



THE NATIONAL
FOREST

National Forest Company Annual Report and Accounts

For the year ended 31 March 2017

HC 586



National Forest Company
Annual Report and Accounts 2016–17

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of the Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009

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Chair's letter

2016–17 marked my first year as Chair of the National Forest Company (NFC) and I have been delighted to join at the time of the National Forest's 25th anniversary, and the organisation itself going through some significant changes.

Our silver jubilee saw celebrations in the Forest itself, at Buckingham Palace, in the House of Commons and on the BBC, helping to recognise the incredible transformation that has been achieved using trees to change lives, landscapes and the economy.

Coinciding with the 25th anniversary of the Forest, the National Forest Company gained charitable status in April 2016 and we welcomed a new Board of Trustees including three of our existing Non-Executive Directors and three new Trustees; Tony Ballance, Jack Buckner and Suzanne Carr. The new Board provides more commercial experience and broader technical skills to steer the charity through uncharted waters, and to establish firm foundations for the next 25 years.

We are pleased that our new status maintains our position as both a charity and an Arm's Length Body of Defra, and that we continue to deliver both excellent value for money and public benefit for Defra's funding. We are particularly pleased that the recent Defra settlement is prioritising forestry activity with a similar level of resource over the next three years.

I am particularly pleased that in a year of change the NFC has again exceeded its target of 100ha of new forest creation, despite the difficulty of continued expansion as we move beyond 20% of

the land under forest cover. It is also gratifying that we have reached the Government's national target for woodlands management here in the Forest, exceeding 66% of woodlands now in active management, a year before the 2018 deadline. This demonstrates the strength of our partnership approach at a time when forest creation and management nationally have been severely challenged.

I am also delighted that community engagement in the National Forest continues to grow, now including the new programme of volunteers helping to maintain the 75 miles of the National Forest Way and more than 40 community groups actively managing woodlands.

As we look ahead, the next focus is on growing self-generated income and increasing the profile of the National Forest both as a destination and an exemplar. I am confident that we have a strong strategy to achieve this and are well placed for the new charity to go from strength to strength.

Finally, I would like to thank our countless partners, communities, businesses and landowners for all their hard work, not just for their help during the year, but for supporting our vision for the last 25 years and making the National Forest a reality.



Sir William Worsley
Chair of the Board of Trustees

Chief Executive's foreword

The 25th anniversary celebrations during 2016–17 have been nothing short of inspiring and have helped to reinforce my enthusiasm for the work we are doing in creating the National Forest. The warmth of our partners has been obvious and the changes brought about have been tangible, but they have also highlighted that 25 years is a short time in the life of a forest.

For the NFC, we are gradually putting together the building blocks of a new organisation from status and governance to strategy, structure and funding, and I believe we are moving forward positively. During the year we have developed our new Corporate Plan that will take us from 2017–18 to 2019–20 and re-structured to provide a greater emphasis on income generation and development. The Plan sets out our aspirations for a resilient, accessible and sustainable Forest, and reiterates that the NFC should remain a small enabling body, providing leadership, investment, advice, support and promotion to our partners, businesses and communities.

This approach is demonstrated in the full performance summary later in this report, but I would like to pick out a few highlights:

- We are delighted to have exceeded our forest creation and access targets this year, and are particularly grateful to the Woodland Trust with whom we have secured an additional 51ha of new forest habitat, with a combined investment of more than £1m.
- Our successful woodland management awards have shown the quality and diversity of management in the Forest of both young and mature woodlands. It is this enthusiasm from

woodland owners and managers that has helped to move from 41% to 66% of woodlands in active management in only four years.

- The recent Tourism Business Forum introduced our new Tourism Growth Plan that focuses on increasing attractions, accommodation and events that reflect the Forest brand. This will be an important driver of the rural economy in the future and help to enhance the sense of place for the destination.
- Securing funds for our new 'Creating a Forest for Learning' project from the Audemars Piguet Foundation is a good example of how we will develop future campaigns; in this case to encourage every primary school in the Forest to embrace outdoor learning in a woodland setting.
- We are particularly grateful to Forest Holidays for developing a new donation scheme to support the National Forest with their bookings. This is an excellent demonstration of how small contributions from users can help pay back to the environment and improve sustainability.

Achievement of these and other targets this year has only been possible through the efforts of our partners and the NFC team, and I would personally like to thank the Chair, Trustees, staff and volunteers for their ongoing support and tremendous dedication to the Forest.



John Everitt
Chief Executive/Accounting Officer/Trustee

Directors' Annual Report

Introduction

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

National Forest Company status

The National Forest Company was established in April 1995 with the objective of overseeing the creation of the National Forest which spans 200 square miles of central England. The NFC is a company limited by guarantee (registered number 2991970) and in April 2016 became a registered charity (registered number 1166563).

As a result of becoming a charity and applying the provisions of its revised Articles of Association, the business of the NFC is no longer controlled solely by the Secretary of State for Environment, Food and Rural Affairs. The NFC does, however, given the levels of grant in aid funding received, continue to place economic reliance on the Department for Environment, Food and Rural Affairs (Defra). Grant is paid to the NFC under Section 153 of the Environmental Protection Act 1990.

Linked to the move towards greater independence from Defra, the NFC's status changed, during 2015–16, from that of a Non-Departmental Public Body (NDPB) to a Non-Profit Institution within the Public Sector specifically within Central Government.

Objectives and activities

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

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

(a) woodland creation and management generally, and in particular in the area of The National Forest, for the benefit of the general improvement of land or for the environment;

(b) the promotion of urban and rural regeneration by the maintenance, improvement or provision of public amenities; the provision of recreational facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances, have need of such facilities; and the protection or conservation of the environment; and

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

Strategy and priorities

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

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

The Strategy is based on the current priorities for the Forest, continuing to move forward with new forest creation but at a reduced rate and increasing the emphasis and investment in woodland management. It also includes a focus on developing the visitor and woodland economy in line with the Forest, and increasing community engagement through education, volunteering, access and enjoyment. The Strategy recognises the organisational development required for the NFC to meet future challenges, including upgrading its infrastructure and systems as a new charity, growing its income to increase financial sustainability, and building a stronger brand.

Grant funding from Defra contributed significantly towards the delivery of objectives for the year, whilst simultaneously contributing to the delivery of the Defra Strategy which sets out a shared vision and set of strategic objectives for the whole of Defra for the period up to 2020. It is intended to provide staff across the whole group of Defra organisations, including arm's-length bodies, with a clear, shared framework. Actions to achieve the strategic objectives are described in more detail in Defra's Single Departmental Plan.

Public benefit

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

The National Forest acts as a national exemplar of sustainability and its public benefit is based on its environmental, social and economic outcomes. The direct environmental benefits include the restoration of the landscape and the services that this provides for clean air, water and soils, as well as for the conservation and enhancement of wildlife. Social benefits relate to the physical and mental health of individuals who engage with the Forest and the benefits that are derived from access, education, skills and training. Economic benefits are provided to society as a whole through promoting more sustainable livelihoods and through targeted work with deprived communities.

The benefits are felt by the 200,000 plus residents that live within the National Forest area, many of whom are from disadvantaged backgrounds; the 7.8 million visitors who enjoy the Forest as a destination each year; and the wider audience of supporters, partners, stakeholders and individuals who are inspired to engage with our work.

Financial overview

It is encouraging that an operating surplus of £0.2m was achieved in 2016–17 (2015–16: surplus of £0.5m) when excellent progress was made against the range of corporate objectives set and agreed by the Board of Trustees. This reflects well on the effectiveness of budgetary control and forecasting systems in place which have been reviewed and strengthened during the year.

Total income increased slightly to £3.1m, of which £2.5m is grant in aid from Defra. The NFC continues to rely heavily on this funding and is encouraged by indication from the Department that this is expected to remain at a similar level for the next three years. During this time it will be essential that the NFC secures income from a diverse range of new and sustainable sources, particularly those generating unrestricted funds. With this aim in mind a reorganisation of the charity's income generation and development function has been undertaken and it will be interesting to see the impact this has on income levels during the next few years.

Restricted project income increased to £0.5m in 2016–17 over half of which was attributed to the HLF funded 'Black to Green' project. These projects

with their third party funding make a significant contribution to the delivery of corporate priorities, particularly in the area of community engagement.

Expenditure during 2016–17 increased to £2.9m (unrestricted funds £2.5m, restricted funds £0.4m). Over 50% of the unrestricted funds were spent on forest creation which secured the headline target for new forest habitats whilst also helping to deliver associated targets. With such a small staff team, the NFC continues to act as an enabler, working in partnership with others to deliver its priorities. The awarding of grants remains an important means of delivering these priorities and during the year grants totalling £1.1m were awarded.

At the end of March 2017, NFC reserves had increased from £5.1m to £5.3m, the main components of which were land and buildings owned by the NFC valued at £3.5m and investment and bank balances of £1.6m.

Volunteering statement

It is central to the ethos of the National Forest's development that local communities and visitors are offered opportunities to become engaged in creating and looking after the Forest which underpins the creation of a sustainable Forest. Volunteering has played a key role in this. Since its creation the NFC has facilitated a wide range of organisations across the Forest to offer volunteering opportunities; for example, since 1997 over 28,000 volunteer workdays have been arranged in the Forest by The Conservation Volunteers (TCV).

Since 2015–16 the NFC has itself been directly involved in the engagement and deployment of volunteers. A volunteering policy has been produced and approved by the Board. During 2016–17, the NFC saw notable volunteering successes including the early achievement of volunteer targets for the 'Black to Green' heritage project, and recruiting and training of volunteer rangers for maintenance along each section of the National Forest Way long distance trail. In total, 13,800 volunteer hours were delivered in 2016–17, with a value of £147,000.

Grant making policy

The NFC's grant making is targeted to supporting public benefit and the charity's objects in line with Charity Commission guidance and guidance set out in *Managing Public Money*. Grants awarded are an important means of delivering multiple Forest objectives including forest creation, woodland management, access and community programmes. Grants are administered through an assessment process that considers priorities, impact and

value for money. Higher level grants are approved annually by the Board and smaller grants by Trustee-led Working Groups. This provides the necessary assurances and includes grant conditions for recipients to ensure that charitable purposes are adhered to.

Forest creation is secured through grants awarded via the Changing Landscapes Scheme (CLS), for areas greater than 1 hectare (ha). Other forest creation mechanisms are the Freewoods Scheme for areas under 1ha and Parkland and Wood Pasture Scheme for areas of up to 5ha where the intention is to plant trees less densely to retain open landscape. In addition, grants for land acquisition to contribute to forest creation are considered, normally covering up to 50% of costs.

The woodland management grant programme supports active management of woodlands covering a range of objectives including forestry, wildlife, access, landscape and community use. Qualifying projects were eligible for up to 60% of total costs in 2016–17.

Small grants to communities and organisations are made through the Programme Development Fund (PDF) supporting activities that include access, community, heritage, wildlife and recreation. Grants normally cover up to 50% of project costs, helping to lever additional funds to support the Forest.

Grants totalling £1,097,870 were awarded during 2016–17. Note 16 to the accounts provides an analysis and information on grant recipients.

Achievements against targets for 2016–17

2016–17 represented a strong year for the NFC in delivering outcomes for the Forest. Meeting targets for forest creation (102ha achieved) means that forest cover has now moved to 20.4%, with land acquisition, planning and smaller grants schemes proving more effective than the CLS this year. The success of the approach to woodland management is demonstrated in the significant uptake of grants and work on the ground. This is not only bringing young and mature woodlands into active management, but is helping to develop the woodland economy in the Forest. Proposals for Hanging Hill Farm were not progressed this year as it was felt that wider master planning with the National Forest Charitable Trust should take place first across the Heart of the Forest area.

