
Forestry Commission Great Britain/England

Annual Report and Accounts 2011-12

Incorporating:

Forestry Commission Great Britain/England Accounts

and

Forest Enterprise Agency Accounts

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(For the year ended 31 March 2012)

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FOREWORD by Pamela Warhurst CBE, Chair

This is a period of unprecedented change in the Forestry Commission's 90 year history. Last year, we met the challenges of the Spending Review programme by shaping a leaner and more efficient organisation. We met the cost reduction target set for last year and are on schedule to achieve the target set for 2012-13. During 2012-13 the Independent Panel on Forestry report, the Forestry Regulation Taskforce review and the creation of a single environment body in Wales will mean adapting our organisation further.

Yet the results in this report also demonstrate how the Forestry Commission is remaining focused on the job we're here to do – protect, improve and expand Britain's woodlands.

Our woodlands have never faced greater threats from pests and diseases. Last year we tackled the highly destructive disease *Phytophthora Ramorum* from Cornwall to the Isle of Mull. While the number of new outbreaks last year was similar to 2010, the area felled halved from 2,000 to 950 hectares – thanks to decisive action by our staff and continuing support from landowners. We also rapidly dealt with outbreaks of new pathogens, including *Phytophthora lateralis* on Lawson cypress and *Phytophthora austrocedrae* on juniper. The new Tree Health and Plant Biosecurity Action Plan has put us on an even more secure footing to tackle future threats.

Jobs and green economic recovery remain a major priority. Working with forestry sector partners, we launched the Skills Action Plan in June – building skills in the current and future forestry workforce. The forestry, wood products and paper industries together employ 140,000 people in the UK – more than the car industry. We are doing everything possible to stimulate future green growth, including launching the £10 million Woodfuel Woodland Improvement Grant. This scheme pays 60% towards preparing woodland for environmentally friendly timber and woodfuel production. One study estimates woodfuel alone could generate 15,000 jobs by 2020.

We continue to make good progress on creating new woodland – last year 35 projects were registered under our new validation scheme The Woodland Carbon Code, amounting to 2,000 hectares of new woodland that will lock up over 750,000 tonnes of carbon dioxide. We are also managing the Government's Big Tree Plant grant scheme, which so far has approved 66 projects and the planting of 416,000 trees – many by communities in deprived urban areas.

We launched the new UK Forestry Standard. UKFS sets the benchmark for sustainable forestry management in the UK, but also supports our contribution to international forestry development. This included helping preparations for the Bonn Challenge, a commitment to restore 150 million hectares of lost forests and degraded lands worldwide by 2020.

The 42,000 responses to the Independent Panel on Forestry's call for views reminded us how strong the public's bonds with woodlands remain. During 2012-13 we welcome the opportunity the Panel's final report gives us to bring forests closer to people and the things they want – not just as places to enjoy, but places to live and work.

ANNUAL REPORT

Great Britain

Forest biosecurity: protecting the woodland resource and reducing its susceptibility to pests and diseases

Biosecurity Action Plan

Preserving the health of our trees, woodlands and forests is vital and in the last few years, there have been a number of new and significant tree and plant pests. In view of the rising threat to our trees, the Government has made preparing for and managing risk from plant disease a top priority.

Together with the Department for Environment, Food and Rural Affairs (Defra), and with industry and stakeholder support, we have drawn up a Tree Health and Plant Biosecurity Action Plan to minimise the risk of new threats from entering the UK. The plan develops our strategic approach to existing and emerging tree pests and diseases, drawing on experience at home and internationally. Fundamental to the plan is a coherent, joined-up approach between landowners, industry, academia and Government across all aspects of plant and tree health. The Plan will seek to strengthen import control activity and the regulations that govern plant trade; encourage a culture of biosecurity in the forestry and tree management sector; and open opportunities for civic society to contribute information and take action and raise awareness of plant health.

Our Interim Tree Health Strategy, launched in July, supports the plan by setting out a consistent approach to addressing these threats. The strategy operates at three levels. First, through our border controls, we do everything we can to prevent undesirable pests from entering the country. Second, and in the event of a new outbreak, we move as quickly as we can to eradicate the threat, and if this is not possible, to contain it. Finally, we may have to learn to live with the pest, and adapt our management to reduce the threat it presents.

Some of the key outbreaks

We continue to negotiate with the European Commission to regulate Oak Processionary Moth as a quarantine pest. We are working with the local authority to eradicate a recent outbreak of this moth in Pangbourne, and are pursuing a strategy of containment for the larger outbreak in west London. Outbreaks of new pathogens, which we are working to eradicate, include two findings of *Phytophthora lateralis* on Lawson cypress, a single finding of Sweet Chestnut Blight on recent planting and a first confirmed finding of *Phytophthora austrocedrae* on juniper growing at the Upper Teesdale natural nature reserve. Specialist support from Forest Research has provided us with rapid diagnosis of all these cases.

Our work is well co-ordinated with the Food and Environment Research Agency (Fera), and the devolved forestry administrations. The need for this is well-illustrated by the progress we have made in tackling the threat posed by *Phytophthora ramorum*, which has now infected 3,000 hectares of larch across the UK. Helicopter surveillance is allowing us to pick up symptomatic stands at an early stage of the disease development and we have been able to respond rapidly to newly discovered outbreaks. These have been detected in a number of new regions; the Peak District, Lancashire, Cumbria, the Isle of Mull and Galloway. While the number of new disease outbreaks in 2011 is similar to 2010 the area to be felled has halved from 2,000 to 950 hectares. The continuing support from landowners, whose forests and woodlands are affected, has been vital and is greatly appreciated.

Our science continues to underpin strategic decision making, and has provided monitoring results and scientific advice to the Pine-tree lappet moth Outbreak Management Team. As a result, the control measures affecting the forestry sector in the Beaulieu catchment have been relaxed. One of the main benefits of this decision is that active forest management in the area can now resume.

Unfortunately *Dothistroma* needle blight is continuing to have a detrimental effect on the health of pine and seven nurseries have been hard-hit by the finding of this disease in their plants. We are continuing to work closely with the devolved administrations and the wider sector to plan strategically for management of this fungal pathogen.

Forest Reproductive Material (FRM)

Non-forestry seed and propagating material is regulated separately to FRM and the European Commission is working towards replacing the twelve Directives covering Seed and Propagating Material with a single legal framework, the EU Seed Law. FRM regulation is relatively new compared to the other seed Directives which have been in place since the 1960s. Scenarios that involve the merger of the FRM Directive 1999/105 are generally not supported by UK stakeholders or the forestry sectors from other Member States. We consider that the FRM Directive is still fit for the purpose of sustainable forest management, and will continue to argue for its retention.

Climate change: ensuring a resilient woodland resource that contributes to mitigating climate change and helps us to adapt to its impacts

Woodland Carbon Code

Climate change remains a major challenge for the forestry sector. Forestry's role in both mitigation and adaptation is now well understood. The challenge now is to convert this understanding into practical and policy relevant action.

The Woodland Carbon Code is a new voluntary standard for woodland creation projects in the UK which provides a model under which payments for carbon as an ecosystem service can be assigned. Independent certification to this standard provides assurance and clarity about the carbon savings of these sustainably managed woodlands. The Code has been developed as part of a package of measures including additions to Defra's Greenhouse Gas Reporting Guidelines to include the carbon emissions and gains associated with UK woodland creation.

The Code was launched in 2011 after a period of three years in development, involving expertise from economics, science, operational research as well as input from other carbon standards as well as certification bodies, business, Non-Governmental Organisations (NGOs) and landowners. The benefits can already be seen from data showing the levels of uptake of the Code. To date, 35 projects have registered which will create 2,000 hectares of new woodland and sequester over 750,000 tonnes of carbon dioxide over their lifetime (of up to 100 years). Three of these projects have been validated and we anticipate a lot more of them achieving this status early in 2012.

The Code is helping UK forestry to meet the objectives of all UK administrations to increase woodland cover and to reduce net greenhouse gas emissions over decades to come.

Financing woodland carbon

We commissioned an investment appraisal model to assess the financial returns to woodland creation in Britain. This includes analysis of the impacts of carbon finance on returns. We are liaising with finance and legal experts to assess whether new finance mechanisms can be developed to encourage woodland creation. This work is part of the Woodland Carbon Task Force led by Forestry Commission England, but has relevance for forestry across Great Britain. Going forwards, other ecosystem services, in addition to carbon sequestration, are likely to be important.

In addition, we commissioned a report to review the economic evidence about forestry and ecosystem services across Great Britain. The report identifies gaps in the evidence and sets out recommendations for future research, which we are now considering.

Standards: setting standards for sustainable forest management

UK Forestry Standard and Certification launch (UKFS)

The UKFS and Guidelines project was completed with a Westminster announcement on 3 November 2011. This took the form of a written ministerial statement and press release. All four forestry ministers of the UK have endorsed the documents and they are available from the Forestry Commission's publications – or to download from the Forestry Commission's website.

In England, we have been disseminating the UKFS through a webinar presentation for staff involved in grants and licences. Work is also underway on a more detailed set of training modules for each of the Guidelines and these will be available in the new year.

We have worked with other Departments to ensure a number of developments are adequately dealt with under the aegis of the UKFS without the need for additional regulations or measures. These include the EU Timber Regulation (Defra), and criteria for sustainable biomass (Department of Energy and Climate Change (DECC)). We have recently commissioned a consultant to look at how existing mechanisms can be used to deliver the necessary assurances following a consultation exercise on sustainable biomass conducted by Ofgen.

The main development in certification was the issue of the third edition of the UK Woodland Assurance Standard (UKWAS) in December, largely informed by the UKFS & Guidelines. However it will not become current until endorsed by the Programme for the Endorsement of Forest Certification (PEFC) and the Forest Stewardship Council (FSC), which is anticipated by the end of the financial year.

The UKFS also supports our contribution to international forestry development. For example, we continued to support the Global Partnership on Forest Landscape Restoration Partnership through building the case for forest restoration and actively participated in the preparations for the Ministerial Meeting in Bonn that resulted in the Bonn challenge, a commitment to restore 150 million hectares of lost forests and degraded lands worldwide by 2020. In addition, we participate in the World Wide Fund For Nature's (WWF) New Generation Plantation Project (NGP) providing case studies and input to the WWF 2011 Bioenergy and Carbon Report. This was launched at WWF's NGP Seminar in London at which the Director General provided the key-note address.

