS 41, the basis of calculating the operating surplus is adjusted as follows:

	2013-14	2012-13	2011-12	2010-11
Operating surplus/(deficit)	(£8.6m)	(£60.5m)	£28.1m	(£19.7m)
Add back impact of valuations				
Loss / (Gain) on biological assets	(£25.9m)	£28.0m	(£67.0m)	(£16.7m)
Value of felled timber	£19.7m	£18.2m	£19.7m	£17.6m
Deficit excluding valuation movements	(£14.8m)	(£14.3m)	(£19.2m)	(£18.8m)
Funding	£19.9m	£26.1m	£14.6m	£7.9m
Surplus/(deficit) after funding	£5.1m	£11.8m	(£4.6m)	(£10.9m)

Taking one year with another, the cumulative position from 2010-11 to 2013-14 shows that, FEE has delivered a cumulative operating deficit of £67.1m and received funding of £68.5m. This particular four year period has been used as it fully reflects the cessation of woodland asset sales and the change in financial regime for FEE, from net cash funding to a full external financing basis.

As stated above, in recognition of the historic shortfall from woodland asset sales, Defra provided extra funding in 2012-13, which is why the funding appears to reduce between the years.

Performance for 2013-14 was:

	Target	Actual	Variance
Net cost before funding	£18.3m	£14.8m	(£3.5m)

The net cost target is used to inform the key performance indicator series for the Forestry Commission, see Forestry Commission England/Central Services 2013-14 Annual Report Accounts. The indicator compares target net cost per hectare for the estate and compares it to the actual net cost per hectare.

The net cost is the product of external income less cost. Actual performance is heavily influenced by timber revenue which is subject to market prices. 2013-14 saw high timber prices, compared to previous years, which meant increased timber revenue reduced the actual net cost compared to the target.

The principal risk and uncertainty facing FEE is the long term market price and demand for timber. Timber prices are currently high and in the long term, the actual net cost (cost to the public sector) may rise, if timber prices and volume reduce.

Capital

During the course of the year the Management Board approved capital schemes of £4.7m.

The two major capital schemes at Alice Holt and Westonbirt Arboretum progressed well during the year and a number of minor recreation building capital projects completed during the year with any outstanding capital commitments as at 31 March 2014 reported within note 14.

We are grateful to the Friends of Westonbirt Arboretum for their continued support in enabling the joint development project at the Arboretum. Funding has been derived from a variety of sources to enable this exciting development to take place.

Minor property and equipment sales raised £0.4million, external funding of £0.9m was obtained and capital expenditure on owned assets was £2.7m. In addition, new finance leases were entered into during the year for vehicles valued at £1.6m.

Approved schemes will carry over the financial year end and be financed from working capital.

Other Disclosures

Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.4.

Supplier Payment Policy

Forest Enterprise England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2013-14 indicates that 97.6% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Significant interests held by Board members

Details of company directorships and other significant interests held by Board members are included within the register of interests maintained by the Forestry Commission and published on our website www.forestry.gov.uk. Related party transactions are separately disclosed within note 20.

Personal data related incidents

There were no protected personal data related incidents reported for Forest Enterprise England in 2013-14 or previous financial years. Forest Enterprise England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

Auditors

These accounts are audited by the Comptroller and Auditor General. The audit fee was £100,000 (2012-13: £106,000). No fees were charged for other services (2012-13: 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 Forest Enterprise England auditors are unaware. The Accounting Officer has taken all the necessary steps required to make himself aware of any relevant audit information and to establish that the Forest Enterprise England auditors are aware of that information.

S Hodgson
Accounting Officer

23 June 2014

Forest Enterprise England
England National Office
620 Bristol Business Park
Coldharbour Lane
Bristol. BS16 1EJ

REMUNERATION REPORT

Remuneration policy

The Chief Executive was appointed on a full-time permanent basis through a fair and open external recruitment exercise under the terms of the Civil Service Commissioners Recruitment Code. The Chief Executive's salary is determined by the Forestry Commission's Senior Pay Committee which comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive Commissioner.

In reaching its recommendations, the Forestry Commission's Senior Pay Committee has regard to the following considerations:

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

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 (PMS) of the Forestry Commission.

Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commission Recruitment Principles, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Members of the Forest Enterprise Management Board hold appointments that are open-ended with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salary and pension entitlements (information subject to audit)

The salary and pension entitlements of the members of the Forest Enterprise England Management Board were as follows:

	Single total figure of remuneration									
	Salary		Bonus payments		Benefits in kind (to nearest £100)		Pension Benefits		Total	
	£'000	£'000	£'000	£'000	£	£	£'000	£'000	£'000	£'000
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Simon Hodgson	80-85	80-85	-	5-10	-	-	(3)	22	75-80	110-115
Brian Mahony	-	75-80 ⁵	-	5-10	-	-	-	14	-	100-105
Mark Thornycroft	65-70	65-70	-	-	-	-	(27)	26	35-40	90-95
Jim Lyon	50-55 ²	55-60	-	-	-	-	29	44	80-85	100-105
Kevin Stannard	10-15 ³	-	-	-	-	-	(3)	-	5-10	-
Miranda Winram	0-5 ⁴	-	-	-	-	-	(4)	-	0-5	-
John Tewson	60-65	60-65	-	-	-	-	1	1	65-70	60-65
David Williamson	60-65	60-65	-	-	-	-	-	39	60-65	100-105
David Hodson	55-60	50-55	-	-	-	-	22	21	75-80	70-75
Alan Corson	50-55	50-55	-	-	-	-	(37)	18	15-20	70-75
Paddy Harrop	45-50	50-55	-	-	-	-	9	6	55-60	55-60
Jonathan Spencer	45-50	35-40 ¹	-	-	-	-	-	3	45-50	40-45

¹ Figure quoted is for the period 6 June 2012 to 31 March 2013 whilst Senior Ecologist - Natural Resources. The full year equivalent is 45-50.

² Figure quoted is for the period 1 April 2013 to 31 January 2014 whilst Forest Management Director. The full year equivalent is 65-70.

³ Figure quoted is for the period 31 January 2014 to 31 March 2014 whilst Deputy Surveyor. The full year equivalent is 70-75.

⁴ Figure quoted is for the period 5 March 2014 to 31 March 2014 whilst Head of Business Development. The full year equivalent is 50-55.

⁵ Brian Mahony, acting Director Forest Enterprise England left on completion of his contract on 30 March 2013.

Following the departure of the Forestry Commission England Country Director in October 2010, transitional senior management arrangements were put in place to oversee and manage the organisation through the early years of SR10.

These transitional arrangements saw the creation of a temporary post of Director Forest Enterprise which was filled by Brian Mahony, who was responsible for the day-to-day operation of the agency. Given the transitional nature of the arrangements no changes were made to Accounting Officer responsibilities with the Director General remaining as Additional Accounting Officer, and Simon Hodgson as the Agency Accounting Officer for Forest Enterprise England.

Simon Hodgson resumed the role of Chief Executive Officer, Forest Enterprise England on 1 April 2013 following the retirement of Brian Mahony and the appointment of Ian Gambles as Director Forestry Commission England.

Salary

'Salary' includes basic salary; overtime and any allowances subject to UK taxation. This report is based on payments made by Forest Enterprise England and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.

Pension benefits (information subject to audit)

	Accrued pension at pension age at 31 March 2014 and related lump sum £'000	Real increase/(decrease) in pension and related lump sum at pension age £'000	CETV at 31 March 2014 £'000	CETV at 31 March 2013* £'000	Real increase/(decrease) in CETV £'000	Employer contribution to partnership pension account to nearest £100
Simon Hodgson	20-25 plus 65-70 LS	0-2.5 plus 0-2.5 LS	489	488	(4)	-
Mark Thornycroft	20-25 plus 70-75 LS	(0-2.5) plus (0-2.5) LS	546	563	(26)	-
Jim Lyon	25-30 plus 85-90 LS	0-2.5 plus 2.5-5 LS	639	574	28	-
Kevin Stannard	15-20 plus 50-55 LS	0-2.5 plus 0-2.5 LS	261	260	(3)	-
Miranda Winram	10-15 plus 0-5 LS	0-2.5 plus 0-2.5 LS	110	110	(4)	-
John Tewson	25-30 plus 75-80 LS	0-2.5 plus 0-2.5 LS	532	497	-	-
David Williamson	25-30 plus 75-80 LS	0-2.5 plus 0-2.5 LS	544	509	(1)	-
David Hodson	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	56	38	12	-
Alan Corson	25-30 plus 75-80 LS	(0-2.5) plus (0-2.5) LS	527	526	(33)	-
Paddy Harrop	15-20 plus 50-55 LS	0-2.5 plus 0-2.5 LS	255	235	5	-
Jonathan Spencer	20-25 plus 65-70 LS	0-2.5 plus 0-2.5 LS	466	436	-	-

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic, premium or classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

For 2013-14 employee contributions are set as follows:

Annual pensionable earnings (full-time equivalent basis)	Classic contribution rate before tax relief	Premium, nuvos and classic plus contribution rates before tax relief
Up to £15,000	3.50	3.50
£15,001 - £21,000	4.10	4.70
£21,001 - £30,000	4.70	5.88
£30,001 - £50,000	5.10	6.67
£50,001 - £60,000	5.50	7.46
Over £60,000	5.90	8.25

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

S. Hodgson
Accounting Officer

23 June 2014

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Forestry Commission England/Central Services has directed Forest Enterprise England to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Forest Enterprise England and of its income and expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the accounts, Forest Enterprise England is required to comply with the requirements of the accounts direction issued by the Forestry Commission which states that the accounts should be prepared in compliance with:

- International Financial Reporting Standards as adopted by the European Union;
- the accounting and disclosure requirements of companies legislation currently in force;
- the accounts disclosure requirements of the Financial Services Authority listing rules sections 9.8.6 and 9.8.8; and
- any additional disclosure or accounting requirements that the Treasury may issue from time to time in respect of public corporations' accounts.