This year also saw a refocusing of work on the visitor destination, aligning activity more closely to the brand of the Forest, with a new Tourism Growth Plan produced, Forestlife marketing campaign undertaken and relationships further developed

with the Destination Management Organisations and wider partners. Continued creation of new access in the Forest, establishment of a volunteer run maintenance programme for the National Forest Way and work on encouraging outdoor activity are all helping to develop the outdoor offer for visitors and residents alike.

Our work with communities this year was enhanced significantly with the increased capacity provided through the Heritage Lottery Fund (HLF) funded 'Black to Green' project. 1,150 volunteer sessions were recorded in the Heart of the Forest, meeting the project's targets early. The new 'Creating a Forest for Learning' project is providing further capacity to extend outdoor learning work with primary schools. This is complementing the wider programme of education, volunteering and Forest-related activities which again saw more than 20,000 people engaged, 38,000 young people receiving environmental learning sessions and more than 40 community groups managing woodlands.

Progress with governance, income generation and marketing continued throughout the year with the new Board becoming established and governance arrangements upgraded. The planned development of the Research & Innovation Hub has been slower than initially anticipated.

Creating & Managing a Forest for the Nation

Targets	Progress
Forest Creation:	
65–85ha new forest habitat created.	Exceeded. 102ha secured. Includes 60ha land acquisition, 18ha grants, 22ha planning and minerals and 2ha other.
15–30ha new non-woodland habitats created or brought into management.	Achieved. 23ha secured.
Undertake best practice research into forest creation.	In progress. The Sterling University-led Woodland Creation & Ecological Networks research has been progressed to inform habitat connectivity modelling.
Woodland Management:	
100ha mature woodland and 300ha young woodland brought into management.	Significantly exceeded. 917ha brought into management, including 754ha young woodlands and 163ha mature woodlands. Includes work on Planted Ancient Woodland Sites (PAWS) with Woodland Trust.
30 landowner visits and advice.	Exceeded. 47 visits undertaken including for pests and diseases.
20 new management plans in place.	Almost achieved. 19 new management plans completed.
200+ landowners engaged in the Woodland Owner's Club.	Achieved. More than 200 Woodland Owner's Club members regularly engaged through information, advice and events, including deer and squirrel management groups.
10 Local Wildlife Sites brought into active management.	Not achieved. 6 sites with new management plans
NFC sites in active management.	Achieved. Further site development works undertaken at Nanpantan Road, Ratby, Boothorpe and Eastern Old Parks, and active management undertaken at other sites.
Undertake best practice research into woodland management.	In progress. Ash dieback trials in place at Eastern Old Parks, grey squirrel and deer control tested at cluster sites.
Explore potential projects and investment for low carbon and woodland economy	In progress. Woodfuel study completed to assess feasibility within the National Forest.
Develop prospectus, design and funding plan for Hanging Hill Farm	In progress. Discussions progressing with partners on master-planning for the Heart of the Forest area to inform opportunities at Hanging Hill.

Creating the Visitor Destination and Making the Most of the Asset

Targets	Progress
Produce Destination Development Plan and support for tourism businesses.	Achieved. Tourism Growth Plan produced and Tourism Business Forum delivered.
Market visitor destination through Forestlife campaign, including publications, website and e-communications.	Achieved. Attractions leaflet completed, e-newsletters and web content produced under Forestlife banner.
Explore closer collaboration with Destination Management Organisations (DMOs) and joint working.	In progress. Memorandum of Understanding established with DMOs, scoping work completed to progress joint marketing scheme and potential joint ventures.
45–55ha of new / planned public access secured.	Significantly exceeded. 107ha public access achieved through grant schemes, planning and acquisitions, with 35ha newly open and 72ha planned.
Develop National Forest Way volunteer management programme.	Achieved. 25 volunteers recruited, and management up and running on all sections of the Way.
Develop Outdoor Activity Partnership and deliver Sport England funded pilot programme.	Achieved. Outdoor Activity Partnership established and pilot study completed to test barriers to increased activity.

Creating the Forest for Everyone

Targets	Progress
38,000 young people receiving outdoor learning sessions through facilities in the Forest.	Achieved. 40,013 young people received sessions through Conkers, SDDC Environmental Education project and NFC activity including at Ratby.
Outdoor learning programme with primary schools up and running with baseline established and 5 schools with new facilities / training.	Achieved. Funding secured for 3 year programme and project officer recruited. 40% of schools have outdoor learning facilities, and 5 schools have received training.
Community management of woodlands programme delivered with 42 existing groups, 4 new groups, and one community woodfuel scheme.	Achieved. 43 groups now up and running and 2 groups receiving Plunkett Foundation awards. Heart of the Forest Community Woodfuel group up and running.
20,000 people involved in Forest-related public engagement activities	Achieved. 21,833 people engaged through Get Active in the Forest, Plant a Tree, Grow a Tree from seed, Free Trees schemes, i-Tree scheme and community orchards work.
Deliver 'Black to Green' (B2G) project target, including 1,150 volunteers and orientation and interpretation masterplan.	In progress. 1,150 volunteers engaged through B2G project. Orientation and Interpretation masterplan contracted and under development.
16% of above volunteers from communities at risk of exclusion	Achieved. Specific hard to reach and minority audiences engaged to ensure benefits of the Forest are enjoyed by all.

Governance, income generation and marketing

Targets	Progress
Governance:	
Continue to refine governance and management arrangements in line with charitable status.	Ongoing. New Board in place and systems for financial accounting, reporting, volunteering, data management and internships established. Land policy still to be signed off.
Establish Research & Innovation Hub to underpin information and evidence.	Partially achieved. Historic and existing research collated and project developed for funding. Relationships with academic partners further developed and new research supported.
Income generation:	
Generate unrestricted income for the NFC through sustainable sources, and develop ways that supporters can contribute.	Ongoing. Plant a Tree and sale of groves operating well, alongside income from land and investments. Contribution schemes for corporates and visitors piloted. Individual supporter scheme still to be developed.
Generate programme income for Forest related activity and new programmes.	Ongoing. Funds secured for 'Creating a Forest for Learning' project, Charnwood Forest Landscape Partnership Scheme, Sport England activity project and 'Black to Green' project. Significant funds also secured through Section 106 agreements.
Marketing:	
Produce materials for 25th anniversary of the National Forest.	Achieved. Materials produced including report, film, banners and My National Forest initiative.
Run celebration events for 25th anniversary.	Achieved. Launch events held at Catton Hall and House of Commons, Woodland Management Awards event held.
Raise profile of the Forest during the 25th anniversary year.	Achieved. Significant coverage in national and local media, and specialist press. BBC Breakfast Woodland established and work showcased at Queen's Commonwealth Canopy event at Buckingham Palace. Written and oral evidence provided to EFRA Committee Inquiry into Forestry.
Develop the National Forest brand and upgrade marketing activity.	Ongoing. Brand document produced and guidelines underway. New social media activity undertaken and e-communications improved. Upgrade of the website deferred until brand guidelines completed.

Income generation performance

Income generation for the year saw the development of a new Income Generation Strategy and re-structuring of the team with the recruitment of a Director of Development who joined in April 2017. Additional costs associated with the restructuring were partly offset by savings in fundraising expenditure. The new Strategy prioritises unrestricted income generation and income for selected restricted projects.

Total income for the year was £3,109,468 of which £2,530,725 was grant in aid from Defra. Notable successes this year included the development of visitor giving mechanisms with corporate partners, section 106 funds, and sales income through the Plant a Tree scheme and groves. In addition, restricted funds were secured from the Audemars Piguet Foundation for the 'Creating a Forest for Learning' project, Heritage Lottery Fund for the continued work on the Heart of the Forest Forum's 'Black to Green' project, from local authority partners for work on tourism, woodland grants, the Charnwood Forest Landscape Partnership Scheme and the Outdoor Activity Partnership.

Financial reserves are invested at low risk, with balances held in fixed-rate deposit accounts. Investments performed in line with budgeted expectations, providing additional unrestricted income for the charity.

Plans for Future Periods

Key priorities for the coming year will focus on the ambitions set out in the new Corporate Plan and include:

Resilient Forest

- Continued forest creation using land acquisition, grants, planning and advice to extend forest cover.
- Further increase in active management of woodland including measures to address pests and diseases.
- Development of a biodiversity programme focused on management of Local Wildlife Sites.

Accessible Forest

- Creation of new public access and linear routes and promotion of outdoor activity in the Forest.
- Delivery of the 'Creating a Forest for Learning' project to increase outdoor learning.

- Continued delivery of the 'Black to Green' project with a particular focus on interpretation and volunteering.
- Expansion of the Community Management of Woodlands programme.

Sustainable Forest

- Delivery of the Tourism Growth Plan and investment in the visitor economy.
- Taking forward work on the woodland economy and business diversification, including the woodfuel economy.

Governance, income generation and marketing

- Delivery of the income generation strategy with an emphasis on unrestricted income.
- Completion of brand guidelines and delivery of the marketing plan.
- Upgrading website, IT infrastructure and data management systems to improve communications, information and evidence.

Board of Trustees

The Trustees of the NFC throughout 2016–17 were as follows:

Name	Date of appointment as Trustee	Role
Sir William Worsley	1 April 2016	Chair, Board of Trustees
Tony Ballance	1 April 2016	Member, Audit and Risk Committee
Jack Buckner	1 April 2016	Chair, Visitors and Communities Working Group Member, Development Working Group
Suzanne Carr	1 April 2016	Member, Visitors and Communities Working Group
Roger Clarke ¹	1 April 2016	Chair, Audit and Risk Committee
Christopher Holmes ¹	1 April 2016	Chair, Development Working Group
Brian Mahony ¹	1 April 2016	Chair, Land and Forestry Working Group Member, Audit and Risk Committee
John Everitt ²	1 April 2016	Chief Executive

¹ Roger Clarke, Christopher Holmes and Brian Mahony previously served on the Board of the NFC as Non-Executive Directors before it became a charity in April 2016. Roger was appointed to the NFC Board in April 2011 whilst Christopher and Brian were appointed in April 2015.

² John Everitt is the NFC's Chief Executive and also a Trustee. It was agreed that he should hold this dual role because of the nature of the NFC's current funding position whereby a significant proportion of the NFC's funds are from Defra and the Chief Executive holds the responsibility of Accounting Officer for those funds. To meet the standards for Managing Public Money, Accounting Officers are required to be represented at Board level. It is recognised that this is unusual within a charity, but is considered to be in the best interests of the charity because of the funding relationship, and controls are in place to avoid any abuse of power or conflicts of interest. Despite having the formal status of Trustee, the Chief Executive is still responsible to the Board and reports directly to the Chair of Trustees.

All the above named Trustees were appointed to the Board in accordance with the provisions of a resolution approved by Members at a General Meeting held in March 2016.

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

Trustees are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2016–17 no issues arose as a result of any Trustees' conflicts of interest. No Trustee, other than the Chief Executive who is a Trustee, had any transaction with the NFC, other than being reimbursed expenses necessarily incurred in fulfilling their duties. Information on the remuneration of the Chief Executive is detailed in the Remuneration and Staff Report.

