



Forestry England

Annual Report and Accounts 2022-23



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Forestry Act 1967

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

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

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Honours

The following Forestry England colleagues were successful in the Crown Honour lists for services to forestry:

Late Queen’s Birthday Honours 2022

- Bridgette Hall - Head of Recreation - MBE for services to forestry and outdoor recreation.
- Martin Colledge - Beat Manager (retired), North District - MBE for services to forestry, cave rescue and exploration.
- Simon Banks - Works Supervisor (retired) - BEM for services to forestry.

King’s New Year Honours 2023

- Malcolm Finch - Forestry Machine Operator - BEM for services to forestry.

Forests care for us. Together we care for forests.

For over 100 years, we have been growing, shaping and caring for the nation’s forests, for the benefit and enjoyment for all, for this generation and the next.

What we do

We care for more land and trees than any other organisation in England. Shaping landscapes for people, wildlife and timber. We care for over 1,800 miles of walking, running and cycling trails, supply England’s largest amount of sustainably sourced timber, and conserve the homes of thousands of plants and animals.



Why we do it:

Forests are vital for the future of our planet. They improve the health and well-being of everyone and with careful planning and expert management, the nation’s forests will continue to thrive. We are always thinking beyond today, planning and planting forests that will help create a sustainable future. Find out more about us at www.forestryengland.uk.

Our structure:

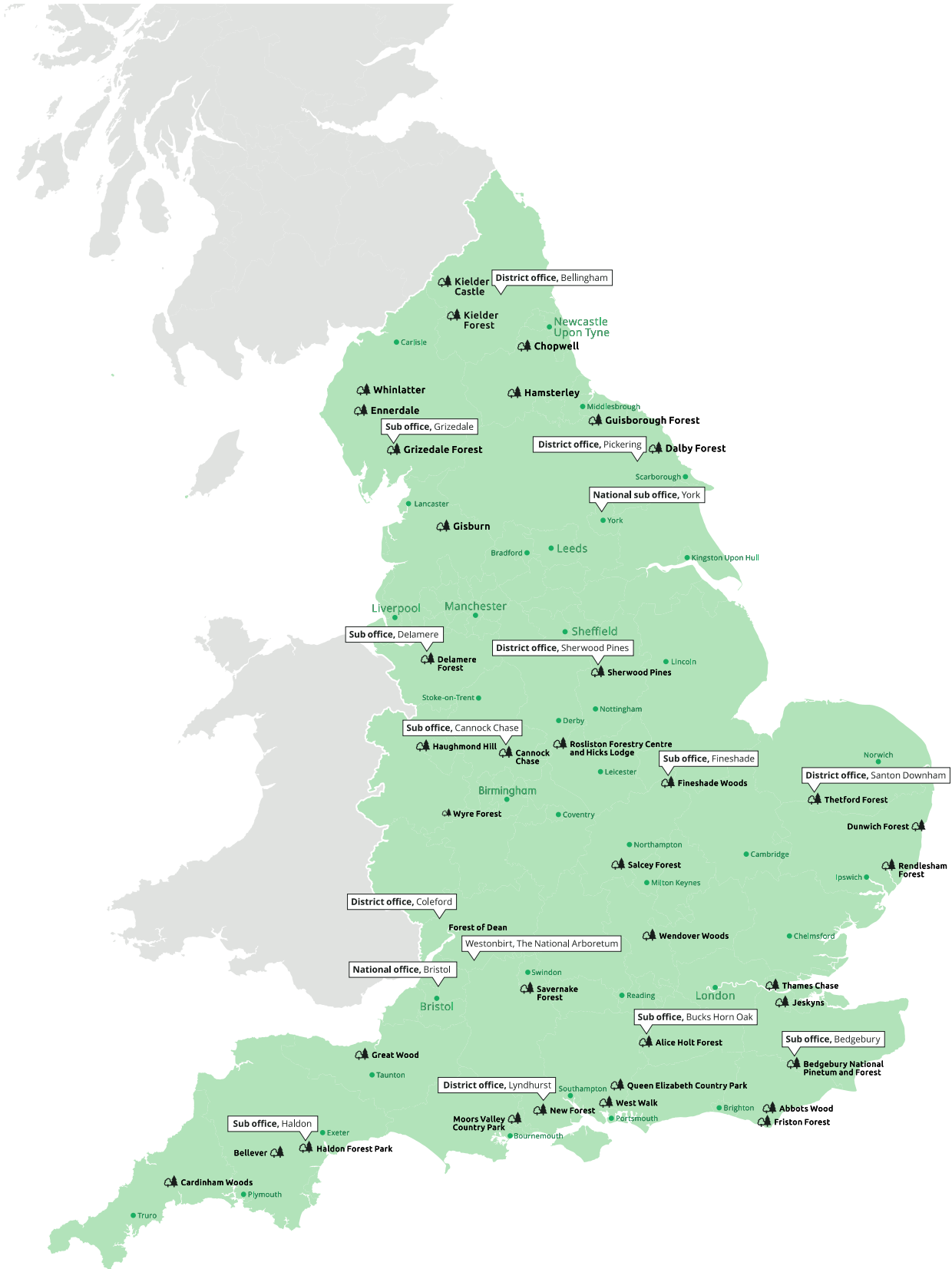
Forestry England manages the nation’s forests. We are part of the Forestry Commission, which also includes Forest Services, the government’s expert forestry advisors and regulators, and Forest Research, who deliver internationally renowned forestry and tree-related research to England, Scotland and Wales. Forestry England staff are employees of the Forestry Commission and are civil servants.

Our values:

These are the beliefs that are most important to us and influence how we behave every day. Our values should be upheld by everyone, all the time and help guide our decisions day-to-day.

<p>Think beyond a lifetime We make plans today for a better tomorrow, so our business and the nations forests are sustainable and fit for the future.</p>	<p>Do it together We get our best results when we work with others, and we encourage diverse perspectives, so we make better decisions.</p>
<p>Be adventurous We approach challenges with creativity and adventure, embracing research and innovation to stay relevant.</p>	<p>Look out and look after We care about our colleagues, volunteers, partners and customers, and we take a stand against unsafe behaviours.</p>

Our main sites and offices



Performance report

Chief Executive's statement

Summary of 2022-23 - Mike Seddon, Chief Executive

It is with a great sense of pride in Forestry England and the dedication and expertise of its people that I present our Annual Report and Accounts for what has been a turbulent year with a hugely challenging operating environment.

Over the last year we have faced challenges around income generation due to uncertainty in timber markets and the impact of the cost of living crisis on leisure spend. Extreme weather events have caused unforeseen changes to work plans. The impact of war in Ukraine has contributed to inflationary pressures on our business which have also impacted the lives of our workforce and the work of our partners. Each challenge is individually significant but through it all our workforce, working together as one Forestry England, has delivered with professionalism and creativity to ensure the many and varied benefits and services the nation's forests provide to society continue to flow.

Despite these challenges, our purpose-led approach has enabled us to deliver more, even in such a tough year. We have delivered over 1 million cubic metres of timber to market. Millions of people across the whole country have enjoyed memorable and healthy experiences in the nation's forests. Nature within the nation's forests is being given its best chance ever to thrive as we create new woodlands, restore precious habitats and reintroduce key species to reinvigorate whole ecosystems. The priorities we have set out in Growing the Future, our plan for 2021-26, state our clear ambition to make a real impact for wildlife, for the climate and for people. We are making our sustainability business model stronger and supporting our workforce to be the best they can be.

This Annual Report tells the story of our success this year, from our work to grow the nation's forests' inclusivity to planting new woodlands for future generations to enjoy. From the considered and sure-footed steps we are taking to become a net-zero organisation, to being global leaders in the field of natural capital accounting.

I am privileged to work with such dedicated professionals. Everyone in Forestry England, from Board members to volunteers, business partners to supporters, contributes to the wonderful success on display here. So, from me, and on behalf of future generations, I offer my sincere thanks to every one of them.

Together we are one Forestry England, growing the future.



Growing the Future: 2021-2026

Forestry England's five-year plan, Growing the future: 2021-26, builds on our expert land management, timber production and recreation offer, and identifies our priorities up until 2026. It sets out where we will focus our work so that we can achieve our objectives and purpose to evolve, innovate and grow the vast benefits the nation's forests give to people, nature and the economy.

We are clear about our priorities for action across five key areas: climate, people, wildlife, our people and values and our sustainable approach.

At the heart of Growing the Future is Forestry England's core operating principle of delivering valuable, sustainable benefits from the nation's forests, underpinned by financial sustainability and income generation.

The end of March 2023 completes year two of this five-year plan. This report presents the progress made in year two and the total progress made since its launch, our successes, challenges and identifying areas of focus for the next three years.

Performance overview

1 April 2022 - 31 March 2023



291 million
estimated visits
to the nation's forests



32 hectares
of new woodland
planted



10.6 million
trees dispatched
from our nurseries



7.4 million
trees planted
in the nation's forests



1.1 million
cubic metres of
timber harvested



176,594
hours kindly given
by volunteers



43,734
households
are members
of their local
forest



99.9%
of people live within a
one hour drive
of the nation's forests

The nation's forests are vast

They include the following priority habitats*



23,000
hectares of
Priority woodland



23,000
hectares of
open habitat



11,000
hectares of
wetlands



98
species of tree



39
conifer



59
broadleaf

We have planted...

25
reintroduction
projects

ongoing including:
Beavers
Pine martens
White-faced darter dragonflies
White-tailed eagles



94.17%
of SSSIs
(Sites of Specific Scientific Interest)
are in a
favourable or recovering condition

Challenges



Recruitment & retention



Wildfires & record temperatures



Pest & diseases



External landscape pressures

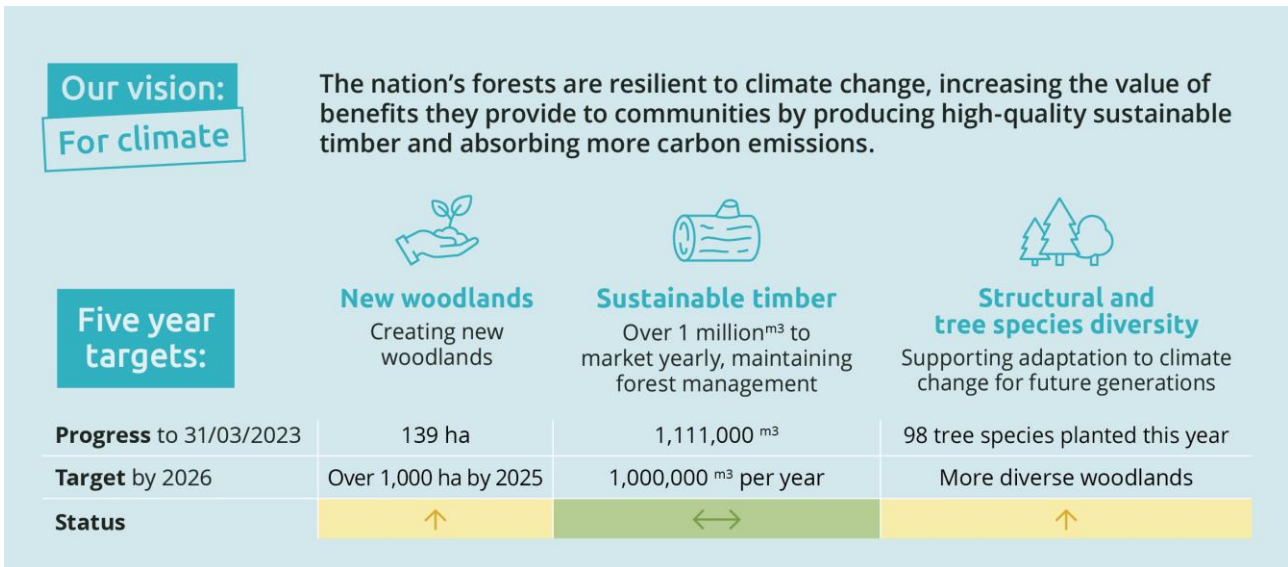


Cost of living crisis & global inflation

Last year, we reported that we had planted 11.5 million trees. However, this was actually the number of trees dispatched from our nurseries. The correct number of trees planted last year within the nation's forests was 6.5 million trees.

* Priority Habitats are those identified by Natural England as habitats of principle importance.

Growing the Future: For climate



Key

Value of change	Progress
↑ Increase	■ On target
↔ Minimal change	■ Progressing - still work to do
↓ Decrease	■ More focus needed

Planting new woodlands, absorbing more carbon and supporting the UK’s journey to net-zero.

- This year we have planted another 32 hectares of woodland at our new Community Woodland in York, adding to last year’s total of 107 hectares and with hundreds more hectares in the pipeline for the near future we are overcoming the challenges and expanding the nation’s forests to absorb even more carbon for decades to come.
- We have continued with our leasehold approach whilst setting out plans to expand on a freehold basis to drive further progress.

Producing sustainable, home-grown timber; a renewable resource which locks in carbon and can replace more carbon-intense construction materials.

- Produced 1,111,000 cubic metres of sustainably produced timber generating an income of £48.5 million, supporting the management of the nation’s forests.
- Maintained UK Woodland Assurance accreditation following external audit in North and Yorkshire Districts

Building the resilience of the nation’s forests to ensure they thrive in a changing climate.

- Secured £10.5 million from the Nature for Climate Fund to invest in plant and seed supply to create a centre of excellence at Delamere in Cheshire.
- We developed a core species list of the top tree species that we will plant following a robust analysis of species traits. From a longlist of 64 tree species, we collated data on different species’ suitability to future environmental conditions, resistance to pests and pathogens, productivity, potential timber products, establishment success, and suitability to be produced by our nurseries.

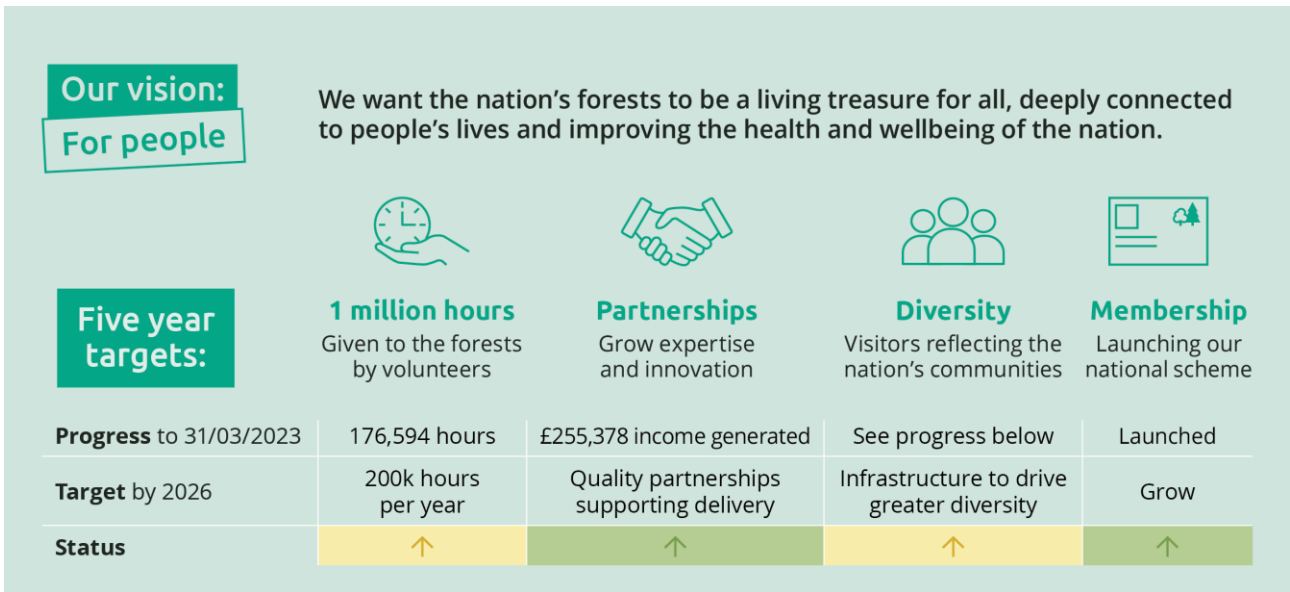
Specific challenges

- *Ips typographus* (the larger eight-toothed European spruce bark beetle) outbreak affecting our spruce forests in south-east England.
- *Dothistroma* needle blight on pine seedlings at our Lobslack nursery, meant that an estimated 2,000 saplings were destroyed in line with biosecurity protocols.



Sawmill, Forest of Dean

Growing the Future: For people



Providing outstanding and varied volunteer opportunities that create memories and build communities around the nation's forests.

- Established a partnership with His Majesty's Prison and Probation Service enabling unpaid work opportunities contributing to forest management activities.
- Introduced a Shadow Rangers programme into two additional forest districts.
- Making a phased investment of £5 million in "Connections", a new Customer Relationship Management platform, supporting volunteering, permissions and six other areas capturing all the 'invisible' volunteering hours.

Working with others helps us to do more, sharing expertise and making the most of opportunities for people.

- We worked with multiple partners including sponsorship of events, tree planting support, sports activities and environmental improvements and eDNA testing.
- Our corporate partnerships generated over £250,000 of income to support the management of the nation's forests
- Hosted 15 Forest Live concerts across four venues (Cannock Chase Forest, Delamere Forest, Thetford Forest and Westonbirt Arboretum), eight outdoor cinema events across three venues (Sherwood Pines, Thetford Forest and Westonbirt Arboretum) and hosted a total of 70 individual illuminated Trails across Bedgebury Pinetum (36 nights), Delamere Forest (22 nights) and Westonbirt Arboretum (12 nights).
- Continuing to learn and develop our approach to social prescribing, exploring how we work with partners to offer new services for people with specific physical and mental health needs.
- Active Forests have secured £1.425 million from Sport England Funding over three years.
- Hosted the Commonwealth Games Mountain Biking event and built a new mountain biking skills area at Cannock Chase Forest.
- A total of 58,000 young people were engaged in an educational offer in the nation's forests.

Understanding and creating new opportunities for more people to enjoy the nation's forests.

- We've recruited a Forests for Everyone Community Programme Manager and a part-time Community Outreach Ranger in Central District as part of the Forests for Everyone Programme.

- Over 600 people from under-represented audiences were part of the design and delivery of a community shelter at Westonbirt. The shelter will connect a wider range of people with trees whilst at the same time improving their quality of life.
- We won the 'Favourite Trail Race' category in the Women's Running Magazine 2022 Reader Awards.
- Secured £3.1 million in funding from Defra to run 'Outdoors for All' over three years to support access, diversity and inclusion in Levelling Up areas.

Opening membership opportunities for people to explore more of the nation's forests.