Evidence: making sure that all policy making is founded on a robust evidence base

Restructuring research purchase

We took the opportunity presented by the Government's spending review to completely restructure our research commissioning processes. This had two aims – firstly to maintain key research capacity at a time of intense financial pressure, and secondly to significantly reduce the costs of research commissioning to provide a more sustainable model for the future. By reducing the number of research programmes from 42 to 18, we have been able to ensure that key areas of research are maintained, with some, such as our programme for tree pests and diseases, being increased. Larger, multidisciplinary programmes provide greater scope and flexibility, and are less expensive to manage and administer. The changes in commissioning processes will result in a saving of approximately 50 per cent on the previous process, which will ensure that the bulk of resources are focused on research and science.

External Review of Science Quality

During the year, we initiated an independent review of the quality of research delivered by our research agency Forest Research. The Independent Group has concluded its investigations and is now compiling its report. Our response to the report will be published early in the spring.

Appearances at Science and Technology Committees

Forestry research and tree health research, in particular, was the focus of two select committees during the year. We provided a joint written response with Defra to both the House of Commons and the House of Lords Select Committees on Science and Technology, and presented oral evidence to a joint meeting of both committees.

One recent outcome of our commissioned social research programme, where we aim to build or maintain capacity in external organisations, has been the award of a £1million research grant to research the benefits of forests and woodlands for mental health and wellbeing. The award was made to Edinburgh University's OPENSspace Institute led by Catharine Ward-Thompson and Glasgow Medical school's public health department led by Richard Mitchell. Both were previously participants in an Economic and Social Research Council (ESRC)-funded network arranged by the Forestry Commission's Corporate and Forestry Support Division. The research will focus on Forestry Commission Scotland's Woodlands In and Around Towns programme. The success of the proposal is very much related to the support provided by Forestry Commission Scotland.

Our evidence has also allowed us to represent wider UK policy and practice in developments within Europe, in particular, through the European Commission's Standing Forestry Committee and along with Defra by providing UK input to the 6th Ministerial Conference on the Protection of Forests in Europe, in Oslo in June 2011.

Key publications

National Forest Inventory

Definitive maps of woodland extent and associated woodland area reports were published in May 2011. The headline finding was that there are 2,982,000 hectares of woodland in Great Britain, 8 per cent more than previously reported. In line with the 'Making Public Data Public' initiative and Inspire legislation these maps were made available as 'downloadable' GIS data in May 2011, with a wide range of other Forestry Commission map data made available in the autumn of 2011 - this new utility has been well received and heavily used.

Updated and more detailed maps showing the location of different forest 'types' and associated analyses will be published during 2012.

Results from the Public Opinion of Forestry surveys in UK/ England, Wales and Scotland were published.

In addition to the UK Forestry Standard, a number of other publications have been produced during the year:

Research Reports:

- Wood properties and uses of Sitka spruce in Britain;
- Carbon valuation and risk management;
- Carbon additionality; and
- Human dimensions of adaptive forest management and climate change.

Research Notes:

- Street tree valuation systems;
- Environmental affects of stump and root harvesting; and
- Forestry Commission Scotland's Touchwood History series 'The forgotten forest'.

Forestry statistics

The Forestry Commission's National Statistics outputs are currently being assessed by the UK Statistics Authority. A report presenting the findings from the assessment is expected to be published in March 2012.

The Expert Group on Timber and Trade Statistics, comprising representatives from the UK timber industry, meets three times each year to advise and assist the Forestry Commission on information requirements and improvements. In addition, a user engagement survey was run in summer 2011 to obtain information on the use made of forestry statistics and users' views on the quality of the statistics.

Restructuring our business

Meeting the 2010 Spending Review targets

The year has very much been dominated by considerations about how to continue to deliver our business while implementing major changes to staffing and working to determine the most effective future structure for the organisation.

During the year we conducted consultation with staff about our proposals for achieving the spending review outcomes. Despite this being a difficult time for all staff, a great degree of professionalism was shown at all levels, and some very constructive and helpful suggestions were made, which have resulted in changes to the original proposals. We met the cost reduction target for 2011-12 and are on schedule to achieve the target set for 2012-13.

Governance Review

An initial review of governance was undertaken to explore options for future structures in the light of both the spending review, and the decision in Wales to create a new single environmental body. We will continue to work with colleagues in Wales and the other devolved administrations to provide services to all of the countries in the most effective way.

International

Following the transfer of the lead responsibility for the development of international policy on forests to Defra we have agreed a draft Memorandum of Understanding to ensure effective collaboration on international forestry.

Improving how we work – an efficient, effective and sustainable organisation

People

We launched our new People Strategy which sets the strategic direction for the next five years. Our vision is to ensure our employees are prepared, equipped and engaged to manage the changing work environment and to drive the change in a positive and successful way.

Our focus is on:

- deployment of people;
- employee skills;
- equality and diversity;
- safety, health and wellbeing and
- pay and recognition.

We ensured legislative compliance by:

- updating our grievance and whistle-blowing policies in response to the new Bribery Act;
- implementing the changes to paternity leave regulations which introduced the provision of 'additional paternity leave'; and
- produced guidance for the business on the impact of the new Agency Workers regulations.

We also:

- introduced a new Travel & Expenses policy and procedure;
- carried out an audit of the Forestry Commission's compliance with the Civil Service Code of Conduct;
- updated the special leave policy to cover volunteering activities;
- re-negotiated the Forestry Commission's Redundancy Agreement; and
- revised the Code of Practice for using e-mail and the intranet to reflect increased use of social media.

Our October 2011 pay award was the first under the two-year pay freeze introduced by the Government. Low paid staff received a modest increase in salary.

In response to the need to reduce staff numbers over the SR10 period, we ran a Voluntary Exit Scheme, giving employees an opportunity to request voluntary early exit. A total of 236 people were released under the scheme.

Equality and Diversity

The Forestry Commissioners and Executive Board have continued to regard the Forestry Commission's Equality and Diversity agenda as a high priority for the organisation. Progress was discussed at their meetings during the year.

The main areas of focus this year have been meeting the new legal requirements under the Equality Act 2010.

Through our network of local offices, the Forestry Commission offers a wide range of services and facilities to diverse communities across the country. This is encouraged and supported and best practice shared via our Intranet site. Some of the very impressive range of outreach services being offered across the Forestry Commission are outlined in our Monitoring Report, which was published in January.

This year we submitted six entries for the Civil Service Equality and Diversity Awards 2011 to highlight the excellent initiatives offered by our local teams' right across the country. For the third year running we were shortlisted in more than one category and were delighted to win for the second year running the 'Excellence in Service Delivery' award category.

The Staff Diversity Forum met four times in the year, providing input into the development of the Forestry Commission's Human Resources policies. Managers' Guidance was produced to support managers, and staff, with regard to issues surrounding transgender issues, Equality Analysis and Consultation and Engagement. We are also in the process of redeveloping our suite of diversity training.

We also published in March a new suite of specific and measurable Equality and Diversity objectives for the Forestry Commission. The objectives are designed to help us achieve our legal responsibilities with regard to the General Duty and are supported by a redraft of the Forestry Commission's Diversity Strategy.

Learning & Development (L&D)

In the first year of our new people strategy L&D has:

- delivered a change management programme primarily for staff in England and the business units, this work remains ongoing as the new structures unfold;
- produced an updated competency framework, revised to better fit the current needs and direction of the business;
- further developed a collaborative approach to working with other public bodies, this year has seen some genuine progress with Forestry Commission staff attending other organisations' events;
- continued to work with the business to deliver relevant support to operational programmes in relation to technical training;
- developed new silvicultural training courses around soil identification and properties; and
- explored E-learning opportunities – the completion of a DVD to inform staff of Hand Arm Vibration control methods, being an example.

Safety, Health and Environment

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

During the year the Safety, Health & Environment team introduced a new accident reporting system. This will make the reporting of accidents and near misses easier, offering greater opportunities to learn from them. We carried out an audit of our management of construction on the national forest estate. This included road construction, buildings and construction on recreation projects.

Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2011-12 and the preceding years.

Year	No of accidents per 100 employees
2011-12	1.03
2010-11	0.71
2009-10	0.73
2008-09	0.57
2007-08	1.03

Sickness absence

Year	Working days lost per staff year	
	Great Britain	England
2011-12	5.8	5.5
2010-11	6.4	6.2
2009-10	6.6	6.2
2008-09	7.1	6.8

Honours

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

- William John Wilding MBE. Head Forester, Clinton Devon Estates. For services to forestry and the environment; and
- Dr Gerry Barnes MBE. Head of Environment, Norfolk County Council. For services to forestry and the community.

Finance and accounting

During another challenging year, Finance and Accounting Services (FAS) continued to work closely with its internal and external customers to deliver an efficient and effective service meeting their needs.

2011-12

Main achievements were:

- working with customers to produce a plan to achieve 25% savings by 2014-15;
- successfully completing our first year return under the Carbon Reduction Commitment Energy Efficiency Scheme (CRC);

- continuing to produce efficiencies from the expansion of the e-Business for Forestry Initiative particularly through mobile despatching;
- embedding International Financial Reporting Standards into our processes and procedures;
- embedding our new procurement procedures, including a series of staff workshops across the Forestry Commission;
- revising the shared services risk management policy, with new style risk registers and business continuity plans; and
- undertaking a financial risk review of all of our main systems.

2012-13

Coping with the organisational changes arising from the 2010 Spending Review will in itself be a challenge but we will continue to improve and generate efficiencies from the financial processes and systems of the Forestry Commission through:

- implementing Real Asset Management software;
- developing a self-billing system for non-harvesting contractors;
- implementing eProcurement;
- a substantial upgrade to our eFinancials General Ledger;
- improving systems to assist in delivery of meaningful interim accounts; and
- providing technical support for the professional valuation of our land and buildings holdings.

Information services

Information Services (IS) is responsible for the development and delivery of Information and Communications Technology (ICT) solutions to the Forestry Commission. Our strategy for the coming years sets out the following priorities:

Establish clear IS governance

To further develop and implement IS governance to ensure the information systems and services: support the business strategy; support business operations; are legal; are secure; manage risk; and are cost effective.

Rationalise the ICT Infrastructure

To invest in a modern standardised ICT infrastructure platform that reduces the business risk and is capable of meeting future business demands.

Improve customer service delivery

To deliver excellent front line services so that business users can make best use of the information systems provided.

Improve the value of Business Systems

To maximise the value of existing business applications and set a robust framework for future investments to: align new systems with the business strategies; provide common solutions across the business; and share data across the business.