Results for the year

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

Total income for the year was £3,109,468 (2015–16: £3,013,187) of which £2,530,725 (2015–16: £2,530,725) was grant in aid from Defra. Total expenditure was £2,885,893 (2015–16: £2,547,517) leaving a net income of £223,575 (2015–16: £465,670).

Total reserves at the end of the financial year increased to £5,291,638 (2015–16: £5,063,948) of which £3,509,555 (2015–16: £3,302,075) comprised NFC owned land and buildings.

Reserves

The NFC Board agreed the Reserves Policy in October 2015. This was subsequently reviewed by the Audit and Risk Committee in July 2016 when it was agreed that the policy remained appropriate to the needs of the charity.

The reserves are held as a series of unrestricted or designated funds. These comprise unrestricted free reserves fund which represents working capital used to manage current cash flows (target range £200,000 – £300,000) and designated funds which divide between a Financial Contingency Fund (FCF) which equates to approximately four months of NFC running costs (target range £400,000 – £450,000) to be used in the event of major cashflow problems; a Land Acquisition, Management and Development Fund (LAMDF) (target range £400,000

– £500,000) to support land acquisition and initial site establishment costs; and an Enterprise and Investment Fund (EIF) (target range £300,000 – £500,000) to be used to help finance innovation, enterprise and long term financial sustainability for the charity.

During 2016–17 the only occasion when reserves were used was when a contribution of £50,000 was made from the LAMDF towards the NFC's grant aiding of the acquisition of 51ha of new forest habitat by the Woodland Trust.

As at 31 March 2017, £20,000 of total reserves held were restricted funds which related to the 'Black to Green' project. Balances held in the three designated funds were FCF £450,000, LAMDF £450,000 and EIF £500,000.

During 2017–18 the expectation is that up to £250,000 of the LAMDF will be utilised to finance a land acquisition and up to £150,000 of the EIF will be used to support marketing and income generation activity.

Going concern

The Balance Sheet as at 31 March 2017 shows that the NFC has reserves of £5,291,638 (2016: £5,063,948).

Looking ahead, the annual grant from Defra is expected to continue to represent a high proportion of NFC income and indication has been received from the Department that grant for each of the next three years will remain at a similar level to that allocated for 2016–17 (i.e. c£2.5m). In addition, the charity has reorganised its development and fundraising function and has devised and is implementing a new Board approved income generation strategy which is expected to impact positively on the charity's income streams. The latest three year Corporate Plan includes unrestricted income targets of £174k for 2017–18, £400k for 2018–19 and £750k for 2019–20.

The NFC's unrestricted reserves as at the end of March 2017 include short term investments and bank balances totalling in excess of £1.6m which equates to c15 months' running costs for the NFC. If required, and with Board approval, all designated funds of the charity as described in the Reserves section above could be made available to meet the cashflow requirements of the business.

The Trustees are not aware of any significant risk which may impact on the ability of the NFC to continue to operate at the current level of activity. All of the above factors inform the opinion that it is appropriate to adopt the going concern basis for the preparation of financial statements for 2016–17.

Auditors and their remuneration

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

The fee for the audit of the financial statements in 2016–17 was £18,250 (2015–16: £14,000). In 2016–17, additional work was required relating to the NFC producing SORP compliant accounts in its first year of operation as a charity. No non-audit work was conducted by the National Audit Office during 2016–17.

Bankers

The Co-operative Bank
Miller Street
Manchester M60 0AL

Pension liabilities

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

Losses, special payments and gifts

During the year a fraudulent incident occurred when the NFC's telephone system was hacked by a third party. As a result the charity incurred a loss of c£2k which could not be recovered. The level of write-off was within the NFC's delegated authority limit as contained within its Framework Document with Defra. (2015–16: Nil). The occurrence prompted a review of controls and implementation of tighter security arrangements on the system.

Payment of Suppliers

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. However, the Company aims to pay undisputed invoices within 5 days of approval and 78% have been paid within this timescale (2015–16: 61%); 97% were paid within 10 days (2015–16: 89%). No claims were received during the year from suppliers for late payment of invoices under The Late Payment of Commercial Debts (Interest) Act 1998.

Research and development

During the year £35,835 was spent on research (2015–16: £28,596) with the main areas of activity being:

- A feasibility study for the development of the woodfuel economy in the National Forest;
- Options appraisal for a new National Forest Festival;
- Contribution to the Stirling University-led WrEN research to inform habitat connectivity modelling;
- Feasibility work for closer collaboration with the Destination Management Organisations in the Forest; and
- Annual statistical analysis of the economic impact of tourism on the Forest area.

Sustainability performance

The NFC is committed to adopting sustainable ways of carrying out its business. The Sustainability Report (Appendix A) provides information on the Company's environmental impacts.

Personal data related incidents

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

Post year end events and developments

There are no post year end events or developments which require to be reported on.



Sir William Worsley
Chair of the Board of Trustees
30 November 2017



John Everitt
Chief Executive/Accounting Officer/Trustee
30 November 2017

Statement of Trustees' and Accounting Officer's Responsibilities

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

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

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

In preparing the financial statements, the Trustees are required to comply with the requirements of FRS102 and the FRS 102 Statement of Recommended Practice (SORP) *Accounting by Charities* issued by the Charity Commission with regard to any additional requirements arising from the Government Financial Reporting Manual and in particular to:

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

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

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the Trustees are aware:

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

Governance Statement

Overview

The National Forest Company (NFC) became a charitable company (limited by guarantee) in April 2016. As a charity, the NFC exists to carry out its charitable purposes. It is also a Non-Profit Institution within the Public Sector specifically Central Government, operating at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra).

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

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

This Governance Statement provides an evaluation of the effectiveness of the NFC's governance, risk and internal control arrangements.

Governance Arrangements

Members and Board of Trustees

In accordance with the Articles of Association, the NFC Chair and Secretary of State for Environment, Food and Rural Affairs are Members of the charity and in February 2016 they, as existing Members, approved a resolution proposing the appointment of two further individuals as Members. This ensures that the Secretary of State is in a minority when voting on NFC business and therefore cannot exercise a controlling influence.

At a General Meeting held in March 2016 the Members approved the appointment of Trustees to serve on the Board of the NFC. The Chair and three new Trustees were appointed following a competitive open recruitment process whilst three individuals who were previously Non-Executive Directors of the NFC and who had confirmed

their willingness to become Trustees were also appointed, as it was felt that the NFC would benefit from continuity of their engagement with the charity during a period of transition. Crucially it was felt that the newly elected Board possessed the necessary range of skills, experience, independence and knowledge to discharge their responsibilities effectively.

The Chair and six Trustees, excluding the Chief Executive, are not remunerated but are entitled to be reimbursed out of pocket expenses necessarily incurred in fulfilling their duties. The NFC Chief Executive is a Trustee and his remuneration is detailed in the Remuneration and Staff Report.

The Board meets quarterly, and additionally as necessary, to further consider business performance, organisational structure and strategy.

Standard agenda items for Board meetings include the Chief Executive's quarterly report and strategic summary reporting on progress against operational targets and giving headline commentary on activity analysed between successes, challenges, risks and opportunities. A finance report and declarations of interest are also standing items. Minutes from sub-committees of the Board and working groups are also included within papers sent to Trustees.

During its first year operating as a charity the Board considered various matters relevant to this new status. Business conducted included:

- Consideration of the Corporate Plan: 2017 to 2020;
- Brand development and marketing plan;
- Establishment of sub-groups and working groups to support the Board in the delivery of its responsibilities and agreeing their terms of reference;
- Risk management, including a review of the NFC's risk policy and consideration of strategic risks relating to the delivery of NFC objectives;
- Income Generation Strategy;
- Options analysis for future development of the NFC owned Hanging Hill Farm site;
- Judging applications to the 2016 round of the Changing Landscapes Scheme;

- NFC response to the Government consultation on the proposed route for the HS2 rail line to pass through the National Forest;
- Trustee succession; and
- Board effectiveness.

It was agreed that the Board should undertake an annual review of its performance and effectiveness which would also provide the basis for a regular review of NFC governance arrangements. Mazars LLP, the NFC's appointed internal auditors, were invited to provide recommendations as to the form the effectiveness review could take, providing examples of good practice adopted in other organisations. The review, undertaken in early 2017, was informed by trustees completing a questionnaire covering an assessment of the NFC against the Charity Commission's six hallmarks of an effective charity, Board structure and recruitment, Board performance and fulfilling the role of a Trustee.

The main conclusions arising from the review were that in a year of transition for the NFC and its new Board, the charity scored well against the six hallmarks of an effective charity although it was acknowledged that in relation to being financially sound and having the resources to deliver its purposes and mission the NFC remains heavily dependent upon grant funding from Defra which currently represents 80% of total annual income. In relation to Board structure and recruitment, it was felt that induction for new Trustees could have been fuller and better structured and there remains scope for greater diversity amongst the Board of Trustees. These points will be taken into consideration when next recruiting new Trustees. Overall, it was felt that Board meetings were well run, agendas had the right balance between strategic and operational matters, the quality of papers presented by management was good and the frequency and length of meetings were appropriate for a relatively small charity. Trustee observations on fulfilling their role informed their annual one-to-ones with the NFC Chair.

Board Committees and Working Groups

The Board of Trustees in fulfilling its responsibilities is supported by various committees and working groups which have key functions to discharge. Each is chaired by a Trustee, some have additional Trustee representation, and all involve appropriate staff. They are:

- Audit & Risk – covering issues on finance, risk, health and safety, governance, policy and HR;
- Land & Forestry – covering issues on land policy, forest creation, forest management and

economy, NFC owned sites, access creation and biodiversity;

- Development – covering issues on income generation, marketing and communications, branding and project development; and
- Visitors & Communities – covering issues on tourism and facilities, recreation and access (via an Access & Recreation Group chaired by a trustee where membership includes representation from partner organisations), events, communities, health, education and training.

Up until the end of 2016–17, the NFC had operated without a Remuneration Committee which the Board had previously deemed was not required. However, the Board at its meeting in July 2017 agreed that such a committee should be established to support the Board in discharging its responsibilities for remuneration issues. This includes providing the Board with recommendations on the Chief Executive's remuneration and benefits and advising the Chief Executive on the pay and benefits of other senior staff, within the context of the pay and benefits policy approved by the Board. Membership of the Committee comprises three Trustees including the Chairs of the Board and ARC. The Committee met for the first time in July 2017.

The Board has also acknowledged that as commercial activities and income streams are developed then it will be necessary to establish a trading subsidiary. It is proposed that this will be chaired by an NFC Trustee with other NFC Trustees sitting on the Board alongside other external representatives possessing the necessary commercial expertise. It is likely that the trading subsidiary will be established in 2018.

Audit and Risk Committee (ARC)

Following the recruitment of new Trustees, the composition of ARC was restored to three non-executive Trustees, having operated with only two throughout 2015–16. The Chief Executive, in his capacity as Accounting Officer, attends these meetings. Minutes of meetings are circulated to all Trustees, oral reports are given to the Board on business conducted and the Committee presents an annual report on its activities to the Board.

ARC's terms of reference were reviewed and updated during the year. Revisions made reflected the wider range of responsibilities assumed by the Committee including a responsibility for advising the Board on strategic HR, including any significant proposals for changes to the organisation shape or structure.

ARC met three times during 2016–17. Its work included consideration of the financial statements for 2015–16 and the Audit Completion Report issued by the NAO prior to the accounts being certified by the Comptroller & Auditor General (C&AG) with an unqualified audit opinion; receiving the NAO's Audit Planning Report for 2016–17; considering reports issued by internal audit; scrutinising finance reports prior to them being presented to the Board; health and safety; and fulfilling its responsibilities in respect of risk management (see below).