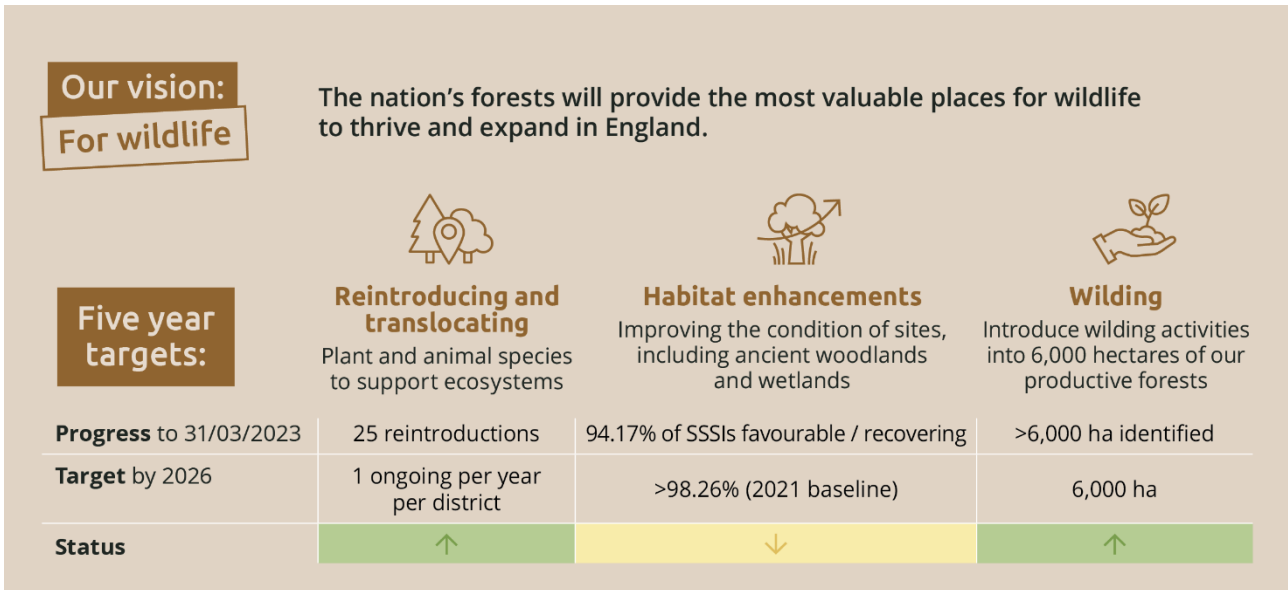
- In February 2023 Forestry England soft launched a national membership scheme, providing people with a new way to support and visit the nation's forests. Over 350 members joined in just a few weeks.

Specific challenges

- The cost of living crisis and global inflation have impacted revenue generation slowing our ability to resource deeper engagement with communities.



Growing the Future: For wildlife



Forestry England biodiversity plan launched in November 2022. Supporting wildlife populations to expand.

- We are currently involved in 25 reintroduction projects across the nation's forests - these include animals like beavers and white-tailed eagles, as well as plant assemblages.

Making our special and protected sites even more special through expert management and habitat improvements.

- While we continue to take opportunities for Sites of Special Scientific Interest (SSSI) condition improvement, we are seeing a slight decline in the condition at a national level in line with trends across the country, although with more than 90% of SSSIs in favourable or recovering condition, we are still well above the national average.
- We have established Landscape Recovery schemes at Upper Duddon in Cumbria, and Wareham Arc, Dorset.
- We are delivering on our commitment to expand the open habitats within the nation's forests, expanding them by 1,150 hectares this year across the country from Yorkshire to Dorset.
- Restored 820 hectares of peat and mire habitats with more to come.

Enhancing the wild nature of the nation's forests for more wildlife to thrive.

- Four 'wild core areas' have now been identified and selected by four different districts as projects they would like to progress under the Forest Wilding Programme, and a number of further potential wild core areas have been identified with a deadline to pull together concepts and project plans by end of June.
- Wild Ennerdale was declared a National Nature Reserve in November 2022.

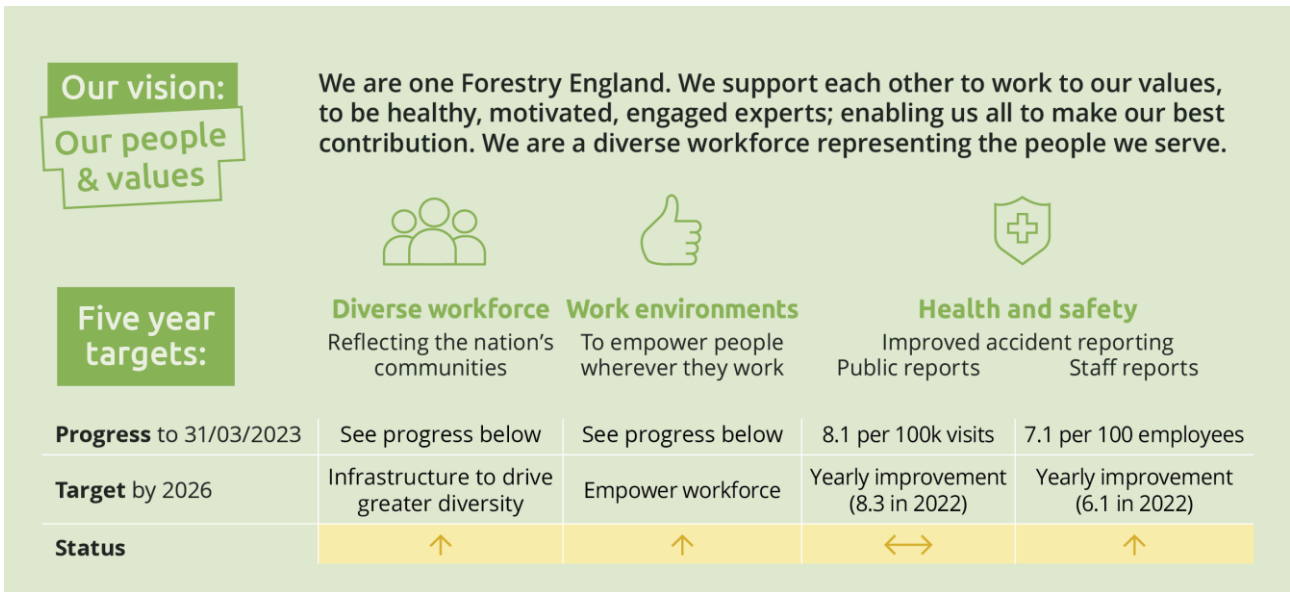
Specific Challenges

- Environmental impacts from outside of the nation's forests, such as pollution run-off.
- Ensuring we understand stakeholders' needs and expectations are being addressed which on occasion have impacted the scale and pace of work.



Ennerdale Valley, Lake District

Growing the Future: Our people and values



Understanding and creating opportunities to be more inclusive and diversify our workforce.

- We hosted a Cabinet Office Summer internship placement, the person subsequently securing a place to apply for the fast-track Civil Service Graduate scheme.
- We joined Includability network and are promoting our vacancies to a more diverse audience.

Increasing the opportunities for our people and making Forestry England an outstanding place to work.

- 61 colleagues participated in our professional managers programme (PMP).
- We continue to invest in early careers, growing needed skills for today and the future. We recruited two Trainee Foresters, three Trainee Wildlife Rangers, one Trainee Civil Engineer, one Trainee Harvesting and Marketing Machine Operator, one Graduate Trainee, one Business Support apprentice, one HR Apprentice, one Finance Apprentice and one Estates apprentice.
- We introduced SharePoint to a further eight teams, streamlining our ways of working and improving our business efficiency.
- Launched our new customer relationship management system ‘Connections’, the first module to manage volunteers is live.
- Four staff network groups are fully established. Held network events to hear from external speakers have been attended by colleagues from over 35 Civil Service departments.

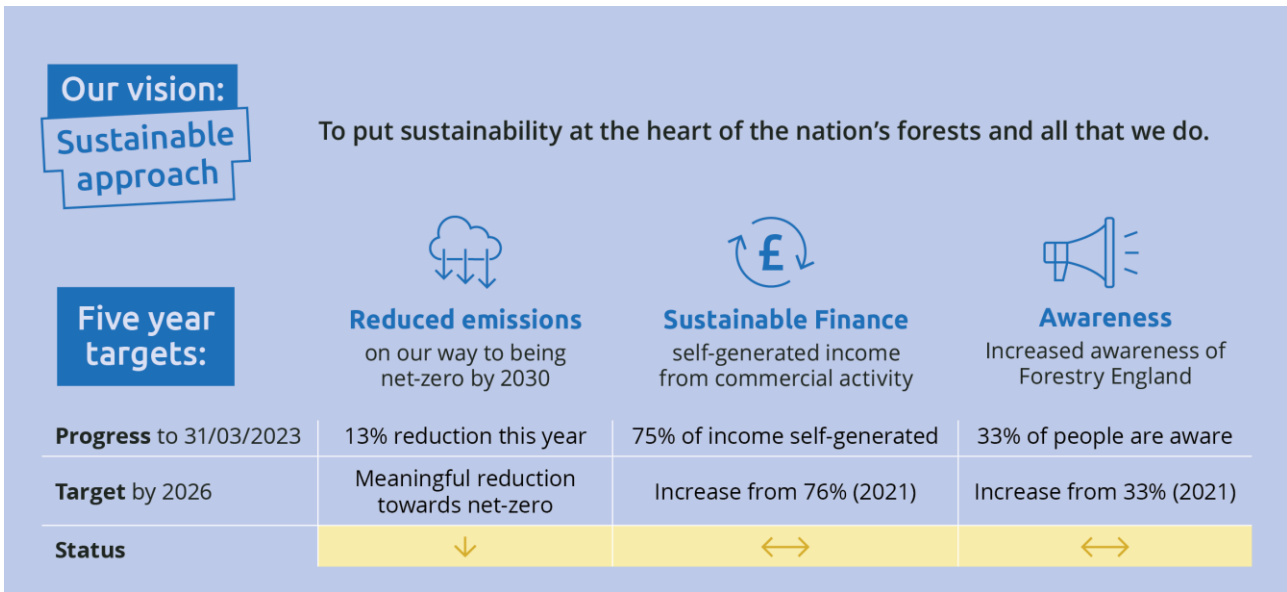
Putting health and safety at the core of everything we do, including delivering Forestry England Health & Safety Culture project.

- We have improved our intranet Roots to make health and safety related lessons learnt easier for staff to access.
- We have made a significant improvement of around 35% reduction of the time it takes to complete accident investigations.
- Since October we have reduced the number of outstanding incident investigations by 80%.

Specific Challenges

- The cost of living crisis and global inflation are putting pressure on our ability to recruit and retain staff in a highly competitive labour market.

Growing the Future: Our sustainable approach



Reducing the impact of our business by minimising emissions from our operations.

- We have completed mapping our Carbon baseline so we can target high-emitting areas of our business and have meaningful carbon reduction impact quickly.
- A carbon and energy steering group has been established to drive net-zero across Forestry England by pulling together operational expertise to ensure this is done efficiently and effectively.
- We have developed Forest district dashboards to report local CO2e emissions for local teams to manage their own performance.

Ensuring the financial security of Forestry England by generating more of our income through our business, enabling us to do more for the climate, people and wildlife.

- We bought back the Camping in the Forest business with a view to growing this part of our business.
- We have secured new tenants for the 13 existing campsites.
- New automatic number plate recognition (ANPR) car parking systems have been installed at Cannock Forest, Bedgebury pinetum and Dalby Forest.
- Launched a new official merchandise range with ethical clothing brand Teemill, with profits supporting our forest creation fund.
- Developing corporate partnerships to achieve our climate, people and wildlife objectives and support activities financially with over £100,000 income generated this year.
- Secured a £57 million partnership with Live Nation / Cuffe and Taylor to promote and run our Forest Live series.
- We completed the development of a new ‘A’ rated operations depot at Matlock Moor and commenced the redevelopment of the Tangham operations depot.
- The sale of Forest Holidays and the new business arrangement in place should see increased income through growth.

Sharing our story and making more people aware of the work we do and the opportunities they have to get involved and enjoy the nation's forests.

- Hosted the second series of Secret Life of the Forest where Channel 5 returned to reveal the spectacular beauty and wildlife in three of Yorkshire's most significant forest sites including Dalby, Cropton and Langdale. The show so far has exceeded expectations, reaching 3.9 million people with more expected in the last two episodes.

Specific challenges

- The cost of living crisis has put additional pressure on revenue and operational costs.
- Achieving the pace of change needed in some operational areas to meaningfully reduce emissions to net-zero whilst maintaining delivery.
- The UK timber market is still recovering from supply chain disruptions caused by the Covid-19 pandemic, increased demand for timber as a result of a surge in home renovations and construction, and the impact of Brexit on trade relations and regulations. These factors have led to increased timber prices, shortages in certain types of wood, and delays in delivery times.



Official merchandise with Teemill

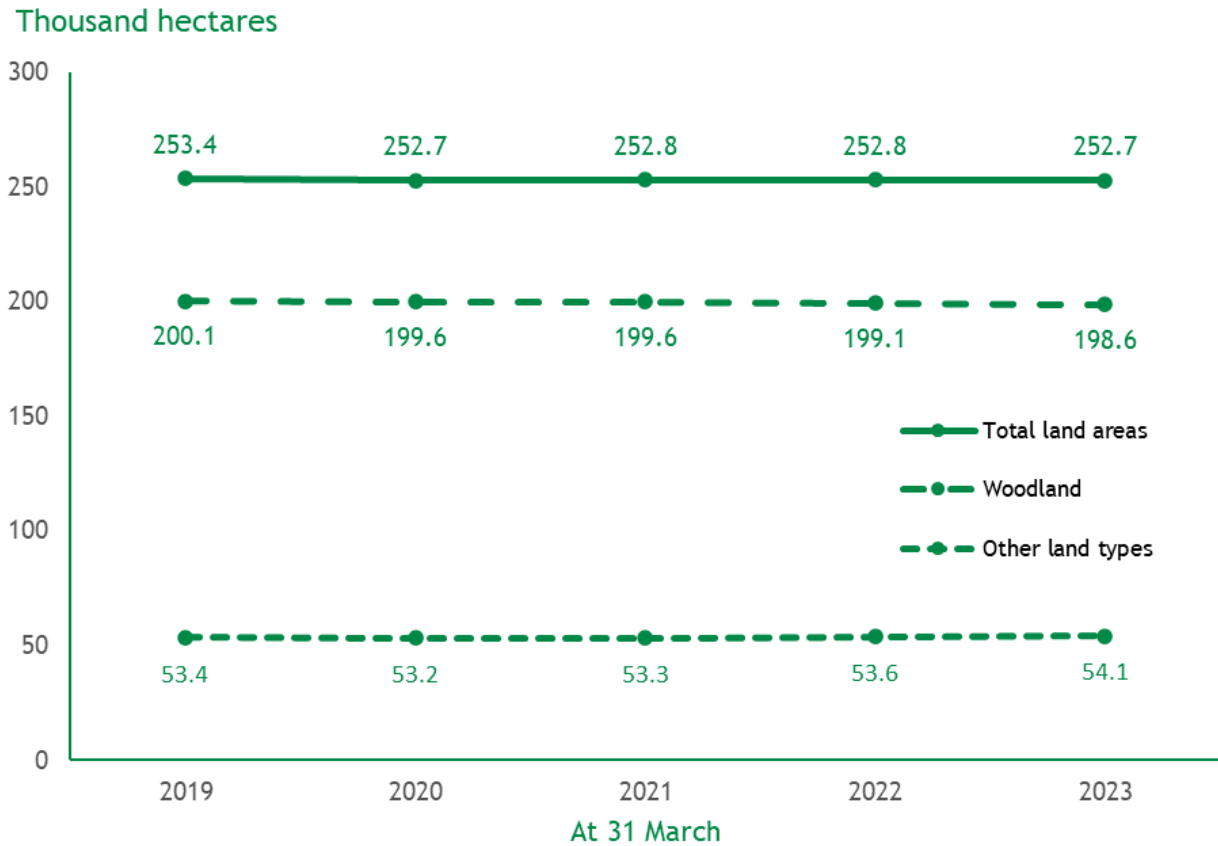
Key performance indicators

The key performance indicators (KPIs) published within this account are those measures that relate to overall organisational purpose as well as key policy requirements. They are long-term measures, calculated and reported annually.

2022-23 is the third year that we have used this suite of KPIs. These KPIs were set by the Forestry England Board following consultation through 2018.

These Forestry England KPIs are Official Statistics; an essential public asset. They provide a window on society, the economy and on the work and performance of government. They are fundamental to the judgements and decisions made by the public, by government and by an enormous range of other organisations.

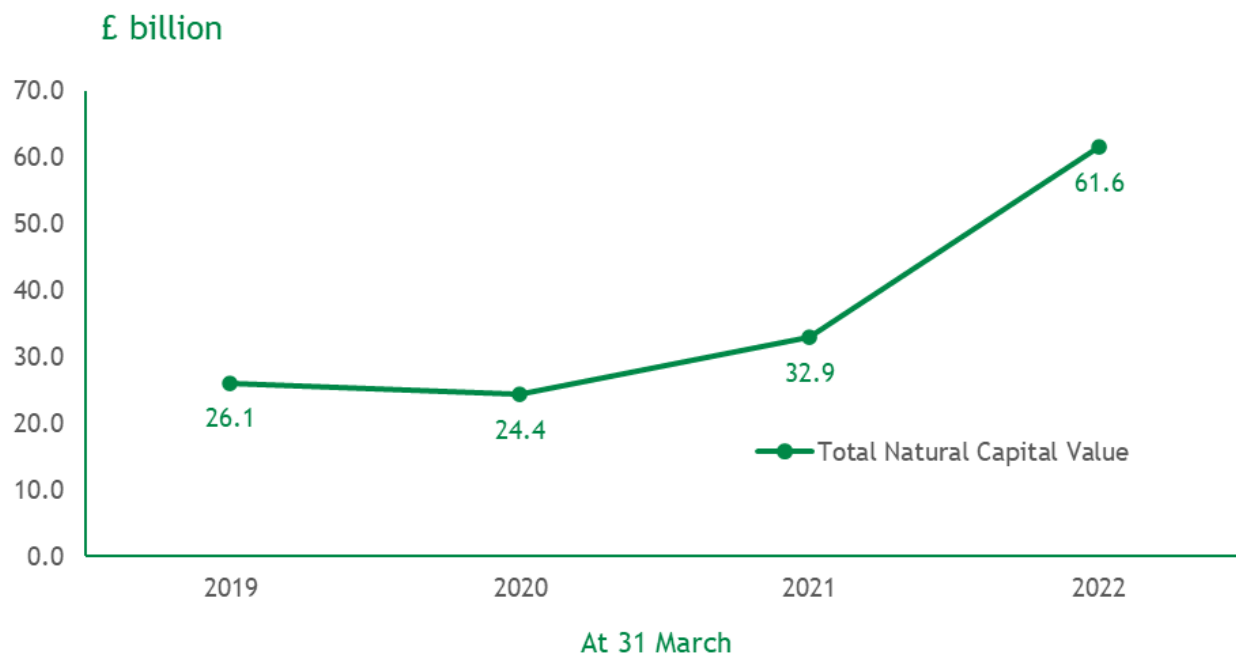
Land area of the nation’s forests held by Forestry England



The total area of the nation’s forests - those forests which are owned freehold or through leasehold by Forestry England - has been maintained, with very little change since last year. ‘Woodland’ area has gone down by approximately 40 hectares in line with longer term trends, but this KPI rarely sees substantial annual change, and has broadly remained the same since 2014.