Director, Forestry Commission England as the additional Accounting Officer for Forestry Commission England has designated the Chief Executive as the Accounting Officer for Forest Enterprise England. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Forest Enterprise England's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Managing Public Money*.

GOVERNANCE STATEMENT

1. Introduction and Scope of Responsibility

As Agency Accounting Officer for Forest Enterprise England (the Agency), I have responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively in accordance with *Managing Public Money*.

In discharging this overall responsibility, I am responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes ensuring a sound system of control is maintained through the year and that arrangements are in place for the management of risk.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Agency is directed, controlled and led. It enables the Agency to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective outcomes.

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 Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Agency for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Forestry Commission guidance.

3. The Governance Framework

The Forestry Act 1967 (as amended) and the Forestry Act 1979 set out the principal legislative framework within which the FC 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.

The Forestry Commission is a non-Ministerial Government Department and has a Royal Charter, dated 25 March 1920. It is headed by a Board of Commissioners.

Forestry is devolved and Commissioners are accountable separately to the Secretary of State for Environment, Food and Rural Affairs and Scottish Ministers. From April 2013, the duties and functions in the Forestry Acts are exercised in Wales by the Welsh Government and Natural Resources Wales. Defra are responsible for forestry policy in England.

Under section 2(3) of the Forestry Act 1967, the Commissioners have delegated their responsibilities to the National Committees in each country. National Committees are comprised of non-executive and executive members and they oversee the work of each country, making decisions about country forestry strategies and policies.

Forest Enterprise England is an executive agency of the Forestry Commission. The Agency's framework document sets out my responsibilities as Agency Accounting Officer. I am accountable to Parliament through the Additional Accounting Officer for the Forestry Commission. I am responsible to the National Committee for England for the management of the Agency. I have a right of direct access to the Forestry Commissioners and to the relevant Minister.

How the Forestry Commission and Forest Enterprise England operates

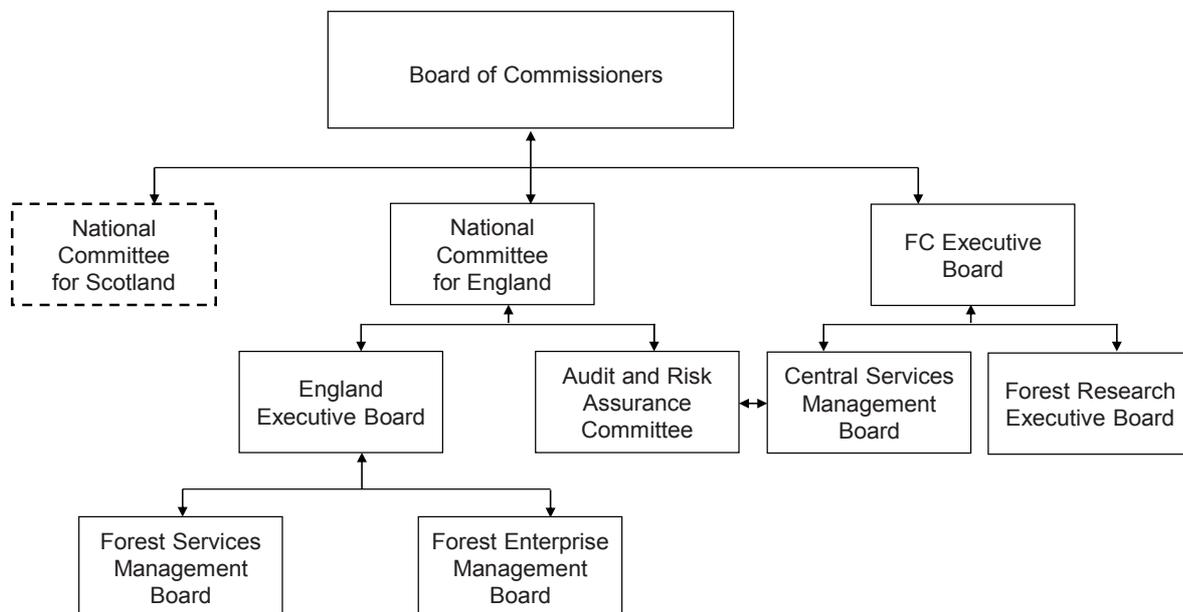
Forest Enterprise England Management Board (FEEMB)

The FEEMB was established to manage the day-to day operations and performance of the Agency, within the policy framework set by Ministers and the National Committee for England, under the overall direction of England Executive Board.

Performance

The FEEMB has linkages through shared membership of other Forestry Commission governance committees. Director Forest Enterprise is a member of the England National Committee and Executive Board, and attends the Audit & Risk Committee. This ensures a breadth of knowledge and understanding of the organisation and forestry issues which enhances the effectiveness of all the committees.

The governance structure is outlined below and shows the most numerous interactions between the groups. An overlap in the membership of many of the Boards enhances cohesion.



During the year the Forest Enterprise England Management Board discussed a wide range of forestry and recreation issues, including:

- Climate change;
- Health and Safety;
- Sickness and absence;
- Open habitats;
- Biodiversity; and,
- Production forecasts.
- Plant Health
- The Woodland Policy Enabling Programme and the Business Case for the long term future of the Public Forest Estate
- Developments at Westonbirt, Alice Holt and Delamere

At each meeting, the Board also discussed the Chair's Report, and Finance and Risk Management reports. They also reviewed reports on Sustainable Forest and Land Management, Recreation and Public Affairs, and Estates.

Further information on the Forest Enterprise England Management Board, including membership and attendance, are available on our website, www.forestry.gov.uk.

FC England Audit and Risk Assurance Committee

As part of a structural review which followed the retirement of the Director General in January 2013 the England Audit and Risk Committee was expanded in 2013-14 to include cross border and shared services risks, and renamed as the England Plus Westminster ARAC.

The ARAC has been established by the National Committee for England to support it in its responsibilities for the effective management of risk, control and governance. Each of the component parts of the organisation maintain their own risk register which is overseen by their respective ARACs.

Through its work the ARAC provides independent assurance to the Board of Commissioners and the National Committee on those key activities which support the achievement of England and Cross Border objectives, with the exception of Forest Research which has a separate ARAC. Assurance is also provided through the review of the annual accounts and the findings from work carried out by Internal and External Audit. The ARAC operates in accordance with the principles contained in the Treasury's Audit and Risk Assurance Committee Handbook.

During the year the Committee discussed a wide range of issues including:

- risk management;
- Annual Report and Accounts 2012-13;
- Period 9 Accounts 2013-14;
- External and Internal Audit strategy and reports;
- Information Security;
- tree health and biosecurity;
- Contingency Planning;
- Governance Statement;
- CAP-Delivery programme; and,
- review of committee's structure and effectiveness.

Further information on the Audit and Risk Assurance Committee, including membership and attendance, is available on our website, www.forestry.gov.uk.

Register of interests

A register of interests of all Board Members is maintained by the Forestry Commission and published on our website, www.forestry.gov.uk.

4. Review of Effectiveness

As Agency Accounting Officer I have responsibility for conducting, at least annually, a review of the effectiveness of the governance framework. My review is informed by the work of Internal Audit and the executive managers across the Forestry Commission who have responsibility for the development and maintenance of the governance and control framework, and comments made by the external auditors in their management letter and other reports.

I receive Annual Assurance Statements from each of the Head's of Shared Services for the Forestry Commission, based centrally in Edinburgh, providing me with assurance on the standard of governance and control within their area of responsibility.

The Head of Internal Audit has prepared an annual report and assurance statements to me as Agency Accounting Officer. The report includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forest Enterprise.

The overall opinion is that internal control within Forest Enterprise continues to provide substantial assurance that material risks to the achievement of objectives are adequately managed.

Work to date has not identified any new control weaknesses and has supported findings from financial control visits and the work of internal and external auditors.

Plans to address weaknesses and ensure continuous improvement of the system are in place.

The Audit and Risk Assurance Committee review its effectiveness in line with best practice as set out in HM Treasury's Audit Committee Handbook.

The Agency has continued to apply the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances as an Agency of the Forestry Commission, which encourages the adoption of practices set out, where relevant and practical.

5. Risk Management

The Forest Enterprise England Management Board ensures the risk management policy is implemented and that they review key risks at every Board meeting. Each risk that is identified in the risk register has a corresponding Senior Risk Owner who is a management board level officer with the authority to take effective action. The England Executive Board and the National Committee for England receives regular updates on key risks.

The National Committee for England has established an Audit and Risk Assurance Committee (ARAC) as a sub-committee to support them in their responsibilities for the effective management of risk, control and governance.

The Risk Management Policy is fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks, in order to:

- integrate and embed risk management into the culture of the Agency;
- eliminate or reduce risks to an acceptable level;
- anticipate and respond to changing social, environmental and legislative requirements;
- prevent injury and damage and reduce the cost of risk;
- raise awareness of the need for risk management and;
- ensure that business continuity plans are in place and are effective.