As 2016–17 was the first year for which the NFC would produce annual report and accounts in compliance with the Statement of Recommended Practice (SORP) *Accounting by Charities* issued by the Charity Commission, the Committee paid particular attention to preparations for this change. It sought assurances from management and the NAO on the production and audit of SORP compliant accounts. Whilst the Committee at its meeting in January 2017 agreed an indicative timetable for the production, audit, certification and laying of the 2016–17 Report and Accounts, it subsequently agreed a revised timetable which culminated in the laying of accounts in Parliament by the end of 2017. The delay was attributed to the complexities of the NFC producing its first set of SORP compliant accounts.

Other business conducted by ARC during the year was consideration of the NFC's Reserves Policy before its approval by the Board and investment options for reserves held, consideration of matters relevant to establishing a trading subsidiary and the development of a set of key outputs and outcomes to enable monitoring against Corporate Plan priorities.

Land and Forestry

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

In 2016–17 the group's work included:

- monitoring progress against forest creation and woodland management targets, assessing and mitigating related risks and reviewing the effectiveness of the various schemes operated;
- reviewing the woodland management grant programme introduced in 2013–14, which resulted in revisions being agreed which aim to secure best value from a scheme that has proved to be popular with landowners;

- consideration of commercial opportunities presented by NFC landholdings;
- consideration of proposed revisions to the Land Policy in place between the NFC and Defra;
- in the light of the low level of interest in the Changing Landscapes Scheme in 2015 and 2016, consideration was given to proposals to re-incentivise landowners and agents to submit schemes in 2017;
- consideration of the proposal to grant aid the acquisition of land at Normanton by the Woodland Trust prior to approval being sought from the NFC Board and Defra: and
- consideration of proposals for a programme of work to develop the woodfuel economy across the National Forest.

Development Working Group

The Development Group meets every six weeks with alternate meetings being attended by two Trustees, one of whom is the designated chair when attending. The primary function of the group is to support the development functions and provide strategic overview across income generation, project development, marketing and communications.

In 2016–17 the group's work included:

- coordination of the National Forest's 25th anniversary events and activities;
- commissioning brand development work and a review of brand licensing arrangements;
- development of future marketing proposals in line with the brand;
- development of the income generation strategy with particular focus on securing unrestricted charitable funds; and
- evaluation of new project proposals.

Visitors and Communities Working Group

This newly created group met for the first time in November 2016 and proposes to meet quarterly. Chaired by an NFC Trustee, the primary purpose of the group is to support the community and tourism development functions. Business conducted to date includes coordination of the production of a Tourism Growth Plan for the National Forest destination and consideration of feasibility work undertaken relating to the development of a Forest Festival which would replace the NFC's engagement in the annual National Forest Wood Fair which had been staged in partnership with Leicestershire County Council.

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

Board – 4 ordinary meetings were held during 2016–17

	Meetings attended
William Worsley (Chair)	4
John Everitt (Chief Executive)	4
Tony Ballance	4
Jack Buckner	4
Suzanne Carr	3
Roger Clarke	4
Chris Holmes	4
Brian Mahony	4

Audit & Risk Committee – 3 meetings held during 2016–17

	Meetings attended
Roger Clarke (Chair)	3
Tony Ballance	3
Brian Mahony	3

Land & Forestry – 3 meetings held during 2016–17

	Meetings attended
Brian Mahony (Chair)	3

Development – 4 meetings held during 2016–17

	Meetings attended
Chris Holmes (Chair)	4
Jack Buckner	1

Visitors & Communities – 2 meetings held during 2016–17

	Meetings attended
Jack Buckner (Chair)	2
Suzanne Carr	0

Strategy and planning

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

planned for 2019 which will assess progress made against the ten year objectives, consider the scale and nature of future forest creation and consider future investment needed (financial, land and from communities).

Planned NFC activity during 2016–17 was guided by the objectives and targets detailed in the Business Plan approved by the Board and upon which progress reports were given at each quarterly meeting of the Board. During the year significant time and planning has gone into producing a new Corporate Plan for the three years, 2017–18 to 2019–20. This aims to give greater direction to strategic priorities for the Forest and NFC, as well as a clearer framework for measuring success and identifying potential issues. The plan will provide the basis for rolling annual work plans and budgets, helping to provide a clearer distinction between the strategic direction and outcomes for consideration by the Board, and operational activity and outputs for consideration by working groups and staff. The plan divides into three main sections: operational themes which centre around the creation of a resilient, accessible and sustainable National Forest; development themes relating to securing resources and recognition for the Forest; and corporate services themes relating to effective governance and management. For each section, outcomes and performance measures are set.

Whilst the NFC operates at arm's length from Defra, the charity in its business plan needs to demonstrate how it uses grant from Defra to contribute to the Department's own business plan priorities and wider strategic objectives. Defra produced its Single Departmental Plan for 2015 to 2020 with the NFC contributing particularly to the objective for 'a cleaner, healthier environment, benefiting people and the economy'. Defra worked with the Natural Capital Committee to develop a comprehensive 25 year plan for the environment which includes a commitment to ensure that public forests and woodlands are kept in trust for the nation and to plant a further eleven million trees, acknowledging that woodland provides important habitat for plants and animals and plays a valuable role in recreational activities. The NFC contribution, specifically in relation to forest creation and woodland management, is referred to in the Defra business plan.

Internal controls and the work of internal audit

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

Mazars LLP were engaged to provide internal audit services to the NFC during 2016–17, the second of a three year contract period. As agreed at the outset of the contract, a refreshed approach to internal audit was introduced which sees work undertaken being divided between strategic, focusing on planned changes in NFC governance arrangements and the more traditional compliance audits.

As 2016–17 was the first year that the NFC operated as a charity with a new Board of Trustees and changed governance structure, it was agreed that Mazars should undertake a review of the adequacy of the controls in place over its governance and ensure compliance with the terms of its governing documents, notably its revised Articles of Association. The conclusion from the review was an opinion expressed that the new governance arrangements were operating effectively and a substantial level of assurance was given in relation to the effectiveness of internal controls in place. Recommendations, all of a housekeeping nature, arose from the review which related to documenting various processes and implementation of recommended good practice all of which were agreed by management and are to be implemented.

During 2016–17 Mazars also undertook audits of the tourism programme of activity, financial controls, the gift aid claiming process, the grant aiding of a land acquisition by the Woodland Trust and newly introduced arrangements for the use of volunteers. For all but the tourism programme review, a substantial level of assurance was given in relation to the effectiveness of controls in place with only recommendations of a housekeeping nature arising from the audits. In relation to the tourism programme it was concluded that controls in place were adequate with one significant recommendation made in respect of the budget setting process. The work undertaken and conclusions drawn informed the opinion expressed

in the Annual Internal Audit Report for 2016–17 that the NFC 'has adequate and effective risk management, control and governance processes to manage the achievement of the Company's objectives'.

During the year a fraudulent incident had occurred when the NFC's telephone system had been hacked by a third party. This occurrence cost the charity c£2k and prompted an immediate review of the control arrangements in place and implementation of tighter security on the system.

Data handling

The NFC takes the management of the information it holds very seriously and is not aware of any personal data losses in 2016–17 that would require notification to the Information Commissioners Office.

All staff sign copies of the Company's data handling policy, confirming that they will comply with its terms and are mandated to undertake the Civil Service Learning 'Protecting Information' courses.

Whistleblowing

The NFC has a whistleblowing policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2016–17, as was the case in 2015–16. The NFC's Audit and Risk Committee periodically reviews the arrangements to ensure that they remain effective and this will next be undertaken in 2017–18.

Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register. The only significant change the Board agreed to make to the risk policy in 2016 was to clearly state the responsibility of the various Board committees and working groups referred to above for overseeing the management of risks in their area of business. This responsibility has been incorporated into the terms of reference for each body approved by the Board.

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

management features on the agenda for all ARC meetings.

During 2016–17, the Senior Management Team (SMT) identified the main risks faced in achieving corporate objectives and outcomes as detailed in the Business and Financial Plan together with identifying actions and controls needed to mitigate these risks and was responsible for maintaining the Risk Register.

In early 2016–17, risks relating to securing charitable status and putting in place new governance arrangements, including a new Board of Trustees, featured prominently in the Risk Register. However, risks identified were effectively managed and outcomes secured resulted in the downgrading of risk scores in relation to governance arrangements. As in recent years, the highest scored risks included those relating to the NFC's ability to secure the target range for new forest creation, in a year when there had been the lowest ever level of applications to the Changing Landscapes Scheme, and the threat of losing a significant number of trees through disease, pests and climate change.

However, it was the risks surrounding the NFC's ability to secure external funds which featured most prominently in the 2016–17 risk register. A proactive approach has been taken to managing and mitigating these risks which relate to the NFC's ability to establish new and sustainable income streams. Regular updates were given to ARC and the Board, a revised income generation strategy was drafted, a reorganisation of the development function was implemented which saw the removal of the Head of Fundraising post and introduction of a new Director of Development role, and the new Development Group assumed an important monitoring, support and evaluation role. There is optimism, moving into 2017–18 that the NFC is better placed to meet this challenge.

Looking ahead to 2017–18 the production of the new Corporate Plan covering 2017/18 to 2019/20 provides an opportunity to review the content and presentation of the risk register and reporting arrangements to ARC and the Board. The register will divide between the more strategic risks focusing on the key priorities and outcomes for the three year period and beyond which will be formally reviewed by ARC and the Board every six months. Responsibility for the more operational risks will fall to senior management and working groups and will be reported on in the Chief Executive's quarterly report to the Board which will focus on risks relating to the achievement of in-year targets.

The NFC received no ministerial directions during the year.

Performance management

As Chief Executive, I have overall responsibility for the achievement of corporate objectives as detailed in the Corporate Plan. However, responsibility for delivery of many of these is delegated to other staff in the organisation. Responsibilities and objectives are detailed in annual job plans for each employee and performance against these is assessed through the staff review system. This includes a mid-year and end of the year assessment of how the individual has performed which determines any entitlement to a performance related bonus. The job plans also detail training and development needs identified to equip the individual to perform effectively.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2017, 10 complaints were received (compared with seven in 2015–16). All complaints were responded to within the specified timescale.

Conclusion

As the designated Accounting Officer for the NFC, I have responsibility for the management and control of the resources used within the organisation and for discharging the responsibilities assigned to me in *Managing Public Money*. I confirm that no significant issues in relation to governance, risk, performance or controls have arisen which need to be reported on in this Governance Statement.



John Everitt
Chief Executive/Accounting Officer
30 November 2017

Remuneration and Staff Report

(a) Remuneration Report

Remuneration Policy

During 2016–17 the Board agreed revised terms of reference for the Audit and Risk Committee, a sub-group of the Board, which saw a widening of its responsibilities to include advising the Board on strategic HR, including pay and reward policy. At its meeting in July 2017 the Board also agreed that for the first time the NFC should establish a Remuneration Committee which would specifically advise the Board on the remuneration and benefits attached to the Chief Executive Officer (CEO) role and advise the CEO on pay and grading considerations relating to other senior roles. The Committee, comprising three Trustees including Chairs of the Board and ARC, is expected to meet annually and met for the first time in July 2017.

Trustees remuneration

Trustees, other than the Chief Executive who is remunerated in his capacity as Chief Executive, do not receive any remuneration for their services. They are entitled to the reimbursement of reasonable travel and substance expenses necessarily incurred in fulfilling their duties. During the year, Trustees, excluding the Chief Executive, claimed expenses amounting to £7,844 which are included within governance costs in the financial statements.