NOTE: ‘Woodland’ here is a broad category that includes some open spaces within woodlands (for example, recently clear-felled sites), rather than just those areas with current forest cover at 31 March 2023. The chart shows the area in thousands of hectares. At 31 March 2023 our total area is 252,742 hectares. Previous years’ woodland and other land types areas have been adjusted due to an amendment in the method of calculation and rounding from the total land areas. The total land areas are unchanged.

Total natural capital value of the nation's forests



The total calculated natural capital value for the reporting year 2022-23 is **£61.6 billion**. This is the calculated net present value of the ecosystem services that our natural habitats have delivered this year and will deliver into the future - they are not a 'price tag' or market price for the nation's forests. Natural capital is a way of showing the extent of the positive impact they have on our lives, helping us to better understand and value these natural assets so that we can protect them. They are an attempt at showing the value to society of natural habitats and processes that are not captured under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets. Approximately £27.5 billion of this is due to recreation and public access, and £16.9 billion due to carbon sequestration. Due to the timing of producing our natural capital accounts, this figure is based on data from the previous financial reporting year, and so is always one year behind the Annual Report and Accounts. This year's increase is due largely to the change in the estimated visits number to the nation's forests. The 2021-22 estimated visit numbers saw a substantial increase compared to 2020-21 (see below), and because the natural capital value is primarily comprised of recreation and carbon sequestration, this has led to the large increase in natural capital accounts valuation.

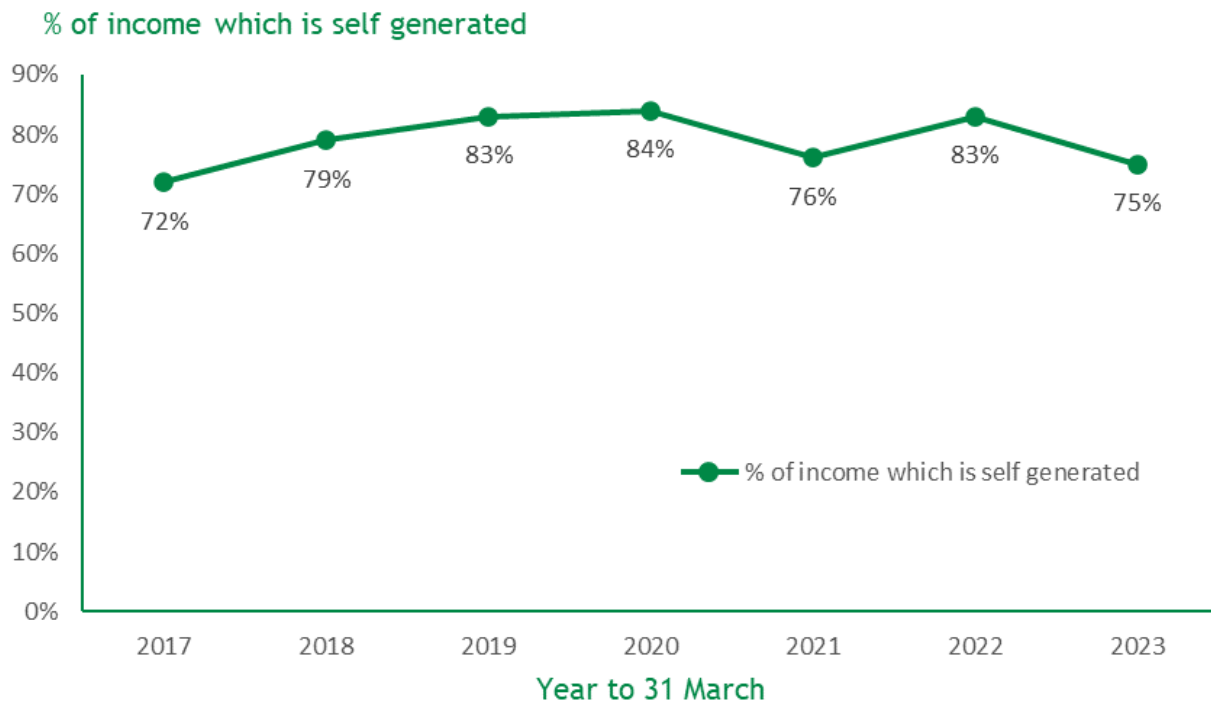
NOTE: The natural capital accounts include monetary flow figures for each ecosystem service. The total natural capital value is the net present value projected across the next 50 years. The net value of the annual monetary account for 2022-23 is £2 billion.

Public engagement - number of visits to the nation's forests managed by Forestry England per annum



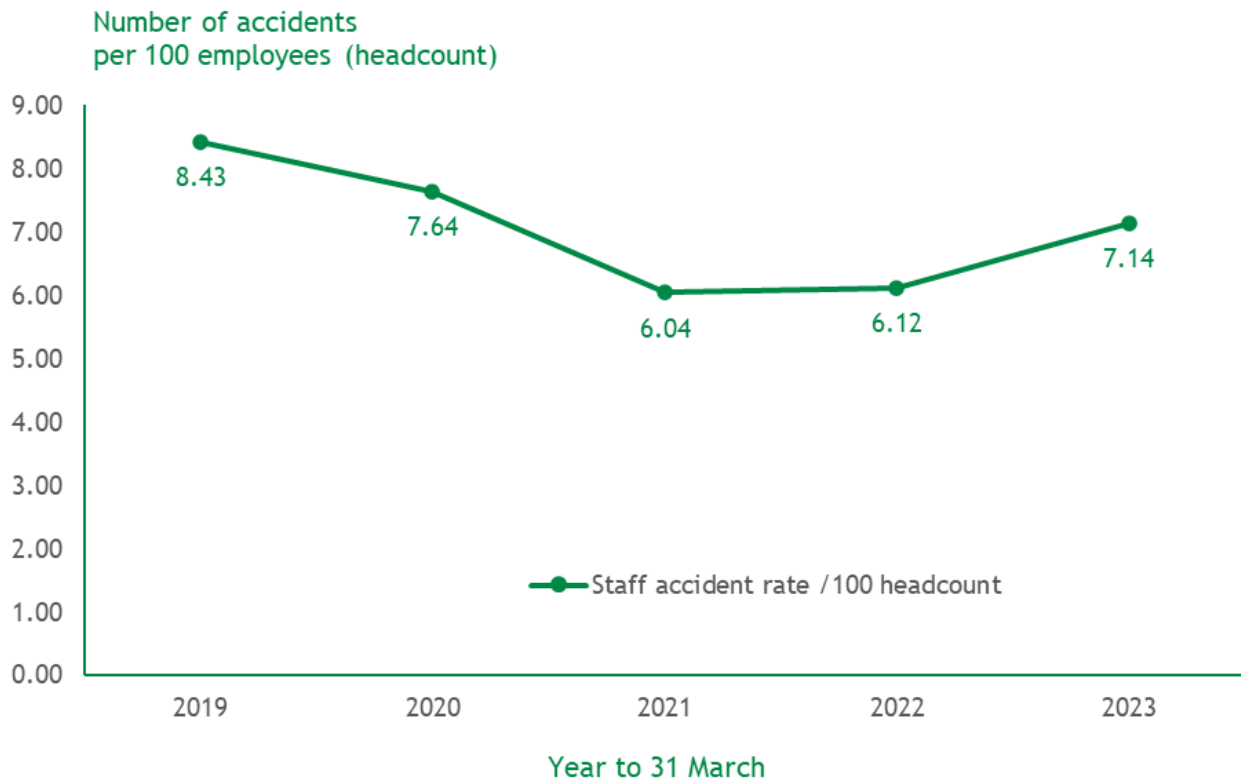
The total estimated visits to forests managed by Forestry England is 291 million visits for 2022-23 which is lower than last year and more in line with 2020-21. Lower footfall in the nation's forests in 2022-23 is in line with the levels experienced by other providers of outdoor recreation access and leisure.

Percentage of Forestry England's income that is self-generated



This indicator shows how much of our income is self-generated and indicates the level of our reliance on government funding. While the trend historically has held at approximately 83% of self-generated income, barring the dip during the Covid-19 pandemic, the fall to 75% in this financial year comprises two elements. Our self-generated income reduced by £5.6 million mainly due to conditions in the timber market. In addition, we were able to secure non recurrent funding from Defra in support of our capital programmes and continuing plant health work. It is anticipated that our self-generated income will return to above 80% in the coming year.

Health and safety - number of work-related accidents per 100 employees in Forestry England

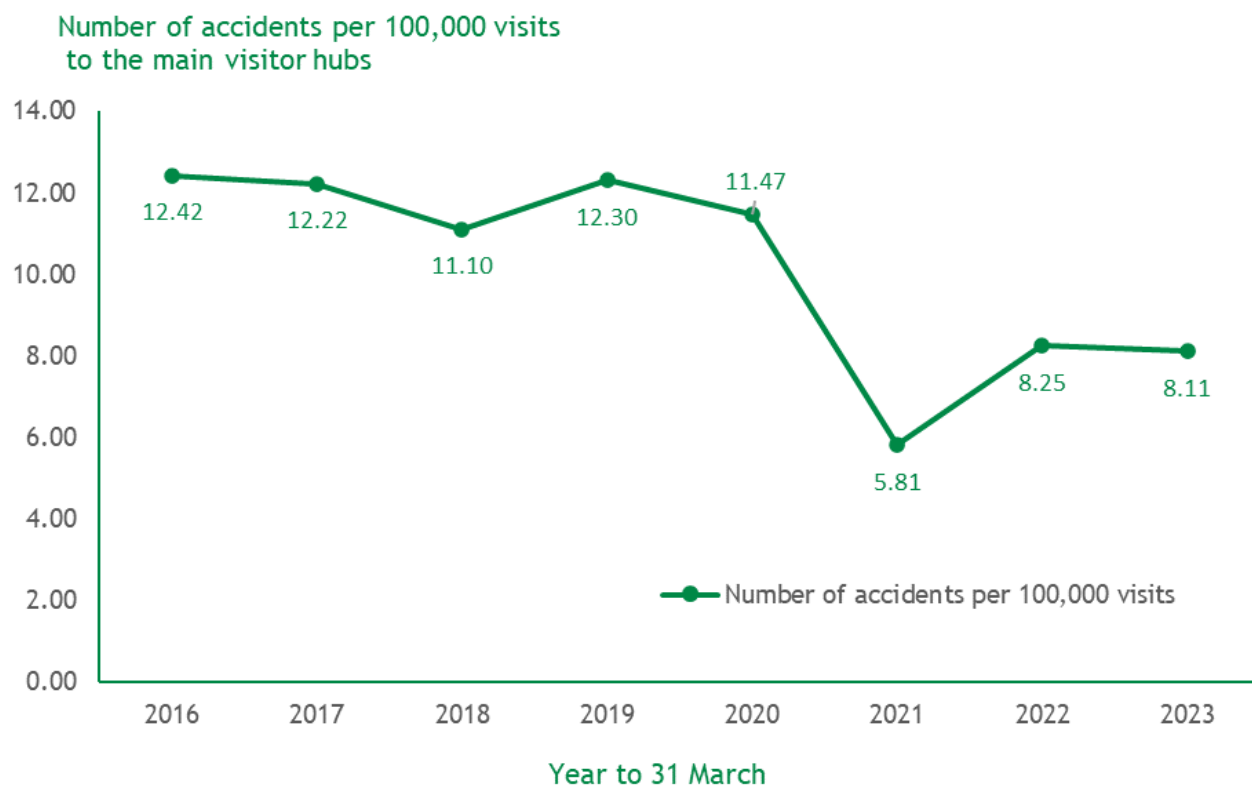


The number of accidents per 100 employees (headcount) for the financial year 2022-23 was 7.14. Staff headcount is approximately 5% higher than it was at the end of 2021-22, and so is relatively stable, whereas accidents reported are up to 90 from 68.

The proportional increase in accidents reported (5.9%) is slightly higher than the proportional increase in headcount, meaning that the staff accident rate this year is slightly higher than last year's. At this point, there is no reason to believe that this slight increase is part of a trend, and small fluctuations will always occur on a year-to-year basis.

The long-term trend shows a general decline in the accident rate since 2018-19. We moved to the Airsweb system for collating and reporting accident figures in August 2020, which has improved our reporting accuracy since its introduction.

Health and safety - number of accidents per 100,000 visits to the main visitor hubs in the nation's forests



The public accident rate is calculated from the total number of accidents over the financial year, which is divided by the total visits to main hubs. The rate is then shown as accidents per 100,000 visits. The accident rate for 2022-23 was 8.11 per 100,000 visits. This is a slight decrease compared to the previous reporting year (1.7% decrease). There have been both fewer visits to hubs this year, and a decrease in total public accidents reported - the decrease in accidents was larger, and so this has led to an overall lower accident rate.

Although visits to our main hubs have decreased this year, it has not been a substantial change, and the broad trend of increased visits since the Covid-19 lockdowns that occurred in the second half of 2020 has been maintained into 2022-23. We are at this point unable to determine what the precise driver of this is.

2020-21's public accident total was anomalously low. This is due to visit numbers being much higher than usual, whilst the number of accidents reported was low: this is likely the result of the change in staffing and resourcing at hubs during lockdowns, even when sites were open.

Operating performance

Financial review

The table below draws on the Statement of Comprehensive Income. The row analysis has been rearranged to better reflect how financial performance is internally managed and measured.

The inclusion of other government grants within the row 'A' total below aligns specific grant funding and the associated operating expenditure, as opposed to being shown as general financing.

From the Statement of Comprehensive Income (SOCl)	2022-23	2021-22	2020-21	2019-20	2018-19
	£m	£m	£m	£m	£m
Total Operating Income	88.4	94.0	83.7	88.1	89.8
Other government grants	8.5	0.5	0.7	0.4	-
Staff costs, purchases and items provided for	(122.3)	(99.7)	(95.5)	(104.7)	(95.6)
Depreciation	(9.6)	(6.7)	(6.1)	(6.0)	(5.8)
A. Relevant Operating Position for management performance	(34.9)	(11.9)	(17.2)	(22.0)	(11.5)
Funding from the Forestry Commission	19.8	18.2	24.3	16.0	17.2
B. Relevant Net Surplus/(Deficit) for management performance	(15.2)	6.3	7.1	(6.0)	5.6
Impairments	(0.5)	(1.5)	(0.5)	(2.5)	(0.6)
Value of felled timber per IAS 41	(26.8)	(31.6)	(29.0)	(29.6)	(32.8)
Revaluation of Biological Assets per IAS41	106.6	65.6	101.1	34.4	42.6
Interest and gain or (loss) on sale of assets	7.0	(0.2)	(0.1)	3.8	4.4
Surplus/(Deficit) for the year per SOCl	71.2	38.5	78.7	0.1	19.2

2022-23 saw a reduction in operating income following a weakened timber market, with average prices achieved being 11% weaker than the previous year. Recreation income increased to pre-pandemic levels with the return of unrestricted activities and a full events programme. The overall shortfall in operating income versus the previous year was compensated by increased non recurrent government grants in support of our capital programmes and continuing plant health work.

Costs increased by 23% with staff costs showing a 9% increase, reflecting 3% higher average whole time equivalent staff numbers, 2% pay increase and a 20% increase in agency staffing expenditure. Purchases of goods and services saw a 36% increase in spend, with operating costs in some areas such as staff travel and commercial recreation returning to pre-pandemic levels. Forest and estate management costs increased by over 40% with the dual impact of the reformed red diesel fuel entitlements and general inflation. Actions were taken in year to focus resource on income delivery and compliance, introducing spend and headcount controls and pausing non-essential works. Depreciation charged in the year increased following a £2.4 million upwards revaluation at the end of the 2021-22 financial year.

The resulting £15.2 million deficit (B) reflects the changing and challenging trading conditions of the financial year and is affordable within the business' reserves and is further supported by the gain of £5.4 million achieved on the sale of Forest Holidays in April 2022.

Capital investments

Our investment programme returned to full speed following the pandemic. Supply chain delays meant that we replaced fewer vehicles than intended in-year but remain committed to investing in our fleet and welfare facilities. We completed our new Matlock Moor depot and made significant progress in the construction of the new Tangham operations depot with completion due in Summer 2023.

Financial risks

As our commercial recreation and leisure activities increase our exposure to wider economic conditions represents a growing financial risk for Forestry England. The major strategic financial risk remains the long-term market price and demand for forestry products.

Our long-term business planning predicts a reduced level of timber production volume in the future. This is due to the lack of commercial forests being planted in the last 40 years and an increased focus on delivering environmental and social benefits through the nation's forests.

Forestry England's five-year plan seeks to mitigate the financial consequences of the reduction in timber volume through developing our recreation offer and releasing the commercial potential of other non-forestry enterprises.

As with many other businesses at this time, there are short to medium term risks around inflation, contractor availability, supply availability and staffing. Wider economic impacts are likely to reduce discretionary spend in households, leading to a squeeze in recreation income. While mitigation measures are taken as and when issues arise, the likely impact is on the ability to deliver operational programmes, including capital investments in the short term.

Sustainability

Overall strategy for sustainability

Forestry England carries out sustainability reporting in line with the Greening Government Commitments and HM Treasury's Financial Reporting Manual requirements.

Forestry England produced an Energy and Infrastructure Strategy in 2018 and our overall strategy for the nation's forests 'Growing the Future' elevated our ambition to be net-zero by 2030.

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

Principal on-going initiatives are:

- monitoring the use of fossil fuels for heating and developing schemes to transition away from this to renewable and low carbon solutions.
- identifying opportunities for further renewable energy generation across the estate.
- continuing to work with our data services provider to provide sustainable business reporting services. This has seen the adoption of a new platform within the year and significant review of previously reported figures.
- rolling out electric or low emission vehicles throughout the fleet where possible in line with government targets and provision of back of house charging infrastructure.

- increasing broadband connection speeds at remote sites and provision of hardware to facilitate smarter working.
- continuing a cross organisational project to review and measure our indirect scope 3 emissions. This work will inform a carbon reduction strategy across all three emissions scopes.

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

Carbon sequestration associated with the nation's forests is included in our annual corporate Natural Capital Account.

Greenhouse gas emissions

Forestry England's built estate is actively managed to optimise flexible occupancy and minimise CO₂e emissions from fossil fuel energy use.

We have completed a round of internal audits in line with our EMS which checks compliance to our Environmental Policy Statement. These identified opportunities and work underway to improve our energy efficiency, generate energy renewably and reduce resource use. Projects are at various stages of completion and more continue to be identified. It is planned to progress them under one comprehensive, co-ordinated programme of activities.

Like many businesses we have adopted flexible working arrangements, including increased use of MS Teams conferencing, a benefit of which is reduced CO₂e emissions from business travel (including fleet and other official business travel).

Our travel policy has been updated to align with The Office for Zero Emission Vehicles requirements for transitioning to zero emission vehicles. Wherever possible the commercial fleet is being updated with electric vehicles and a focus of this year has been expanding our charging infrastructure network.

Fleet and car travel is now above pre-pandemic levels and public transport has also risen above pre-pandemic levels except for national rail which remains lower. We have also seen a return to business flights, and this year have seen our highest number of kilometres flown in the past five years for international travel.