The Agency has identified the following principal areas of risk in achieving its aims and objectives:

Economic – this relates to those financial events which would affect management of the public and private forest estate and its impact on the wider economy. This includes opportunities or possible adverse effects relating from timber markets and exchange rates.

Reputational – this relates to exposure to events which might undermine the level of confidence, held by organisations and the general public, in Government Ministers and the Forestry Commission Great Britain/England and the consequences on effective delivery and relationships that might result from a loss of confidence.

Environmental – this relates to the exposure of the forest estate to climatic and ecological events. This includes implications for the targets of maintaining and enhancing the biodiversity, cultural value and landscape character of the estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.

Social – this relates to the implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

By adopting its Risk Management Policy, the Agency recognises Risk Management as a key function in helping to ensure it achieves its aims and objectives.

6. Significant Governance and Risk Issues

Bio security

Forest Enterprise have recognised the risk associated with the bio security threat, and the consequences of which are loss of revenue from crop damage, together with the cost of control and containing the spread of disease. Action plans and control measures are in place, including clearing and felling programmes.

Organisational Change

The government's response to the Independent Panel on Forestry included the establishment in the longer term of a new body to hold the Public Forest Estate in trust for the nation. Establishing such new body with greater independence from government, and greater freedom to manage its own resources, will require further significant structural reform and demand long term resourcing to manage the transition.

Forest Enterprise Non-Forestry Development Projects

Forest Enterprise's long term financial plan is heavily dependent on releasing the commercial potential from non-forestry developments on the public forest estate. This includes a range of opportunities including renewable energy, mineral extraction, green burials and built commercial development. In order for these opportunities to come to fruition, the Agency will need to have the assurance that they will be acceptable to Government, and to be able to sustain the confidence of business partners and stakeholders. Forest Enterprise has endeavoured to maintain a range of development prospects during a period of major uncertainty, but their further progression will need careful management and consultation.

Woodland Sales

As part of the SR10 settlement, Forest Enterprise England was asked to progressively reduce its dependence on woodland sales to fund operational costs by the end of the SR10 period. This was based on the assumption that the public forest estate would reduce in size by 15% across the SR10 period.

The decision to suspend SR10 woodland sales in February 2011, and later confirmation to permanently stop the sales in January 2013, had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover was made available for 2013-14 following discussion of the financial implications with the Forestry Commission.

The revised profile of budgetary cover will form a key element in the forthcoming settlement negotiations.

Information Communication Technology (ICT) infrastructure

The ICT Infrastructure modernisation programme continues with further migration of key business applications to the new platform. Step by step this programme is making positive inroads into the business risk posed by

ICT infrastructure failure. The disaster recovery site at Northern Research Station is now operational and has capacity to restore major corporate systems within 5 working days.

Whilst some risk to the business still remains as work continues, the overall risk position has substantially improved.

Business continuity management

Within Forest Enterprise England, business continuity plans are embedded within each management unit.

The Agency is reliant on corporate systems and support from Central Shared Services. Significant progress has been made in developing business continuity management within Shared Services.

Information risk management

We continue to make steady progress to identify and address information risks. Our approach continues to take account of the fact that we do not handle as much sensitive information as most other departments and our information holdings are relatively small.

The Forestry Commission Information Security Management Forum have agreed that Privacy Impact Assessments will be re-introduced for all projects that involve the handling of personal information. Forestry Commission England's Senior Information Risk Owner will nominate appropriate members of staff to undertake Privacy Impact Assessment training, and there will be internal communication throughout the organisation on the reintroduction of the Assessments.

Three levels of 'Responsible for Information' training are now online and will be undertaken by all staff at the appropriate level for their role.

Following staff changes within the Executive Office team there has been a delay in developing the local Information Asset Owner implementation and training process, however these issues are now resolved and the programme will be rolled out to all Districts and Areas during 2014.

There were no lapses of data security reported during 2013-14.

Modelling and Quality Assurance

A sensible and proportionate approach to quality assurance has been adopted across the Agency in terms of business critical models and the associated risks are being managed properly.

Communications

Forestry issues remain high profile, particularly tree health threats and organisational change. Through e-consultation, social media and innovative digital communications we have continued to build stronger relationships with stakeholders through change and inform the public and land managers about emerging biosecurity issues.

7. Wider circumstances and future challenges

The main challenges for Forest Enterprise England for 2013-14 and beyond are:

- managing the delivery of new commitments in line with the Government response to the Independent Panel on Forestry, including setting up the new Public Estate Management organisation, agreement on funding for delivery of public services and growth of commercial revenue streams;
- handling the continued and increasing bio security threat;

- ensuring business continuity and maintenance of UKWAS certification as the efficiencies required under SR10 and SR14 are delivered;
- continuing to deliver agreed performance targets within a constrained financial environment.

In 2014-15 the Agency will remain focussed on managing these challenges, whilst continuing to maintain business continuity across the broad range of its operations and meeting stakeholder expectations in line with the Forestry Commission Corporate Plan.

S Hodgson
Accounting Officer

23 June 2014

INDEPENDENT AUDITOR'S REPORT TO THE HOUSE OF COMMONS

I have audited the financial statements of Forest Enterprise England for the year ended 31 March 2014. These financial statements comprise the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Forest Enterprise England's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Forest Enterprise England; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

In my opinion, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Forest Enterprise England's affairs as at 31 March 2014 and of the operating deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with directions issued by the Forestry Commission.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance and directions made by the Forestry Commission; and

- the information given in Strategic Report, Directors' Report and Annex 1 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Sir Amyas C E Morse
Comptroller and Auditor General

2 July 2014

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2014

		2013-14	2012-13
	Note	£000	£000
Income	4	64,195	57,331
Staff Costs	5	(26,712)	(24,577)
Other Costs	6	(52,215)	(47,077)
Value of Felled Timber	7/9	(19,734)	(18,165)
Operating (deficit) before gain on revaluation of biological assets		(34,466)	(32,488)
Gain / (loss) on revaluation of biological assets	9	25,901	(28,021)
Operating (deficit) after gain / (loss) on revaluation of biological assets		(8,565)	(60,509)
Funding received from Forestry Commission England/Central Services		19,850	26,133
Interest on Forest Holiday investment		124	-
Surplus / (deficit) on sale of properties		136	(906)
Surplus / (deficit) for the year		11,545	(35,282)
Transferred to general fund		11,545	(35,282)
Other comprehensive income			
Net gain on revaluation of Property Plant and Equipment		71,656	34,325
Net gain on revaluation of available for sale financial assets		1,344	2,278
Total other comprehensive income for the year		73,000	36,603
Total comprehensive income		84,545	1,321

There have been no acquisitions during the year.

All income and expenditure is derived from continuing operations.

The notes on pages 103 to 130 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2014

		31 March 2014	31 March 2013
		£000	£000
Non current assets	Note		
Property, plant and equipment	7	1,378,866	1,319,607
Financial assets	8	9,430	8,086
Biological assets	9	134,225	117,163
Trade and other receivables	10	5,581	4,592
Total non current assets		1,528,102	1,449,448
Current assets			
Inventories		1,077	1,079
Trade and other receivables	10	12,370	11,151
Cash and cash equivalents	11	25,999	20,639
Total current assets		39,446	32,869
Total assets		1,567,548	1,482,317
Current liabilities			
Trade and other payables	12	(14,510)	(14,328)
Provisions		(327)	(594)
Total current liabilities		(14,837)	(14,922)
Non current assets plus net current assets		1,552,711	1,467,395
Non current liabilities			
Trade and other payables	12	(16,657)	(16,135)
Provisions		(139)	(133)
Total non-current liabilities		(16,796)	(16,268)
Assets less liabilities		1,535,915	1,451,127
Taxpayers' equity			
General fund		346,496	334,559
Revaluation reserve		1,189,419	1,116,568
Total taxpayers' equity		1,535,915	1,451,127

S. Hodgson
Accounting Officer

23 June 2014

The notes on pages 103 to 130 form part of these accounts.

STATEMENT OF CASH FLOWS

as at 31 March 2014

		2013-14	2012-13
	Notes	<u>£000</u>	<u>£000</u>
Cash flows from operating activities			
Net surplus / (deficit) for the year		11,545	(35,282)
Adjustments for non-cash transactions:			
(Profit) / Loss on disposal of property		(250)	793
Depreciation	7	4,748	4,224
Property, plant and equipment written off	7	119	1
(Gain) / Loss on revaluation of biological assets	9	(25,901)	28,021
Value of fellings	7 / 9	19,734	18,165
Decrease / (Increase) in plant and seed (biological assets)	9	762	(420)
Decrease in inventories		2	93
(Increase) / decrease in trade and other receivables	10	(2,208)	8,591
Increase in trade and other payables	12	983	1,106
Movements in provisions		195	166
Use of provisions		(457)	(685)
Timing between accrual and cash VAT		-	(1,879)
Non-cash inter-country transfers		187	827
Movements in receivables relating to items not passing through the Statement of Comprehensive Income		-	(5,509)
Losses on disposal of other property, plant and equipment		6	8
Impairment of property, plant and equipment and write off of revaluation reserve		57	1,440
Finance lease additions		(1,580)	(618)
Deferred income released		(278)	(336)
Net cash inflow / (outflow) from operating activities		<u>7,664</u>	<u>18,706</u>
Cash flows from investing activities			
Proceeds of disposal of properties		434	414
Purchase of property, plant and equipment	7	(2,738)	(2,148)
Net cash (inflow) from investing activities		<u>(2,304)</u>	<u>(1,734)</u>
Net increase/(decrease) in cash and cash equivalents in the period		<u>5,360</u>	<u>16,972</u>
Cash and cash equivalents at the beginning of the period		20,639	3,667
Cash and cash equivalents at the end of the period		<u>25,999</u>	<u>20,639</u>