During 2015–16, prior to the NFC becoming a registered charity, Non-Executive Directors serving on the Board were appointed by Defra following approval of their appointment by the Minister responsible for the Company. Appointments were made in line with the Code of Practice issued by the Commissioner for Public Appointments. Directors were remunerated in accordance with senior civil service pay arrangements. The Chair was remunerated on the basis of working 40 days per year whilst other Non-Executive Directors were remunerated on the basis of working an average of one day per month. All Directors received their remuneration through the NFC payroll with no off-payroll arrangements in place.

Remuneration of the Chief Executive

(this information is subject to audit):

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

John Everitt has been the NFC's Chief Executive since 5 January 2015. Defra has conferred

Accounting Officer status on him. The salary for the post aligns most closely to the range for Senior Civil Service pay band 1.

The salary payable to the Chief Executive is reviewed on 1 April each year. No increase in salary has been applied since John Everitt became Chief Executive in January 2015.

In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus reported for 2016–17 relates to performance in 2016–17 whilst the bonus reported for 2015–16 relates to performance during the fifteen month period 5 January 2015, when John Everitt became Chief Executive, to 31 March 2016.

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

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

Name	Age	Start date
John Everitt	50	5 January 2015
Single total figure of remuneration:		
	2016–17	2015–16
	£'000	£'000
Salary	60 – 65	60 – 65
Non-consolidated bonuses	0 – 5	5 – 10 ¹
Pension benefits	20 – 25	20 – 25
Total	90 – 95	90 – 95

¹Covers a 15 month period

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefit met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switched to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October

2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement). The NFC has not, to date, made any contributions to a partnership pension account.

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

Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

Benefits to which the Chief Executive qualifies under the PCSPS (this information is subject to audit):

	2016-17 £
John Everitt	
Accrued pension at pension age as at 31/3/17 and related lump sum	0 – 5,000
Real increase in pension and related lump sum at pension age	0 – 2,500
Cash equivalent transfer value (CETV) at 31/3/17 (nearest £'000)	36,000
Cash equivalent transfer value (CETV) at 31/03/16 (nearest £'000)	20,000
Real increase in CETV	11,000

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

(b) Staff Report**Staff employed**

Average number of persons employed:	2016–17		2015–16	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	23	20	21	19
Directors	0	0	5	0
	<u>23</u>	<u>20</u>	<u>26</u>	<u>19</u>

During 2016–17, all staff were employed on a permanent basis, apart from five who were employed on fixed term contracts. Four of these were engaged on projects receiving external funding.

The salary and related costs arising from the employment of the above is detailed in Note 7 to the accounts.

Remuneration of staff

All staff below the level of Chief Executive are employed in substantive posts, subject to the completion of a satisfactory probationary period. The terms of the pay review applied to staff at Grade 6 and below within core-Defra, on 1 July each year, are normally applied to staff employed by the NFC. However, for the three years, 2014 to 2016 Defra participated in a pilot pay remit which did not extend to NDPBs. The NFC therefore applied the terms of the 2013 pay review to its staff which was consistent with government pay policy.

During 2016–17, no employee other than the Chief Executive received a remuneration of over £60,000 per annum.

All staff are members of the PCSPS.

Sickness absence

Staff absence due to sickness equated to an average of 8.5 days per employee during the year (2015–16: 3.4 days).

Gender diversity

The gender split of Trustees and staff employed as at 31 March 2017 was as follows:

	Male	Female	Total
Trustees	6	1	7
Staff, including the Chief Executive	<u>11</u>	<u>12</u>	<u>23</u>
Total	<u>17</u>	<u>13</u>	<u>30</u>

Equal Opportunities

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

Staff engagement

During a year of transition following the NFC securing charitable status, all staff have been kept informed, and engaged as necessary, as regards the embedding of new governance arrangements with a new Board of Trustees and range of sub-committees and working groups. This has been done via updates at fortnightly team meetings with the opportunity taken to have fuller discussions at quarterly team away days when agendas have included the development of Forest strategy and business plan, brand development and income generation. All team members have engaged positively taking the opportunity to share their thoughts and ideas.

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

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

The remuneration as at 31 March 2017 of the Chief Executive, who is the highest and only paid Trustee in the NFC, was in the range of £65,000 – £70,000 (2016: £65,000 – £70,000). This was 2.00 times (2016: 2.06) the median remuneration of the workforce of £33,400 (2016: £32,412).

In 2016–17, no employees received remuneration in excess of the highest paid Director, as was the case in 2015–16.

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



John Everitt
Chief Executive/Accounting Officer
30 November 2017

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

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows, and the related notes. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the trustees and the auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; 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 charitable company's affairs as at 31 March 2017 and of its incoming resources and application of resources, including income and expenditure for the financial year then ended; and,
- the financial statements have been properly prepared in accordance with FRS 102 Charities SORP (2015), the Companies Act 2006 and with directions made by HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the FRS102 Charities SORP (2015), the Companies Act 2006 and with directions made by HM Treasury;
- the information given in the Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and these reports have been prepared in accordance with the applicable legal requirements; and
- In light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Directors' Annual Report.

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
- certain disclosures of trustees' remuneration specified by law are not made; 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

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

7 December 2017

Combined Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 March 2017

	Note	Unrestricted funds £	Restricted funds £	2016 – 17 Total funds £	2015 – 16 Total funds £
Income from:					
Grant in aid	2	2,530,725		2,530,725	2,530,725
Donations		37,806		37,806	17,564
Charitable activities	3	35,932	453,875	489,807	316,524
Other trading activities	4	21,820	15,239	37,059	136,276
Investments		14,071		14,071	12,098
Total		2,640,354	469,114	3,109,468	3,013,187
Expenditure on:					
Raising funds	5	(390,998)	0	(390,998)	(307,565)
Charitable activities	6	(2,077,149)	(417,746)	(2,494,895)	(2,239,952)
Total		(2,468,147)	(417,746)	(2,885,893)	(2,547,517)
Net income before tax for the reporting period		172,207	51,368	223,575	465,670
Tax payable	11			–	(2,420)
Net income for the financial year		172,207	51,368	223,575	463,250
Transfers between funds	17	36,877	(36,877)	0	
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	10	4,115		4,115	(58,478)
Net movement in funds		213,199	14,491	227,690	404,772
Reconciliation of funds:					
Total funds brought forward	17	5,058,439	5,509	5,063,948	4,659,176
Total funds carried forward	17	5,271,638	20,000	5,291,638	5,063,948

Balance Sheet

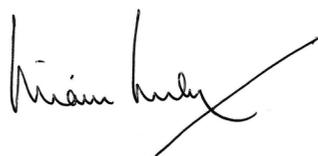
as at 31 March 2017

	Note	As at 31 March 2017 £	As at 31 March 2016 £
Fixed assets:			
Tangible assets	10	3,547,680	3,334,033
Total fixed assets		3,547,680	3,334,033
Current assets:			
Debtors	12	251,873	266,737
Investments	13	809,648	1,100,000
Cash at bank and in hand	14	819,267	420,483
Total current assets		1,880,788	1,787,220
Liabilities:			
Creditors:			
Amounts falling due within one year	15	(136,830)	(57,305)
Net current assets		1,743,958	1,729,915
Total net assets		5,291,638	5,063,948
The funds of the charity:			
Unrestricted funds	17	5,203,283	4,994,199
Restricted income funds	17	20,000	5,509
Revaluation Reserve	17	68,355	64,240
		5,291,638	5,063,948

The notes on pages 31 to 46 form part of the accounts.

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

The financial statements were approved by the Board of Trustees on 30 November 2017 and signed on its behalf by:



Sir William Worsley
Chair of the Board of Trustees
30 November 2017



John Everitt
Chief Executive/Accounting Officer/Trustee
30 November 2017

Statement of Cash Flows
for the twelve months ended 31 March 2017

	Note	2016-17 £	2015-16 £
Cash flows from operating activities			
Net cash provided by operating activities		306,558	551,293
Cash flow from investing activities			
Interest received		14,071	12,098
Corporation tax paid		(2,420)	(1,868)
Investments		290,352	(1,100,000)
Purchase of property, plant and equipment		(209,777)	(401,992)
Net cash flow from investing activities		92,226	(1,491,762)
Change in cash and cash equivalents in the reporting period			
		398,784	(940,469)
Cash and cash equivalents at 1 April		420,483	1,360,952
Cash and cash equivalents at 31 March	14	819,267	420,483

a) Reconciliation of net income to net cash flow
from operating activities

Net income for the reporting period		223,575	463,250
Impairment charges		17,560	215,072
Reversal of prior years' impairment charges		(112,460)	(65,400)
Depreciation		95,145	79,360
Decrease/(increase) in debtors		14,864	(128,026)
Increase (Decrease) in creditors		81,945	(3,285)
Interest received		(14,071)	(12,098)
Corporation Tax paid		–	2,420
Net cash provided by operating activities		306,558	551,293

b) Analysis of cash and cash equivalents

Cash at bank and in hand	14	819,267	420,483
Total cash and cash equivalents at 31 March		819,267	420,483

Notes to the Accounts

Note 1

1.1 Statement of accounting policies

The NFC is a public benefit entity and is a company limited by guarantee and a charity registered in England and Wales. These financial statements have been prepared in compliance with FRS 102 and the FRS 102 Statement of Recommended Practice (SORP) *Accounting by Charities* issued by the Charity Commission. In addition, these financial statements also meet the accounting and disclosure requirements of the Companies Act 2006 and the 2016–17 Government Financial Reporting Manual (FRoM) issued by HM Treasury, where not inconsistent with the requirements of the SORP and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

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

1.2 Form of accounts

The NFC became a registered charity in April 2016 and so these financial statements are the first to have been prepared in compliance with the FRS 102 SORP. This is a change from the previous year when financial statements for the year ended 31 March 2016 were prepared in compliance with the Companies Act 2006, taking into consideration the accounting and disclosure requirements of the 2015–16 FRoM. The accounting policies contained in the FRoM applied International Financial Reporting Standards (IFRS), as adapted or interpreted for the public sector context, and complied with the guidance issued by the International Financial Reporting Interpretations Committee (IFRIC).

Since these financial statements for the 2016–17 financial year have been prepared in compliance with the FRS 102 SORP, the previous year's figures for 2015–16 have been restated to be similarly in compliance with the SORP.

The most significant change in accounting policies adopted as a result of producing SORP compliant financial statements relates to income recognition and the treatment of grant in aid received from Defra. Previously this was treated as financing, credited to the General Reserve, since it was

regarded as a contribution from a controlling related party and therefore did not feature in the Statement of Comprehensive Net Expenditure. With SORP, the grant in aid is credited to income in the year for which it is received and so the £2,530,725 (2015–16: £2,530,725) received is included in the income analysis within the Combined Statement of Financial Activities and Income and Expenditure Account.

In producing its first set of SORP compliant accounts, which require disclosures to be made in respect of its grant-making activities, the NFC has reassessed its grant schemes. Arising from this, a judgement has been made that the Freewoods and Parkland schemes do not meet the SORP definition of a grant. The change in judgement compared to prior years when such payments were regarded as small scale woodland grants is a result of applying the new reporting framework, and the change is material at £68,453 (2015–16: £68,494). Payments under these schemes have been excluded from the analysis of grants provided in note 16, and are instead included within note 6 'Analysis of expenditure on charitable activities', in the 'Activities undertaken directly' column within the forest creation activity.