Our actions for the coming year concentrate on delivering the next stage of this strategy, they are:

Actions for 2012-13:

- to further develop portfolio management processes to ensure resources are directed to those areas that deliver maximum business value;
- to further develop the service management processes to improve customer service delivery;
- implement a new disaster recovery solution to substantially reduce the business risk associated with serious damage to Information Technology facilities; and
- continue the migration of legacy systems to a new standardised ICT infrastructure, this will reduce business risks, improve service availability and reduce costs.

Forestry business units (FBU)

The review of Business units has continued throughout the year, outcomes concluded this year:

- no suitable option existed to outsource any of Mechanical Engineering Services (MES);
- preparations continue for the closure of MES Head Office in Stirling and the creation of a small central mechanical engineering support team; and
- all day to day management to be integrated into countries from 1 April 2012.

The review of Plant and Seed Supply Branch (PSSB) is ongoing with options discussed at the January Executive Board.

- the re-emergence of Red Band Needle Blight (*Dothistroma* needle blight (DNB)) has resulted in stock write-offs of approx 700k trees at a cost of £97k at Delamere Nursery in England; and
- governance of PSSB will transfer to England from 1 April 2012.

The FBU Health and Safety Committee (H&SC) met three times to continue the drive to improve the safety culture within the business units. The duties of this committee will be absorbed by the three countries from 1 April 2012.

Further actions for 2012-13

- consolidate the day to day management of MES & PSSB into countries; and
- ensure duties of the FBU H&SC are taken forward by the three countries.

Business sustainability

We continued to make good progress with the development and implementation of our Environmental Management System (EMS). During the year all sites in Forestry Commission Scotland were externally assessed as compliant with ISO 14001. We also published an updated version of Operational Guidance Booklet 35 - "Waste Management" which includes a comprehensive directory of all waste types likely to be found on the estate, together with new guidance on recycling and waste reduction planning. This has been accompanied by web-based training for key staff, and the rollout of a new waste management recording system developed by Finance and Accounting Services.

In late 2011 we sought external accreditation of all sites in England to ISO 14001, but this was unsuccessful due to a number of technical issues associated with waste management. We are now putting in place further measures to remedy these problems prior to seeking accreditation in 2012.

A programme of internal audits has been started in Wales, where we shall be seeking external accreditation to ISO 14001 during 2012.

The EMS is helping staff across the Forestry Commission to better understand the complex environmental legislation which affects the way we run our business particularly in respect of waste management. Compliance with environmental law is very important and the EMS is helping us to ensure that we meet the requirements at all levels.

Inventory, forecasting and operational support

The National Forest Inventory Programme will publish tractable and bounded estimates of the current softwood resource ('conifer growing stock') in spring 2012. These estimates will also be expressed in terms of total living biomass and carbon. They are based upon the most precise measure of GB woodlands to date, including a statistically robust measurement of 250,000 sample trees across GB.

Projections of how that growing stock might develop over the next 25 years will also be published. In order to achieve this, the inventory data has been linked to Forestry Commission Growth and Yield Models and a range of different management scenarios. The management scenarios have been developed in conjunction with both policy and industry experts and include:

- Non intervention
- Management to maximise long term average increment
- Current management plans (Forestry Commission estate only)
- Known disease risks

The above outputs, once published will represent a step change in the quality of forest resource information available to the sector. It will for example enable Forestry Commission to make informed and substantiated statements on the contribution of GB (and at a sub – GB level) softwoods to the availability of key forest based renewables both now and in the future.

We have extended the functionality of our corporate Geographic Information System to include linkage to digitised Forestry Commission and other soil data and to the Ecological Site Classification models developed by Forest Research. This greatly improves the capacity of the Forestry Commission's estate managers to make sound silvicultural decisions during the forest planning process, in particular to take account of different climate change scenarios and therefore to develop forests that are more resilient to climate change.

As part of our ongoing efficiency programme we have reviewed our suite of Operational Guidance Booklets:

- to ensure that mandatory actions are proportionate to business risk;
- to ensure that mandatory actions clearly link to legal and UK Forestry Standard requirements; and to create 'Quick Start Guides' as an aide memoir for experienced staff.

Forestry Commission Great Britain

In the Great Britain role, the Forestry Commission provides advice and support to the UK Government and to the devolved administrations in Scotland and Wales. We set the standards for sustainable forest management and encourage good forestry practice. We conduct forestry research, provide information and we have statutory duties for some regulations that, by agreement with Ministers, are GB-wide. Working with Defra who lead on international forest policy and with other departments, it supports the development of international forest policy and advises on the impact on domestic forestry of international and European obligations and develops the UK's national forest programme.

Our values – how we behave in fulfilling our objectives.

Teamwork – Working as teams with colleagues and others to ensure that trees, woods and forests meet the needs of people in each part of the country.

Professionalism – Enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability.

Respect – Treating one another with consideration and trust, recognising each person's contribution.

Communication – Being open, honest and straightforward with colleagues and others, as willing to listen as to tell.

Learning – Always learning, from outside the Forestry Commission as well as from within.

Creativity – Not being afraid to try new ways of doing things.

Forestry Commission England

Strategy

The Forestry Commission has a lead role in the delivery of the Government's forestry policy.

Aims and objectives

The aims and objectives of Forestry Commission England are set out in the Corporate Plan and have also been developed using the wider objectives of Ministers. In line with the outcomes and new approaches, the Forestry Commission in England has organised its work around the following broad priority functions:

- **Protection:** Protecting the woodland resource and increasing its resilience to pests, diseases and the impact of climate change so it continues to provide a wide range of public benefits.
- **Improvement:** Improvement of the woodland resource to increase the benefits that society derives from them
- **Expansion:** Enabling the planting and natural regeneration of more trees, woods and forests of the right tree in the right place.
- **Empowerment and Engagement:** Empowering and enabling people and increasing their engagement and influence and capacity to lead.
- **Economic Activity:** Economic activity, enterprise and employment in forestry to generate a thriving and competitive forestry sector.

MANAGEMENT COMMENTARY

Events

On the 19 May 2011, the Secretary of State, Caroline Spelman visited the Slowing the Flow Project to see the work that had been undertaken. The pilot project has been led by Forest Research and seeks to improve the evidence and understanding of opportunity for land management options to reduce flood risk. Key successes under Phase 1 include the construction of 100 woody debris dams on the Public Forest Estate and the creation of 17ha's of new woodland, supported through English Woodland Grant Scheme (EWGS) addition contributions, and targeted specifically to reduce flood risk.

In July 2011 the Minister of State, Jim Paice, visited the South West to see the continued impacts of the outbreak of *Phytophthora ramorum* on the region. The Minister was shown the effects of the pathogen from the air as well as meeting private landowners and Forestry Commission officials to discuss the management of the disease.

On 28 March, Lord Taylor of Holbeach, Parliamentary Under-secretary visited Rockingham Forest in Northamptonshire to hear about ancient woodland management, partnership working and the green economy.

As part of a National Park Authority visit on 9 May, Richard Benyon visited the Forestry Commission's river restoration work at Fletcher's Thorns in the New Forest. The visit highlighted the importance of the scheme to the forest and to SSSI restoration at a national level, as well as the importance of a strong partnership between the statutory agencies and local interest groups.

As a part of their information gathering for the Final Report, the Independent Panel on Forestry visited a number of sites on the public forest estate throughout England this year. These included the Forest of Dean, Kielder Forest and Bedgebury Pinetum.

The official opening of the new Wimberry Bridge, linking the cycle centre to Forest of Dean's cycle trails, took place on 20 March 2012. The bridge is the last part of the £500,000 project to improve cycling facilities in the Forest and was opened by Tim Rollinson. HM Verderers also attended and opened the new 'Verderers cycle trail. The investment has been enabled by the 1SW project.

Forest Discovery Day was a part of the public forest estate's contribution to the International Year of Forests. Discovery Days took place on 11 September in 28 forests across England to highlight the importance of trees and reinforce the public's connection with them. This is the first time that Forestry Commission have ever had one event taking place in unison to celebrate the work we do. Activities on the day ranged from chainsaw carving demonstrations and willow crafts to the mass tree hug. At Delamere Forest, over 700 visitors took part in an extra special event to help us break the Guinness World Record for the Largest Tree Hug.

Through October, Westonbirt arboretum hosted 4 live broadcasts of BBC's Autumn Watch. This provided a valuable opportunity to explain the Forestry Commission's work at Westonbirt in a new way and to a large, national audience.

In May 2011, Dalby Forest again hosted a successful second round of the UCI MTB World Cup. The event and course, voted last year as the best in the world by the UCI, Sponsors and Team Managers, had further infrastructure improvements to walkways, hard standing and car parks and catered for approximately 10,000 spectators.

In early April 2011, 106 Bangladeshi women and children from Bedford visited Maulden Wood. Most of them had never been to a wood before. The group walked to the Sacred Space, looking at signs of spring, followed by a picnic and den building, with all ages joining in from children to grandparents.

During 2011-12 the Forestry Commission England also launched a free iPhone app to enable visitors to find their local woodland, download trail maps and learn about trees with an easy to use tree identifier. Visitors can search for sites by event or activity, or find basic information such as opening times, things to do, directions and contact details for Forestry Commission Forest Parks. Visitors can also download pdf trail maps via GPS so that the app can still be used when exploring amongst the trees and out of phone signal range.

Awards

Mark Jeffreys, a work supervisor for Peninsula Forest District, won the Excellence in Service Delivery Award at the Civil service Diversity and Equality Awards. Mark manages the Dartmoor Prisoners Rehabilitation Project, a partnership with HMP Dartmoor to deliver Offender Rural Skills Training in a woodland environment. He was highlighted as a critical component to the successful outcomes of the project. To date, the Dartmoor Rehabilitation Project has seen 25 offenders taking part of which 15 have secured full-time employment in the private sector following release.

The Forestry Commission received top awards at the Landscape Institute Awards. The Old Pale Community Woodland at Delamere Forest was the winner in the "design over 5 hectare" category due to the landscape-scale impacts created in a way which was sensitive to the existing historic, ecological and geological features of the site. Old Pale Community Woodland is a major, 138 hectare expansion of Delamere Forest in Cheshire.

Jeskyns in North Kent was successful in securing the prestigious Green Flag Award for the fourth year in a row. The Green Flag Award scheme recognises and rewards the best green spaces in the country. Sites are judged on their social, environmental and economic contributions.

The National Office in Bristol has been awarded Approved Employer status by the Association of Certified Chartered Accountants (ACCA). This means that the ACCA have recognised that the National Office provides significant support to its ACCA trainees and a high level of continued training and development to ACCA members.