The notes on pages 103 to 130 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

as at 31 March 2014

	General Fund	Revaluation Reserve	Total
	£000	£000	£000
Balance at 1 April 2012	375,342	1,081,018	1,456,360
Changes in taxpayers' equity for 2012-13			
Net gain on revaluation of property, plant and equipment	-	36,603	36,603
Non-cash charges - timing between accrual and cash	(1,879)	-	(1,879)
Non-cash charges - intercountry transfers	827	-	827
Realised element of revaluation reserve	1,051	(1,051)	-
Transfer of property, plant and equipment from/to other forestry bodies	9	(9)	-
Capitalisation of Forest Holiday loan notes	(5,509)	-	(5,509)
Release of reserves to the statement of comprehensive income	-	7	7
Net deficit for the year	(35,282)	-	(35,282)
Total recognised income and expense for 2012-13	(40,783)	35,550	(5,233)
Balance at 31 March 2013	334,559	1,116,568	1,451,127
Balance at 1 April 2013	334,559	1,116,568	1,451,127
Changes in taxpayers' equity for 2013-14			
Net gain on revaluation of property, plant and equipment	-	72,999	72,999
Non-cash charges - intercountry transfers	187	-	187
Realised element of revaluation reserve	197	(197)	-
Transfer of property, plant and equipment from/to other forestry bodies	8	(8)	-
Release of reserves to the statement of comprehensive income	-	57	57
Net surplus for the year	11,545	-	11,545
Total recognised income and expense for 2013-14	11,937	72,851	84,788
Balance at 31 March 2014	346,496	1,189,419	1,535,915

The notes on pages 103 to 130 form part of these accounts.

NOTES TO THE ACCOUNTS

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared on a going concern basis and in accordance with the accounts direction issued by Forestry Commission Great Britain / England. The accounts have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Forest Enterprise England accounting policies have been selected based on a judgement of the most appropriate treatment to the particular circumstances of the entity to ensure a true and fair view. The particular policies selected by Forest Enterprise England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

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

1.2 Funding

Forest Enterprise England receives funding from Forestry Commission England/Central Services. Funding is equal to the agreed annual subsidy limit and is accounted for through the Statement of Comprehensive Income.

1.3 Public corporation dividend

Forest Enterprise England pays a dividend to Forestry Commission England/Central Services, reflecting the expected rate of return on funding provided. This is disclosed in the Statement of Comprehensive Income. The dividend rate has been agreed with HM Treasury and is set at 0% whilst Forest Enterprise England is loss-making. If Forest Enterprise England makes a surplus before revaluation gains on biological assets, HM Treasury's real rate of 3.5% will apply.

1.4 Employee benefits

Pensions

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

Performance pay

The Forestry Commission's Senior Pay Committee determines performance pay for staff in the Senior Staff Grade. The Committee comprises the Chairman, Director Scotland, Director England, Director Central Services and one other non-executive commissioner. Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining and the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission. Increases in salary, if awarded, are based on their manager's assessment of their performance.

Short-term employee benefits

Liabilities and expenses are recognised for holiday entitlements earned to 31 March but not yet taken.

1.5 Contingent liabilities

Forest Enterprise England discloses contingent liabilities in accordance with IAS 37. Where applicable, it also discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to Parliament in accordance with the requirements of HM Treasury's Managing Public Money.

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

1.6 Property, plant and equipment

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

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

Forest Estate

The Forest Estate comprises freehold afforested land (including land improvements) and the value of trees that have not been apportioned to Biological Assets under IAS 41 (Agriculture). Valuation of the Forest Estate is complex and relies on judgements and estimation techniques. Details of these are set out in Note 2 Critical Accounting Estimates and Judgements.

Forest Estate Land

Forest Estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the Forest Estate Land at five-yearly intervals. Following a public procurement exercise in 2012, Smiths Gore, Chartered Surveyors were appointed as the Forestry Commission's valuers as from the full valuation as at 31 March 2013. In accordance with Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate land is valued at fair value using market value for existing use. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

Trees Not Apportioned to Biological Assets

Trees falling out with the definition of Biological Assets are shown at fair value. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Smiths Gore, Chartered Surveyors, in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate tree values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

Other Land

Non-Forest Land is shown at fair value. Professionally qualified staff members employed by Forest Enterprise England undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the Forest Estate (31 March 2013). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. The work of internal Chartered Surveyors is reviewed by Smiths Gore. A full valuation took place on 31 March 2013.

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

- Open land - Custom indices provided by Smiths Gore, Chartered Surveyors
- Agricultural land - Farmland Market Index provided by the RICS Rural Land Survey
- Telecom masts - Indices provided by Strutt and Parker, Chartered Surveyors
- Wayleaves - Index provided by the Energy Networks Association
- Quarries and mineral workings - Internal Chartered Surveyors undertook full valuations based on the capitalisation of the future cash inflows taking into account the reserve levels in the individual quarries.

- Car parks, trails and picnic areas - Indices provided by the Office for National Statistics (ONS) using the relevant Producer Price Index.
- Community Woodlands - Internal Chartered Surveyors assessed the components of the woodlands and determined that the woodlands consist of three key components which are listed below together with the associated valuation methodology.
 - (i) Land - internal Chartered Surveyors determined that the land is agricultural in nature, and therefore, the Farmland Market Index provided by the RICS Rural Land Survey is the most appropriate valuation method.
 - (ii) Landscaping and planting - custom indices provided by Smiths Gore, Chartered Surveyors
 - (iii) Infrastructure - consists mainly of paths and determined by internal Chartered Surveyors that ONS indices applied to car parks, trails and picnic areas above is the most appropriate valuation method.

Dwellings and other buildings

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

Professionally qualified staff employed by Forest Enterprise England undertake a full revaluation of dwellings and other buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land (31 March 2013). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 31 March 2013 and Smiths Gore, Chartered Surveyors, reviewed this.

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

Expenditure on Infrastructure

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

Subsequent expenditure

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

Non-current assets held for sale

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

Vehicles, machinery and equipment

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

Office, machinery and equipment

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

Assets under construction

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

Revaluation reserve

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

1.7 Depreciation

Land (forest estate and non-forest land), together with the value of trees not apportioned to Biological assets, are not depreciated.

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

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

Lease premium	- unexpired term of the lease
Freehold buildings	- over 1 to 60 years
Buildings held under a finance lease	- lesser of unexpired term of lease and 60 years
Plant and machinery	- over 3 to 16 years
Plant and machinery held under a finance lease	- lesser of unexpired term of lease and 16 years
Information technology	- over 4 to 20 years

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

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

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

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

1.8 Land and buildings leased to customers

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

1.9 Government grants receivable

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

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

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

1.10 Subsidiaries, associates and joint ventures

Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.21).

The investments in Forest Holidays LLP and Camping in the Forest (CiTF) LLP are accounted for under the requirements of IAS 39 and are treated as financial assets. Further details of the investments are included within the Financial Commentary section. The investments and associated balances are included in the following areas of the financial statements:

Investment	- Investments within note 8
Partnership loan	- Trade and other receivables within note 10
Partnership lease	- Trade and other receivables within note 10

1.11 Biological Assets

Trees growing on Forest Estate Land are apportioned to Biological Assets or the Forest Estate. Apportionment is determined by a strategic assessment that identifies the primary Ministerial objective that the land is held to meet. Trees growing on areas that are primarily held in support of the Government's objective of making a positive contribution to the economy (generate income) are apportioned to Biological Assets under IAS 41 (Agriculture). The remaining trees are apportioned to the Forest Estate and are out with the scope of IAS 41.

Biological assets are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above, the valuation is carried out by Smiths Gore, Chartered Surveyors in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Smiths Gore who are contracted to undertake the work until 2017.

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

Holdings of plants and seed are accounted for as biological assets under IAS 41. They are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

1.12 Inventories

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

1.13 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and related activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

Forest Enterprise England recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to it.

1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a Finance Lease) are borne by Forest Enterprise England, the right to use the asset is initially recorded as a tangible fixed asset. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5%.

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

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

1.15 Grants payable

Grants payable to individuals and bodies by Forest Enterprise England in accordance with its statutory powers and duties are accounted for as they are approved for payment.

1.16 Provisions

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

1.17 Value Added Tax (VAT)

Forest Enterprise England is not registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Income is net of VAT. Forest Enterprise England accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year-end included in Forestry Commission England/Central Services accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Income in the year in which it is incurred.

1.18 Segment 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 Forest Enterprise England Management Board.

1.19 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.20 Impairment of non-financial assets

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

1.21 Financial assets

Classification

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

(a) Financial assets at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

(a) Financial assets at fair value through profit or loss

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), Forest Enterprise England establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

1.22 Cash and cash equivalents

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

1.23 Financial liabilities

Classification

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

(a) Financial liabilities at fair value through profit or loss

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

(a) Financial liabilities at fair value through profit or loss

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

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

(b) Other financial liabilities

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

1.24 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2014 have been adopted in these statements.