Natural gas and other heating fuels (oil, LPG and biomass) consumption is close to pre-pandemic levels, however some energy data (biomass) was missing at the time of reporting resulting in lower than usual full year consumption. We promote biomass for our own energy supply along with other low and zero carbon technologies in place of fossil fuels where it is appropriate to do so.

Forestry England uses a clean renewable 'green' tariff electricity supply arrangement for the majority of our electricity. We provide a dual report of carbon emissions; using location based and a market-based factor. Location based (grid average) as used in our energy reporting enables us to identify the impact of changing consumption levels. Whilst market-based emissions reflect our decision to purchase a verified REGO (Renewable Energy Guarantees of Origin) backed Clean Renewable tariff via EDF. This purchasing decision to move to a green tariff has resulted in avoided emissions of 576 tonnes CO₂e in 2022-23 (91% fewer than grid average reported). This figure has not been netted from our total emissions in the performance table.

Forestry England is improving its reporting on fugitive emissions and F-gas data. We aim to phase out use of R404a refrigerant gas and have installed our first CO₂ charged system.

Emissions By Scope (tCO₂e)					
		2022-23	2021-22	2020-21	2019-20
Scope 1 - Direct emissions		2,581	2,624	1,320	1,462
Built estate	tCO ₂ e	148	189	173	192
Operational fuel	tCO ₂ e	1,298	1,350	-	-
Fleet vehicles (includes company cars)	tCO ₂ e	1,425	1,085	1,147	1,270
Scope 2 - Energy indirect emissions		618	701	809	865
Location based	tCO ₂ e	614	701	805	864
Electric fleet vehicles	tCO ₂ e	3	-	4	2
On site renewable energy generation (emissions avoided)	tCO ₂ e	23	17	12	19
Scope 3 - Other indirect emissions (Currently measured)		977	788	2,698	4,174
Purchased goods and services	tCO ₂ e	76	17	29	28
Fuel- and energy-related activities	tCO ₂ e	58	62	69	73
Waste generated in operations	tCO ₂ e	384*	388*		
Business Travel	tCO ₂ e	460	321	208	414
Wood fuel (out of scope)	tCO ₂ e	438	501	681	533

Consumption by source					
		2022-23	2021-22	2020-21	2019-20
Scope 1		Unit			
Natural Gas	Kwh	71,995	143,731	228,582	126,846
	£'000	17	11	13	11
Heating Oil (Burning Oil)	Kwh	257,067	245,242	239,837	347,972
	£'000	34	23	22	33
LPG	Kwh	228,696	175,614	185,150	220,694
	£'000	32	32	38	31
Wood fuel	Kwh	1,240,645	1,506,870	2,079,546	1,615,910
	£'000	80	80	75	88
Operational Fuel	Kwh	5,044,580	5,264,662		
	£'000	459	372		
Fleet vehicles (includes company cars)	Km	7,830,489	6,014,852	5,928,299	6,530,990
	£'000	787	610	738	769
Fleet - ULEV	Units	15	-	-	-
Fleet - ZEV	Units	56	-	-	-
F-Gas	kg F gas	4	23	-	2
Scope 2					
Electricity - standard	Kwh	27,703	119,420	135,377	3,378,397
	£'000	37	24	23	604
Electricity - green tariff	Kwh	3,276,430	3,181,216	3,316,715	n/a
	£'000	710	654	574	n/a
Electric fleet vehicles	Km	17,655	N/A*	73,741*	35,391*

Consumption by source					
		2022-23	2021-22	2020-21	2019-20
	£'000	N/A	0	8	4
Renewables generation	kwh	112,413	75,487	46,078	67,000
Scope 3 (Currently Measured)					
Non fleet road vehicles (personal and hire car)	km	2,519,724	1,855,247	1,200,096	2,023,003
	£'000	654	294	231	296
Public transport	km	10,415	4,712	1,873	10,176
	£'000	20	10	7	17
Domestic Flight	km	20,659	6,387	4,002	101,321
	£'000	5	2		16
International Flight	km	144,007			33,033
	£'000	13			2
Rail-National	km	403,222	140,990	19,813	613,170
	£'000	124	40	5	185
Rail International	km	-	-	-	-
	£'000	-	-	-	-
Waste (excl sewage) total	tonnes	1,764	1,631*	2,693*	3,972*
	£'000	966	937	996	1,062
recycled excluding ICT	tonnes	618	605	672	847
composted	tonnes	26	16	14	36
incinerated with energy recovery	tonnes	767	320	604	730
incinerated without energy recovery	tonnes	n/a	n/a	n/a	n/a
landfill (incl hazardous)	tonnes	353	685	1,402	2,341
ICT	tonnes	1	5	1	18
hazardous	tonnes	31	18	30	160
sewage	tonnes	1,217	1,163	1,157	1,886
Water consumption - total	m ³	175,990	100,731	83,321	82,672
	£'000	187	174	37	36
Mains	m ³	175,990	100,731	83,321	82,672
Office	m ³	19,912	22,626	26,833	19,766
Non office	m ³	156,078	78,105	56,488	62,907
Paper use	reams	2,371	911		
Total estate energy (all scope 1 & 2 energy)	kwh	5,214,949	5,447,581	6,231,286	5,756,819
Total estate energy for heat from fossil fuel (gas, oil and LPG)	kwh	557,758	564,587	653,569	695,512

Notes					
The reporting format in 2022-23 has been expanded to provide more detailed breakdown of carbon emissions and consumption of energy, water and waste. An overview of our performance (including against GGC targets) is provided in the associated commentary.					
Data in italics have now been restated following a data quality review.					
Data annotated with an asterix (*) indicates data under review					
Scope 3 emissions include only those emissions categories currently measured. There is an internal project ongoing looking at the bigger picture of scope 3 emissions.					

Notes
Scope 3 emissions: Waste (waste including sewage and water treatment). Emissions from Waste have been restated and now include emissions from sewage.
Sewage disposal data is incomplete, data reported includes tankered sewage only and does not currently report all mains sewage.
It is not yet possible to provide an analysis of abstracted and collected water. Water consumption validation will be required to confirm data.
Hire car mileage data is under review and a number of assumptions have been included.

Waste

A new reporting platform has been implemented aiming to improve waste data reporting by reducing user input errors, and ensuring EWC Codes and Disposal Codes are required inputs. A National Waste contract has been tendered within the year and will be available next financial year for districts to use. This should save time and improve consistency through a standardised approach at scale.

Forestry England aims to improve its reported total estate recycling rate of 35% and has rewritten its waste guidance placing greater emphasis on reduction through sustainable procurement.

Fly-tipping continues to be a challenge across the country, with over 558 events reported on or adjacent to the nation's forests.

Use of scarce resources (water, paper and timber)

Forestry England has a combination of mains and private water supplies. These are monitored through meters and invoice payments. Efforts are made to identify leaks early and avoid wastage of potable water. Water consumption is showing an increase, however this is largely due to more complete data with low confidence in historic data. A review of water consumption is underway and will include sewage (Waste Water). At some sites digital water use loggers or Water AMRs are being introduced with the aim of improving data availability. Forestry England's tree nursery has installed rainwater harvesting and micro-irrigation, and future water efficiency projects will be identified after the water data review. Water efficient appliances are routinely installed during refurbishment works or as existing appliances fail.

Performance against Greening Government Commitments 2021-2025

Forestry England, Forest Services and Commissioners Office provide combined reporting against Greening Government Commitments (GGC). Please see the Forestry Commission's Annual Report and Accounts for a summary of the collective's performance.

Biodiversity plan

Biodiversity recovery is a core part of Forestry England's purpose. As part of our Growing the Future strategy - "Our vision is that the nation's forests will provide the most valuable places for wildlife to thrive and expand in England". We have developed a detailed biodiversity plan to underpin this ambition, which was publicly released in Summer 2022. In addition, since 2015-16 we have delivered an annual Natural Capital Account to help us to measure whether the natural capital value of the nation's forests in our care is increasing or decreasing.

Sustainable procurement including food

Forestry England works to ensure that sustainable solutions are part of the goods, services and works we purchase. Internal guidance incorporates sustainability at each stage of the procurement cycle, linking to Government Buying Standards where relevant. We require our contractors to contribute towards our aim of being as sustainable as possible and to help reduce waste and energy requirements wherever possible. We encourage innovative solutions to our requirements. Our food outlets, providing a catering service to customers, are leased to third party providers. These providers are expected to follow sustainable principles and key performance indicators are used to monitor this in new leases. This includes using fresh, local, and ethically sourced ingredients, reducing food miles, packaging, waste and increasing composting and recycling.

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

Alternatives to plastic signs, tree shelters and Christmas tree netting are being trialled to reduce the use of plastics made from fossil fuel processes and reduce waste.

Climate change adaptation

The Forestry Commission's Adaptation Reporting Power: Third Round report sets out our assessment of climate risk and the steps we are taking to adapt to climate change. The report contains a summary of our forest resilience approach and the progress we have made since the previous report published in 2016. This includes increasing the species and structural diversity of our forests, investing in forest resilience research, championing biosecurity standards, and working with partners across the sector through the Forestry and Climate Change Partnership. The report also includes two new actions: to develop a forest resilience strategy (including specific and measurable targets), and to create a bespoke forest resilience indicator to help us better monitor the resilience status and condition of the nation's forests.

Rural proofing

Forestry England's activities take place in rural, or semi-rural environments, but the organisation does not formulate government policy. There is, therefore, no specific internal governance, decision making or assurance process on rural proofing.

We seek to ensure that the impact of our activities balance social, economic, and environmental needs. Our commitment to sustainable forest management, as certified under UKWAS, requires us to demonstrate how the results of engagement with local communities and social impacts have been incorporated into management planning and operations. UKWAS also requires that woodlands be integrated into local economies and that communities within or adjacent to the woodlands have equitable opportunities for employment and to provide supplies and services.

Sustainable construction

We employ sustainable building elements as far as possible in all our refurbishments and new build projects. The estate energy audit is identifying energy inefficient sites or those which use fossil fuels for heating purposes, to enable investment to be being targeted to either through refurbishment or replacement.

All new build and major refurbishment works will target net-zero carbon in operation wherever possible. Embodied carbon is not currently reported but is now starting to be considered in terms of our environmental impacts.



Mike Seddon
27 June 2023
Accounting Officer
Forestry England

Accountability report

The Accountability report sets out our key accountability requirements to Parliament, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410, and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981, as adapted for the public sector in The Government Financial Reporting Manual 2022-23.

Corporate governance report

This report consists of three sections:

1. Directors' report
2. Accounting Officer's Statement
3. Governance Statement.

Its purpose is to explain the composition and organisation of Forestry England's governance structure and how this supports the achievements of the organisation's objectives.

Directors' report

Forestry England is a non-financial public corporation and an executive agency of the Forestry Commission, a non-ministerial government department that sits in the Defra Group.

The principal leadership roles in Forestry England are:

- Sir William Worsley: Chair of the Forestry Commission and Chair of the Forestry England Board
- Mike Seddon: Chief Executive, Forestry England





The members of the Forestry England Board from April 2022 to March 2023 are as follows:

Board member ¹	Role	Dates	Attendance at Board meetings ²
Julia Grant	Non-executive Commissioner	Full year	7/7
Amanda Grist, Chief Financial Officer Forestry England	Executive member	From 20 June 2022	5/5
Tristram Hilborn, Chief Operating Officer Forestry England	Executive member	Full year	7/7
David Hodson, Finance Director Forestry England	Executive member	To 30 June 2022	2/3
Peter Latham	Non-executive Commissioner	Full year	7/7
Jennie Price	Non-executive Commissioner	Full year	7/7
Gurch Randhawa	Non-executive member	Full year	6/7

Board member ¹	Role	Dates	Attendance at Board meetings ²
Mike Seddon, Chief Executive Forestry England	Executive member	Full year	6/7
Chris Simpson	Non-executive member	Full year	5/7
Richard Stanford	Executive Commissioner	Full year	6/7
Sir William Worsley (chair)	Non-executive Commissioner	Full year	7/7

¹ Edward Barker, Director, and Jonathan Latchford, Senior Relationship Manager (Forestry Commission and Joint Nature Conservation Committee), Natural Environment, Trees & Landscapes Directorate, Department for Environment, Food & Rural Affairs, receive all Board papers but are not members of the Board nor attend Board meetings.

² Board meetings in 2022-23: 7 in total. 5 scheduled full Board meetings plus 2 extraordinary meeting in April and June 2022.

<p>Significant interests held by board members</p> <p>www.forestryengland.uk</p> 	<p>A register of interests of all Forestry England Board members is maintained and published on our website. Related party transactions are separately disclosed within note 20.</p> <p>There have been no potential or actual conflicts of interest reported in this year.</p>
<p>Personal data related incidents</p> 	<p>Forestry England has not had any notifiable personal data breaches which needed to be reported to the Information Commissioner.</p> <p>We continue to monitor and assess our information risks to identify and address any weaknesses and ensure continued improvement of our systems.</p>
<p>Supplier payment policy</p> 	<p>Forestry England complies with the government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within ten days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. In 2022-23 95.8% (2021-22: 96.3%) of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contract.</p> <p>£500 interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.</p>
<p>Auditors</p> 	<p>These accounts are audited by the Comptroller and Auditor General. The audit fee for 2022-23 is £106,400 (2021-22: £96,000). No fees were charged for other services (2021-22: nil).</p>

Accounting Officer's Statement

The Chief Executive of Forestry England has been appointed as Accounting Officer for the Forestry England accounts by the Accounting Officer and Chief Executive of the Forestry Commission. Forestry England's framework document sets out the responsibilities of the Accounting Officer.

The Accounting Officer of Forestry England is responsible to the Accounting Officer of the Forestry Commission for monies allocated to Forestry England from the Forestry Commission's account and is responsible and accountable to Parliament for the use of public money and stewardship of public assets.

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

- observe the Accounts Direction issued by the Forestry Commission, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- prepare the Forestry England accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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 Forestry England's assets, are set out in Managing Public Money published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that Forestry England's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.



Mike Seddon
27 June 2023
Accounting Officer
Forestry England

Governance statement

This statement confirms that Forestry England fully complies with the HMT Guidance ‘Corporate Governance in Central Government Departments’ where applicable and relevant.

The area of deviation from the Code is in the makeup of the Forestry England Board and its committees. The constitution of the Forestry Commissioners and its sub-boards is set by statute, the Forestry Act 1967 and the Forestry Commission Framework Agreement 2020.

The Forestry Commission governance context

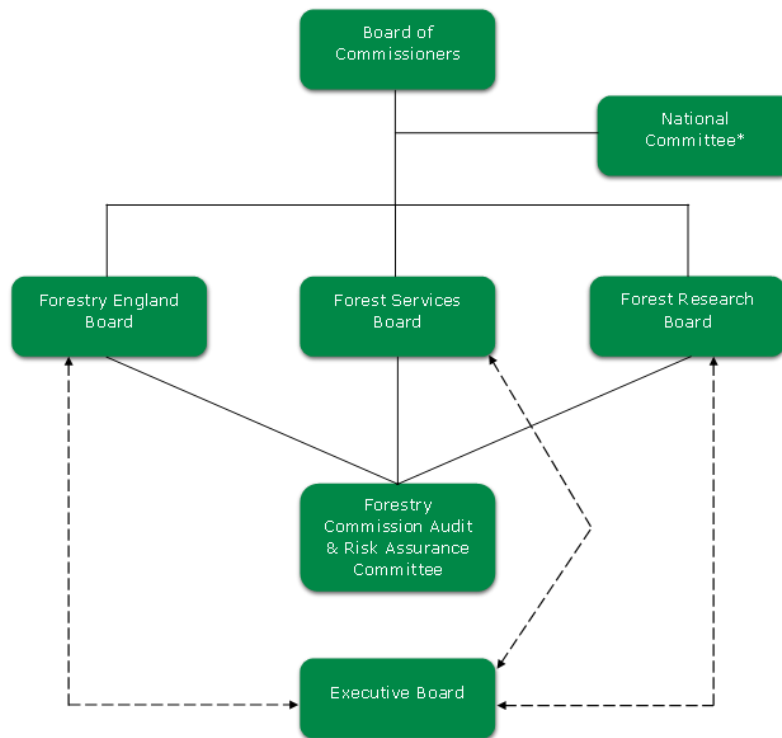
The Forestry Commission is empowered by The Forestry Act 1967 (as amended) and the Forestry Act 1979 which set out the principal legislative framework within which the Forestry Commission operates. It is a non-ministerial government department that reports to Parliament through Defra ministers and has a Royal Charter, dated 25 March 1920. It is headed by a Board of Commissioners.

The Forestry Commissioners are established by statute and derive their powers as follows:

- primarily from the Forestry Acts
- other legislation including:
 - The Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999.
 - The Plant Health Act 1967: the Commissioners are the competent authority for the protection of forest trees and timber from attack by pests and diseases.
 - The Countryside Act 1968 gives the Commissioners additional powers, including to provide recreational facilities and to plant and manage trees in the interests of amenity.

The Forestry Commission is a federated organisation with three distinct organisations with delegated responsibility for the delivery of the statutory roles and responsibilities of the Forestry Commissioners: Forestry England, Forest Services and Forest Research.

The division of responsibilities in the structure between the Boards and the executive management functions are set out in the Framework Agreements between the Forestry Commission and Defra (dated 8 May 2020), and the Forestry Commission and Forestry England (dated 18 May 2021).



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

Key: Solid line = Governance board structure
Dotted line = Executive management structure

Forestry England Governance framework

The Forestry England Board has been appointed by the Forestry Commissioners to enable it, as ‘the appropriate forestry authority’ in England, to discharge their duties and exercise their powers set out in the Forestry Act 1967 and other relevant legislation, including the Countryside Act 1968 in respect of the nation’s forests.

The purpose of the governance structure is to enable Forestry England to be an outstanding organisation through:

- strong and transparent leadership providing clear strategic direction.
- robust, open decision making.
- ongoing monitoring of the organisation’s performance and financial management.
- assurance of compliance with law and policy.

The Forestry England Board operates one committee, the Audit Risk and Assurance Committee. For administrative purposes the meeting is shared with Forest Services and Forest Research in a combined Forestry Commission ARAC.

The Forestry England Board 2022-23

Board work plan 2022-23

Meetings 2022-23	April	May	June	July	Sept	Dec	Mar
Operational Accountability and standing papers							
CEO report		Blue		Blue	Blue	Blue	Blue
Finance report		Green		Green	Green	Green	Green
Health and Safety report		Yellow		Yellow	Yellow	Yellow	Yellow
Performance report		Purple		Purple	Purple	Purple	Purple
Risk report		Brown		Brown	Brown	Brown	Brown
ARAC committee report		Red		Red	Red	Red	Red
Workforce		Blue			Blue	Blue	
Items Board for Board approval / steer / input							
Business Plan						Blue	Blue
Investment plan						Green	
Annual report and Accounts			Yellow				
Brand development							Purple
Delegated authority approvals	Brown				Brown		
New business unit strategies		Red		Red	Red		Red
Strategy review / development		Blue				Blue	

Board items

- Management, performance and financial reporting
- Business plan and investment plan approval
- Health and safety - culture development and incident reporting and response
- Safeguarding reports
- ARAC reports
- Training and early years career development
- Risks, risk management and approval of the risk appetite statement
- Forest Holidays: sale of interest to new owners
- Camping in the Forest: buy back of England interest
- Approach to the provision and sale of ecosystem services
- Biodiversity plan
- Staffing: Workforce deep dive, reviewed results of staff survey and proposed action plan
- Trail hunting in nation's forests
- Generation of green energy on the estate
- Reviewed brand impact.