The Forestry Commission has achieved Great Britain wide accreditation as a development partner of the Chartered Institute of Management Accountants.

The Chase Trails Cycling Project in the West Midlands reached the finals of the 2011 National Lottery Awards in the best Sports Project category. Over 850 projects originally entered for the award, which is an annual search to find the UK's favourite Lottery-funded projects, and they aim to celebrate and recognise the difference that those projects have made to people, places and communities all across the UK.

Forestry Commission employees from Devon with a combined total of 155 years service were honoured for their long-term contributions to local forestry excellence, at the Devon County Show in May 2011. The Long Service Award from the Devon County Agricultural Association recognises employees with more than thirty years' service in the fields of Devon's agricultural, horticultural and forestry. Jimmy Mann, Malcolm Hill, David Powell and Simon Tremain received their Long Service Awards from Major Ranulf Rayner, president of the Devon County Agricultural Association.

Verderer of the Forest of Dean Election

Ian Standing was elected to the historic role of Verderer of the Forest of Dean at the County Court held at Gloucester Cathedral on the 29th November, 2011. Ian is a local historian and secretary to HOOFF (Hands Off Our Forest). Rob Guest, former Deputy Surveyor, was second with only 30 or so votes between them.

Independent Panel on Forestry

The Independent Panel on Forestry was established in February 2011 to advise the Government on the future direction of forestry and woodland policy in England, including the role of the Forestry Commission. Panel

members, appointed for their experience and expertise, include Sir Harry Studholme who is also a Forestry Commissioner for England. The Panel is chaired by the Right Reverend James Jones, Bishop of Liverpool.

The Panel published its progress report on 8 December, which included analysis of the 42,000 responses to the call for views. The level of this response reflects the increased interest in forestry that has been seen over the last year both publically and politically. A major theme of the report was the positive impact of forestry on the environment, people and the economy.

The England National Committee and the Chairs of the Regional Advisory Committees each took the opportunity to invite the Bishop to join them at one of their meetings this year. This enabled them to provide insight and advice about a number of issues facing the Panel and raise their own concerns about issues around the provision of public benefits from forests that would need to be considered for the final report.

The Natural Environment White Paper

The Natural Environment White Paper was launched on 7 June 2011 by the Secretary of State Caroline Spelman, supported by Richard Benyon and Ministers from the Department of Communities and Local Government and Transport. It is providing a strong basis for increased collaboration with Defra, Natural England and the Environment Agency. The Single Voice programme seeks to provide Local Authorities and others with a consistent approach to environmental issues notably in the planning arena. Specific areas have been selected for more targeted joint approaches and joint environmental prospectuses are being prepared. Two major areas of the 92 NEWP recommendations concern the establishment of Nature Improvement Areas and Local Nature Partnerships both of which have had full Forestry Commission involvement. The former is nearing the end of a rigorous selection process with Forestry Commission part of the judging panel and playing an influential role.

Recommendations from the Regulation Task Force and from the Independent Review of Forestry are now awaited to assist our focus and further response to the White Paper. For example the well acknowledged requirement for woodland expansion is likely to be reviewed by the Panel. Once these reports are in place the Forestry Commission will be better placed to prioritise the many recommendations of the White Paper.

UK National Ecosystems Assessment

The UK National Ecosystems Assessment (UK NEA) provides a comprehensive overview of the state of the natural environment in the UK. The Assessment, taking account of the economic, health and social benefits we get from nature, is the first of its kind at a fully national scale. For forestry and the Forestry Commission the concept of ecosystems services, and the UK NEA in particular, provide authoritative evidence and a methodology. The UK NEA considered the whole natural environment in the UK, and notes that "*woodlands provide the highest level of ecosystems services including regulating climate, air quality, water flows, providing timber and wood products as well as a number of cultural benefits*".

Forestry Regulation Task Force

The report of the Forestry Regulation Task Force was delivered to Government in October. The Government's response to the report was presented in February 2012. The delivery of the response will be the subject of work between Government Departments, including the Forestry Commission, and the sector.

Among the 41 recommendations, those concerned with 'earned recognition' are a high priority. The development of long term and trusting relationships with woodland owners and managers is seen as a fundamental part of reducing regulation. Some of the wider recommendations will be influenced by the report of the Independent Forestry Panel, due in Summer 2012.

Spending Review 2010 Programme

Forestry Commission England continues to operate within a lower financial profile during the Spending Review 2010 (SR10) period. Following consultation with staff and the Forest Commission Trade Unions, significant restructuring and downsizing of many programmes and support services has taken place throughout the year in preparation for the transition to new structures in 2012/13.

Since April 2011, 236 staff have left the Forestry Commission GB/England on either Voluntary Exit or Voluntary Redundancy terms. A further targeted reduction 53 staff is planned during 2012-13.

With the majority of the restructuring having taken place and SR10 work becoming a mainstream activity, the SR10 Programme Board was dissolved in December 2011. SR10 updates and any ongoing issues are presented and discussed at the England Executive Board, the Forest Services Management Board and the Forest Enterprise Management Board.

Expansion

The total area of woodland creation paid in 2011-12 was 1,880 hectares, less than the seven-year Rural Development Programme for England (RDPE) target of an average of 2,200 hectares per year but a small increase (6%) from last year's area.

In addition to woodland creation under EWGS Forestry Commission staff assisted Natural England in delivering 444 hectares of woodland planting under Environmental Stewardship, the RDPE agri-environment scheme. The National Forest Company supported the planting of 56 hectares of woodland in central England under their Changing Landscapes and Freewoods Schemes. The Woodland Trust planted 225 hectares of woodland without grant aid from the Forestry Commission.

Big Tree Plant

The Big Tree Plant was launched by Government last year with the aim of planting one million additional trees by 2015. The Forestry Commission's £4.0m Grant Scheme, a major component of the campaign, is now fully operational and the first two grant rounds attracted 195 applications. A grants panel has been appointed, and approved 66 schemes representing the planting of over 416,000 trees and the commitment of over £2.0m of grant. These schemes give good coverage of England, with a focus in urban conurbations and in areas of greatest deprivation and least green space. The winter of 2011-12 was the grant scheme's first planting season and over 118,000 trees have been planted by local groups. Future grants rounds are planned to maintain momentum and help ensure delivery.

The Woodland Carbon Code

The Woodland Carbon Code has registered 39 projects since July 2011, which will create over 2,200 hectares of additional woodland and sequester approximately 1,000,000 tonnes of carbon dioxide over the next 70 years.

Delivering Woodland Creation in Yorkshire

Forestry Commission advice and communications expertise helped support the White Rose Forest Partnership to promote targeted woodland creation opportunities across groups of landowners. The White Rose Forest partnership has connections to local charitable and community groups who can support the projects and undertake the planting. Financial support for the schemes is provided through the English Woodland Grant Scheme.

Brownfield Development Programme

The Thames Beat Brownfield development project to re-restore former landfill sites, such as the 17 hectare pilot project at Little Gerpins, into community green space is continuing to progress. The model combines the land and experience of restoring brownfield land provided by the commercial operator, with the Forestry Commission's expertise in landscape design, the creation of woodland and green space and a commitment to the long-term management of such sites. It is an innovative partnership with a commercial landfill operator who is providing both funding of the initial works and a long term dowry to support future management.

Protection

Forestry Commission England issued 2,375 felling licences which were not linked to new grant agreements in 2011-12. These covered an area of 28,227 hectares. We received 180 reports of alleged illegal felling, 19 of these reports were still under investigation at the end of March 2012 while 26 reports have been subject to a full investigation for potential further action.

Forestry Commission England issued a total of 16 Notices to restock land after unlicensed tree felling in 2011-12. Ten of these Notices were issued as a result of our investigations into reports of illegal felling received in 2011-12. A further six Restocking Notices were issued in relation to cases that were pending at the end of the end of 2010-11. We also issued six formal warnings in 2011-12 but no cases were considered for prosecution. Ten cases which have undergone full investigation are still pending a decision on the final action.

LiDAR (Light Detection and Ranging) uncovers previously unknown Bronze Age ring cairn in the Forest of Dean

In the Forest of Dean a project field testing LiDAR evidence is drawing to a conclusion. This work has led to new discoveries including a previously unrecorded Bronze Age ring cairn and a roman enclosure, further attesting to the importance of this technique in wooded landscapes.

Improvement

First results for National Forest Inventory published

The first results from the National Forest Inventory were published in May 2011, providing updated estimates of woodland cover, woodland planting and woodland loss. The figures showed an increase in woodland area in England of 13%. Whilst some of this is due to woodland creation it is thought that changes to the methodology resulted in this jump. The area of woodland loss in England attributable to clearly visible land-use change from analysis of areas of loss greater than 5 hectares between 1998-99 and 2009-10 is only 275 hectares. This estimate of woodland loss does not include woodland felled for conversion to non-woodland priority habitat, for which an estimate based on administrative records is provided, amounting to more than 10,000 hectares over the past decade.

Woodland Management

Forestry Commission provided grant aid for 1,492 hectares of woodland regeneration (replanting and natural regeneration). Of this 405 hectares relate to the restoration of native or broadleaved trees on ancient woodland sites. Forestry Commission introduced a supplement to support replanting after tree felling in connection with statutory notices issued to control the spread of *Phytophthora ramorum*. By the end of March 2012 32 hectares of woodland had been replanted with this support.

We continued to support the production of Woodland Management plans with grant aid to ensure the comprehensive and long-term approach to forest management, approving management plans on 29,138 hectares of woodland in 2011-12.

Woodfuel Implementation Plan and Woodfuel Woodland Improvement Grant

In June 2011, Forestry Commission England launched the woodfuel implementation plan as part of the National Renewable Energy Action Plan – a requisite of the EU Renewable Energy Directive. The plan was developed to support the implementation of the Woodfuel Strategy published by the Forestry Commission in 2007. The 11 actions described in the plan are designed to significantly increase production in currently undermanaged, privately owned woodland. As well as contributing to the rural economy, this could help improve woodland habitats and protect the biodiversity they support. Among other activities, the Woodfuel Implementation Plan provided the platform from which to encourage uptake of the Woodfuel Woodland Improvement Grant. This offers financial support to establish wood supplies from currently under-managed or inaccessible woodlands and aims to increase the supply of woodfuel to displace fossil fuels, helping the UK meet its Renewable Energy Directive commitment to source at least 15% of its energy from renewable technologies by 2020.