1.25 Effective for future Financial Years

At the date of authorisation of these financial statements, the following standards relevant to Forest Enterprise England were issued but not yet effective:

- IAS 1 Presentation of Financial Statements (Other Comprehensive Income);
- IAS 19 Post-Employment Benefits (Pensions);
- IAS 27 Separate Financial Statements;
- IFRS 9 Financial Instruments, Classification and Measurement;
- IFRS 10 Consolidated Financial Statements;
- IFRS 11 Joint Arrangements;
- IFRS 12 Disclosure of Interests in Other Entities; and
- IFRS 13 Fair Value Measurement.

These standards have not been adopted by Forest Enterprise England ahead of their implementation date. The future impact of IFRS 10, 11 and 12 is not considered to be significant. Forest Enterprise England is reviewing the likely impact of the adoption of IFRS 9 and 13.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires Forest Enterprise England to make estimates.

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the accounting policies

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

Classification of the Forest Estate and Biological Assets

Forest Enterprise England retains and manages its woodlands and forests to meet agreed Ministerial objectives, primarily for Social, Environmental and Economic reasons (set out in "A Strategy for England's Trees, Woods and Forests").

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

Woodland retained and managed to meet Economic objectives will primarily generate benefit to Forest Enterprise England from timber sales. Consequently, these areas are regarded as within the scope of IAS 41.

The agency's electronic land management records for each forest district were analysed to identify all afforested or woodland areas subject to a social or environmental designation. Trees growing on these areas were deemed to fall out with the scope of IAS 41. The balance of each forest district's afforested or woodland areas were deemed to fall within the Standard. Management considers that the administrative costs of accounting and valuing each individual area of land are prohibitive. It considers that reliable accounting and valuation estimates can be obtained by expressing the land areas in percentage terms. For example, if a district comprised 100 Ha and 70 Ha was designated for Social and Environmental purposes then reasonable information can be derived from estimating that 70% (70 Ha / 100 Ha) of the district's trees were out with IAS 41. The remaining 30% of trees would fall within IAS 41.

Land designations are not subject to frequent change. Management therefore considers that a detailed review of the designations will take place periodically. Accounts from 2013-14 are based on the analysis of the agency's land records as at 31 March 2013. The next formal review will take place during 2018-19 following the full professional valuation of the Forest Estate as at 31 March 2018.

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

Valuation of the Forest Estate and Biological Assets

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

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the forest estate took place on 31 March 2013. As the valuation basis (Existing Use Value) would be the same as Fair Value, it is reasonable to assume that this can form the basis of the IFRS valuation, provided that forest and woodland could be componentised between land, biological assets out with IAS 41, and biological assets under IAS 41.

It was determined that the estimate of the biological assets' worth could be obtained by deducting a land valuation from the value of the whole in order to estimate the timber value. As part of the professional valuation, an average land value per hectare for the forest estate was determined in each forest district. This was applied to the total estate to give a land valuation which was deducted from the total woodland values to derive a value for trees in each forest district.

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

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2013-14 woodland disposals, the cost of sales percentage was calculated as 4.5% of the Fair Value. Management considers that the incorporation of any ad hoc actual disposal costs in the cost of sales percentage, post November 2012, would distort the true cost of sales figure for the period when Forest Enterprise England was acquiring and disposing of woodlands.

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

Other Land

Other Land primarily includes specialist land holdings for which there are no or limited external markets. Management considers that Forest Enterprise England's internal professionally qualified staff members are best placed to value this land. To ensure compliance with RICS valuation standards, external professional valuers review the work of the internal valuers for consistency and appropriateness. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

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

Dwellings and Other Buildings

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

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

NOTE 3 SEGMENTAL INFORMATION

Management has determined that Forest Enterprise England operates as one operating segment, with results reviewed by the chief operating decision maker for Forest Enterprise England as a whole.

NOTE 4 INCOME

	2013-14	2012-13
	£000	£000
Sale of Goods		
Timber	35,506	31,341
Retail and other goods	4,679	5,118
	40,185	36,459
Services Rendered		
Sustainable forest management	4,280	2,296
Forest estate	4,118	4,294
Recreation and public affairs	14,369	13,248
	22,767	19,838
Royalties		
Mineral Income	1,243	1,034
	1,243	1,034
Total Income	64,195	57,331

NOTE 5 STAFF NUMBERS AND RELATED COSTS**5 (a) Employee benefit expense**

	Permanently employed staff	Others	2013-14 Total	2012-13 Total
	£000	£000	£000	£000
Salaries	20,636	-	20,636	19,658
Social security costs	1,461	-	1,461	1,422
Other pension costs	3,599	-	3,599	3,373
Agency/temporary staff	-	1,016	1,016	124
	25,696	1,016	26,712	24,577

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Forest Enterprise England is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2013-14, employers' contributions of £3,543,000 were payable to the PCSPS (2012-13: £3,216,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, 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 2013-14 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 £52,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,700 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

No individuals retired early on ill health grounds (2012-13: £nil).

5 (b) Average number of persons employed

Average number of whole-time equivalent persons employed:

	Permanently employed staff	Others	2013-14 Total	2012-13 Total
	Number	Number	Number	Number
Directly employed	717	61	778	741
Other	-	46	46	50
Total	717	107	824	791
Split by gender				
Male	516	71	587	568
Female	201	36	237	223
Total	717	107	824	791

5 (c) Benefits in kind are provided under the following schemes:

- Advances of salary for house purchase – available only for staff on relocation;
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/health equipment, including bicycles; and
- Car provision for employee's scheme.

Each scheme is subject to conditions and financial limits.

5 (d) Compensation for loss of office

2 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2014. They received a compensation payment of £101,528.

1 member of staff left under Compulsory Redundancy terms in the year to 31 March 2014. They received a compensation payment of £4,899.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	1 - (2012-13: 4)	Nil - (2012-13: 10)	1 - (2012-13: 14)
£10,000 - £25,000	Nil - (2012-13: 1)	1 - (2012-13: 15)	1 - (2012-13: 16)
£25,000 - £50,000	Nil - (2012-13: nil)	Nil - (2012-13: 9)	Nil - (2012-13: 9)
£50,000 - £100,000	Nil - (2012-13: nil)	1 - (2012-13: nil)	1 - (2012-13: nil)
£100,000- £150,000	Nil - (2012-13: nil)	Nil - (2012-13: 1)	Nil - (2012-13: 1)
£150,000- £200,000	Nil - (2012-13: nil)	Nil - (2012-13: nil)	Nil - (2012-13: nil)
Total number of exit packages	1 - (2012-13: 5)	2 - (2012-13: 35)	3 - (2012-13: 40)
Total resource cost / £	£4,899 (2012-13: £32,271)	£101,528 (2012-13: £728,060)	£106,427 (2012-13: £760,331)

NOTE 6 OTHER COSTS

	2013-14	2012-13
	<u>£000</u>	<u>£000</u>
Staff Transfers	272	457
Computer Costs	32	52
Travel and Subsistence	686	625
Accommodation	816	872
Communication	185	164
Training	175	120
Losses and Compensation	88	86
Legal Expenses	331	487
Auditors' remuneration - audit work	100	106
Shared Central Services	4,766	5,254
Sustainable Forest Management	22,000	19,628
Forest Estate	2,592	1,698
Recreation and Public Affairs	13,672	11,827
	<u>45,715</u>	<u>41,376</u>
Rentals Under Operating Leases:		
Hire of plant and equipment	1,300	1,127
Operating lease rentals:		
Land and buildings	66	67
Plant and machinery	85	116
	<u>1,451</u>	<u>1,310</u>
Non-cash costs:		
Depreciation of property, plant and equipment	4,748	4,224
Provisions –		
Provided in year	372	492
Provisions not required written back	(71)	(328)
Unwinding of discount	-	3
	<u>5,049</u>	<u>4,391</u>
Total	<u>52,215</u>	<u>47,077</u>

NOTE 7 PROPERTY PLANT AND EQUIPMENT

	Forest Estate	Other Land	CITF and Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation :								
At 31 March 2013	1,031,822	199,537	3,151	87,373	14,979	121	1,279	1,338,262
Additions	44	-	-	-	2,601	-	1,673	4,318
Transfers	-	-	-	339	-	12	(351)	-
Transfer to NCAHFS	(63)	(1)	-	-	-	-	-	(64)
Disposals	-	-	-	(47)	(2,139)	(58)	-	(2,244)
Fellings	(11,659)	-	-	-	-	-	-	(11,659)
Write-off	-	-	-	-	-	-	(119)	(119)
Revaluation	59,048	8,269	1,870	1,737	1,171	(3)	-	72,092
At 31 March 2014	1,079,192	207,805	5,021	89,402	16,612	72	2,482	1,400,586
Depreciation :								
At 31 March 2013	-	-	-	9,102	9,472	81	-	18,655
Provided during year	-	-	-	2,582	2,151	15	-	4,748
Disposals	-	-	-	(47)	(2,014)	(58)	-	(2,119)
Revaluation	-	-	-	97	340	(1)	-	436
At 31 March 2014	-	-	-	11,734	9,949	37	-	21,720
Net Book Value :								
At 31 March 2014	1,079,192	207,805	5,021	77,668	6,663	35	2,482	1,378,866
At 31 March 2013	1,031,822	199,537	3,151	78,271	5,507	40	1,279	1,319,607
Owned	1,014,080	207,805	5,021	77,668	2,685	35	2,482	1,309,776
Finance Leased	65,112	-	-	-	3,978	-	-	69,090
Total	1,079,192	207,805	5,021	77,668	6,663	35	2,482	1,378,866