Board visits 2022-23

Dalby and Cropton forests, Yorkshire District May 2022

Topics covered:

- wilding and biodiversity
- species reintroduction
- introduction of natural processes to alleviate flooding
- forest and land management



Photo: Board at the Lumberjills sculpture, Dalby Forest

- arts in the forest
- sustainable visitor centre

Forest of Dean September 2022



Photo: Board members at Symonds Yat, Forest of Dean

- partnership working
- aspects of the built estate portfolio
- accommodation offer
- supporting the local economy - business working on the estate
- management of capital assets and civil engineering

Performance of the Board

Approach: in 2022-23 the self-effectiveness questionnaire was updated in line with the latest ALB board effectiveness review (“BER”) principles issued by the Government in April 2022, as part of its continual enhancement of this review.

Key findings 2022-23:

Overall: the Board is functioning at a reasonably high level:

the proportion of questions receiving the highest average score (4 = strongly agree) increasing from 43% to 61%.

Progress on 2021-22 review

All improvement areas identified strengthened over the year:

Individual areas identified for improvement in the year:

- Contribute to improving function of ARAC / Board through working with wider Forestry Commission on communications, systems and reporting.
- Approve and embed risk appetite statement into organisation’s decision-making process.
- Consider benchmarking exercise for review of organisation’s performance.
- Growing the Future performance measures agreed with quarterly updates on progress to targets.

- The approach to stakeholder management was discussed at Board level and steers provided.
- Board have approved the risk appetite statement December 2022, with the corporate risk register in Board pack each meeting.

Continuous Improvement: The Forestry England Board and Executive team, now in the fourth year of leading Forestry England, are committed to the continued improvement of the effectiveness of the Board.

The greater depth of constructive challenge and deeper questioning now taking place reflects the growing effectiveness of the Forestry England Board. This has been achieved through ever increasing knowledge of the organisation and improved quality of papers and management information provided through working closely with the Executive team to enable the Board to fulfil its responsibilities to the best of its abilities.

Audit Risk and Assurance Committee

The Forestry England Board is supported by the Forestry Commission Audit, Risk and Assurance Committee (ARAC), which also serves the Boards of Forest Services and Forest Research. The ARAC supports Board assurance for issues of risk, control and governance and assurance. Its focus is on external and internal audit reports, the annual report and accounts including the governance statement, risk management and compliance with functional standards.

Summary of the ARAC 2022-23

Assurance activities	ARAC Membership	2022-23 work programme
<ul style="list-style-type: none"> • Reviewing the comprehensiveness of information in meeting the assurance needs of: <ul style="list-style-type: none"> • Forestry Commissioners • The Accounting Officers: Forestry Commission, Forest Research and Forestry England • The sub-Boards: Forestry England, Forest Services, Forest Research • Reviewing the reliability and integrity of these assurances • Providing an opinion on how well the Commissioners and Accounting Officers are supported in decision making and in discharging their accountability obligations, particularly in respect of financial reporting 	<ul style="list-style-type: none"> • Three Commissioners • One non-executive <p>with recent relevant financial experience, drawn from across the three Boards.</p> <p>In attendance:</p> <ul style="list-style-type: none"> • Government Internal Audit Agency (GIAA) • external auditors from the National Audit Office • the Director, Natural Environment, Trees & Landscape, Defra • The Accounting Officers • Senior Executives from across the Forestry Commission 	<p>The Committee met in June 2022, September 2022, November 2022 and February 2023.</p> <p>In 2022-23 it has considered:</p> <ul style="list-style-type: none"> • GIAA audit plan and reports, including: <ul style="list-style-type: none"> • Bridges • Apprenticeship Levy • Budgetary Control and management information • Government Procurement Card • Chainsaws • Estate management • Forestry England Woodland Partnership • Expenses • Tax • Follow-up Tree Safety Inspections • Energy Strategy and Carbon board

Assurance activities	ARAC Membership	2022-23 work programme
		<ul style="list-style-type: none"> • external audit plan and reports • risk management processes, risks and risk appetite • preparation of annual report and accounts, including the governance statement • annual safeguarding report • security arrangements against Functional standards • counter fraud, bribery and corruption arrangements

Internal assurances

Internal assurance and control processes provide assurance to the Forestry England Chief Executive, Board and senior management team. A wide range of business systems processes and business critical models are utilised and subject to regular review and continuous improvement to provide the data underpinning effective governance especially in the fields of financial control, forecasting and for the management of risk.

<p>Management audit visits</p>	<p>The purpose of undertaking routine management audit visits is to provide assurance on our Operations activities with the intended outcome to ensure that there is an effective system in place that facilitates the management of Operations carried out within Forestry England operational Districts demonstrating compliance against current internal policies and procedures.</p> <p>The audits also provide an important opportunity to identify potential challenge areas and any patterns or trends across different regional areas and to encourage consistency across Districts, and provide additional support or assistance as required.</p> <p>Covering key delivery areas, including:</p> <ul style="list-style-type: none"> • forestry and timber sales • forest management • wildlife management • recreation <p>This year management audits were carried out in West and North Districts. Actions were identified, tracked and implemented with no major concerns raised. A summary report has been provided to senior managers.</p> <ul style="list-style-type: none"> • civil engineering <p>The civil engineering audits have been completed in East, Central and South Districts with Yorkshire currently in progress. North was due in May 2023, West is due in October 2023 and Westonbirt is currently audited on a three year cycle. A new robust process for tracking and following up on implementation of management actions from this</p>
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	<p>year's audits is currently being implemented and will be used to ensure these are being closed out.</p> <p>All concerns have been discussed with the appropriate District managers and appropriate actions have been implemented. A summary report has been provided to senior leaders.</p>
Health and Safety	The Health and Safety KPIs are monitored regularly by the Board and Executive Team and through the Look Out and Look After programme board. A health and safety report goes to every Board meeting supplemented by twice yearly deep dives.
Finance	<p>Financial performance against budget and refreshed year end forecasts are a standing item at every Executive Team and Board meeting with regular reviews with managers to improve the relevance and accuracy of forecasts.</p> <p>In a difficult operating environment, further areas for improvements in forecasting have been identified over the course of the year and are being taken forward with the executive.</p>
Safeguarding	<p>Safeguarding policy and procedures has continued to be embedded across the organisation over the past 12 months, with good uptake on the level 2 Safeguarding course for public facing staff and their managers.</p> <p>Focused support and learning have been ongoing for areas where Safeguarding requires a higher consideration, such as volunteering and Feel Good in the Forest. Work continues to increase awareness of Safeguarding across the organisation, and how this relates to members of the public, volunteers, contractors, and employees, to support the recording on Airsweb. To enable us to build on our work in this area, we will be appointing a Safeguarding Technical advisor in 2023-24.</p> <p>All safeguarding incidents are reported to the Board at each meeting, and an annual report given to the ARAC.</p>
Whistleblowing	The Forestry Commission has a robust whistleblowing policy and procedure, with a dedicated whistleblowing officer. There were three Forestry England whistleblowing cases raised in 2022-23, two investigations were carried out and appropriate action taken.
Formal warnings	There have been no formal warnings issued to Forestry England by Forest Services in 2022-23.

Review of effectiveness of governance

The Forestry England Accounting Officer has responsibility for conducting an annual review of the governance framework and provides an annual assurance statement to the Forestry Commission Accounting Officer. This review is informed by the following: work of internal audit, assurance from executive managers, and external auditors in their management letter and other reports.

Forestry England Executive Managers (Budget holders)	Annual Financial Assurance Statements on the application of financial controls, the recording of all transactions and any reported incidents of fraud.
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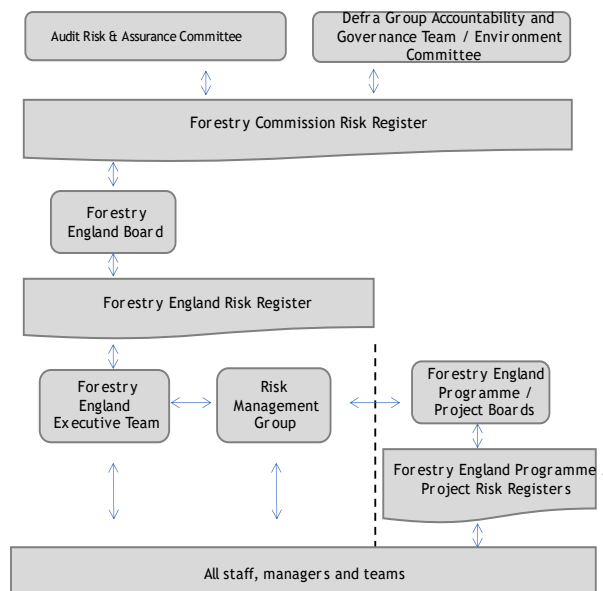
	No significant issues were identified.
GIAA Head of Internal Audit for Forestry England	Annual report and assurance statement which includes an overall assessment of the adequacy and effectiveness of risk management, control and governance within Forestry England. Overall opinion: Moderate
The Forestry England Board with the Accounting Officer	Forestry England applies the principles of HM Treasury’s Code of Good Practice for Corporate Governance as appropriate for an executive agency of the Forestry Commission. Achieved through agenda, discussion and constructive challenge working with and asking of the Accounting Officer (CEO), with COO and CFO, by all members of the Forestry England Board.

Risk management

Forestry England implements the Forestry Commission’s Risk Management Policy as a key part of the broader, corporate governance arrangements. The controls in place identify and assess risks to the delivery of our strategic objectives and business plan, and at the same time allow Forestry England to maximise its opportunities. Forestry England’s approach is to view risk management proactively, positively and as a tool that is empowering to the organisation and its staff.

The following diagram illustrates the Forestry England risk management reporting and escalation framework within the Forestry Commission framework.

Forestry England risk framework and escalation routes



We have developed a clear coherent structure that enables specialist risk registers to be managed by their teams, with a clear escalation to the corporate level. We have invested time and built expertise and capacity in having a more engaged and risk management culture.

Risk Appetite

The Board has set Forestry England risk appetite for this year as follows. The overall Forestry England Risk appetite has been agreed as Cautious to Open:

Risk appetite levels	Averse	Minimalist	Cautious	Open	Eager
Governance					
Strategy					
Health & Safety, Forestry and land management, recreation					
Forest Resilience and climate driven environment change					
Management of strategic assets and quarries					
Acquisitions					
Commercial Activity					
Legal obligation ourselves					
Legal in defending ourselves against third parties					
Financial					
Commercial and Corporate Partnership					
Commercial Services (public contract regulations - goods / services / construction)					
People: Culture and behaviours					
People: Legal and statutory requirements					
Cyber Security					
Technology & Connectivity					
Information					
Project/Programme risks					
Reputational risks					

Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

Additional risk assessments

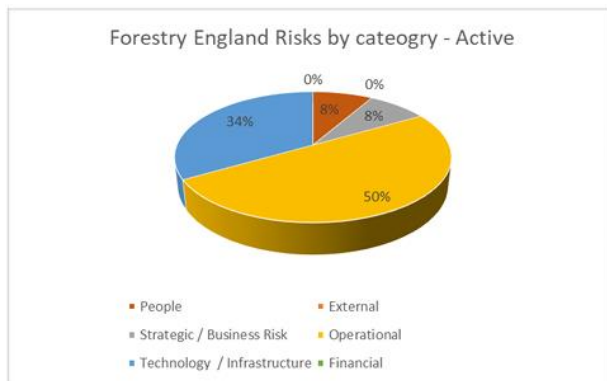
- **Russia:**
 - **Exposure of investments in Russia / Belarus**
Procurement in Forestry England continues to follow the Cabinet Office policy and guidance Procurement Policy Note 01/22: contracts with suppliers from Russia and Belarus - GOV.UK (www.gov.uk). We have not identified any prime contractors that are Russian or Belarusian.
- **Winter blackouts**
 - An assessment and continuity plan was prepared should there have been energy blackouts over the winter months and remains in place.

Active risk categories

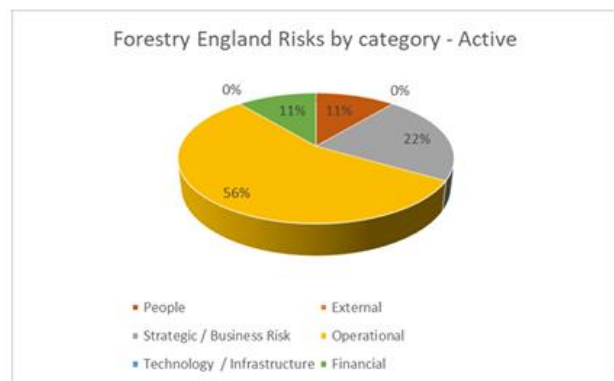
Our assessment of categories of active risks has shown a change over the past 12 months as indicated in the following charts.

Assessment of active risk by Category

March 2022



March 2023



The main differences seen in our active risk profile since March 2022 are:

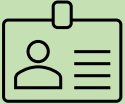




- The reduction of the technical and information segments through moving active risks to managed risks and issues logs as the Information Technology and Knowledge and Information Management Teams have carried out programmes of work and put in place robust processes and policies to manage and mitigate risks of cyber security, connectivity and information management.
- Increase in financial and people segments as a result of the economic conditions seen this year.
- Increase in strategic and business risks arose through the uncertainty created around the purchase of Camping in the Forest. This risk closed at the end of the year following the completion of the purchase and the appointment of new operators for all 13 campsites.

Significant and principal active risks

Risk category	Active risks	Comment
People	Inability to attract and retain experienced staff	Risks to delivery have increased with the difficulty to attract and retain staff, in the current economic conditions where more competitive terms and conditions are offered elsewhere, particularly felt in areas of specialist expertise and some geographical areas. The Forestry England Board have approved an action plan being monitored by the Executive team to address this.
Operational	Nature for Climate programme	The risk is of not meeting agreed targets over this multi-year programme. Following an assessment of the first year, new arrangements for the programme are awaiting confirmation by Defra Investment Committee. At this point the risk level will drop but remain on the register as the risk remains of not meeting the agreed targets.
	Dams and Reservoirs	An action plan is in place to ensure these legacy assets are maintained and compliant. Raised to active risk to maintain visibility and reflect importance of this work area. The risk level reflects the loss of the expert resource to deliver these works and the difficulties identifying a replacement. Alternative solutions are actively being investigated to mitigate this risk.
	Plant Health	Existing, emerging and potential pests and diseases as a result of changing climate represent significant risks in forests across Europe, including the nation's forests. The risks that result are the impact on Forestry England's ability to deliver its planned programmes, and on timber prices.
	Serious injury or loss of life	There is a risk that a major accident or dangerous occurrence due to activities on the estate will result in serious injury or death. Our corporate approach being strengthened through the Forestry England Look Out and Look After (LOLA) programme has made significant progress and impact across the organisation improving the health & safety culture of the organisation and managed on the issues register.
Financial	Economic situation	The risk is the impact of the current economic situation (high inflation and cost of living crisis) on our ability to deliver the long-term strategic aims of the organisation.

Wider circumstances and future challenges

The main challenges for Forestry England during 2022-23 and beyond are as follows:

	<ul style="list-style-type: none"> Recruiting and retaining high quality, expert staff across the business, in context of heightened interest in forestry and a growing economy.
	<ul style="list-style-type: none"> Being responsive and adapting work programmes to tree health outbreaks
	<ul style="list-style-type: none"> The economic environment for leisure and recreation activities
	<ul style="list-style-type: none"> Impact of inflation on timber and leisure sectors
	<ul style="list-style-type: none"> The legacy of built assets of the largest landowner so they are maintained compliant and future proofed.

Remuneration and staff report

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

Remuneration report

Employment contracts

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

Executive members of the Forestry England Board hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

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

Non-executives are generally appointed as Office Holders for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of letters of appointment for the non-executives who served during the year are:

	Date of current contract	Unexpired term (months*)
Sir William Worsley	10/02/2023	35
Julia Grant	01/11/2022	19
Jennie Price	01/04/2022	24
Peter Latham	01/04/2022	24
Gurch Randhawa	01/04/2022	24
Chris Simpson	01/09/2020	5

*months remaining from 31 March 2023

Remuneration policy

Fees for non-executive Commissioners and members who are not Forestry Commission or Defra employees, are determined in accordance with guidelines prescribed by the Cabinet Office. Remuneration and annual reviews for Senior Civil Servants within the Forestry Commission are determined and moderated as part of the annual Defra moderation process.

As part of this process the following are taken into consideration:

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

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

Remuneration (salary, benefits in kind and pensions)

(subject to audit)

The following sections provide details of the remuneration and pension interests of the members of the Forestry England Board for 2022-23.

		Salary	Bonus payments	Benefits in kind (to nearest £100)	Pension Benefits	Total
		£000	£000	£	£000	£000
Mike Seddon¹	2022-23	95-100	5-10	-	(8)	95-100
Chief Executive	2021-22	90-95	0-5	-	18	110-115
Tristram Hilborn	2022-23	75-80	-	£4,100	14	85-90
Chief Operating Officer	2021-22	70-75	5-10	£1,900	19	95-100
David Hodson²	2022-23	15-20	-	-	3	15-20
Finance Director	2021-22	65-70	-	-	26	90-95
Amanda Grist³	2022-23	60-65	-	-	24	85-90
Chief Financial Officer	2021-22	-	-	-	-	-

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

2. Finance Director until 30 June 2022. Full year equivalent £65-70,000

3. Chief Financial Officer from 20 June 2022. Full year equivalent £75-80,000

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

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and home to permanent place of work expenses.

Bonuses

Bonuses are based on performance levels attained and are awarded as part of the appraisal process. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2022-23 relate to performance in 2021-22, and bonuses received in 2021-22 relating to performance in 2020-21.

Pension benefits

(subject to audit)

	Accrued pension at pension age at 31 March 2023 and related lump sum £000	Real increase/ (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2023 £000	CETV at 31 March 2022 £000	Real increase/ (decrease) in CETV £000	Employer contribution to partnership pension account to nearest £100
Mike Seddon	45 - 50 plus a lump sum of 95 - 100	0 - 2.5 plus a lump sum of 0	933	851	(22)	-
Tristram Hilborn	25 - 30 plus a lump sum of 35 - 40	0 - 2.5 plus a lump sum of 0	335	299	-	-
David Hodson	-	-	-	-	-	-
Amanda Grist	0-5	0 - 2.5	15	-	11	-

Civil service pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits ‘banked’, with

those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for members show pension earned in PCSPS or **alpha** - as appropriate. Where the member has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

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

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

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

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 board members 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.

Cash Equivalent Transfer Values (CETV)

CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in

their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

Real increase in CETV

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

Remuneration of non-executives

(subject to audit)

The non-executive members of the Forestry England Board received the following remuneration for their services during the period ended 31 March 2023.