The grant has a budget of £10 million across England for work completed and claimed by 31st March 2014.

Red Squirrel Northern England

Red Squirrels Northern England (RSNE) is a red squirrel conservation project that builds on the efforts of previous initiatives in order to protect red squirrel populations in northern England through targeted conservation actions. The project secured over £1.2m of funding towards a 5 year species conservation programme with a total value of £2.5m in 2011-12. Biffaward are contributing £1m towards grey squirrel control and monitoring across the Northern England Red Squirrel Strongholds and the Heritage Lottery Fund are contributing over £200,000 to help involve communities in the conservation of red squirrels across Northumberland.

A Memorandum of Agreement was signed in November by the four lead project partners, Northumberland Wildlife Trust, the Red Squirrel Survival Trust, Natural England and the Forestry Commission. The RSNE project represents a new way of working, where Forestry Commission is seeking to support and enable landscape scale delivery by others, involving a range of organisations, including two conservation charities, hundreds of private landowners and over 1500 volunteers spread across 50 local groups.

Exceptional year for the pearl-bordered fritillary butterfly in South East England

2011 has proven an exceptional year for the threatened pearl-bordered fritillary butterfly on the public forest estate in South East England. The 7-year old reintroduction site at Abbot's Wood near Eastbourne experienced a peak count of 250 individuals in 2010, but during Summer 2011 exceeded the 600 mark. This makes Abbot's Wood one of the most important sites for the UK Biodiversity Action Plan priority species in England. The upturn in numbers is believed to be in response to a variety of factors including the cold winter having killed off many of the butterflies' pests, a warm spell offering excellent conditions for emergence, and the forest-scale Planted Ancient Woodland Sites restoration work which has generated more favourable breeding and feeding habitats.

Threestoneburn Environmental Impact Assessment consent granted

The Forestry Commission granted consent for a scheme by the Lilburn Estate at Threestoneburn Forest, near Wooler, Northumberland, to restore open moorland, 232 hectares of upland bog and create 158 hectares of new native woodland.

Following the production of an environmental statement, the Forestry Commission was able to assess the impact of the scheme which involves significant land use change, including some deforestation, new woodland creation and road building. Permission was granted with a number of conditions to minimise any adverse impacts on wildlife and archaeology and to reduce traffic disturbance from work on the project.

Empowerment and engagement

Forest Wildfire at Crowthorne in Berkshire

Swinley forest fire was the worst fire in Berkshire's history. This incident had a huge impact on the local businesses, local communities and the natural environment. Due to the weather the most damage was caused to the Forestry Commission's Crowthorne Forest, including the total loss of 44 hectares of young plantations. The incident also resulted in several hundreds of hectares of Special Protection Area for ground nesting birds being damaged. Although devastating in its impact, with continued high profile media attention it has been an opportunity for the Forestry Commission to showcase its professionalism and expertise in forestry, community engagement and adaptation to climate change.

During the fire Forestry Commission teams provided specialist wildfire advice and in partnership with other landowners worked effectively alongside Royal Berkshire Fire and Rescue Service and firefighters deployed from across 10 counties. Post fire Forestry Commission staff, Forest Research and South East England Wildfire Group have developed new toolkits with the latest innovations in wildfire preparedness and prevention. Plans for the restoration of the forest were drawn up, following consultation with the local community, providing increased resilience toward fire and climate change as well as enhancement of nature conservation. In January around 300 local volunteers were joined by staff from across the new South Forest District, partners and VIPs to begin the task of replanting 60,000 trees which were destroyed in the fire.

Volunteering England

The Forestry Commission signed a Memorandum of Understanding (MoU) with Volunteering England, Government's strategic partner in relation to volunteering. This is part of Forestry Commission England's work on enabling and empowering individuals and communities, in this case through volunteering. We will encourage any volunteering groups that work with us to join Volunteering England, free for smaller groups, and they can then benefit from the range of membership services on offer.

UK's first disability adapted forest adventure trail at Alice Holt Forest

At Alice Holt Forest the education team has worked in partnership with Treloar, one of the South East's leading disability charities, to develop the UK's first specially adapted interactive forest adventure trail for people with disabilities. It enables wheelchair users, people with speech and language difficulties and visual impairments to have the same experience as anyone else visiting the forest. The trail is specially adapted with a hard surface and rails and there is a hard surfaced den building area with skeleton den for wheelchair users. They can help to build a den with lighter branches and experience the thrill of going inside it.

Communications Reach New Heights

Communication with local residents in the New Forest has reached new heights as two local papers are running a weekly column written by the Forestry Commission. With the help of PR agency Grayling, the team are able to feature staff, projects and events every week - reaching an audience of around 70,000. The column is run free of charge and enables promotion of the public face of the Forestry Commission locally.

Arts Council England Memorandum of Agreement

On 6 December Alan Davey, the Chief Executive of the Arts Council England, and Brian Mahony signed a memorandum of understanding between the two organisations at the TERRA exhibition. The MOU is designed to encourage collaboration between the Arts Council and Forestry Commission England. The principal outcome of this partnership will be an increased level of high-quality and innovative contemporary art activity across Forestry Commission England sites.

Economic activity

Green Economy Pathfinder

The Forestry Commission is working closely with ALB partners on a Green Economy Pathfinder, which was launched in March 2012 by Defra Director General Peter Unwin. The conference, organised by the New Anglia Local Enterprise Partnership (Norfolk and Suffolk), attracted hundreds of business, politicians and senior local authority representatives.

The New Anglia Local Enterprise Partnership has been granted pathfinder status for the green economy by the Government. The Pathfinder presents the opportunity to map out the route plan for a long term vision of developing the Green Economy in Norfolk and Suffolk. A 'Manifesto' of policy recommendations and case studies from a number of topic areas will be produced. The Forestry Commission is working closely with the Environment Agency and the National Trust leads specifically on drawing up "natural capital" case studies for the manifesto.

Skills Action Plan

In 2010 a group of several key forestry players proactively came together with the aim of increasing the number of new entrants to the sector and driving the skills of the current work force. The result of their work is the Skills Action Plan, which was published in June 2011 and aims to tackle some of the sector's skills issues.

The action plan identifies the key skills issues and for each lists actions that would plug gaps. The members of the group that developed the action plan, as well as the organisations they are members of, have each made a public commitment to carrying out these activities. By doing so, they aim to start a movement across the sector to upskill the current, and train the future, forestry workforce.

Report Finalised on "Opportunities to Add Value to Southwest Home Grown Timber"

A "Woodland Renaissance" backed study to explore whether there is a business case to build added value processing capacity for timber grown in the south west has recently reported. Currently only about half the theoretically available volume of southwest timber finds its way to market. Practical action to stimulate markets and improve the competitiveness of local business has been endorsed by representatives from across the industry.

There was widespread support to prepare a collective long term strategy. It was also agreed that we should grow more durable species to a high quality and large dimension, with an increase in the area of coniferous woods. In detail this report recommends a strategy that can provide technical support for existing businesses, encourage collaboration for expansion of local markets, raise the profile of southwest manufactured products, promote new added value opportunities to southwest companies and maintain links with UK Timber Research and Development.

FORESTRY COMMISSION ENGLAND IMPACT AND INPUT INDICATORS 2011-15

HEADLINE PERFORMANCE REPORT AT 31 MARCH 2012

Delivery Priority	Corporate Plan Headline Indicator	Report at 31 March 2012
Impact Indicators		
Protection	Hectares of woodland covered by plant-health notices (includes notices issued on the Public Forest Estate)	<p>Baseline at 1 April 2011: 771 hectares of land requiring treatment.</p> <p>Position at 30 June 2011: 335 hectares.</p> <p>Position at 30 September 2011: 401 hectares.</p> <p>Position at 31 December 2011: 611 hectares.</p> <p>Position at 31 March 2012: 531 hectares of land requiring treatment.</p> <p>There has been the expected decrease in area requiring treatment since the end of December as winter felling has proceeded. A total area of 47 hectares of new infections has been added since December including 3 hectares of <i>Phytophthora lateralis</i> and 3 hectares of Chestnut Blight (a first outbreak for the UK).</p>
Improvement	Percentage of woodland in active management (including the Public Forest Estate)	<p>Baseline: 52% of woodland is in active management at 1 April 2011.</p> <p>Position at 30 June 2011: 52%.</p> <p>Position at 30 September 2011: 52%.</p> <p>Position at 31 December 2011: 52%.</p> <p>Position at 31 March 2012: 53%.</p> <p>The percentage of woodland in active management continues to gradually and steadily increase. This indicator of woodland in management encompasses woodlands where there has been FC England grant or felling licence activity typically in the previous 5 to 10 years – it is recognised that other woodlands might be considered as managed as well.</p>

Delivery Priority	Corporate Plan Headline Indicator	Report at 31 March 2012
Expansion	Hectares of woodland created (gross)	<p>Baseline: 1,775 hectares of woodland were created with grant aid in the 2010-11 financial year.</p> <p>April to June 2011: 765 hectares of woodland have been created with support from Woodland Creation Grant.</p> <p>July to September 2011: 101 hectares created.</p> <p>October to December 2011: 172 hectares created.</p> <p>January to March 2012: 904 hectares created. A total of 1,942 hectares was created in the 2011-12 financial year.</p> <p>There has been a 9.4% increase in the rate of woodland creation in 2011-12 compared to the baseline level in 2010-11 – as measured here by claims for payment of Woodland Creation Grant.</p>
Economic Activity	Number of private sector businesses operating on the Public Forest Estate	<p>Baseline at 31 July 2011: 634 private businesses and individuals.</p> <p>Update at 24 October 2011: 638 private businesses and individuals.</p> <p>Position at 5 January 2012: 658 private businesses and individuals.</p> <p>Position at 31 March 2012: 613 private businesses and individuals.</p> <p>The trend in recent months has been down in particular due to reduced lettings of commercial buildings; sometimes former offices in remote locations. Demand has weakened in the current economic climate. There is a high turnover in a lot of these lettings especially around the financial year end and this may drive some volatile fluctuations, in this one simple numerical indication of activity. Future returns may be able to identify trends more clearly.</p>