	Forest Estate	Other Land	CITF and Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation :								
At 31 March 2012	1,074,725	154,377	1,438	82,048	13,543	154	120	1,326,405
Additions	30	-	-	47	1,229	13	1,447	2,766
Transfers	-	-	-	288	-	-	(288)	-
Transfer to NCAHFS	-	-	-	(35)	-	-	-	(35)
Disposals	-	-	-	(2,290)	(643)	(61)	-	(2,994)
Fellings	(11,132)	-	-	-	-	-	-	(11,132)
Write-off	-	-	-	-	(1)	-	-	(1)
Revaluation	(31,801)	45,160	1,713	8,748	851	15	-	24,686
Impairment	-	-	-	(1,433)	-	-	-	(1,433)
At 31 March 2013	1,031,822	199,537	3,151	87,373	14,979	121	1,279	1,338,262
Depreciation :								
At 31 March 2012	-	-	-	18,246	7,605	108	-	25,959
Provided during year	-	-	-	2,104	2,094	26	-	4,224
Transfer to NCAHFS	-	-	-	(20)	-	-	-	(20)
Disposals	-	-	-	(1,247)	(561)	(60)	-	(1,868)
Revaluation	-	-	-	(9,981)	334	7	-	(9,640)
At 31 March 2013	-	-	-	9,102	9,472	81	-	18,655
Net Book Value :								
At 31 March 2013	1,031,822	199,537	3,151	78,271	5,507	40	1,279	1,319,607
At 31 March 2012	1,074,725	154,377	1,438	63,802	5,938	46	120	1,300,446
Owned	964,900	199,537	3,151	78,271	1,822	40	1,279	1,249,000
Finance Leased	66,922	-	-	-	3,685	-	-	70,607
Total	1,031,822	199,537	3,151	78,271	5,507	40	1,279	1,319,607

Smiths Gore, Chartered Surveyors carried out a professional valuation of the Forest Estate and Biological Assets as at 31 March 2013. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using specialist forestry indices developed and provided by Smiths Gore.

Other Land, Dwellings and Other Buildings were valued as at 31 March 2013 by professionally qualified staff employed by Forest Enterprise England and approved by Mr Mark Thornycroft, FRICS who is Head of Estates. The results of this valuation were also subject to professional review by Smiths Gore. The next professional valuation is due on 31 March 2018. In the intervening years, the assets are revalued using the indices detailed in note 1.6.

Vehicles, machinery and equipment are valued at five-year intervals. A professional valuation took place on 31 March 2011. Professionally qualified staff employed by the Forestry Commission undertook the valuation which was approved by Jeffrey Livingston, CEng., Head of Mechanical Engineering Services. In the intervening years,

revaluations are on the basis of indices provided by the Office of National Statistics or internal professional staff as appropriate.

Office machinery and equipment (OME) was restated to a current value of £35,000 at 31 March 2014 using an index provided by the ONS.

Depreciation expense of £4,748,000 (2012-13: £4,224,000) has been charged in the Statement of Comprehensive Income.

Transfers to Non Current Assets Held For Sale (NCAHFS) relate to surplus properties that have been subsequently disposed following appropriate approval.

NOTE 8 FINANCIAL ASSETS

	CITF and Forest Holidays Investment	
	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
At 1 April	8,086	5,808
Revaluation to current prices	1,344	2,278
At 31 March	<u>9,430</u>	<u>8,086</u>

The investments represent Forest Enterprise England's share in the limited liability partnerships between the Forestry Commissioners, the Camping and Caravanning Club and Forest Holidays to operate holiday facilities within the Forestry Commission's land holdings.

On 21 September 2012, Forest Holidays LLP restructured its business and created two new Limited Liability Partnerships (LLP's). The two new LLP's are the Camping in the Forest (CITF) LLP and Forest Holidays (LLP). The fair value of Forest Enterprise England's investments in CITF LLP and Forest Holidays LLP were £3,290,000 and £6,140,000 respectively at 31 March 2014. The fair values were determined by Barrs & Co, specialist leisure consultants and chartered surveyors.

NOTE 9 BIOLOGICAL ASSETS

Non-current biological assets comprise of plant and seed and timber.

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Other trees are classed as Other Timber and are out-with the scope of IAS 41.

The approximate area of the land on Forest Estate where the timber growing is within the scope of IAS 41 is as follows:

Forest District	Area
	Ha
North	34,535
Yorkshire	588
Central	2,733
East	1,981
West	5,271
South	2,400
At 31 March 2014	47,508

The carrying value of total biological assets was £134,225,000 at 31 March 2014 (2012-13: £117,163,000) comprising:

- Plant and seed £2,104,000 (2012-13: £2,866,000).
- Timber £132,121,000 (2012-13: £114,297,000).

	31 March 2014	31 March 2013
	£000	£000
Balance at 1 April	117,163	151,798
Fellings	(8,075)	(7,034)
Movement on plant and seed	(762)	420
Transferred to NCAHFS	(2)	-
Gains and losses arising from changes in fair values	25,901	(28,021)
Balance at 31 March	134,225	117,163

Smiths Gore Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 31 March 2018. Apportionment of biological assets was carried out by Forest Enterprise England staff using the judgements and estimates outlined at Note 2.

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

NOTE 10 TRADE AND OTHER RECEIVABLES**10a) Analysis by type**

	<u>31 March 2014</u>	<u>31 March 2013</u>
	£000	£000
Current		
Trade receivables	8,733	8,823
less provision for impairment of trade receivables	-	(12)
Trade receivables - net	<u>8,733</u>	<u>8,811</u>
VAT	394	-
Other receivables	-	38
House purchase loans to employees	16	22
Partnership lease	365	362
Prepayments and accrued income	2,862	1,918
	<u>12,370</u>	<u>11,151</u>
Non current		
Partnership loan	1,677	679
Partnership Lease	3,816	3,794
House purchase loans to employees	80	100
Prepayments and accrued income	8	19
	<u>5,581</u>	<u>4,592</u>
Total receivables	<u>17,951</u>	<u>15,743</u>

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

As at 31 March 2014, trade receivables of £7,372,000 (2012-13: £6,864,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

From 2013-14, VAT receivables are included within Forest Enterprise England's receivables balance, as opposed to nominally allocating through non cash transfers from FC Central Services via the General Fund.

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more to 12 members of staff at 31 March 2014 (2012-13: £2,500 or more, relating to 9 employees). The total outstanding value of all loans was £96,000 (2012-13: £122,000). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

10(b) Intra-Government Balances

	31 March 2014	Current 31 March 2013	31 March 2014	Non-current 31 March 2013
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	-	644	-	-
Balances with local authorities	57	57	-	-
Intra-government balances	57	701	-	-
Balances with bodies external to government	12,313	10,450	5,581	4,592
Total receivables	12,370	11,151	5,581	4,592

NOTE 11 CASH AND CASH EQUIVALENTS

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Balance at 1 April	20,639	3,667
Net change in balances	5,360	16,972
Balance at 31 March	25,999	20,639

The following balances were held at:-

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Government Banking Service	25,999	20,639
Total	25,999	20,639

NOTE 12 TRADE AND OTHER PAYABLES**12(a) Analysis by type**

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Current		
Trade payables	5,526	5,562
Other payables	83	315
Taxation and social security costs	203	217
Accruals and deferred income	7,515	6,916
Current part of finance leases	1,131	1,278
Payments received on account	52	40
	14,510	14,328
Non current		
Accruals and deferred Income	13,242	12,867
Other Payables	-	-
Payments received on account	-	6
Finance leases	3,415	3,262
	16,657	16,135
Total payables	31,167	30,463

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

12(b) Intra-Government Balances

	Current		Non-current	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	42	9	-	-
Balances with local authorities	66	134	-	-
Balances with public corporations and trading funds	-	1	-	-
Intra-government balances	108	144	-	-
Balances with bodies external to government	14,402	14,184	16,657	16,135
Total payables	14,510	14,328	16,657	16,135

NOTE 13 FINANCIAL INSTRUMENTS**13(a) Investments in non-public sector bodies (Available for sale financial assets)**

	31 March 2014	31 March 2013
	£000	£000
Balance at 1 April	8,086	5,808
Net gain transfer to equity	1,344	2,278
Balance at 31 March	9,430	8,086

Available for sale financial assets comprises Forest Enterprise England's partnership share of Forest Holidays LLP and Camping in the Forest LLP, unlisted investments denominated in GB pounds sterling.

13(b) Financial Instruments by category

	31 March 2014			31 March 2013		
	Loans and receivables	Available for Sale	Total	Loans and receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Assets as per SFP						
Available-for-sale financial assets	-	9,430	9,430	-	8,086	8,086
Trade and other receivables (excluding prepayments)	16,230	-	16,230	14,731	-	14,731
Cash and cash equivalents	25,999	-	25,999	20,639	-	20,639
Total	42,229	9,430	51,659	35,370	8,086	43,456

	31 March 2014			31 March 2013		
	Liabilities at fair value through the profit and loss	Other financial liabilities	Total	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	£000	£000	£000	£000	£000	£000
Liabilities as per the SFP						
Finance lease liabilities	-	4,546	4,546	-	4,540	4,540
Trade and other payables excluding statutory liabilities	-	24,826	24,826	-	23,844	23,844
Total	-	29,372	29,372	-	28,384	28,384

13 (c) Exposure to risk

Forest Enterprise England's activities expose it to a variety of financial risks.