	Fees	2022-23 Expenses	Fees	2021-22 Expenses
	£000	£000	£000	£000
Sir William Worsley*	39	2	39	2
Julia Grant*	12	1	12	-
Jennie Price*	12	-	12	-
Peter Latham*	12	1	12	1
Gurch Randhawa	8	-	8	-
Chris Simpson	8	1	8	-

* Fees disclosed as they are members of the Forestry England Board though are paid for by the Forestry Commission and also disclosed in the Forestry Commission Annual Report and Accounts.

Fair pay disclosure

(subject to audit)

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

The banded remuneration of the highest-paid director of Forestry England in the financial year 2022-23 was £95,000-£100,000 (2021-22: £90,000-£95,000).

In 2022-23, nil (2021-22: nil) employees received remuneration in excess of the highest-paid director. The remuneration of the lowest paid employees is £20,000 (2021-22: £19,000).

The percentage change from 2021-22 of the highest paid director is 3.19%. The average percentage change from 2021-22 in respect of the employees as a whole is 3.02%. The lower quartile percentage change from 2021-22 is 2.0% and the third quartile percentage change from 2021-22 is 5.3%.

The highest paid director's salary has increased to the next £5,000 pay band. Although the pay increase was less than a £5,000 pay rise, the method of calculation uses the average of the pay band. This means that although the lowest paid members of staff received a higher proportion of the annual pay award, the movement of the highest paid director from one category to another, adversely impacts the fair pay ratio.

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

		2022-23	2021-22
Lower Quartile	Salary	£ 23,098	£ 22,646
	Pay and Benefits	£ 23,098	£ 22,646
	Pay Ratio	4.22	4.08
Median	Salary	£ 27,157	£ 26,014
	Pay and Benefits	£ 27,157	£ 26,014
	Pay Ratio	3.59	3.56
Upper Quartile	Salary	£ 34,176	£ 32,466
	Pay and Benefits	£ 34,176	£ 32,466
	Pay Ratio	2.85	2.85

Staff report

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows (subject to audit):

	2022-23			2021-22
	Permanently employed staff	Others	Total	Total
Directly employed	1,054	80	1,134	1,079
Other	-	61	61	64
Total	1,054	141	1,195	1,143

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

	2022-23				2021-22	
	Directors and senior civil servants on the Forestry England Board	Other directors	Permanently employed staff	Others	Total	Total
Male	2	1	626	73	702	685
Female	1	4	420	68	493	458
Total	3	5	1,046	141	1,195	1,143

There are three senior civil servants, one is employed at Band 2, and two at Band 1. None of the 'other directors' are senior civil servants.

We publish our gender pay gap report on the gov.uk website.

Staff costs

(subject to audit)

	2022-23			2021-22
	Permanently employed staff £000	Others £000	Total £000	Total £000
Salaries	32,303	2,092	34,395	31,762
Social security costs	3,402	172	3,574	3,183
Other pension costs	8,492	534	9,026	8,413
Agency/temporary staff	-	2,350	2,350	1,958
Total	44,197	5,148	49,345	45,316

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as **alpha** are unfunded multi-employer defined benefit schemes but Forestry England is unable to identify its share of the underlying assets and liabilities. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2022-23, employers' contributions of £9,031,000 were payable to the PCSPS (2021-22: £8,422,000) at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account: a stakeholder pension with an employer contribution. Employers' contributions of £110,000 (2021-22: £96,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75% of pensionable earnings (2021-22: 8% to 14.75%). Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2021-22: £nil). Contributions prepaid at that date were £nil.

Ill-health retirement

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

Sickness absence data

Working days lost per staff year	
Year	Number
2022-23	5.4
2021-22	4.8
2020-21	3.2
2019-20	7.0

Our vision is that everyone working with Forestry England remains safe and well and our woodlands are safe and enjoyable places to visit. We remain committed to the Forest Industry Safety Accord and have representatives on the Steering Group and on several of the working groups. We have continued to deliver safety training to industry managers and main contractors on behalf of the Forestry Industry Safety Accord as well as launching new safety training for our own managers and staff.

Accidents

The following figures set out the reportable incidents in accordance with ‘Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013’ in 2022-23 and the preceding years.

RIDDOR incidents per 100 employees	
Year	Number
2022-23	0.44
2021-22	0.58
2020-21	0.45
2019-20	0.28

The RIDDOR incidents during the year were:

- In May 2022 an employee suffered a sharp pain in their wrist whilst using a tamper to remove bench posts. This resulted in repetitive strain injury and being on restricted duties for more than 7 days.
- In June 2022 the lid of a waste bin fell on an employee causing concussion. This resulted in the injured person being off sick for more than 7 days.
- In July 2022 a chainsaw operator was walking back across a field to their vehicle carrying a chainsaw and other equipment when they jarred their back. This resulted in them being on restricted duties for more than 7 days.
- In September 2022 a chainsaw operator was undertaking felling operations when some willow stems became trapped beneath some felled trees, under tension. As the operator started to release the tension in the stems, one of them whipped sideways and hit the operator in the face. This resulted in restricted duties for more than 7 days.
- In March 2023 an employee was walking across a site when their foot sank into soft ground and became entrapped by brash, causing a ruptured tendon in their leg. This has resulted in them being unable to perform their normal duties for more than 7 days.

We continue to investigate all injuries fully to understand the root cause and implement robust corrective actions wherever possible.

Policies, guidance and safe working methods are reviewed regularly and as a result of events to ensure that they prescribe the safest practices, most up to date equipment and standards.

Staff turnover percentage

In 2022-23, Forestry England had a staff turnover percentage of 12.78% (2021-22: 12.51%).

Reason for leaving	2022-23	2021-22
Death in service	0.09%	0.09%
Dismissal for gross misconduct	0.09%	0.09%
Dismissal	0.09%	-
End of fixed term contract	0.62%	0.37%
Redundancy	-	0.37%
Resignation	8.64%	8.71%
Retirement	1.76%	2.41%

People Strategy

In August 2021, the Forestry Commission launched its first People Strategy. This includes Forestry England.

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

Leadership development

The Forestry Commission Professional Manager Programme (PMP) is now in its second year with seven learning groups completing the programme by March 2023. Focusing on strengths, personal impact and encouraging a coaching approach, participation in the programme is proving very popular and evidence of a culture change across our business is being seen. The programme allows leaders and managers to focus upon improving levels of competence and confidence in leading and inspiring teams, fostering exemplar behaviours, placing continuing professional development (CPD), at its core.

Training

671 technical training courses have been delivered in the 12 months to the end of March 2023. This was delivered to 3,470 delegates and equates to every member of staff receiving on average 1.95 training courses over the period.

Of these short courses 67 out of 125 (54%) are accredited to a recognised awarding body and demonstrate that our staff have achieved the necessary level of skills and competence required to meet national occupational standards. It also enhances personal learning and development and the professionalism of each individual.

It goes some way towards meeting our long-term Vision for health and safety culture and performance to ensure that all staff have the training required to safely undertake all tasks.

In addition to short courses, the Technical Training Team manage and deliver the Level 3 Forest Craftsperson apprenticeship under Forestry Commission's Employer Provider status and have been striving to further improve the offer to apprentices following recommendations made by OFSTED in 2022. Steady progress has been made towards addressing all the recommendations and recent feedback from apprentices demonstrates that they are receiving a high-quality offer and experience.

Diversity and Inclusion

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

Our Diversity and Inclusion strategy sets out how we are doing this, making sure we fulfil our requirements under the Equality Act 2010. The diversity and inclusion strategy is endorsed by the Executive Board and is a key part of the Forestry Commission People Strategy. In addition to the Rainbow Canopy (LGBTQ+ supporters) Staff Network, three new staff networks were set up in 2022. These are:

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

The purpose of the staff networks is to provide mutual support to their members and allies, to help inform staff about issues affecting them, and to advise the organisation on how to improve the quality of working life for all staff.

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

Wellbeing

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

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

Your Offer

The Your Offer project shared a proposed pay transformational business case with Defra in December 2022. The aim of the business case is to reform the current Forestry Commission pay structure. The business case will be formally submitted in June 2023. It will need to be approved by Defra, Cabinet Office and HM Treasury.

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

Employee consultation and trade union relationship

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

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

Trade union facility time

Relevant union officials

Number of employees who were relevant union officials 2022-23	Full time equivalent employee number
11	9.51

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	1
1-50%	10
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Percentage of total pay bill spent on facility time 0.018%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours during the year was 105.3%

Each trade union representative spends 4% of their contractual hours, but the Forestry Commission trade union Chair and Secretary together total one full time person.

Expenditure on consultancy

During the year Forestry England incurred £1 million on consultancy costs (2021-22: £1,100,000). This was spent on a range of activities, for instance an energy review, play area consultations, land decontamination and environmental planning. No company or individual received in excess of £75,000 for their consultancy services in year (2021-22: £235,000 for their consultancy services).

Expenditure on agency and temporary staff

Costs incurred on agency and temporary staff during the year total £2,350,000 (2021-22: £1,958,000).

Reporting of civil service and other compensation schemes - exit packages (subject to audit)

No staff members left under voluntary exit or voluntary redundancy terms in the year to 31 March 2023 (2021-22: nil). Compensation payments totalled £nil (2021-22: £nil).

One staff members left under compulsory redundancy terms in the year to 31 March 2023 (2021-22: 5). Compensation payments totalled £10,928 (2021-22: £110,347).

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

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<£10,000	-	1	-	-	-	1
£10,000-£25,000	1	2	-	-	1	2
£25,000-£50,000	-	-	-	1	-	1
£50,000-£75,000	-	1	-	-	-	1
Total number of exit packages	1	4	-	1	1	5
Total cost £	10,928	110,347	-	41,015	10,928	151,362

Other accountability matters

Losses and special payments

(subject to audit)

	2022-23		2021-22	
	Number	£000	Number	£000
Losses	59	285	72	86
Special payments	51	71	54	48
Total	110	356	126	134

In 2022-23, there was a loss of £205,960 due to the theft of 256 laptops from a storage facility in Bristol. The case for write-off of the loss was submitted to and approved by Defra. There was no data loss as all the laptops were brand new and unused. Security procedures have been enhanced as a result of the theft.

In 2022-23 a loss of £41,000 was recorded due to the loss of plants as a result of heat stress.

All other losses and special payments in 2022-23 are below £10,000 in value.

In 2021-22, an over-provision of £135,700 had been released relating to plant and seed losses at Wykeham nursery. These losses were provided for in 2020-21 and the excess provision was released in 2021-22 as the valuation of seedlings utilised and ploughed was lower than originally anticipated. Total gross losses without this reversal in 2021-22 were £222,000.

Remote contingent liabilities

(subject to audit)

In addition to contingent liabilities reported within the meaning of IAS 37, Forestry England also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

There are seven remote contingent public liability claims which are deemed remote either due to a different entity being the liable party or through lack of evidence of liability.

Two employer liability claims are deemed to be remote contingent liabilities due to the evidence not supporting the claim.



Mike Seddon
27 June 2023
Accounting Officer
Forestry England

Independent auditor's report to the Board of Forestry England and the House of Commons

Opinion on financial statements

I have audited the financial statements of Forestry England for the year ended 31 March 2023.

The financial statements comprise the Forestry England

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the UK adopted International Accounting Standards.

In my opinion the financial statements:

- give a true and fair view of the state of Forestry England's affairs as at 31 March 2023 and its surplus for the year then ended; and
- have been properly prepared in accordance with directions made by the Forestry Commission.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

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

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

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Forestry

England's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with directions made by the Forestry Commission.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with directions made by the Forestry Commission; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

- adequate accounting records have not been kept by Forestry England or returns adequate for my audit have not been received from branches not visited by my staff; or

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

Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within Forestry England from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as the Chief Executive as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements, which give a true and fair view, in accordance with the applicable financial reporting framework;
- ensuring that the Annual Report, which includes the Remuneration and Staff Report, is in accordance with Forestry Commission directions; and
- assessing Forestry England's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates the services provided by Forestry England will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and report on the financial statements in accordance with the applicable law and International Standards on Auditing ISAs (UK).

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

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

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

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

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

- considered the nature of the sector, control environment and operational performance including the design of Forestry England's accounting policies, key performance indicators and performance incentives.
- inquired of management, Forestry England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to Forestry England's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including Forestry England's controls relating to Forestry England's compliance with Managing Public Money;
- inquired of management, Forestry England's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations; and
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussed with the engagement team including relevant internal specialists, including forest estate valuers, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

I obtained an understanding of Forestry England's framework of authority and other legal and regulatory frameworks in which Forestry England operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of Forestry England. The key laws and regulations I considered in this context included Managing Public Money, the Forestry Act 1967, employment law, pensions legislation and tax Legislation.

Audit response to identified risk

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

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

This description forms part of my report.

Other auditor's responsibilities

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

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

Gareth Davies

4 July 2023

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial statements

Statement of Comprehensive Income

for the period ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Revenue from contracts with customers	3	(76,781)	(81,593)
Other operating income	3	(11,654)	(12,420)
Total operating income		(88,435)	(94,013)
Staff costs	4	49,345	45,316
Purchase of goods or services	4	72,701	53,409
Operating lease rentals	4	372	938
Depreciation, amortisation and impairment charges	4	9,580	6,704
Provisions expense	4	(142)	56
Value of felled timber - Forest Estate	5	16,145	20,176
Value of felled timber - Biological Assets	6	10,634	11,415
Impairment of property, plant and equipment	5	457	1,532
Total operating expenditure		159,092	139,546
Operating deficit before gain on revaluation of biological assets		70,657	45,533
Gain on revaluation of biological assets	6	(106,580)	(65,550)
Operating surplus		(35,923)	(20,017)
Funding from the Forestry Commission		(19,754)	(18,153)
Capital funding from the Forestry Commission		(8,479)	(484)
Grants from the Forestry Commission		(30)	(45)
Interest on land transaction		(14)	(33)
Share of joint venture profit for the year		(548)	-
(Gain) / loss on sale of assets		(6,466)	217
Surplus for the year		(71,214)	(38,515)
Other comprehensive income			
Net gain on revaluation of property, plant and equipment	5	(342,147)	(231,908)
Net gain on revaluation of financial assets	7	-	(8,680)
Net gain on revaluation of campsite lease receivables	10	(6,956)	(6,068)
Comprehensive surplus for the year		(420,317)	(285,171)

The notes on pages 69 to 100 form part of these accounts.

Statement of Financial Position

as at 31 March 2023

	Note	31 March 2023 £000	31 March 2022 £000
Non-current assets			
Property, plant and equipment	5	2,942,472	2,615,124
Intangible assets		1,023	1,127
Biological assets	6	608,393	512,512
Financial assets	7	-	22,675
Investment in Joint Ventures	8	6,600	9,217
Trade receivables, financial and other assets	10	22,237	17,088
Total non-current assets		3,580,725	3,177,743
Current assets			
Assets held for sale		420	476
Inventories		3,277	4,306
Trade receivables, financial and other assets	10	19,309	19,941
Cash and cash equivalents	11	73,004	54,286
Total current assets		96,010	79,009
Total assets		3,676,735	3,256,752
Current liabilities			
Trade payables, financial and other liabilities	12	(26,912)	(29,182)
Provisions	14	(249)	(151)
Total current liabilities		(27,161)	(29,333)
Total assets less current liabilities		3,649,574	3,227,419
Non-current liabilities			
Trade payables, financial and other liabilities	12	(28,747)	(26,590)
Provisions	14	(291)	(610)
Total non-current liabilities		(29,038)	(27,200)
Total assets less total liabilities		3,620,536	3,200,219
Taxpayers' equity and other reserves			
General fund		722,230	642,525
Revaluation reserve		2,898,306	2,557,694
Total taxpayers' equity and other reserves		3,620,536	3,200,219



Mike Seddon
27 June 2023
Accounting Officer
Forestry England

The notes on pages 69 to 100 form part of these accounts.

Statement of Cash Flows

for the period ended 31 March 2023

	Note	2022-23 £ 000	2021-22 £ 000
Cash flows from operating activities			
Operating surplus for the year		35,923	20,017
Adjustment for non-cash transactions	4	9,438	6,760
Value of felled timber - PP&E	5	16,145	20,175
Value of felled timber - biological assets	6	10,634	11,415
Impairment of property, plant and equipment	5	457	1,532
Write off of Fixed Assets	5	10	46
Gain on revaluation of biological assets	6	(106,580)	(65,550)
Decrease in plant and seed (biological assets)	6	65	399
Decrease/(increase) in inventories		1,029	(1,076)
Decrease/(increase) in trade and other receivables	10	920	(1,201)
(Decrease)/increase in trade and other payables	12	(4,235)	20,295
Finance lease additions	5	-	65
Utilisation of provisions	14	(79)	(134)
Net cash outflow from operating activities		(36,273)	12,743
Cash flows from investing activities			
Purchases of non-financial assets		(4,718)	(4,181)
Proceeds from disposal of non-financial assets		2,436	343
Decrease in capital receivables	10	18	336
Proceeds on disposal of investment in financial asset		28,099	2,275
Investment in Joint Venture	8	-	(9,217)
Return of investment in CITF campsite	10	1,500	-
Interest on land transaction		13	33
Net cash inflow / (outflow) from investing activities		27,348	(10,411)
Cash flows from financing activities			
Payment of principal portion of leases liabilities		(620)	-
Funding from the Forestry Commission		19,754	18,153
Capital funding from the Forestry Commission		8,479	484
Grants from the Forestry Commission		30	45
Net cash inflow from financing activities		27,643	18,682
Net increase in cash and cash equivalents in the period		18,718	21,014
Cash and cash equivalents at the beginning of the period	11	54,286	33,272
Cash and cash equivalents at the end of the period	11	73,004	54,286

The notes on pages 69 to 100 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the period ended 31 March 2023

	General fund £000	Revaluation reserve £000	Taxpayers' Equity £000
Balance at 31 March 2021	597,005	2,318,043	2,915,048
Comprehensive surplus for the year	285,171	-	285,171
Net gain on revaluation of property, plant and equipment	(231,908)	231,908	-
Net gain on revaluation of financial assets	(8,680)	8,680	-
Realised element of revaluation reserve	937	(937)	-
Balance at 31 March 2022	642,525	2,557,694	3,200,219
Comprehensive surplus for the year	420,317	-	420,317
Net gain on revaluation of property, plant and equipment	(342,147)	342,147	-
Realised element of revaluation reserve	1,535	(1,535)	-
Balance at 31 March 2023	722,230	2,898,306	3,620,536

The notes on pages 69 to 100 form part of these accounts.

Notes to the accounts

Note 1: Statement of accounting policies

These financial statements have been prepared on a going concern basis and in accordance with the accounts direction issued by the Forestry Commission and the 2022-23 Financial Reporting Manual (FRoM) issued by HM Treasury. The FRoM applies International Financial Reporting Standards (IFRS) as interpreted for the public sector. Forestry England accounting policies have been selected based on a judgement of the most appropriate treatment to the particular circumstances of the entity to ensure a true and fair view. The particular policies selected by Forestry England are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

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

As 55% of Forestry England's operating income comes from timber sales, the principal financial risk and uncertainty facing Forestry England is the long-term market price and demand for forestry products.

Other significant income streams include; car parking and admissions, ticketed events and rent for which there are no plans to sell land or change function of use, plus government grant income, these revenue streams are also forecast to remain consistent.