Delivery Priority	Corporate Plan Headline Indicator	Report at 31 March 2012
Input Indicators		
Empowerment	Cash spent on partnerships and engagement by Forest Services.	<p>Baseline: £12.0m (spend) in 2010-11.</p> <p>Position at 31 July 2011: £806,000 of funding provided since the start of 2011-12.</p> <p>Position at 30 September 2011: On budget for this time of year with £1.2m.</p> <p>Position at 31 December 2011: On budget for this time of year with £1.8m spent.</p> <p>Annual spend in the 2011-12 financial year: £5.3m applied across the full range of national priorities as well as local area partnership activities encompassing all the new Forest Services Areas. Larger investment items included contributions to protecting trees from <i>Phytophthora ramorum</i> tree disease (nearly £1m), expansion schemes at Newlands in the new North West and West Midlands Area (604k), and £231k for the Mayor of London's street trees, as well as woodland improvements via the Big Tree Plant (£695k), Woodfuel East (£389k) and the Deer Initiative (£278k). Other investments included contributions towards the Woodland Trust's visitwoods.org.uk, short rotation forestry, red squirrel conservation and forestry apprenticeships.</p>
Restructuring our Business	Cost of managing the Public Forest Estate (per hectare)	<p>Baseline: £72.42 per hectare for 2010-11 that was comfortably below the target for that financial year of £88.65 per hectare. The indicative figure being aimed at for 2011-12 is £84.63 per hectare.</p> <p>Restated performance for 2010-11 is £75.83 per hectare.</p> <p>This indicator is reported bi-annually. Forecast at the mid-year point, 30 September 2011: £83.40 per hectare.</p> <p>Outturn for 2011-12 financial year: £76.62 per hectare, which is below the indicative figure aimed for of £84.63 per hectare.</p> <p>Improved performance against the mid year forecast is due to final quarter timber income being higher as a result of increased sales demand.</p> <p>The net cost for 2011-12 includes a one off £0.9m net cost for organisational change. Without this item the underlying net cost figure would be £73.07 per Ha.</p> <p>Long term trend analysis should be used for this indicator.</p>

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

Reports on our other Corporate Plan key performance indicators and wider State of England's Woodlands indicators are available from our website at www.forestry.gov.uk > England > About us > Indicators.

Forestry Commission Great Britain/England

Annual Accounts 2011-12

FINANCIAL COMMENTARY

Basis of accounts

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

Departmental accounting boundary

With effect from 1 April 2011, Parliament has approved Defra's revised resource Estimate structure which provides for expenditure by the Forestry Commission in England (including Forest Enterprise England) and its Great Britain wide functions (including the executive agency Forest Research) as a separate line within the Estimate.

The Supplementary Estimate published in February 2012 further revised the presentation of the resource Estimate structure and the disclosure of the Forestry Commission's expenditure as a separate entity was removed.

The funding covers the promotion of forestry and supporting the planting, management and conservation of forests and woodlands within England, including the operation of the Forestry Commission's Estate by its agency, Forest Enterprise England. In addition it funds the GB-wide functions covering sustainable forestry policy, forestry standards, international relations, plant health and forestry research.

Financial Review

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

Funding for Forestry Commission Great Britain/England was decided as part of the Government's 2010 Spending Review. The planned sources of income and expenditure up to 2011-15 are shown in the latest Corporate Plans for England and for Great Britain activities.

In addition to the expenditure shown in our accounts, Forestry Commission Great Britain/England manages grant schemes on behalf of Defra. These schemes total a further £31.5m (2010-11 £27.5m) of public funds that are administered by Forestry Commission Great Britain/England staff.

Significant variances against budget

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

Summary of outturn

	2011-12				Outturn comparison to budget
	Budget total	Gross Expenditure	Income	Net Total	
	£000	£000	£000	£000	
Resource Departmental Expenditure Limit (RDEL)	50,493	75,988	(25,738)	50,250	(243)
Resource Annually Managed Expenditure (AME)	1,169	478	-	478	(691)
Total resource outturn	51,662	76,466	(25,738)	50,728	(934)
Capital Department Expenditure Limit (CDEL)	1,761	1,394	-	1,394	(367)
Total capital outturn	1,761	1,394	-	1,394	(367)

The total Forestry Commission Great Britain/England budget for 2011-12 amounted to £51.7m.

The overall variance between the 2011-12 budget and the resource outturn amounted to £0.9m, of which £0.7m related to an under utilisation of AME provisions for staff exits. The £0.2m balance is a combination of under spends across a range of Great Britain/England activities.

Market stability

The woodland sale market has continued to remain exceptionally strong, and is proving attractive not only to hobby investors, the commercial forestry sector, and the expanding wood fuel investors, but also to those long term investors simply looking for a safe long term haven for capital in these turbulent economic times. The England market has been exceptionally strong which may be partly due to the withdrawal of all Forestry Commission sales which in recent years have been a dominant proportion of the woodland sales turnover.

While there was some change in value between £sterling against the Euro and Swedish Krona, the overall exchange rates remained favourable to domestic suppliers. Prices remained high throughout the year but demand suffered a dip from August to November, recovering to normal levels for the year as a whole.

Other Disclosures

Supplier Payment Policy

Forestry Commission Great Britain/England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2011-12 indicates that 99.3% of invoices paid by Forestry Commission Great Britain, 98.3% of invoices paid by Forestry Commission England and 99.7% of invoices paid by Forest Research were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Pensions

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

Personal data related incidents

There were no protected personal data related incidents reported for Forestry Commission Great Britain/England in 2011-12 or previous financial years. Forestry Commission Great Britain/England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

Auditors

The accounts of Forestry Commission Great Britain/England are audited by the Comptroller and Auditor General under the Government Resources and Accounts Act 2000. The notional audit fee was £60,000 (2010-11: £65,000). In addition, the notional fee for the audit of the Forest Research Agency was £31,000 (2010-11: £31,000 cash audit fee). No fees were charged for other services (2010-11: nil).

Disclosure of audit information to the auditors

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

T.J.D Rollinson
Additional Accounting Officer

15 June 2012

Forestry Commission
Silvan House
231 Corstorphine Road
Edinburgh
EH12 7AT

REMUNERATION REPORT

Remuneration Policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners. The Chairman and non-executive members determine the Director General's pay. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on the remaining senior staff posts.

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

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

Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, is based on their manager's assessment of their performance.

Employment contracts

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

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

	Date of current contract / letter	Unexpired term (months*)
Pamela Warhurst CBE	01/01/2010	9
Sir Harry Studholme	18/01/2011	9
Dr Olutayo Adebawale	01/04/2009	0**
Hamish Macleod	01/04/2009	0***
Jon Owen Jones	18/01/2010	9
Judith Webb	18/01/2010	21
Keith Oates	13/05/2010	13
William Weston	11/12/2011	32
Robin Mortimer	07/10/2008	n/a****

* months remaining from 31 March 2012.

** Dr Olutayo Adebowale left on the expiration of her contract on 31 March 2012.

*** Hamish Macleod has been re-appointed with a new contract from 1 April 2012.

**** Robin Mortimer, Director Defra, a member of the National Committee for England during 2011-12, is employed by Defra.

Salary and pension entitlements (INFORMATION SUBJECT TO AUDIT)

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

	2011-12			2010-11		
	Salary	Bonus Payments	Benefits in kind	Salary	Bonus Payments	Benefits in kind
	£000	£000	to nearest £100	£000	£000	to nearest £100
Tim Rollinson	125-130	14	-	125-130	-	-
Paul Hill-Tout	-	-	-	50-55 ¹	-	-
David Henderson-Howat	-	-	-	45-50 ²	-	-
Simon Hodgson	85-90	-	3,100	45-50 ³	-	-
Jean Lindsay	65-70	8	-	65-70	-	-
Sarah England	55-60	-	1,200	55-60	-	1,100
PK Khaira	45-50	-	-	45-50	-	-
Robin Maynard	-	-	-	40-45 ⁴	-	-
Keith Gliddon	25-30 ⁷	-	-	75-80	-	-
Paul Snaith	70-75 ⁸	-	-	-	-	-
Laura Jones	35-40 ⁹	-	-	65-70	-	-
Richard Greenhous	20-25 ¹⁰	-	-	-	-	-
Mark Funnell	40-45 ¹¹	-	-	-	-	-
Wilma Harper	70-75	-	-	70-75	-	-
David Felstead	70-75	-	-	70-75	-	-
Michael Ansell	-	-	-	15-20 ⁵	-	-
Frank MacCulloch	65-70	-	400	45-50 ⁶	-	100
Brian Mahony	75-80	-	-	40-45 ¹²	-	-
Steve Meeks	65-70	-	-	65-70	-	-
Andrew Smith	-	-	-	60-65	-	-
Richard Britton	-	-	-	65-70	-	2,500

¹ Figure quoted is for the period 1 April 2010 to 31 October 2010 whilst Director England. The full year equivalent is 85-90.

² Figure quoted is for the period 25 October 2010 to 31 March 2011 whilst Acting Director England. The full year equivalent is 75-80.

³ Figure quoted is for the period 30 August 2010 to 31 March 2011 whilst Acting Chief Executive, Forestry Commission England. The full year equivalent is 80-85.

⁴ Figure quoted is for the period 1 April 2010 to 17 September 2010 whilst Head of Communications, Forestry Commission England. The full year equivalent is 55-60.

⁵ Figure quoted is for the period 1 April 2010 to 30 June 2010 whilst Director, Forestry Business Units. The full year equivalent is 65-70.

⁶ Figure quoted is for the period 5 July 2010 to 31 March 2011 whilst Acting Director, Forestry Business Units. The full year equivalent is 65-70.

⁷ Figure quoted is for the period 1 April 2011 to 22 July 2011 whilst Finance Director, Great Britain. The full year equivalent is 85-90.

⁸ Figure quoted is for the period 3 May 2011 to 31 March 2012 whilst Finance Director, Great Britain. The full year equivalent is 70-75.

⁹ Figure quoted is for the period 1 April 2011 to 30 September 2011 whilst Director of Forest Services, England. The full year equivalent is 70-75.

¹⁰ Figure quoted is for the period 28 November 2011 to 31 March 2012 whilst Director of Forest Services, England. The full year equivalent is 60-65.

¹¹ Figure quoted is for the period 1 August 2011 to 31 March 2012 whilst Head of Communications. The full year equivalent is 60-65.

¹² Figure quoted is for the period 29 August 2010 to 31 March 2011 whilst Director, Forest Enterprise England. The full year equivalent is 75-80.

The salary and pension entitlements of Bob McIntosh, Director Scotland, an Executive Forestry Commissioner, are borne and disclosed in the Forestry Commission Scotland Annual Report and Accounts 2011-12 as he is Director, Forestry Commission Scotland.

The salary and pension entitlements of Trefor Owen, Director Wales, an Executive Forestry Commissioner during the year, are borne and disclosed in the Forestry Commission Wales Annual Report and Accounts 2011-12.