- Credit risk: the possibility that other parties might fail to pay amounts due;
- Liquidity risk: the possibility that Forest Enterprise England might not have funds available to meet its commitments to make payments; and
- Market risk: the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

Due to the way in which government departments are financed, Forest Enterprise England is not exposed to the degree of financial risk faced by business entities.

(i) Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by Forest Enterprise England.

Refer to Note 10 for further analysis of credit risk.

(ii) Liquidity risk

Forestry Commission England/Central Services makes provision for the use of resources by Forest Enterprise England for revenue and capital purposes each financial year. The Westminster Government makes provision for the Forestry Commission England/Central Services' use of resources in a Consolidated Fund Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Consolidated Fund Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forest Enterprise England is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Over 5 years
	£000	£000	£000
31 March 2014			
Finance lease liabilities	1,131	1,990	3,229
Trade and other payables excluding statutory liabilities	11,583	13,243	-
Total	12,714	15,233	3,229
	Less than 1 year	Between 1 and 5 years	Over 5 years
	£000	£000	£000
31 March 2013			
Finance lease liabilities	1,278	1,882	3,265
Trade and other payables excluding statutory liabilities	10,972	12,872	-
Total	12,250	14,754	3,265

(iii) Market risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities. However, under the Regulatory Reform (Forestry) Order 2006, with Treasury approval, the Agency may form or participate in the forming of a body corporate, invest in a body corporate and provide loans.

(1) Cash flow and fair value interest rate risk

Forest Enterprise England has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

(2) Foreign Currency Risk

Forest Enterprise England does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

13 (d) Capital risk management

Forest Enterprise England's objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

13 (e) Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

NOTE 14 CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £544,000 and relate to the Westonbirt Project and commitments to purchase plant and machinery (31 March 2013: £1,224,000).

	<u>31 March 2014</u>	<u>31 March 2013</u>
	£000	£000
Property, plant & equipment	544	1,224

NOTE 15 COMMITMENTS UNDER LEASES**15(a) Operating leases**

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

	31 March 2014	31 March 2013
	£000	£000
Land		
Not later than one year	2	2
Later than one year and not later than five years	7	7
More than five years	126	86
Total	135	95
Buildings		
Not later than one year	66	66
Later than one year and not later than five years	161	176
More than five years	314	353
Total	541	595
Plant and Machinery		
Not later than one year	85	116
Later than one year and not later than five years	48	47
More than five years		
Total	133	163

15(b) Finance leases

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

	31 March 2014	31 March 2013
	£000	£000
Land		
Not later than one year	142	142
Later than one year and not later than five years	519	517
More than five years	3,229	3,223
	3,890	3,882
Less: interest element	(1,875)	(1,872)
Present value of obligations	2,015	2,010
Plant and Machinery		
Not later than one year	1,182	1,360
Later than one year and not later than five years	1,546	1,365
More than five years	-	45
	2,728	2,770
Less: interest element	(196)	(240)
Present value of obligations	2,532	2,530

NOTE 16 OTHER FINANCIAL COMMITMENTS

Forest Enterprise England has entered into non-cancellable contracts for artist fees and stage rental for the 'Forest Concert Tour 2014' at various venues throughout England. The payments to which the agency is committed are analysed by the period during which the commitment expires are as follows:

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Not later than one year	3,080	2,827
Later than one year and not later than five years	-	-
	<u>3,080</u>	<u>2,827</u>

NOTE 17 LEASE RECEIVABLES**17(a) Operating leases**

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Not later than one year	3,953	3,322
Later than one year and not later than five years	12,357	10,927
More than five years	77,243	46,730
	<u>93,553</u>	<u>60,979</u>

Forest Enterprise England leases land and buildings under agreements that terminate between April 2014 and May 2175.

17(b) Finance leases

Total future minimum lease receivables under the Forest Holidays partnership buildings lease are given in the table below for each of the following periods:

	31 March 2014	31 March 2013
	<u>£000</u>	<u>£000</u>
Not later than one year	365	362
Later than one year and not later than five years	1,458	1,449
More than five years	25,516	25,350
	<u>27,339</u>	<u>27,161</u>
Less: interest element	(23,158)	(23,005)
Present value of receivables	<u>4,181</u>	<u>4,156</u>

NOTE 18 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

Forest Enterprise England is working actively and positively with the Environment Agency and Forest Research, and other associated local land owners, to identify a sustainable woodland based solution to address the water quality issues affecting the land.

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

NOTE 19 LOSSES AND SPECIAL PAYMENTS

	Number	2013-14 £000	Number	2012-13 £000
Losses total	22	25	23	17
Special payments total	84	318	16	17
	106	343	39	34

NOTE 20 RELATED PARTY TRANSACTIONS

Forestry Commission England/Central Services is regarded as a related party. During the year, Forest Enterprise England received annual subsidy funding of £19,850,000 from Forestry Commission England/Central Services.

In addition, Forestry Commission England/Central Services has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are HM Treasury, UK Co-ordinating Body, Government Banking Service, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, Communities and Local Government and.

The following additional transactions were carried out with related parties:

2013-14	Services Rendered to related party	Purchases from related party	Amounts owed (to) by related party
	£000	£000	£000
Entities Sponsored by Defra	965	42	1
Forest Holidays / CITF	1,400	636	453
Entities with directors in common:			
BSW Timber PLC	2,239	-	513
Howie Forest Products	-	-	-
	4,604	678	967
2012-13	Services Rendered to related party	Purchases from related party	Amounts owed (to) by related party
	£000	£000	£000
Entities Sponsored by Defra	1,643	22	1,071
Forest Holidays	358	667	617
Entities with directors in common:			
BSW Timber PLC	2,396	-	462
Howie Forest Products	192	-	1
	4,589	689	2,151

All balances are unsecured and were incurred on an arm's length basis.

The above transactions for timber sale with BSW Timber PLC and Howie Forest Products occurred on an arm's length basis and are disclosed because Hamish Macleod, a non-executive Forestry Commissioner, is Joint Managing Director of Howie Forest Products Ltd. BSW acquired Howie Forest Products Ltd in November 2009, therefore transactions with BSW have also been disclosed from this date.

NOTE 21 EVENTS AFTER 31 March 2014

In accordance with the requirements of IAS 10, events after 31 March 2014 are considered up to the date on which the accounts are authorised for issue. The Accounting Officer authorised these financial statements for issue on 2 July 2014.

Annex: Sustainability Report

ANNEX1: SUSTAINABILITY REPORT**Introduction**

Forestry Commission England/Central Services and Forest Enterprise England carries out sustainability reporting in line with the Greening Government Commitments and the FReM reporting requirements. The environmental impacts of the organisation's forest management support activities are managed through our Environmental Management System (EMS) which is designed to deliver our environmental policy, with performance improvement targets for reducing fossil fuel-based energy and reducing waste and our use of water. Our EMS meets the requirements of the internationally recognised standard for EMS, BS EN ISO 14001 2004. The EMS is independently assessed for certification by accredited 14001 assessors. Sustainable forest management is achieved through conformance to the United Kingdom Forestry Standard (UKFS) and is independently certified under the United Kingdom Woodland Assurance Standard (UKWAS) under the Forestry Stewardship Council's (FSC) internationally recognised criteria for sustainable forest management by accredited UKWAS certification assessors. Hence all activity of the organisation's sustainable business is measured and managed.

Summary of Performance based on data input to FAS Business Sustainability database. Actual data input from cost centers reflecting business plan targets and the environmental policy and KPIs agreed by the board.

Performance Measurement		2013-14	2012-13
Business Travel	Total miles	7,417,203	7,072,310
	tonnes CO ₂ e↑	1,874	1,822
	Expenditure (£)	3,445,261	3,269,152
Electricity, Gas and other heating fuels	Consumption (Kwh)	3,455,780	5,365,415
	Expenditure (£)	338,875	342,857
	tonnes CO ₂ e↑	1,618	1,906
	% Renewable	38	41
Total Energy (Scopes 1, 2 & 3)	tonnes CO ₂ e↑	3,482	3,728
	Expenditure (£)	3,779,136	3,612,009
F-Gas – CO ₂ (e) Δ	(Kg)	25	62.7
Fugitive emissions	CO ₂ e↑ (T)(GWP)	424,924	739,454
	Expenditure (£)	22,000	20,000
Sewerage/Waste water	Expenditure (£)	58,407	36,736
Estate and office Waste including recycled.	Amount (Tonnes/m ³)	2,450	1,893*
	Expenditure (£)	271,294	302,384
Estate and Office Water	Quantity (m ³)	56,967	74,149
	Expenditure (£)	291,525	118,638
<small>Note: this year includes CO₂ (e) for fugitive emissions from F-Gas (refrigerants) equipment maintenance reported by Cost centres * It has been agreed with DEFRA to remove Sewerage waste from the Total waste figure (new Baseline) for 2013-14 it is shown separately in this table</small>			

A number of on-going initiatives have continued to contribute towards our environmental performance during 2013-14:

- Continuing certification to BS EN ISO 14001-2004 for all of England

- Re-write of OGB 43 “Making our business sustainable”, *embedding* it into normal work practices as opposed to seeing sustainable business as something “separate” to how we work.
- Looking at the remaining options for increasing renewable energy generation across the estate.
- Looking at options for reducing water use across the estate
- Assets such as septic tanks and soak-aways are being monitored more effectively through the resumption system to ensure legal compliance
- F-Gas monitoring has been improved through better asset management and records ensuring legal compliance and the capture of required data for reporting to Defra.