Our longer-term business planning indicates a reduction in the level of timber production volume in the future. This is due to few new commercial forests being planted in the last 40 years and an increased focus on delivering environmental and social benefits through the nation's forests. Forestry England business plans seek to mitigate the financial consequences of the reduction in timber volume through developing our recreation offer and releasing the commercial potential of other non-forestry developments.

In addition to a steady forecast income stream, the strength of Forestry England's Statement of Financial Position as at 31 March 2023, along with Taxpayers' Equity of £3,606 million and a robust long-term financial plan, provides compelling evidence that for the twelve months from approval of the Annual Report and Accounts 2022-23, there are sufficient resources to cover all expected expenditure items. Based on the above information it has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.1 Accounting convention

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

1.2 Funding

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

1.3 Public corporation dividend

Forestry England pays a dividend to the Forestry Commission, reflecting the expected rate of return on funding provided. This is disclosed in the Statement of Comprehensive Income. The dividend rate has been agreed with HM Treasury and is set at zero per cent whilst Forestry England is loss-making. If Forestry England makes a surplus before revaluation gains on biological assets, HM Treasury's real rate of 3.5 per cent will apply. No dividend has been paid in 2022-23 (2021-22 - Nil).

1.4 Employee benefits

Pensions

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

Performance pay

The Performance Pay review for the Senior Staff Grades is undertaken by Defra within the stipulated Cabinet Office guidelines with the aim of paying any agreed Senior Civil Servant pay award in Autumn. Any base pay increases awarded will be backdated to the pay settlement date of 1 April. The reviews and moderation are undertaken across the Defra group based on Performance reviews, position in the salary range and cross group moderation.

1.5 Contingent liabilities

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

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

1.6 Property, plant and equipment

Legal ownership of all land and buildings is vested in the Secretary of State together with the legal ownership of the timber and other tangible fixed assets. Where Forestry England is the principal beneficial user of assets owned by the Secretary of State or Forestry Commissioners

these are treated as property, plant and equipment assets of the agency. Property, plant and equipment are revalued annually as at 31 March.

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

Nation's forests

The nation's forests comprises freehold afforested land (including land improvements) and the value of trees that have not been apportioned to biological assets under IAS 41 (Agriculture). Valuation of the nation's forests is complex and relies on judgements and estimation techniques. Details of these are set out in note 2 Critical Accounting Estimates and Judgements.

Nation's forests land

Nation's forests land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the nation's forest land at five-yearly intervals. Following a public procurement exercise in 2022, Savills, Chartered Surveyors were appointed as Forestry England's valuers as from the full valuation as at 31 March 2023. In accordance with Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the nation's forests land is valued at fair value using market value for existing use. The previous professional valuation was as at 31 March 2018. In the intervening years between professional valuations, custom indices were used to restate land values.

Trees not apportioned to biological assets

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

Other land

Non-forest land is shown at fair value. Professionally qualified staff members employed by Forestry England undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the nation's forests. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value. The work of internal chartered surveyors is reviewed by Savills. A full valuation took place on 31 March 2023.

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

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

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

Dwellings and other buildings

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

Professionally qualified staff employed by Forestry England undertake a full revaluation of dwellings and other buildings at five-yearly intervals coinciding with that for the nation's forests and other land. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS standards for determining fair value. Suitably qualified external valuers review the work of internal professional valuers. A full valuation took place on 31 March 2023 and Savills, Chartered Surveyors, reviewed the valuations.

During intervening years between the five yearly full valuations, indices provided by Savills are used to reflect the fair value of dwellings and other buildings. The indices provided are forest district specific and are based on Savill's knowledge of the market to support properties valued at market value. Additional indices are provided for Depreciated Replacement Cost valued properties based on the Building Cost Information Service (BCIS) All-in Tender Price Index.

Expenditure on infrastructure

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

Subsequent expenditure

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

Non-current assets held for sale

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of

contribution are considered for disposal by senior management. Decisions to sell such assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

Vehicles, machinery and equipment (VME)

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

Office machinery and equipment (OME)

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

Assets under construction (AUC)

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

Revaluation reserve

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

1.7 Depreciation

Land (nation's forests and non-forest land), together with the value of trees not apportioned to biological assets, are not depreciated.

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

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

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

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

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

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

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

1.8 Land and buildings leased to customers

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

1.9 Government grants receivable

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

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

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

1.10 Subsidiaries, joint ventures and available for sale financial assets

Where Forestry England has an investment in another entity but where it has no significant influence over the activities of the entity, the entity is accounted for as an available for sale financial asset following the requirements of IAS 39 (see note 1.20).

Forestry England may enter into arrangements with other parties to undertake economic activities via an entity that is subject to joint control; that is, when the strategic financial and operating policy decisions relating to the activities of the entity require the unanimous consent of the parties sharing control of the entity. These arrangements are accounted for as joint ventures following the requirements of IAS 28.

The results and assets and liabilities of joint ventures are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are

carried in the statement of financial position at cost as adjusted for post-acquisition changes in Forestry England's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the interest in that joint venture are not recognised.

Additional losses are provided for, and a liability is recognised, only to the extent that Forestry England has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over Forestry England's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The investments and associated balances are included in the following areas of the financial statements:

Investment in Joint Venture	Investments within note 8
Available for sale financial asset	Investments within note 9
Campsite leases	Trade and other receivables within note 10

Further details of the investments are included within the financial commentary section.

1.11 Biological assets

Trees growing on nation's forests land are apportioned to biological assets or the nation's forests. Apportionment is determined by a strategic assessment that identifies the primary ministerial objective that the land is held to meet. Trees growing on areas that are primarily held in support of the government's objective of making a positive contribution to the economy (generate income) are apportioned to biological assets under IAS 41 (Agriculture). The remaining trees are apportioned to the nation's forests and are outside the scope of IAS 41.

Biological assets are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals, with the last full valuation carried out as at 31 March 2023. As detailed above, the valuation was carried out by Savills, Chartered Surveyors in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values.

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

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

1.12 Inventories

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

1.13 Revenue recognition

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

1.14 Leases

Forestry England has applied IFRS 16 Leases using the modified retrospective approach from 1 April 2022. Comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract Forestry England assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset Forestry England assesses whether:

- The contract involves the use of an implicitly or explicitly identifiable asset, and is physically distinct or represents substantially all of the capacity of a physically distinct asset. If the supplier has substantive substitution rights then the asset is not identified; and
- Forestry England has the right to obtain substantially all the economic benefits from use of the asset through the period of use; and
- Forestry England has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed on or after 1 April 2022.

For contracts entered into before 1 April 2022, Forestry England determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specified asset; and
- The arrangement conveyed a right to use the asset

Forestry England recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the lease commencement date, plus initial direct costs and an estimate of costs to dismantle and remove the underlying asset.

The right-of-use asset is subsequently depreciated using a straight line method from commencement date to the earlier of the useful life of the asset and the lease term. The value of each underlying asset is revalued annually as though ownership of the asset was vested in Forestry England. The policies and procedures for carrying out revaluations are those set out in 1.6 above. In addition the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the unpaid lease payment at the lease commencement date, discounted using the interest rate implicit in the lease, or if this rate cannot be readily determined, by Forest England's incremental borrowing rate. This is set by HM Treasury at 3.51% for 2022-23.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in the future lease payments arising from a change in an

index or interest rate or if Forestry England changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

Peppercorn leases

Peppercorn leases are defined as leases for which the consideration paid is nil or nominal (that is, significantly below market value). Peppercorn leases are in the scope of IFRS 16 if they meet the definition of a lease in all aspects apart from containing consideration. Before adoption of IFRS 16, Forestry England already classified peppercorn leases as finance leases under IAS 17 recognising the right of use assets at fair value and the lease liabilities at the present value of future lease payments discounting using HM Treasury discount rates. The lease periods of peppercorn leases are defined in the lease agreements and are generally in excess of 900 years.

Reconciliation of operating lease commitments on transition to IFRS16

In the prior year Annual Report we estimated that right of use assets and lease liabilities totalling £4 million and £4 million respectively would be recognised on adoption of IFRS 16. The reconciliation of operating lease commitments disclosed at 31 March 2022 to lease liabilities recognised at 1 April 2022 is as follows:

	£'000
Operating lease commitments at 31 March 2022	(3,604)
Short-term and low value leases recognised as an expense	30
Effect of discounting	179
Adjustment in value to existing leases	(86)
New leases recognised on transition	(41)
Additional lease liabilities recognised at 1 April 2022	3,522

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

1.15 Provisions

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

Provision for bad and doubtful debts is made on a sliding scale according to age as follows:

0-6 months overdue	No provision
6-12 months overdue	20% provision
12-15 months overdue	50% provision
15+ months overdue	75% provision

Additional provision of up to 100% is made in specific cases, where recovery of the debt is deemed extremely unlikely.

1.16 Value added tax (VAT)

Forestry England is not separately registered for VAT and is included within the overall VAT registration of the Forestry Commission. To comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Income is net of VAT. These accounts report any VAT due to or from HM Revenue and Customs at the year-end as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Income in the year in which it is incurred.

1.17 Segmental reporting

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

1.18 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

1.19 Impairment of non-financial assets

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

1.20 Financial assets

Classification

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

Financial assets at fair value through profit or loss

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

Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is calculated using the expected credit loss model as specified by IFRS 9. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Income.

Available-for-sale financial assets

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

Recognition and measurement

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

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income.

1.21 Cash and cash equivalents

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

1.22 Financial liabilities

Classification

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

Financial liabilities at fair value through profit or loss

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

Other financial liabilities

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

Recognition and measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

1.23 Effective in these financial statements

All International Financial Reporting Standards (IFRS), interpretations and amendments effective at 31 March 2023 have been adopted in these statements.

1.24 Effective for future financial years

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

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

- IFRS 17 - Insurance Contracts. This standard is expected to be implemented in the public sector in 2023-24. This standard will apply to all types of insurance contract and proposes a building blocks approach based on the expected present value of future cash flows to measuring insurance contract liabilities. IFRS 17 is not expected to have a material impact. This will be assessed when further guidance is forthcoming from HM Treasury.

Note 2: Critical accounting estimates and judgements

The preparation of financial statements requires Forestry England to make estimates.

Critical accounting judgements and sources of estimation uncertainty

In the application of Forestry England's accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on

historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Deferred income

The anticipated timing of release of our deferred income is based on judgement and estimates. Judgements have been made regarding likely timing of expenditure based on management knowledge of likely contract dates for land leases.

Critical judgements in applying the accounting policies

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

Classification of the nation's forests and biological assets

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

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

Woodland retained and managed to meet economic objectives will primarily generate benefit to Forestry England from timber sales. Consequently, these areas are regarded as within the scope of IAS 41. The electronic land management records for each forest district were analysed to identify all afforested or woodland areas subject to a social or environmental designation. Trees growing on these areas were deemed to fall outside the scope of IAS 41. The balance of each forest district's afforested or woodland areas were deemed to fall within the standard. Management considers that the administrative costs of accounting and valuing each individual area of land are prohibitive. It considers that reliable accounting and valuation estimates can be obtained by expressing the land areas in percentage terms. For example, if a district comprised 100 hectares and 70 hectares was designated for Social and Environmental purposes then reasonable information can be derived from estimating that 70 per cent of the district's trees were outside of IAS 41. The remaining 30 per cent of trees would fall within IAS 41.

Land designations are not subject to frequent change. Management therefore considers that a detailed review of the designations should take place periodically. A full review of land designations was carried out in 2020-21, resulting in the following designated Biological Assets areas, as a percentage of each District:

Forest District	31 March 2020 %
Central	15.1
East	6.6
North	53.4
Yorkshire	0.7
South	8.2
West	16.1
Total nation's forest	22.9

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

Valuation of the nation's forests and biological assets

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

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the nation's forests took place on 31 March 2023. As the valuation basis (Existing Use Value) would be the same as Fair Value, it is reasonable to assume that this can form the basis of the IFRS valuation, provided that forest and woodland could be componentised between land, biological assets outside of IAS 41, and biological assets under IAS 41.

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

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

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2022-23 woodland disposals, the cost of sales percentage was calculated as 4.5 per cent of the Fair Value. Management considers that the incorporation of any ad-hoc actual disposal costs in the cost of sales percentage, post November 2012, would distort the true cost of sales figure for the period when Forestry England was acquiring and disposing of woodlands.

Forestry England monitor and review costs of sales annually and update its estimated point-of-sale costs where material.

Other land

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

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

Dwellings and other buildings

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

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

Note 3: Income

	2022-23	2021-22
	£000	£000
Revenue within scope of IFRS 15		
Timber - standing sales	30,149	35,091
Timber - direct production	18,397	21,155
Plant and seed	1,405	1,790
Christmas trees	197	234
Game	328	324
Ticketed events	5,919	1,291
Car parking and admissions	10,588	12,535
Car parking - memberships	1,924	1,941
Deeds of grant	195	252
Other sales of goods or services	1,392	1,415
Radio masts and wayleaves	1,129	1,037
Permissions	1,603	1,499
Administrative income and recharges	1,228	918
Corporate services charges	2,327	2,111
	76,781	81,593
Other income		
Retail and leisure rents	6,337	5,848
Residential rents	1,242	1,209
Agricultural rents	320	296
Mineral extraction rents and royalties	636	818
Other rents	1,056	955
Grants and other funding	2,063	3,294
	11,654	12,420
Total	88,435	94,013

Note 4: Staff and other costs

	2022-23 £000	2021-22 £000
Staff costs		
Wages and salaries	34,395	31,762
Social security costs	3,574	3,183
Other pension costs	9,026	8,413
Agency and temporary staff	2,350	1,958
	49,345	45,316
Purchase of goods or services		
Travel and subsistence	1,671	986
Staff transfers	116	146
Computer costs	6,627	5,647
Accommodation and office services	5,680	4,546
Communication	1,183	915
Training	1,119	770
Losses and compensation	413	41
Legal expenses	844	829
Auditors' remuneration - audit work	109	95
Shared central services	1,316	1,290
Sustainable forest management	37,904	26,698
Forest estate	4,675	3,242
Recreation and public affairs	11,044	8,204
	72,701	53,409
Rentals under operating leases		
Land and buildings	143	596
Plant and machinery	229	342
	372	938
Non-cash costs		
Depreciation of property, plant and equipment	9,445	6,598
Amortisation of intangible assets	135	106
Provisions		
Provided in year	36	291
Provisions not required written back	(173)	(231)
Unwinding of discount	(5)	(4)
	9,438	6,760
Total	131,856	106,423

Further analysis of staff costs is available in the Accountability Report.

Note 5: Property, plant and equipment

	Land and buildings £000	VME £000	OME £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2022	2,629,865	23,402	1,701	1,637	2,656,605
Additions	4,636	2,380	249	2,165	9,430
Reclassifications	3,803	308	184	(1,898)	2,397
Disposals	(585)	(1,052)	(79)	(7)	(1,723)
Fellings	(16,145)	-	-	-	(16,145)
Write off	-	-	(23)	-	(23)
Revaluation	321,384	1,463	85	-	322,932
Impairment	(457)	-	-	-	(457)
At 31 March 2023	2,942,501	26,501	2,117	1,897	2,973,016
Depreciation					
At 1 April 2022	31,186	9,511	784	-	41,481
Charged in year	4,532	4,679	234	-	9,445
Reclassifications	(62)	-	-	-	(62)
Disposals	(188)	(838)	(66)	-	(1,092)
Write off	-	-	(13)	-	(13)
Revaluation	(19,759)	514	30	-	(19,215)
At 31 March 2023	15,709	13,866	969	-	30,544
Carrying value					
At 31 March 2023	2,926,792	12,635	1,148	1,897	2,942,472
Asset financing					
Owned	2,721,938	11,920	1,148	1,897	2,736,903
Finance leased	204,854	715	-	-	205,569
Total	2,926,792	12,635	1,148	1,897	2,942,472

	Land and buildings £000	VME £000	OME £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2021	2,421,452	23,016	1,685	821	2,446,974
Additions	(169)	2,795	36	957	3,619
Reclassifications	(381)	-	-	(95)	(476)
Disposals	(603)	(2,607)	-	-	(3,210)
Fellings	(20,176)	-	-	-	(20,176)
Write off	-	-	-	(46)	(46)
Revaluation	231,274	198	(20)	-	231,452
Impairment	(1,532)	-	-	-	(1,532)
At 31 March 2022	2,629,865	23,402	1,701	1,637	2,656,605
Depreciation					
At 1 April 2021	25,313	12,101	596	-	38,010
Charged in year	4,318	2,077	203	-	6,598
Disposals	(420)	(2,251)	-	-	(2,671)
Revaluation	1,975	(2,416)	(15)	-	(456)
At 31 March 2022	31,186	9,511	784	-	41,481
Carrying value					
At 31 March 2022	2,598,679	13,891	917	1,637	2,615,124
At 31 March 2021	2,396,139	10,915	1,089	821	2,408,964
Asset financing					
Owned	2,488,389	13,159	917	1,637	2,504,102
Finance leased	110,290	732	-	-	111,022
Total	2,598,679	13,891	917	1,637	2,615,124

Within the results above, the following represent right-to-use assets held under finance lease agreements

	Land and buildings £000	VME £000	OME £000	AUC £000	Total £000
Cost or valuation					
At 1 April 2022	113,812	1,843	-	-	115,655
Additions	4,561	181	-	-	4,742
Depreciation					
At 1 April 2022	-	1,111	-	-	1,111
Charged in year	351	198	-	-	549
At 31 March 2023					
Cost or valuation	205,205	1,979	-	-	207,184
Depreciation	(351)	(1,264)	-	-	(1,615)
Net Book Value	204,854	715	-	-	205,569

The effect of the transition to IFRS 16 at 1 April 2022 was to increase the Net Book Value of assets held under finance leases by £3.5 million from £111.0 million to £114.5 million.

Land and buildings are constituted as follows:

	Nation's forests £000	Other land £000	Campsite land £000	Dwellings and other buildings £000	Total £000
Cost or valuation					
At 1 April 2022	2,167,392	282,366	28,700	151,407	2,629,865
Additions	1,215	62	-	3,359	4,636
Reclassifications	-	-	3,165	638	3,803
Disposals	(12)	-	-	(573)	(585)
Fellings	(16,145)	-	-	-	(16,145)
Revaluation	163,694	127,811	4,229	25,650	321,384
Impairment	-	-	-	(457)	(457)
At 31 March 2023	2,316,144	410,239	36,094	180,024	2,942,501
Depreciation					
At 1 April 2022	-	-	-	31,186	31,186
Charged in year	-	-	-	4,532	4,532
Reclassifications	-	-	-	(62)	(62)
Disposals	-	-	-	(188)	(188)
Revaluation	-	-	-	(19,759)	(19,759)
At 31 March 2023	-	-	-	15,709	15,709
Carrying value					
At 31 March 2023	2,316,144	410,239	36,094	164,315	2,926,792
Asset financing					
Owned	2,114,286	410,240	36,093	161,319	2,721,938
Finance leased	201,858	-	-	2,996	204,854
Total	2,316,144	410,240	36,093	164,315	2,926,792

	Nation's forests £000	Other land £000	Campsite land £000	Dwellings and other buildings £000	Total £000
Cost or valuation					
At 1 April 2021	1,988,924	268,736	22,868	140,924	2,421,452
Additions	(189)	-	-	20	(169)
Reclassifications	(56)	(420)	-	95	(381)
Disposals	-	-	-	(603)	(603)
Fellings	(20,176)	-	-	-	(20,176)
Revaluation	198,889	14,050	5,832	12,503	231,274
Impairment	-	-	-	(1,532)	(1,532)
At 31 March 2022	2,167,392	282,366	28,700	151,407	2,629,865
Depreciation					
At 1 April 2021	-	-	-	25,313	25,313
Charged in year	-	-	-	4,318	4,318
Revaluation	-	-	-	1,975	1,975
At 31 March 2022	-	-	-	31,186	31,186
Carrying value					
At 31 March 2022	2,167,392	282,366	28,700	120,221	2,598,679
Asset financing					
Owned	2,057,102	282,366	28,700	120,221	2,488,389
Finance leased	110,290	-	-	-	110,290
Total	2,167,392	282,366	28,700	120,221	2,598,679

Savills, Chartered Surveyors, have carried out a professional valuation of the nation's forests as at 31 March 2023. The previous professional valuation was at 31 March 2018. In the intervening years, the assets were revalued using specialist forestry indices developed and provided by Savills.