The salary and pension entitlements of the members of the Forest Research Management Board and Forest Enterprise England Management Board are borne and disclosed in each of the agency's Annual Report and Accounts 2011-12.

Salary

'Salary' includes basic salary; overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry Commission Great Britain/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 house purchase loans.

Highest paid Director and median salary cost disclosure

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

The banded remuneration of the highest-paid director of Forestry Commission Great Britain/England in the financial year 2011-12 was £140,000 - £145,000 (2010-11, £125,000 - £130,000). This was 4.5 times (2010-11, 4.3) the median remuneration of the workforce, which was £31,612 (2010-11, £29,986). In 2011-12, no (2010-11, nil) employees received remuneration in excess of the highest-paid director.

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

Pension benefits (information subject to audit)

	Accrued pension at pension age at 31 March 2012 and related lump sum £000	Real increase (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2012 £000	CETV at 31 March 2011* £000	Real increase (decrease) in CETV £000	Employer contribution to partnership pension account to nearest £100
Tim Rollinson	55-60 plus 170-175 LS	0-(2.5) plus (2.5)-(5) LS	1,177	1,188	(30)	-
Simon Hodgson	20-25 plus 60-65 LS	0-2.5 plus 2.5-5 LS	437	379	13	-
Brian Mahony	30-35 plus 65-70 LS	0-2.5 plus 0-(2.5) LS	664	600	12	-
Jean Lindsay	25-30 plus 75-80 LS	0-2.5 plus 0-2.5 LS	451	416	(1)	-
Sarah England	15-20 plus 55-60 LS	0-(2.5) plus 0-(2.5) LS	275	255	(3)	-
Laura Jones	15-20 plus 55-60 LS	2.5-5 plus 7.5-10 LS	249	213	24	-
PK Khaira	5-10 plus 15-20 LS	0-2.5 plus 0-2.5 LS	64	53	5	-
Keith Gliddon	35-40 plus 110-115 LS	0-(2.5) plus 0-(2.5) LS	882	849	(7)	-
Wilma Harper	35-40 plus 0-5 LS	0-(2.5) plus 0-2.5 LS	626	587	(13)	-
David Felstead	5-10 plus 0-5 LS	0-2.5 plus 0-2.5 LS	60	44	11	-
Frank MacCulloch	25-30 plus 80-85 LS	0-2.5 plus 2.5-5 LS	561	500	18	-
Steve Meeks	25-30 plus 80-85 LS	0-2.5 plus 0-2.5 LS	479	433	9	-
Paul Snaith	40-45 plus 0-5 LS	0-2.5 plus 0-2.5 LS	800	700	40	-
Richard Greenhous	5-10 plus 25-30 LS	0-2.5 plus 0-2.5 LS	102	95	5	-
Mark Funnell	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	6	-	4	-

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

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Remuneration of non-executives (INFORMATION SUBJECT TO AUDIT)

The non-executive Forestry Commissioners and members of the National Committee for England received the following remuneration for their services during the year ended 31 March 2012.

	2011-12 £000	2010-11 £000
Pamela Warhurst CBE	30	30
Sir Harry Studholme	11	11
Dr Olutayo Adebawale	13	16
Hamish Macleod	16	21
Jon Owen Jones	14	14
Judith Webb	11	11
Keith Oates	5	5
William Weston	5	5

**Robin Mortimer, Director Defra, a member of the National Committee for England during 2011-12, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

T.J.D Rollinson
Additional Accounting Officer

15 June 2012

STATEMENT OF RESPONSIBILITIES OF THE FORESTRY COMMISSION AND THE ACCOUNTING OFFICER

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

With effect from 1 April 2011, Parliament has approved Defra's revised resource Estimate structure which provides for expenditure by the Forestry Commission in England (including Forest Enterprise England) and its Great Britain wide functions (including the executive agency Forest Research) as a separate line within the Estimate.

The Supplementary Estimate published in February 2012 further revised the presentation of the resource Estimate structure and the disclosure of the Forestry Commission's expenditure as a separate entity was removed.

HM Treasury remains responsible for appointing the permanent head of the Forestry Commission, the Director General, as the Accounting Officer for the Forestry Commission. A Memorandum of Agreement exists between the Accounting Officers for the Forestry Commission and Defra.

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

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

- observe the Accounts Direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

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

GOVERNANCE STATEMENT

1. Scope of Responsibility

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

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

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Forestry Commission for the year ended [31 March 2012] and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

3. The Governance Framework

The Forestry Commission is the Government department responsible for advising Forestry Ministers within the Westminster Parliament, Scottish Government and Welsh Government on forestry policy and for implementing the three separate forestry policy strategies across England, Scotland and Wales. It has a Chair and Board of Commissioners. The legislative framework for forestry is principally the Forestry Acts 1967, 1979 and 1981, the Plant Health Act 1967 and the Wildlife and Countryside (Amendment) Act 1985.

Forestry is a devolved matter. The Secretary of State for Environment, Food and Rural Affairs has overall responsibility for UK forestry interests within the European Union and for international negotiations on forestry, including the formulation of UK policy. During the year, responsibility for international policy transferred from the Forestry Commission to Defra. The Secretary of State consults with Scottish Ministers, Welsh Government and the Northern Ireland Assembly on UK-wide issues.

The Forestry Commissioners are statutorily responsible for the stewardship of the estate placed at their disposal by Ministers. The Forestry Commissioners have delegated to the statutory National Committee in each country the normal exercise of their powers and duties in connection with the estate and the delivery of the country forestry policies.

Relationship with Defra

The Defra Ministers who had responsibility for the Forestry Commission Great Britain/England during the year were:

Caroline Spelman MP, Secretary of State

Jim Paice MP, Minister of State for Agriculture and Food to February 2012

Lord Taylor of Holbeach, Parliamentary Under-Secretary from February 2012.

Periodic meetings were held with the Secretary of State and Minister of State by the Forestry Commission Chair and Director General throughout 2011-12, and the Secretary of State attended the England National Committee in July 2011 and visited Silvan House in January 2012 to discuss GB issues.

An agreement is in place which sets out a framework for the Forestry Commission in England and Defra to work together to develop and deliver forestry policy. It is a statement of the principles, which will guide relations between the Forestry Commission and Defra to ensure sufficient communication and co-ordination to enable each to discharge their respective responsibilities effectively and efficiently.

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

In support of closer working between the Forestry Commission, Environment Agency and Natural England (as directed by Defra Ministers) three meetings of the non executives were held during 2011-12. The Forestry Commission is represented at these by our Chair accompanied by two Forestry Commission Commissioners. The agenda can be wide ranging, but all discussions centre around improving collaboration between the organisations particularly in respect of customer delivery and efficiencies.

Forestry Commissioners and Permanent Head of the Department

The Forestry Commission is a statutory body, incorporated by Royal Charter. It is a non-Ministerial Department and a Crown Body. The Board of Commissioners gives strategic direction to the Forestry Commission and takes decisions on not-devolved or co-ordinated functions. It has a Chair, Pamela Warhurst CBE. The Director General, Tim Rollinson, as Permanent Head of the Department, acts as Deputy Chair.

Commissioners who served during the year, and their Board attendance, were:

Commissioner	June 2011	Sept 2011	Dec 2011	March 2012
Pamela Warhurst CBE Non-executive Chair	✓	✓	✓	✓
Tim Rollinson Director General and Deputy Chair	✓	✓	✓	✓
Dr Bob McIntosh Director, Forestry Commission Scotland	x	✓	✓	✓
Trefor Owen Director, Forestry Commission Wales	✓	✓	x	✓
Sir Harry Studholme Non-executive Commissioner England	✓	✓	✓	✓
Dr Olutayo Adebawale Non-executive Commissioner England	x	✓	✓	✓
Hamish Macleod Non-executive Commissioner Scotland	✓	✓	✓	✓
Jon Owen Jones Non-executive Commissioner Wales	✓	x	✓	✓
Judith Webb Non-executive Commissioner Wales	✓	✓	✓	✓

They discussed a wide range of GB and cross-border forestry issues, including:

- SR10 Programme Implementation;
- Future of the Forestry Commission;
- UK Forestry Standard and Guidelines;
- Tree Health and Biosecurity;
- GB Corporate Plan;
- People Strategy; and
- Business Sustainability.

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

During the period from March 2012 to May 2013 both of the England non-executive Commissioners, and one of two non-executive members, will have completed their second term of office and would not normally be reappointed. Satisfactory succession planning arrangements are required to ensure business continuity.

The GB Executive Board

The GB Executive Board is responsible for:

- developing and delivering plans to reflect the long-term objectives and priorities established by the Board of Forestry Commissioners, taking account of and incorporating cross-government objectives;
- overseeing the day-to-day management and direction of the Forestry Commission;
- monitoring performance to ensure that the Forestry Commission is properly and effectively managed. It will set targets for, and monitor the performance of, Forest Research; and
- ensuring effective communication.

The members of the GB Executive Board who served during the year, and their attendance, were:

Member	May 2011	Jun 2011	Sep 2011	Nov 2011	Dec 2011	Jan 2012	Mar 2012
Tim Rollinson Director General and Deputy Chair	✓	✓	✓	✓	✓	✓	✓
Dr Bob McIntosh Director Scotland	X	✓	✓	✓	✓	✓	✓
Trefor Owen Director Wales	✓	X	✓	✓	✓	✓	✓
Dr James Pendlebury Chief Executive, Forest Research Agency	✓	✓	✓	✓	✓	✓	✓
Frank MacCulloch Acting Director Forestry Business Units	✓	✓	✓	✓	✓	✓	✓
Jean Lindsay Director Human Resources	✓	✓	✓	✓	✓	✓	✓
Keith Gliddon Director Finance (until 22 July 2011)	✓	✓	–	–	–	–	–
Paul Snaith Director Finance (from 23 May 2011)	–	–	✓	✓	✓	✓	✓
Simon Hodgson Chief Executive England	✓	✓	✓	X	✓	✓	✓
Wilma Harper Secretary to the Commissioners and Head of Corporate and Forestry Support	✓	✓	✓	✓	✓	✓	✓

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

- The Independent Forestry Panel;
- SR10;
- Forest Research Review and Future Structure;
- Forestry Business Units;
- Forest Holidays;
- Tree Health;
- EU Timber Regulation;
- Professionalism within forestry;
- Health and Safety;
- Staff Survey Results and
- Review of Governance and funding of the Forestry Commission.