Summary of Future Strategy

The Executive Board have approved a set of key performance indicators, which combined with our improved data monitoring capabilities will form the basis of our future internal performance monitoring through the EMS elements contained within business plans. In 2011-12 as required we introduced local business sustainability actions (based around the agreed indicators) as part of our normal business planning processes. From 2012-13 the Executive Board is using the existing baseline data, local action plans and agreed indicators to monitor our business sustainability performance and to establish realistic but challenging targets for cost centre managers for 2013-14. Central information will be processed to inform local managers of their KPI details to guide local agreement and decision making, prioritising according to business risk and resource allocation.

During 2013-14 our main priorities have consisted of:

- Processing collected data, providing managers with information to plan business performance improvement.
- Providing system support to local managers – Resumption requirements and data input
- Reviewing and improving the management system so that it adds value to the operational objectives. Reviewing the effectiveness of our operational guidance booklet that outlines our EMS (OGB43 Ver 0.2)
- Scoping out improvement programmes and record projects for future funding and implementation; create a small number of “shovel ready” projects that can take advantage of any end of year funding.
- Reviewing energy needs and options for further improvements through renewables across the estate
- Review of the fossil fuel types used to see if further alternatives for renewable energy options are feasible in light of projected future energy cost increases. (Carbon Planning)
- Review refrigerants to plan phased replacement gas requirements in a planned way
- Explore the feasibility of transitioning to a low carbon (or electric/fuel cell) vehicle fleet over the next 20 years

GHG Emissions

The Forestry Commission England has a number of offices across the country, strategically located to both manage the public forest estate, carry out research and to engage with private landowners. The built estate is actively managed to optimise occupancy and minimise CO₂ emissions. A number of opportunities to co-locate offices with other government departments have already been taken and any further opportunities will be taken where it is practical and beneficial to do so. Many districts have installed wood fuel boilers and other green technology measures to reduce energy use derived from fossil fuel generated sources. CO₂ emissions from business travel are managed through ongoing support for use of remote working arrangements, the provision of audio-conferencing facilities to reduce the need to travel for meetings and the procurement of low emission vehicles for which there are also tax incentives.

A fugitive emission figure from equipment that contains harmful refrigerant gasses (HFCs) was included in the report to Defra at their request to provide a 2012 baseline figure. Emissions from the maintenance of cold stores, deer larders and fridges as well as the maintenance of air-conditioning units in vehicles and buildings were reported as 62.7kg of gas which has a CO₂ (e) equivalent of 739 454kg of CO₂. The phase out of different gases over the next 10 years starting with R22 gas will mean that the gasses used in this equipment

will have to be changed as the different types of refrigerant gas are no longer allowed under international agreements.

Waste

Significant reductions in operational waste to landfill have already been achieved across most of the estate and all locations have recycling in place. A number of material storage facilities have been modernised over the past two years to meet legal waste storage and segregation requirements. FC office waste has a good recycling rate of approximately 62%. (C.f. 53% national average)

Treated timber is hazardous waste. The number of waste service suppliers appropriately licensed to receive this waste stream has increased for 1 to 4 since the last report. Some sites still don't have a local waste service supplier able to accept treated timber. Defra have an *energy from waste* site which runs on gas if feedstock (timber) is intermittent or low. They have stated (July 2013) that they are going to try to change their licence (schedule of permitted waste) in order to be able to take all FC treated timber.

Sewage and waste water is a significant product from our activities and discharge consents are now being monitored and recorded to ensure legal compliance across the estate. Water use will be reduced where practical. This may involve introducing a pilot waterless urinal project and rainwater harvesting project where funding is available. Use of reed bed systems is being considered at a number of sites where this option is viable and funding is available. This will significantly reduce the cost of disposal of waste water.

Use of Resources

The uses of natural resources for FC activity are being monitored. Water use and sustainable timber procurement are recorded and reported on. Our water use base line was established with Defra last year. Most water use is being monitored through meters and invoice payments. Local initiatives, such as rainwater harvesting and reed-bed sewage treatment, are already used at some forest districts. Many water saving devices have been put in place and this work continues as a high priority for Defra. Water use also has CO₂ considerations from the energy used to pump it. To date only the South East has been *identified* as an area where water stress *may be an issue* for FC to plan for. Nurseries are looking at their long-term water needs in the same way as other similar plant suppliers, ensuring capacity for dealing with possible drought conditions is managed.

All timber used by the organisation must be recorded as certified as coming from legal and sustainable sources including all construction projects and temporary works. All treated timber used within FC should specify non-hazardous treatment processes to reduce the cost of disposal of this waste stream at end of life. The government is considering closed loop supply for paper in 2014/15, from audit results to date, FCE already procure paper that is FSC, PEFC or FLEGT compliant or of 100% recycled origin but we have to date not been requested to report on quantities used to Defra..

Climate Change Adaptation and Mitigation

Forestry Commission England continues to implement actions outlined in its Adaptation Reporting Power report, published in March 2012, including enhanced sector outreach and guidance, adaptation supported by enhanced English Woodland Grant Scheme (EWGS) payments and ongoing delivery of the Climate Change Action Plan for the Public Forest Estate. Our work on climate change mitigation is focussed on (a) increasing woodland cover through grant aid; (b) embedding climate change adaptation in woodland measures of the next Rural Development Programme; (c) increasing our contribution to renewable energy through the Wood fuel Implementation Plan and (c) encouraging the sector's contribution through the work of the Woodland Carbon Task Force and support to the sector-led 'Grown in Britain' initiative. We have also committed to reviewing our Adaptation Reporting Power Report 'Climate Change Risk Assessment: Forestry Commission England' by December 2015 to support the second UK Climate Change Risk Assessment.

Biodiversity and Natural Environment

As of April 2012 some 99% of SSSI on the Public Forest Estate remains in Favourable or Favourable recovering condition. This exceeded the initial programme target of 95% and remains ahead of the current policy intent to maintain 95% of all SSSI in target condition

Sustainable Procurement including Food

We have continued to promote environmental standards for goods and services procured through a variety of existing policies and tools. These include using relevant sustainability objectives in specifications and award criteria.

In England food outlets providing a catering service to the general public and leased to third party providers are assessed on their bid to follow sustainable food sourcing principles such as sourcing food from local suppliers. Guidelines are provided to them at the Lease tender stage and this year a system of assessing success in meeting these guidelines.

Sustainable Construction

There are two new construction projects, one now complete at Bucks Horn Oak and one at Westonbirt which are aiming to be BREEAM compliant. The Westonbirt project is still at the planning stage. Whilst achieving BREEAM compliance is current government policy, achieving even bespoke BREEAM compliance in a rural setting is challenging for us. Other sustainable building schemes are developing in the EU and these schemes may be adopted where the BREEAM standard is not suitable. We will employ sustainable building elements as far as possible in all our refurbishments and new build projects

Environmental Management System (EMS)

As part of business management, the Forestry Commission operates an integrated EMS which is independently certified to BS EN ISO 14001-2004, the internationally recognised standard for EMS. Our management system has already provided cost savings as well as environmental benefits in terms of improved management procedures, changed behaviours and improved awareness of environmental impacts and legal compliance with regards waste, procurement and emissions. The implementation of the EMS has established baseline data against fossil fuel-derived energy, travel CO₂, water use and waste reduction and includes sustainable procurement requirements as part of the improvement targets following the government buying standards. It should be recognised that the achievement of certification represents a significant effort on the part of staff and the investment in time and effort represents a significant cultural shift and change to the way we work, maintaining strong public support by demonstrating our care of the environment across all our activities. The focus for this year is to make sustainable business "business as usual" driving further performance improvement in the face of rapidly rising energy and fuel costs over the coming years.

Governance

Business Sustainability is led by a programme board consisting of board-level accounting officers from each part of the Forestry Commission. The programme board is responsible for formulating and championing the Forestry Commission's Environmental Policy and delivery through our integrated management system, ISO14001 EMS. Agreed terms of reference for the PB are as follows:

Be responsible to the Forestry Commission Executive Board for the efficient operation of the Business Sustainability Programme, reporting back at least once per annum.

Set priorities and objectives for the Business Sustainability Programme and ensure that these are achieved.

Ensure that Government targets for sustainability within the remit of the programme are communicated to stakeholders and that mechanisms are put in place to record and monitor progress against agreed targets.

Ensure that objectives set for the Forestry Commission as a whole also meet the requirements of Country, Research and central services and that jointly agreed targets are adopted as policy by managers within these units.

Top management (including the programme board) will review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness.

Ensure that the Forestry Commission achieves its commitment to maintaining ISO 14001 certification.

The programme board establishes agreed corporate level performance targets in accordance with government requirements for the organisation and receives an annual report of performance from the programme manager.

Following the development and implementation of the Environmental Management System and successful certification of the EMS to ISO 14001:2004 across the whole FC; this now requires Commission-wide management and reporting of performance similar to UKWAS and the status of any non conformance, to ensure identification of root cause and effective remedial action. It also provides a vehicle for regular monitoring of changes to environmental legislation through the OGB system, ensuring that the Forestry Commission can discharge its duties fully within the requirements of the law. This is particularly important in the context of waste management. The central governance also ensures that the EMS and the Forestry Commission's Environmental Policy can be regularly updated as required to reflect changing requirements across three countries and provides opportunities for networking of best practice and integration and improvement of management systems across the organisation.

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