The move to producing SORP compliant financial statements has not resulted in any other material changes to the comparative figures stated.

1.3 Going concern

These financial statements have been prepared on the basis of the NFC being a going concern. There are no material uncertainties about the charity's ability to continue. This judgement made by the Trustees takes into consideration the level of reserves held by the Company; indication received from Defra that grant funding to the NFC in each of the next three years is likely to be at a similar level to that allocated for 2016–17; and that a recent restructuring of the NFC's development function should have a positive impact on the charity's ability to secure income streams from a range of sources including Trusts and Foundations, corporates and individuals.

1.4 Significant judgements and accounting estimates

The NFC was registered as a charity on 15 April 2016. Since the NFC's financial year commences on 1 April, consideration has been given to the materiality and level of income and expenditure attributed to the period 1 April 2016 to 14 April 2016 i.e. pre-charity

registration. Expenditure primarily comprised staff costs and office overheads and was estimated to total less than £50,000. Income attributed to that period was a small proportion of the grant funding received from Defra. Informed by these low values, a judgement has been made that it is appropriate for the NFC to apply a date of transition to FRS 102 of 1 April 2016 and produce one set of financial statements covering the whole financial year 1 April 2016 to 31 March 2017.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amount of income and expenditure. All estimates are based on the NFC's knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. Actual results may differ from estimates made.

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

Judgements

- Income recognition (see note 1.6 below).
- Allocation of the costs of the Chief Executive who is also a trustee (see note 1.8 below).
- Useful economic lives of tangible fixed assets (see note 1.9 below).

Estimations

- Allocation of staff and support costs between activities (see note 1.8 below).
- Annual valuation of NFC owned land and buildings undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see note 1.9 below).

1.5 Accounting convention

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

1.6 Income recognition

Government grants

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

Income from activities and generated funds

Income is accounted for on a receivable basis, net of VAT. When the NFC becomes entitled to income to which no performance-related conditions or specific outputs are attached then the income is recognised in the Statement of Financial Activities (SOFA) once entitlement to a known sum is confirmed. Where there are conditions or specified deliverables then income received is not immediately recognised but is deferred as a liability until conditions imposed are met at which point the related income is recognised in the SOFA. Income is allocated to restricted income when it is given by the donor or grant maker for defined purposes.

Income from restricted projects

- (i) 'Black to Green' project

The Heritage Lottery Fund (HLF) is funding the 'Black to Green' project which focuses on community engagement around industrial and natural heritage in the Heart of the National Forest. Funding of £770,000 was awarded for the three year project which commenced in 2015–16. Income from the HLF is received in stage payments which are recognised at the time they become receivable.

In 2016–17 a contribution of £20,000 was received from North West Leicestershire District Council towards the interpretation and orientation masterplan for the Heart of the National Forest, a key deliverable within the 'Black to Green' project.

- (ii) Charnwood Forest landscape project

The NFC, acting on behalf of the Charnwood Forest Regional Park Partnership, employed a Development Officer to lead on the co-ordination of a bid to HLF's Landscape Partnership Scheme. The officer's salary was supported by contributions from Leicestershire County Council and the three District/Borough Councils overlapping the Regional Park. The project bid centres around the area's internationally important volcanic legacy and will enable and encourage people to explore its rich landscapes and diverse heritage. The bid for grant funding of £2.8 million was submitted in May 2017, with a decision expected in November 2017. If successful, the Landscape Partnership bid will result in the delivery of £3.7 million of projects in the Charnwood Regional Park between 2020 and 2025.

(iii) Creating a Forest for Learning project

The Audemars Piguet Foundation is providing funding of up to £149,500 over a three year period for the project the long term aim of which is to give every child between the ages of 5 and 11, living in the National Forest, the opportunity to experience outdoor learning in a forest environment. The project is being delivered in co-ordination with schools and woodland owners.

Woodland creation grants

The NFC receives England Woodland Grants Scheme (EWGS) payments from the Rural Payments Agency in respect of woodland creation and management works undertaken on land owned by the charity. The EWGS closed to new applications on 30 September 2014. 80% of the grant is payable upon completion of the woodland creation works and submission of the claim with the second instalment (i.e. 20% of grant) being payable five years later. The NFC currently remains entitled to second instalment payments with known income due being apportioned over the five year period (i.e. 20% of the eventual income due being recognised in the accounts in each intervening year). Since grants received offset forest creation expenditure on specific NFC owned sites then the monies received is treated as restricted funds.

Section 106 agreements

Section 106 monies from local authorities are recognised at the time that there is a guarantee that known sums will be paid to the Company for Forest related purposes. Where the funds are allocated for a specific purpose such as being a contribution towards a particular land acquisition or tree planting programme or towards a project such as 'Black to Green' then income received is treated as restricted funds.

Tourism and promotion

The NFC works in partnership with three local authorities which each contribute £9,000 per annum to support tourism development and promotion of the National Forest via a programme of activity which includes production and distribution of an attractions guide, organised events and website development. Payments received are considered to be from public authorities for the provision of services which contribute to the delivery of the NFC's charitable purposes specifically that for securing and enhancing the enjoyment by the public of the National Forest. Since income received is to be used for the specific purpose of promoting the Forest area, it is treated as restricted funds.

In 2015–16 the programme of activity included charging tourism-related businesses (e.g. accommodation providers and attractions) for advertising in guides produced and placements on the National Forest website. Income generated (£27,670 in 2015–16) was treated as restricted income from trading activities and was re-invested in the year's programme of tourism and promotional activities. The partnership agreed that this charging policy should not be applied in 2016–17 when the decision was taken to only produce an attractions guide compared with the previous year when both an attractions and visitor guide were produced.

1.7 Expenditure

Expenditure is accounted for on an accruals basis and is classified under the relevant activity within the Statement of Financial Activities.

1.8 Expense allocation

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

Governance costs include trustee expenses, production of the Annual Report and Accounts, audit fees and bank charges. The salary and related costs of the Chief Executive, who is also a trustee, are not included within governance costs since his primary responsibility is for the day-to-day management of the charity's activities and so his costs have been included within support costs.

The salary and related costs of staff employed wholly on raising funds and the various charitable activities are allocated to those activities. Where staff are engaged on more than one of these activities then, in the absence of any formal time recording arrangements, a judgement has been made on the percentage of each individual's time spent on each activity. This is determined from management's knowledge of the role and by a review of responsibilities detailed in annual job plans.

Indirect costs have been allocated to the headings in the Statement of Financial Activities on the basis of full time equivalent headcount of staff employed directly on charitable activities and activities for raising funds. The exception is grants administration costs which have been allocated on a staff time basis, a judgement being made by those staff actually engaged on grants administration.

1.9 Tangible fixed assets

The NFC has chosen to apply the provisions of clauses 10.33 to 10.36 of SORP and has adopted an accounting policy of revaluing the land and buildings it owns. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 28th February 2017 by Fisher German, Chartered Surveyors. Land and buildings in the Balance Sheet are shown at the valuations provided per note 10, Fisher German having confirmed that there has been no material change in those valuations as at 31 March 2017.

Where the valuation is higher than the purchase price paid, the excess over purchase price is credited to a Revaluation Reserve. Where land or buildings are revalued due to a change in market values but remain at below the purchase price, the loss on revaluation is charged to the Statement of Financial Activities in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land or buildings, the loss on impairment is charged to the Statement of Financial Activities in the year of the impairment. Where in a subsequent year the value of land or buildings which has been the subject of an impairment charge increases, usually as a result of an increase in market values, and the valuation remains at below the purchase price, then the increase is charged to the Statement of Financial Activities as a reversal of previous years' impairment. All land and buildings currently owned by the NFC are deemed to be unrestricted assets held for a general and not a restricted purpose. Changes in the value of land or buildings arising from revaluation or impairment are reflected in the balance of unrestricted funds and in the Revaluation Reserve.

Depreciation

NFC owned buildings are at Hanging Hill Farm which was acquired in March 2015. These comprise a farmhouse and outbuildings. The previous owners of the property continue to reside there under the terms of a Farm Business Tenancy (FBT) agreement which expires in October 2018. The NFC has still to agree proposals for the development and future use of the site. It is expected that implementation of development plans, which will require the approval of the NFC Board, will involve the demolition of the existing buildings. Allowing for the terms of the FBT agreement, the time needed to develop and agree a business model for the site, consult with interested parties and to secure the necessary planning consents, it is considered prudent to assume that it will take up to five years from the date of purchase

before the NFC is in a position to demolish the buildings and commence new developments. It is therefore considered appropriate to fully depreciate the buildings over a five year period. No depreciation was charged in 2014–15, the year of acquisition. The first year's depreciation charge was therefore made in 2015–16 with the final charge falling due in 2019–20, the year when the buildings are expected to be demolished.

Depreciation is provided evenly on the cost of furniture and fittings and information technology assets, to write them down to their estimated residual values over their expected useful lives. Expectations are informed by past experience and reflect anticipated usage of such assets. Furniture and fittings and information technology assets have an expected useful life of between 3 and 5 years. No depreciation is charged in the year of acquisition of the asset but is charged in the year of disposal.

1.10 Current assets

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

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances held in a Business Instant Saver account and at call with banks and cash balances held by the Government Banking Service.

1.12 Investments

Investments as at the end of March 2017 is the balance held in a Business 95 day saver account with the Nationwide Building Society where funds can only be accessed by giving 95 days' notice. At the end of March 2016 balances were held in six and twelve months' fixed rate savings accounts with the Nationwide Building Society.

1.13 Income and expenditure

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

1.14 Leases

A finance lease is one which transfers substantially all the risks and rewards of ownership to the lessee. An operating lease is a lease other than a finance lease.

Where the total of future minimum lease payments are known, the expense is recognised in the Statement of Financial Activities on a straight line basis over the length of the lease. Otherwise,

payments are charged to the Statement of Financial Activities as they are incurred.

1.15 Related party transactions

Defra is regarded as a related party. During the year, the NFC received £2,530,725 (2015–16: £2,530,725) grant in aid from the Department.

During the year, none of the Members, Trustees other than the Chief Executive, staff or other related parties has undertaken any material transactions with the NFC, other than those disclosed in Note 23.

1.16 Financial Instruments

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

1.17 Staff costs and pensions

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

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

Note 2

Grant in aid

Grant in aid of £2,530,725 was received from Defra in 2016–17 (2015–16: £2,530,725). The grant is treated as unrestricted income since the Department, whilst requiring that funds allocated contribute to the delivery of its objectives, does not stipulate any specific purpose(s) as to how any of the funds must be utilised.

Grant in aid accounts for over 80% of total NFC income and is utilised to fund the forest creation and woodland management programmes, including the various grant schemes, contributes to the tourism and community engagement programmes and meets a significant proportion of governance and support costs.

Note 3

Income from charitable activities

	Unrestricted	Restricted	2016–17	2015–16
	£	£	£	£
Heritage Lottery Fund re 'Black to Green' project		267,774	267,774	104,394
Woodland creation grants ¹		75,540	75,540	74,405
Section 106 agreements ²		55,854	55,854	58,550
Tourism and promotion local authority partnership		27,000	27,000	27,000
Outdoor Activity project		12,446	12,446	–
Charnwood Forest landscape project		9,429	9,429	–
Creating a Forest for Learning project		5,832	5,832	–
Plant a Tree scheme	21,488		21,488	21,511
Other	14,444		14,444	30,664
Total	35,932	453,875	489,807	316,524

Note 4

Income from other trading activities

Sponsorship	21,820	15,000	36,820	108,606
Tourism programme advertising revenue		239	239	27,670
Total	21,820	15,239	37,059	136,276

¹Grants received are spent on woodland creation and site management costs on NFC owned sites.