Campsite land was previously categorised as CITF and FH land when Forestry England held a participatory interest in the businesses operating the sites. The sites are now all run by operators in which Forestry England has no participatory interest. The valuation represents the land element of our freehold reversionary interest in the campsites. The buildings element of this freehold reversionary interest is recognised as a finance lease receivable and disclosed as 'Campsite leases' (previously disclosed as a partnership lease) in Note 10. An annual valuation of the freehold reversionary interest is undertaken by independent external valuers, currently Avison Young. These values are then disclosed as freehold land and finance lease receivables in proportion to the net book values of land and buildings at the inception of the lease (2006).

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

Office machinery and equipment (OME) was restated to current value at 31 March 2023 using an index provided by the Office for National Statistics.

Assets under construction (AUC) are not depreciated until completed.

Note 6: Biological assets

	2022-23	2021-22
	£000	£000
At 1 April 2022	512,512	458,776
Fellings	(10,634)	(11,415)
Movements on plant and seed	(65)	(399)
Gains and losses arising from changes in fair value	106,580	65,550
At 31 March 2023	608,393	512,512
Carrying value		
Plant and seed	2,789	2,855
Timber	605,604	509,657
Total	608,393	512,512

Timber growing in the nation's forests is categorised as biological assets, or as other timber, depending on the strategic objective the land is held to meet. Other timber is outside of the scope of IAS 41 and not included in the disclosures above.

The approximate area of the land in the nation's forests, where the timber growing is within the scope of IAS 41, is as follows:

	At 31 March 2023 Area in hectares	At 31 March 2022 Area in hectares
North	30,928	31,543
Yorkshire	124	124
Central	3,292	3,288
East	2,034	2,045
West	5,613	5,608
South	2,255	2,304
Total	44,246	44,912

Savills Chartered Surveyors carried out a full valuation of the nation's forests, including biological assets, at 31 March 2023. The previous full valuation was at 31 March 2018. In the intervening years, the assets were revalued using specialist indices developed and provided by Savills. Apportionment of biological assets was carried out by Forestry England staff using the judgements and estimates outlined in Note 2.

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

Note 7: Financial assets

	CITF £000	Forest Holidays £000	Total £000
At 1 April 2022	-	22,675	22,675
Disposals	-	(22,675)	(22,675)
At 31 March 2023	-	-	-
At 1 April 2021	3,695	12,575	16,270
Additional investment	(2,275)	-	(2,275)
Revaluation	(1,420)	10,100	8,680
At 31 March 2022	-	22,675	22,675

Until 28 February 2022, Camping in the Forest LLP (CiTF) was a limited liability partnership between the Forestry Commissioners, the Scottish Government, Natural Resources Wales and the Camping and Caravanning Club (CCC). The combined interest of the government bodies was held within a limited liability partnership with designated members representing each public organisation. On 28 February 2022, there was a restructuring of the arrangement where Forestry England and Forestry and Land Scotland purchased CCC's interest in CiTF, for which Forestry England paid consideration of £6.9 million. On the same day, the limited liability partnership transferred its only asset, being its interest in CiTF, to its remaining members under a member interest transfer agreement. As a result of the restructuring, the interest in CiTF at year end is accounted for as an investment in a joint venture and disclosed in note 8 below.

Forest Holidays Ltd is a limited liability company in which the Forestry Commissioners held an equity interest, alongside the Scottish Government and Natural Resources Wales. The combined equity interest, representing 11.57% of the total, was held within a limited liability partnership

with designated members representing each public organisation. The majority investor was Phoenix Equity Partners. The arrangement had existed since 2006, with a restructuring in 2012, refinancing in 2017, and with the addition of the public holdings limited liability partnership in 2019, following full devolution of Scottish forestry.

On 27 April 2022, Forestry England disposed of its minority interest in Forest Holidays to Sykes Holidays Cottages Limited for £28.1 million.

Note 8: Joint ventures

	2022-23 £000	2021-22 £000
At 1 April 2022	9,217	-
Investment	-	9,217
Transfer to Campsite land	(3,165)	-
Share of Profit in the year	548	-
At 31 March 2023	<u>6,600</u>	<u>9,217</u>

Until 28 February 2022, Forestry England accounted for its interest in Camping in The Forest (CiTF) as an available for sale asset as it had no significant influence over the activities of CiTF as disclosed in note 7 above. On 28 February 2022, Forestry England, together with Forestry and Land Scotland, took joint control of the net assets of CiTF, and the investment in CiTF was included in the financial statements using the equity method at 31 March 2022.

On 30 November 2022 CiTF surrendered the leases under which they had exclusive rights to operate the campsites back to Forestry England and Forestry and Land Scotland for nil consideration, and as a result CiTF ceased to trade as a camping business. New leases have been issued to new campsite operators, and the goodwill previously recognised in the carrying value of the investment in CiTF has been transferred to Campsite land as disclosed in Note 5 as it forms part of the freehold reversionary interest in the Campsite land asset.

CiTF has a reporting date of 28 February. The summarised financial information in relation to CiTF is presented below:

	2022-23 £000	2021-22 £000
As at 28 February		
Current Assets	580	2,862
Non-current assets	8,294	8,676
Current liabilities	(327)	(3,702)
Non-current liabilities	-	-
Included in the above amounts are:		
Cash and cash equivalents	2,797	2,797
Current financial liabilities (excluding trade payables)	(2,703)	(2,703)
Net Assets (100%)	<u>8,547</u>	<u>7,836</u>
Forestry England share of net assets (77.2%)	<u>6,600</u>	<u>6,051</u>

Note 9: Financial instruments

Financial instruments

	31 March 2023			31 March 2022		
	Loans and receivables £000	Available for sale £000	Total £000	Loans and receivables £000	Available for sale £000	Total £000
Financial assets available for sale	-	-	-	-	22,675	22,675
Trade and other receivables (excluding prepayments)	25,140	-	25,140	29,205	-	29,205
Cash and cash equivalents	73,004	-	73,004	54,286	-	54,286
Total assets	98,144	-	98,144	83,491	22,675	106,166

	31 March 2023			31 March 2022		
	Liabilities at fair value through the profit and loss statement £000	Other financial liabilities £000	Total £000	Liabilities at fair value through the profit and loss statement £000	Other financial liabilities £000	Total £000
Finance lease liabilities	-	6,933	6,933	-	2,811	2,811
Trade and other payables (excluding statutory liabilities)	-	44,450	44,450	-	47,421	47,421
Total liabilities	-	51,383	51,383	-	50,232	50,232

Note 10: Trade receivables, financial and other assets

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year		
Trade receivables	9,028	9,993
Provision for impairment of trade receivables	(116)	(25)
Trade receivables - net	8,912	9,968
VAT receivable	169	111
Other receivables	67	33
House purchase and other loans to employees	33	28
Prepayments and accrued income	9,399	9,351
Campsite leases	729	450
	19,309	19,941
Amounts falling due after more than one year		
House purchase and other loans to employees	9	19
Prepayments and accrued income	51	68
Landlord's investment in CITF campsite	-	1,500
Campsite leases	22,177	15,501
	22,237	17,088
Total current and non-current	41,546	37,029

Campsite leases represent the building element of freehold reversionary interests in campsites operated by third parties under exclusive license agreements. These were previously disclosed as partnership leases. The movement on campsite leases receivable of £6.96 million represents the net gain on revaluation.

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

As at 31 March 2023, trade receivables of £497,000 (31 March 2022: £316,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. Trading conditions are difficult for many of our customers and our private sector overdue accounts have been challenging throughout the year. Despite this, the credit management team continue to work with customers to keep overdue debt to a minimum.

Following the disposal of Forestry England's investment in Forest Holidays during the year, the Partnership leases with Forest Holidays have been renamed Campsite leases.

Note 11: Cash and cash equivalents

	31 March 2023 £000	31 March 2022 £000
At 1 April 2022	54,286	33,272
Net change in balances	18,718	21,014
At 31 March 2023	73,004	54,286

	31 March 2023 £000	31 March 2022 £000
Held at		
Government Banking Service	72,995	54,277
Commercial banks and in hand	9	9
Total	73,004	54,286

Note 12: Trade payables and other liabilities

	31 March 2023 £000	31 March 2022 £000
Amounts falling due within one year		
Trade payables	2,984	2,494
Other payables	940	901
Other taxation and social security payables	842	805
Accruals	5,129	4,925
Other deferred income	12,780	15,036
Contract liabilities	3,435	4,735
Finance lease payables	632	254
Payments received on account	170	32
	26,912	29,182
Amounts falling due after one year		
Other deferred income	22,335	23,944
Payments received on account	111	89
Finance lease payables	6,301	2,557
	28,747	26,590
Total current and non-current	55,659	55,772

Deferred income falling due after one year includes donated assets, government and EU grant income, which is released to fund depreciation, of £14,174,000 (31 March 2022: £14,047,000).

Further information on contract liabilities is provided in Note 13.

Note 13: Contract balances

	31 March 2023 £000	31 March 2022 £000
Contract assets	-	-
Contract liabilities	3,435	4,735

Contract liabilities predominantly relate to Forest Live and standing sales timber contracts. Forest Live happens in summer, with tickets going on sale in autumn of the previous year. All ticket income and related booking fees are disclosed as a contract liability. Some timber standing sales contracts include regular payments, whether or not the timber is felled and removed. Where timber has not been felled, the income received under these contracts is recognised as a contract liability.

Significant changes in contract liabilities in the period were as follows:

	Contract liabilities £000
At 1 April 2022	4,735
Recognised as income during the period	(4,716)
Recognised as contract liabilities during the period	3,416
At 31 March 2023	3,435

Included within the closing contract liabilities at 31 March 2023 is £3,264,000 (31 March 2022: £4,528,000) of Forest Live ticket income that has been deferred to Forest Live 2023. All other income disclosed within contract liabilities is expected to be recognised in the coming year, this is for a variety of deferred revenue from contracts with customers such as membership income, timber income and radio mast income.

Note 14: Provisions for liabilities and charges

	Early departures £000	Legal claims £000	Other £000	Total £000
Balance at 31 March 2022	529	182	50	761
Provided in year	11	25	-	36
Provisions not required written back	(95)	(78)	-	(173)
Provisions utilised in year	(30)	1	(50)	(79)
Unwinding of discount	(5)	-	-	(5)
Balance at 31 March 2023	410	130	-	540
Expected timing of discounted cash flows				
Not later than one year	120	129	-	249
Later than one year and not later than five years	72	1	-	73
Later than five years	218	-	-	218
Total	410	130	-	540

	Early departures £000	Legal claims £000	Other £000	Total £000
At 1 April 2021	763	77	-	840
Provided in year	118	123	50	291
Provisions not required written back	(220)	(12)	-	(232)
Provisions utilised in year	(128)	(6)	-	(134)
Unwinding of discount	(4)	-	-	(4)
Balance at 31 March 2022	529	182	50	761
Expected timing of discounted cash flows				
Not later than one year	19	82	50	151
Later than one year and not later than five years	178	100	-	278
Later than five years	332	-	-	332
Total	529	182	50	761

Early departure costs

Forestry England meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. Forestry England provides for this in full when the early retirement programme becomes binding on Forestry England by establishing a provision for the estimated payments and discounting the provision at the HM Treasury stipulated rate of 1.7%.

Note 15: Capital commitments

Amounts contracted for but not provided for in the accounts were as follows:

	31 March 2023 £000	31 March 2022 £000
Land and buildings	1,051	222
Other	202	-
Total	1,253	222

The land and building capital commitments at 31 March 2023 relate to the construction of a new Visitors Centre in Hamsterley, North District, the construction of the new Beat Office at Tangham, East District and installation of a new ANPR system in Dalby, Yorkshire.

Note 16: Commitments under leases

Finance lease commitments

Total future minimum lease commitments under finance leases are as follows:

	31 March 2023 £000	31 March 2022 £000
Land and buildings		
Not later than one year	440	88
Later than one year but not later than five years	1,739	349
Later than five years	66,575	63,093
	68,754	63,530
Less interest element	(62,097)	(61,073)
Present value of obligations	6,657	2,457
Plant and machinery		
Not later than one year	199	179
Later than one year but not later than five years	87	199
	286	378
Less interest element	(10)	(23)
Present value of obligations	276	355
Total present value of obligations	6,933	2,812

Lease elements in the Statement of Comprehensive Income

	31 March 2023 £000	31 March 2022 £000
Sub-leasing income	9,591	9,126
Finance lease interest	135	20
Expenses related to short-term leases	229	342
Expenses related to low-value asset leases (excluding short-term leases)	143	596

Forestry England has elected not to recognise right-of-use assets and lease liabilities for short-term lease that have a lease term of 12 months or less and leases of low-value assets of £5,000 or less.

Note 17: Other financial commitments

At 31 March 2023, Forestry England have entered into non-cancellable contracts for ‘Enchanted Christmas’ at Westonbirt and other projects improving visitor experience. We have also entered into non-cancellable contracts for the rental of office space, and for IT software for which payment will be due over the coming five years. The payments to which Forestry England is committed are analysed by the period during which the commitment expires as follows:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	11,862	3,166
Later than one year but not later than five years	3,873	1,485
Over five years	34	1,592
Total	15,769	6,243

Note 18: Lease receivables

Operating lease receivables

Total future minimum lease receivables under non-cancellable contracts are as follows:

	31 March 2023 £000	31 March 2022 £000
Land and buildings		
Not later than one year	7,574	6,887
Later than one year but not later than five years	18,077	15,701
Later than five years	122,430	112,037
Total	148,081	134,625

Forestry England leases land and buildings under agreements that terminate between April 2023 and March 2127.

Finance lease receivables

Total future minimum lease receivables under the Forest Holidays buildings lease are as follows:

	31 March 2023 £000	31 March 2022 £000
Buildings		
Not later than one year	729	450
Later than one year but not later than five years	2,915	1,800
Later than five years	42,993	27,003
Total	46,637	29,253
Less interest element	(23,731)	(13,302)
Present value of obligations	22,906	15,951

Note 19: Contingent liabilities disclosed under IAS 37

In 2001 Forestry England acquired 51 hectares of land at Sefton Meadows from Sefton Council. On 27 August 2009 Forestry England was served a notice by the Environment Agency that the site had been classified as a contaminated special site under Part 2A of the EPA 1990. This is a result of the industrial development and other operational practices undertaken on the land prior to its acquisition by Forestry England.

Historically there had been some question as to who held the legal liability for any remediation costs. It has been confirmed by our legal advisors, Eversheds, that the liability rests with Forestry England.

Following the outcome of detailed site monitoring, Wardell Armstrong have put forward 13 potential options for remediation. These options are now being appraised by the various stakeholders (Forestry England, Forest Research and the Environment Agency) but at this time no decision has been made in relation to the best way to proceed.

The Environment Agency have completed a cost benefit analysis and believe that the benefit of remediating the land is approximately £2 million. If the costs associated with remediation were likely to exceed this amount, then it is unlikely any remediation efforts would proceed. We understand at this time that the costs associated with the options put forward by Wardell Armstrong would fall within this parameter.

This has been classified as a contingent liability in line with IAS 37 due to the continued uncertainty regarding the way forward and therefore the amount of the possible obligation.

Note 20: Related party transactions

The Forestry Commission is regarded as a related party. During the year, Forestry England received £30,356,000 from the Forestry Commission (2021-22: £37,012,000), of which £19,754,000 is annual subsidy funding, and the remainder is grants related to the Nature for Climate Fund, Biodiversity and Access for All projects. At 31 March 2023, nil remained outstanding to Forestry England.

Forestry England has had material transactions with various government departments and other central government bodies, including HM Revenue & Customs, Forest Research, Natural Resources Wales, Forestry and Land Scotland and the Heritage Lottery Fund.

The following additional activities were carried out with related parties:

2022-23	Ground rent received £000	Income from other services £000	Landlord's investment £000	Purchases from related party £000	Amount owed (to)/by related party £000
Entities sponsored by Defra	-	84	-	185	15
Forest Holidays	72	2	-	-	-
Camping in the Forest	296	61	1,500	-	17
MHR	-	-	-	44	-
Scouts Association	-	7	-	-	-
Total	368	154	1,500	229	32

2021-22	Ground rent received £000	Income from other services £000	Landlord's investment £000	Purchases from related party £000	Amount owed (to)/by related party £000
Entities sponsored by Defra	-	191	-	204	101
Forest Holidays	853	33	-	16	-
Camping in the Forest	414	39	-	16	33
MHR	-	-	-	67	-
Scouts Association	-	7	-	-	-
Total	1,267	270	-	303	134

All balances were unsecured and all transactions were carried out at arms' length.

Following full devolution of forestry, two separate limited liability partnerships (LLPs) were created to effectively manage the interests of the public sector holdings in Forest Holidays and Camping in the Forest. Forest Holidays Public Sector Holdings LLP was incorporated on 30 April 2019, while Camping in the Forest Public Sector Holdings LLP was incorporated on 4 September 2019. Each LLP has a designated member from Natural Resources Wales, Forestry and Land Scotland, and the Forestry Commission. The investment in Forest Holidays Public Sector Holdings LLP was disposed of on 27 April 2022 to an unconnected third party, and was no longer considered a related party for the purposes of these accounts from that date.

Jennie Price, Commissioner, is a consultant at MHR Ltd. Transactions between Forestry England and MHR have been disclosed. Jennie is also Chair of Trustees of the Scouts Association. Transactions between Forestry England and the Scouts Association have been disclosed.

Peter Latham retired as Chair of James Latham plc in August 2017; he holds over 6% of the shares in the company, with the Latham family holding approximately 50%. The Forestry Commission received income of £2,648 from James Latham plc during 2022-23 for import inspection fees, of which £nil was outstanding at 31 March 2023. There were no transactions between Forestry England and James Latham plc.

Note 21: Events after 31 March 2023

In accordance with the requirements of IAS 10, events after 31 March 2023 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer. The authorised date for issue is the date of the Comptroller and Auditor General's audit report. There are no events after date requiring specific disclosure.

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