²Section 106 receipts have contributed to forest creation expenditure with £36,877 having been specifically allocated as a contribution towards the cost of acquiring land at Eastern Old Parks.

Note 5

Cost of activities for raising funds

	Activities undertaken directly	Support Costs	Total 2016–17	Total 2015–16
	£	£	£	£
Cost of activities for raising funds	243,597	147,401	390,998	307,565

Note 6

Analysis of expenditure on charitable activities

Activity or programme	Activities undertaken directly	Grant funding of activities	Support Costs	Total 2016–17	Total 2015–16
	£	£	£	£	£
Forest creation	250,694	889,757	222,025	1,362,476	1,243,105
Woodland management	168,754	155,146	125,950	449,850	446,915
Tourism and promotion	119,109	–	57,132	176,241	206,846
Community engagement	28,425	52,967	32,846	114,238	117,072
'Black to Green' project	223,027	–	103,409	326,436	226,014
Charnwood Forest landscape project	15,417	–	21,709	37,126	–
Creating a Forest for Learning project	5,841	–	7,084	12,925	–
Outdoor activity project	15,603	–	–	15,603	–
Total	826,870	1,097,870	570,155	2,494,895	2,239,952

Note 7

Staff costs and pensions

7.1 Employees with earnings above £60,000

	2016–17	2015–16
£60,000 – 69,999	1	1
	<u>1</u>	<u>1</u>

Details of senior staff remuneration can be found in the Remuneration and Staff Report.

7.2 Staff salaries and social security

	2016–17 £	2015–16 £
Salaries	757,141	715,716
Social security costs	75,378	55,342
Pension costs	149,560	139,814
	982,079	910,872
Early retirement and redundancy costs	28,301	5,336
	<u>1,010,380</u>	<u>916,208</u>

Costs in 2015–16 include remuneration paid to Non-Executive Directors.

7.3 Average number of persons employed

	2016–17		2015–16	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	23	20	21	19
Non-Executive Directors	0	0	5	0
	<u>23</u>	<u>20</u>	<u>26</u>	<u>19</u>

2016–17 figures exclude the seven Trustees who are not remunerated and are not employees, fulfilling their role voluntarily.

7.4 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of voluntary exit packages	
	2016–17	2015–16
£25,000 – £50,000	1	0
Total number of exit packages	1	0
Total resource cost (£'000)	28	5

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.

Expenditure in 2015–16 relates to approved early retirements in previous years when the employer is liable to meet the costs until the former employee(s) attain the age of 60.

Note 8 Support Costs

	Activities for raising Funds	Forest creation	Woodland management	Tourism and promotion	Community Engagement	'Black to Green' project	Charnwood Forest landscape project	Creating a Forest for learning project	Grants administration	Total 2016-17	Total 2015-16	Basis of apportionment
	£	£	£	£	£	£	£	£	£	£	£	FTE headcount ¹
Staff costs	93,603	101,258	61,677	36,280	14,512	65,667	13,787	4,499	80,536	471,819	447,154	
Governance Costs	9,033	9,772	5,952	3,501	1,400	6,337	1,330	434	3,501	41,260	90,515	As above
Premises costs	13,858	14,991	9,131	5,371	2,148	9,722	2,041	666	5,371	63,299	62,843	As above
ICT & Telecoms	12,004	12,986	7,910	4,653	1,861	8,422	1,768	577	4,653	54,834	34,444	As above
HR & Recruitment	1,222	1,322	805	474	189	857	180	59	474	5,582	7,351	As above
Office costs	3,898	4,216	2,568	1,511	604	2,734	574	187	1,511	17,803	24,973	As above
PR related	4,786	5,177	3,153	1,855	742	3,358	705	230	1,855	21,861	19,462	As above
Travel	3,125	3,381	2,059	1,211	485	2,192	460	150	1,211	14,274	14,890	As above
Training & Development	3,378	3,654	2,226	1,309	524	2,370	497	162	1,309	15,429	10,735	As above
Depreciation	2,494	2,699	1,644	967	387	1,750	367	120	967	11,395	10,560	As above
Grants administration		62,569	28,825		9,994				(101,388)	0		Staff time
	147,401	222,025	125,950	57,132	32,846	103,409	21,709	7,084	(0)	717,556	722,927	

¹Allocation determined by full time equivalent (FTE) headcount of staff directly employed on activities for raising funds and the various charitable activities.

Note 9

Governance Costs

	2016-17	2015-16
	£	£
Trustees'/Directors' (excluding CEO) remuneration	0	27,033
Trustees'/Directors' (excluding CEO) travel and expenses	7,844	7,907
Trustee meetings and meals external	879	864
Annual Report and Accounts production	2,959	3,764
Fees payable for the audit of the Annual Accounts	18,250	14,000
Internal audit fees	8,665	4,008
Bank charges	2,167	2,193
Legal fees	477	17,397
Trustee recruitment	0	13,287
Other sundry expenditure	19	62
	<u>41,260</u>	<u>90,515</u>

Note 10
Tangible Assets

	Land £	Buildings £	Furniture and Fittings £	Information Technology £	Total £
Cost or valuation					
At 1 April 2016	2,967,075	344,000	149,478	73,171	3,533,724
Additions during the year	192,215		2,975	14,587	209,777
Disposals/transfers during the year			(3,895)	(6,996)	(10,891)
Impairment	(17,560)				(17,560)
Reversal of prior years' impairment	23,710				23,710
Revaluation gain to Revaluation Reserve	4,115				4,115
At 31 March 2017	<u>3,169,555</u>	<u>344,000</u>	<u>148,558</u>	<u>80,762</u>	<u>3,742,875</u>
Depreciation					
At 1 April 2016		9,000	145,799	44,892	199,691
Charges in the period:					
Depreciation		83,750	2,562	8,833	95,145
Revaluation		(88,750)			(88,750)
Depreciation charged on disposals			(3,895)	(6,996)	(10,891)
At 31 March 2017		<u>4,000</u>	<u>144,466</u>	<u>46,729</u>	<u>195,195</u>
Net Book Value 31 March 2017	<u>3,169,555</u>	<u>340,000</u>	<u>4,092</u>	<u>34,033</u>	<u>3,547,680</u>
Cost or valuation					
At 1 April 2015	2,851,555	344,000	157,727	63,150	3,416,432
Additions during the year	383,470	–	–	18,522	401,992
Disposals/transfers during the year	–		(8,249)	(8,501)	(16,750)
Impairment	(215,072)		–	–	(215,072)
Reversal of prior years' impairment	5,600		–	–	5,600
Revaluation loss to Revaluation Reserve	(58,478)		–	–	(58,478)
At 31 March 2016	<u>2,967,075</u>	<u>344,000</u>	<u>149,478</u>	<u>73,171</u>	<u>3,533,724</u>
Depreciation					
At 1 April 2015			151,483	45,398	196,881
Charges in the period:					
Depreciation		68,800	2,565	7,995	79,360
Revaluation		(59,800)			(59,800)
Depreciation charged on disposals			(8,249)	(8,501)	(16,750)
At 31 March 2016		<u>9,000</u>	<u>145,799</u>	<u>44,892</u>	<u>199,691</u>
Net Book Value 31 March 2016	<u>2,967,075</u>	<u>335,000</u>	<u>3,679</u>	<u>28,279</u>	<u>3,334,033</u>

The historic cost of land held by the NFC at 31 March 2017 was £4,555,317 (31 March 2016: £4,363,102). If the cost model had been used, then the carrying amount of buildings as at 31 March 2017 would be £191,450 (31 March 2016: £275,200).

Note 11

Tax payable

	2016-17	2015-16
	£	£
Corporation Tax payable	<u>–</u>	<u>2,420</u>

As a charity, the NFC is exempt from paying Corporation Tax on bank interest received. In 2015-16, prior to charity registration, the NFC received bank interest of £12,098 which was taxable at the rate of 20%, hence the above tax charge

Note 12

Debtors

	31 March 2017	31 March 2016
	£	£
Amounts falling due within one year:		
VAT	7,550	3,702
Prepayments	21,919	21,050
Accrued income:		
- 'Black to Green' project – HLF funding	133,406	95,189
- Section 106 agreements	–	48,509
- Woodland grants from Rural Payments Agency	2,450	48,348
- Other	1,500	11,333
Debtors:		
- 'Black to Green' project	21,500	–
- Other	<u>50,276</u>	<u>34,976</u>
	<u>238,601</u>	<u>263,107</u>
Amounts falling due after more than one year:		
Accrued income	5,597	–
Other debtors	<u>7,675</u>	<u>3,630</u>
	<u>13,272</u>	<u>3,630</u>
Total debtors	<u>251,873</u>	<u>266,737</u>

Note 13

Investments

	31 March 2017	31 March 2016
	£	£
Investments held with the Nationwide Building Society in 95 day, 6 and 12 month accounts as at 31 March.	<u>809,648</u>	<u>1,100,000</u>

Note 14

Cash at bank and in hand

	31 March 2017	31 March 2016
	£	£
Balance at 1 April	420,483	1,360,952
Net increase/(decrease) in cash and cash equivalent balances	398,784	(940,469)
Balance at 31 March	<u>819,267</u>	<u>420,483</u>

The following balances at 31 March:

Commercial banks and cash in hand	566,259	401,091
Government Banking Service	253,008	19,392
	<u>819,267</u>	<u>420,483</u>

Note 15

Creditors

	31 March 2017	31 March 2016
	£	£
Amounts falling due within one year:		
Accruals	88,465	49,385
Deferred income	48,365	5,500
Corporation tax payable	–	2,420
	<u>136,830</u>	<u>57,305</u>

The deferred income as at 31 March 2017 is restricted income received during the year which comprises contributions towards projects which will be delivered in 2017–18. £44,403 relates to phase one of the 'Creating a Forest for Learning' project where most of the specified outputs will be delivered in 2017–18. The balance of £3,962 relates to contributions received from the Charnwood Forest Regional Park Partnership towards the costs of producing the funding bid to the HLF's Landscape Partnership Scheme, submitted in May 2017. Deferred income as at 31 March 2016 comprised sponsorship income received in 2015/16 where the activity supported was delivered in 2016/17.

Note 16

Analysis of Grants

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

	Grants to Institutions and Landowners	Support Costs	Total 2016-17
	£	£	£
Grants for:			
Forest creation, access and nature conservation	889,757	62,569	952,326
Woodland management	155,146	28,825	183,971
Community engagement	52,967	9,994	62,961
Total	<u>1,097,870</u>	<u>101,388</u>	<u>1,199,258</u>

During the 2016–17 financial year, the NFC awarded grants to the following:

Institution and/or Landowner	£
Woodland Trust	630,500
Eltra Agricultural	58,863
South Derbyshire District Council	48,594
Grants to other institutions	168,186
Grants to landowners	191,727
Total grants paid	1,097,870

Grants to landowners includes one material grant of £79,987 paid to one single landowner.

Note 17

Summary of fund movements

	At 1 April 2016	Income	Expenditure	Revaluation	Transfers	At 31 March 2017
	£	£	£	£	£	£
Unrestricted						
General fund	3,544,199	2,640,354	(2,418,147)		36,877 ¹	3,803,283
Financial Contingency Fund	450,000					450,000
Land Acquisition, Management and Development Fund	500,000		(50,000) ²			450,000
Enterprise and Investment Fund	500,000					500,000
Revaluation Reserve	64,240			4,115		68,355
Total Unrestricted	5,058,439	2,640,354	(2,468,147)	4,115	36,877	5,271,638
Restricted						
General		173,633	(136,756)		(36,877) ¹	0
'Black to Green' project	5,509	267,774	(253,283)			20,000
Other projects		27,707	(27,707)			0
Total Restricted	5,509	469,114	(417,746)	0	(36,877)	20,000
Total Reserves	5,063,948	3,109,468	(2,885,893)	4,115	0	5,291,638

¹Transfer from restricted funds of a Section 106 receipt specifically awarded as a contribution to a land acquisition held for a general and not a restricted purpose.

²A £50,000 contribution made towards the NFC's grant aiding of the acquisition by the Woodland Trust of 51ha of new forest habitat.

The designated funds, to be used with the approval of the NFC Board, are:

- 1 Financial Contingency Fund – equates to approximately four months of NFC running costs and to be used in the event of major cashflow problems;
- 2 Land Acquisition, Management and Development Fund (LAMDF) – available to support land acquisition and initial site establishment costs; and
- 3 Enterprise and Investment Fund (EIF) – available to support innovation, enterprise and the long term financial sustainability of the charity.

During 2017–18 it is anticipated that:

- (a) up to £250,000 of the LAMDF will be utilised to support a new site acquisition;
- (b) up to £150,000 of the EIF will be used to support marketing and income generation activity.

Note 18

Analysis of net assets between funds

	Unrestricted £	Restricted £	Total £
General Fund	5,203,283	20,000	5,223,283
Revaluation Reserve	68,355		68,355
Net assets	<u>5,271,638</u>	<u>20,000</u>	<u>5,291,638</u>

Note 19

Analysis of funds

	Unrestricted £	Restricted £	Total £
Reserves balances at 31 March are represented by:			
Fixed assets	3,547,680		3,547,680
Current assets	1,812,423	68,365	1,880,788
Creditors	(88,465)	(48,365)	(136,830)
	<u>5,271,638</u>	<u>20,000</u>	<u>5,291,638</u>

Note 20

Commitments under operating leases

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

	31 March 2017 £	31 March 2016 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Not later than one year	4,408	26,450
Later than one year and within five years		4,408
Later than five years		-
	<u>4,408</u>	<u>30,858</u>

The above obligations relate to the lease for office accommodation occupied by the NFC which expired on 31 May 2017. Negotiations are ongoing with the landlord as regards the terms of a new lease.

Note 21

Other financial commitments

Forest creation schemes

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

	31 March 2017	31 March 2016
	£	£
Not later than one year	85,650	223,459
Later than one year and not later than five years	384,121	464,998
Later than five years	130,902	147,166
	<u>600,673</u>	<u>835,623</u>

Note 22

Financial Instruments

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

Note 23

Related party transactions

The NFC has dealings with the Department for Environment, Food and Rural Affairs and some of its sponsored bodies. The NFC receives grant in aid from Defra. During the year, the NFC received £2,530,725 (2015–16: £2,530,725).

The NFC adopted revised Articles of Association in April 2015, the provisions of which resulted in the Secretary of State no longer being the sole Member of the NFC. The NFC Chair and two other individuals became Members during 2015–16, increasing the number to four, thereby resulting in the Secretary of State no longer having a controlling influence over the Company. Further information on the governance arrangements is provided in the Governance Statement.

The NFC received woodland grants of £49,715 from Rural Payments Agency (2015–16: £68,405).

The NFC paid £14,427 to the Forestry Commission (FC) for the construction of a bird hide at Hicks Lodge Cycle Centre as part of the 'Black to Green' project (2015–16: The NFC received £11,809 from FC for a research programme on risk mapping for grey squirrels).

John Everitt has been a member of the Heritage Lottery Fund (HLF) East Midlands Committee since January 2015. The Committee's decision to award grant support for the 'Black to Green' project was taken prior to him joining the Committee. During 2016–17, the NFC received £267,774 (includes accrued income as at 31 March 2017) from the HLF (2015–16: £104,394) in respect of the project.

During the year, no trustee other than the Chief Executive or related parties has undertaken any material transactions with the Company. The remuneration of the Chief Executive is detailed within the Remuneration and Staff Report.

Note 24

Events after the reporting period

There have been no adjusting or non-adjusting events after the reporting period date.

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

Appendix A

Sustainability Report

(this information is not subject to audit)

Introduction

This report provides an annual assessment of the National Forest Company's sustainability performance against a series of measures which are consistent, as far as possible, with HM Treasury sustainability reporting guidance.

The information contained within this report has not been subject to audit and does not form part of the auditor's opinion on the financial statements.

Given its scale and current operating environment, the NFC is constrained in terms of meeting specific targets for ongoing carbon emission reduction and fluctuations can occur depending upon operational business needs during any given year. We are however committed to developing more sustainable ways of working and by minimising the impacts of our activities and we aim to set more ambitious sustainability aspirations, projections and performance measures.

Information about the National Forest's contribution to national sustainability indicators can be found on our website at www.nationalforest.org/forest/grow

The NFC operates from serviced accommodation leased from a private landlord. This report focuses primarily on our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions).

Water data cannot currently be reported upon as consumption is included within the landlord's service charge and accurate data is not available.

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

Summary of key sustainability data

Summary of Greenhouse Gas Emissions tCO2	2016–17 tCO2	2015–16 tCO2	2014–15 tCO2	2013–14 tCO2
Building Energy Consumption (Scope 2)	26.76	20.56	21.49	23.92
Official Business Travel (Scope 3)	7.77	7.76	10.83	8.15
Total emissions	34.53	28.32	32.32	32.07
Average number of staff (FTE)	20	19	17	16
Total energy emissions per head (FTE)	1.73	1.49	1.90	2.00

Electricity is the only utility which is paid for directly and accounted for c77% of our total emissions during 2016-17. Due to the rural location of the Forest and operational requirements, staff often need to travel to fulfill their duties using their own vehicles and journeys are only made where there is no other practical alternative. Emissions from business mileage remains similar to that for 2015-16 despite the increase in full time equivalent staff.

Energy consumption data

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

Building Energy Consumption (Scope 2)	Unit	2016–17	2015–16	2014–15	2013–14
Total emissions	tCO2	26.76	20.56	21.49	23.92
Building energy consumption per head (FTE)	tCO2	1.34	1.08	1.26	1.50
Building energy consumption	kw/h	64,943	49,898	52,153	58,047
Energy consumption per head (FTE)	kw/h	3,247	2,626	3,068	3,628
Total energy expenditure	£	9,361	8,093	9,087	10,222
Expenditure per head (FTE)	£	468	426	535	639
Average number of staff (FTE)		20	19	17	16

Official business travel data

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

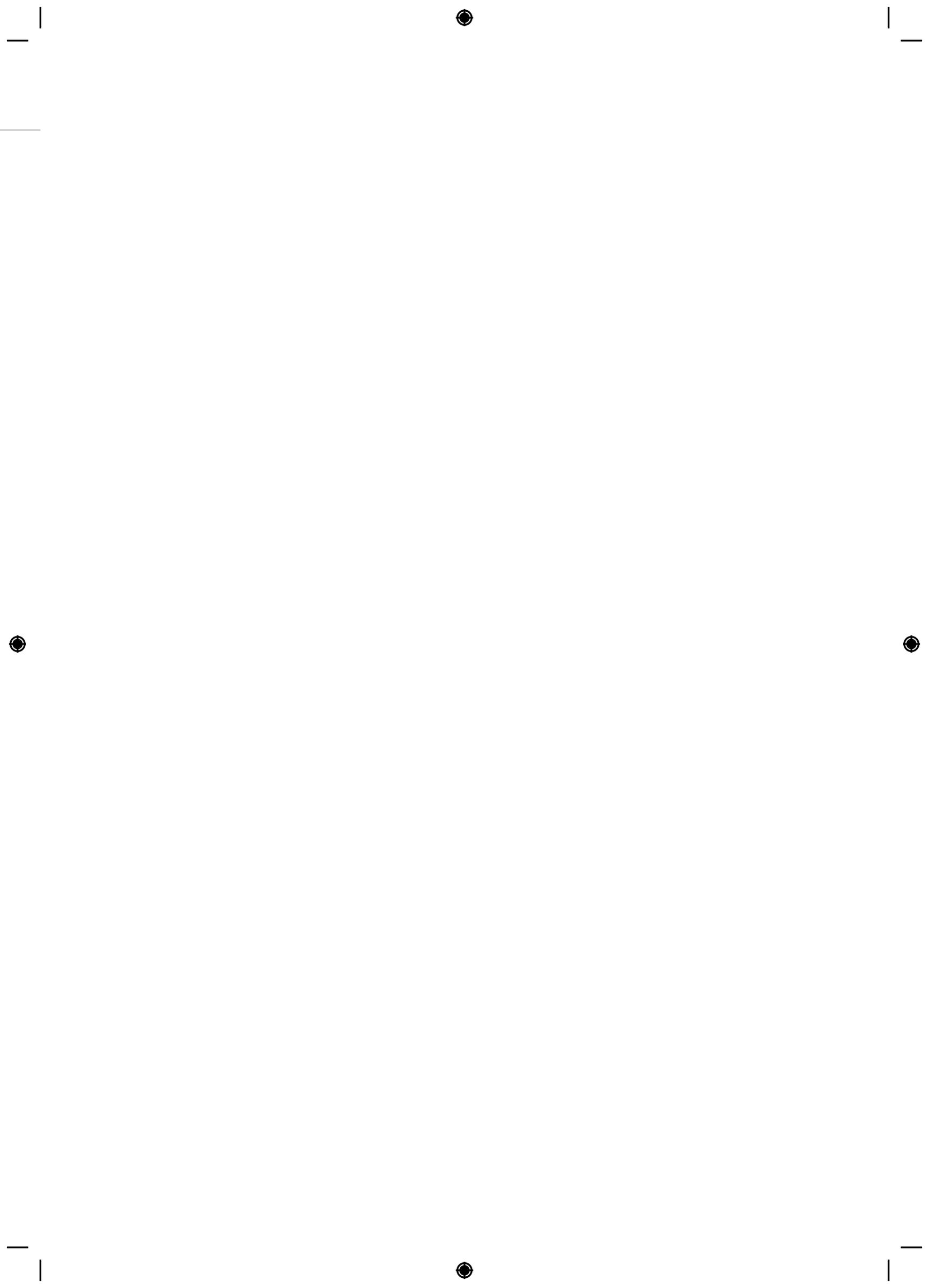
Official Business Travel (Scope 3)	Unit	2016–17	2015–16	2014–15	2013–14
Total emissions	tCO2	7.77	7.76	10.83	8.15
Staff mileage (inc Chief Executive)	miles	21,119	21,331	20,614	17,913
Average number of staff (FTE)		20	19	17	16
Staff mileage per head	miles	1,056	1,123	1,213	1,120
Staff Air travel	miles	551	–	5,863	–
Trustees' mileage	miles	4,136	4,523	6,873	5,113
Total miles travelled	miles	25,806	25,854	33,350	34,083
Business travel costs	£	17,564	20,690	19,075	16,268

Waste and recycling

The majority of our waste is office paper and cardboard, all of which is recycled. All other recyclable materials are recycled via the local authority recycling services; no data is currently available for this. All our IT equipment is recycled for refurbishment and re-use.

Procurement

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







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