Further information on the GB Executive Board is available on our website, www.forestry.gov.uk.

National Committee for England

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

The National Committee for England is responsible for:

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

Members of the National Committee who served during the year, and their attendance, were:

Member	May 2011	July 2011	Sep 2011	Nov 2011	Jan 2012	Mar 2012
Pam Warhurst CBE Non-executive Chair	✓	✓	✓	✓	✓	✓
Sir Harry Studholme Non-executive Commissioner England	✓	✓	✓	✓	✓	✓
Dr Olutayo Adebawale Non-executive Commissioner England	X	✓	✓	✓	✓	✓
Keith Oates Non-executive member	✓	✓	✓	✓	✓	✓
William Weston Non-executive member	✓	✓	✓	✓	✓	✓
Robin Mortimer Non-executive member (Defra)	X	X	✓	X	✓	✓
Tim Rollinson Director General and Deputy Chair	✓	✓	✓	✓	✓	✓
Simon Hodgson Chief Executive England	✓	✓	✓	✓	✓	✓
Brian Mahony Director Forest Enterprise England	✓	✓	✓	✓	✓	✓
Steve Meeks Finance Director, Forestry Commission England	✓	✓	✓	✓	X	✓
Laura Jones Head of Policy and Programmes (until 30 September 2011)	X	✓	✓	–	–	–
Richard Greenhous Director Forest Services (from 5 December 2011)	–	–	–	–	✓	✓

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

- finance;
- tree health and biosecurity;
- the Independent Panel on forestry;
- SR10 Implementation;
- Arms Length Body Joint Working; and
- the Natural Environment White Paper.

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

England Executive Board

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

Members who served on the Board, and their attendance, during the year were:

Member	May 2011	June 2011	July 2011	Sept 2011	Nov 2011	Dec 2011	Feb 2012
Tim Rollinson Director General and Deputy Chair	✓	✓	✓	✓	✓	✓	X
Simon Hodgson Chief Executive England	✓	✓	✓	✓	✓	✓	✓
Laura Jones Head of Policy and Programmes (until 30 September 2011)	✓	✓	✓	✓	–	–	–
Richard Greenhous Director Forest Services (from 5 December 2011)	–	–	–	–	–	✓	✓
Brian Mahony Director, Forest Enterprise England	✓	X	✓	✓	✓	✓	X
Steve Meeks Finance Director, Forestry Commission England	✓	X	✓	✓	✓	✓	✓
Sarah England Human Resources Business Partner	✓	✓	✓	✓	✓	✓	✓
Mark Funnell Head of Communications (from 1 August 2011)	–	–	–	✓	✓	✓	✓
PK Khaira-Creswell Head of Executive Office	✓	X	✓	✓	✓	✓	✓

The England Executive Board addressed a wide range of issues including:

- finance;
- risk management;
- health and safety;
- governance;
- tree health and biosecurity;
- human resources; and
- communications and marketing issues.

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

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

Audit and Risk Committee

The National Committee for England has established an Audit and Risk Committee (ARC) to support it in its responsibilities for the effective management of risk, control and governance. Each of the component parts of the organisation maintain their own risk register which is overseen by their respective ARCs. Great Britain risks are reviewed by the Forestry Commission-wide Audit and Risk Chairs Group. The Chairs Group met on 2 occasions during the year, in September 2011 and March 2012.

Through its work the England ARC provides independent assurance to the National Committee on those key activities which support the achievement of country objectives. Assurance is also provided on the Great Britain element of the Forestry Commission's work through the review of the annual accounts and the findings from work carried out by Internal and External Audit. The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook.

The members of the ARC for England, and their attendance, during the year were:

Member	May 2011	July 2011	Nov 2011	Feb 2012
Sir Harry Studholme Non-exec Commissioner England	✓	✓	✓	✓
Dr Olutayo Adebawale Non-exec Commissioner England	x	✓	✓	✓
Keith Oates Non-exec member England National Committee	✓	✓	✓	✓
William Weston Non-exec member England National Committee	✓	✓	✓	✓

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

- Annual Report and Accounts 2010-11;
- Period 9 Accounts 2011-12;
- External and Internal Audit strategy and reports;
- Information Security;
- Forest Research Risks;
- Finance Staff Resourcing;
- SR10 Implementation;
- The Bribery Act; and,
- RDPE Grant Integration.

Performance

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

The structures also ensure sharing of best practice and discussion of common issues between England, Scotland and Wales. This was enhanced during 2011-12 with an Audit and Risk seminar for all Audit and Risk Committee non-executives across GB, facilitated by an external expert in risk management. The Chair of the England Audit and Risk Committee (ARC) also attends meetings of the other ARC Chairs across the Defra family.

In December 2011 the board and committee arrangements were reviewed against the Cabinet Office and HM Treasury Corporate Governance Code of Good Practice 2011. The conclusion was that we were very closely aligned to the Code. Some minor changes were considered, but in view of imminent fundamental changes to the Forestry Commission and its governance it was decided to defer any changes.

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

Register of interests

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

4. Review of Effectiveness

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

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

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

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

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

The Forestry Commission has also applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances as a Non Ministerial Department, which encourage the adoption of practices set out, where relevant and practical. A review against the 2011 Code was carried out during the year and the results presented to the GB Executive Board in December 2011. This confirmed close alignment with the guidance in the Code and only a few minor issues were noted. These are being kept under review.

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

During the year a risk assessment was conducted on the Forestry Commission's compliance with the Bribery Act 2010 which came into force in July 2011. Although the assessment concluded that the risk posed by bribery to the Forestry Commission is remote and that sufficiently robust procedures are in place to minimise the risk that staff accept bribes, a reminder of our policies on bribery, fraud, whistle blowing and code of conduct was issued to staff.

The Forestry Commission also participated in HM Treasury's 'Managing the Risk of Financial Loss' (MRoFL) initiative, which focussed on end-to-end self-assessments of financial processes to identify where there may be risks of loss. Assessments have been carried out on the high spend areas of Payroll and Procurement, as well as Defra priority areas of Government Procurement Cards and Employee Expenses. Review was also carried out on aspects of Concert Income. During 2012-13, work will focus on completeness of receipts. Processes surrounding timber receipts and further areas of recreation will also be examined. As a member of the Defra MRoFL group, we shall also be working closely with them to review processes surrounding the payments of grants.

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

5. Risk Management

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

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

Forestry Commission Great Britain/England has identified the following principal areas of risk in achieving its aims and objectives:

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

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

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

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

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

Following discussion at the England ARC an internal review of Forestry Commission England's risk management policy and practices was conducted during 2011-12, with the benefit of independent professional advice. Although the review concluded that the system was generally in line with best practice, it recommended strengthening the focus on actions to mitigate risks and enhancing links to Corporate Plan objectives. These recommendations were put in place during 2011-12.

6. Significant Governance Issues

Organisational Change

During 2011-12 Forestry Commission Great Britain/England took on the significant challenge of reduced funding and the consequences for our organisational structure, staffing levels and activities. An SR10 Programme Board provided oversight of the work, with associated structures in each part of the organisation to plan and implement the changes. Negotiation for funding for staff exits within 2011-12 and 2012-13 was successfully conducted with Defra.

Effectively managing the demanding change process, notably the development and consultation on new organisational structures, and ensuring business continuity through a period of significant downsizing, presented a significant challenge throughout 2011-12. As a result new structures will be in place from 1 April 2012, and a sound platform established on which to meet the reduced financial settlement across the SR10 period.

During the year an internal review of the Forestry Business Units was undertaken. As a result it has been agreed that the Business Units will no longer exist as a separate management unit and from 1 April 2012 responsibility for the management of Mechanical Engineering Services will be devolved to the three countries and the management of Plant and Seed Supply Branch will move to England.

Biosecurity

Preserving the health of our trees, woodlands and forests is vital and in the last few years, there have been a number of new and significant tree and plant pests. We have therefore taken a more strategic and joined-up

approach to tree health issues. The Tree Health and Plant Biosecurity Action Plan was launched by Secretary of State for Environment food and Rural Affairs on 18 October 2011. The Action Plan focuses on four key areas of activity: import controls, practical actions, research and communications and public engagement.

The Plan was developed by a partnership comprising the Forestry Commission, with Defra, the Food & Environment Research Agency (Fera), the Devolved Administrations, the forestry and horticultural sectors and non-government organisations (NGOs) to ensure that the UK takes an integrated approach to tackling pests and diseases of trees and woodland ecosystems. The Plan will seek to strengthen import control activity and the regulations that govern plant trade; encourage a culture of biosecurity in the forestry and tree management sector; and open opportunities for civic society to contribute information and take action and raise awareness of plant health.

Forestry Policy

The Independent Panel on Forestry Policy in England has been tasked to advise the Secretary of State for Environment, Food and Rural Affairs on the future direction of forestry and woodland policy in England, and to advise on the role of the Forestry Commission in implementing policy on forestry and woodland in relation to England. The Panel published a Progress Report in December 2011, and will provide a final report to the Secretary of State in July 2012. The uncertainty and potential for impaired decision making in the interim period has been recognised.

Woodland Sales

As part of the SR10 settlement, Forest Enterprise England was asked to progressively reduce its dependence on woodland sales to fund operational costs by the end of the SR10 period. The decision to suspend SR10 woodland sales in February 2011 had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover was made available for 2011-12 following discussion of the financial implications with Defra.

Devolution

In November 2011, the Welsh Government set out its proposals for a new single environment body to be operational by April 2013. The decision of the Welsh Government to take the functions of Forestry Commission Wales into the new single body, the potential for further devolution of forestry in Scotland and the forthcoming report from the Independent Panel, mean that changes to forestry within GB/England are likely but the timing and extent of the change are not yet clear.

Non Executive Succession Planning

Through the period from March 2012 to May 2013, both non-executive England Commissioners, and one of two non-executive England members, will have completed their second term of office and would not normally be reappointed. This high level of turnover in such a short timescale at a time of significant change for Forestry Commission England brings inherent risks to effective governance, and the vacant positions will need to be filled on a timely basis to ensure business continuity.

Information Communication Technology (ICT) infrastructure

There has been significant progress toward the modernisation of the ICT infrastructure, but during this transition period the organisation continues to be dependant on an ICT infrastructure that is ageing, complex and difficult to maintain. This represents a risk to the business operations of the Forestry Commission which will considerably reduce when the new disaster recovery facility is available in the summer of 2012 and the full business systems migration is completed during 2013-14.

Business continuity management

Forestry Commission Great Britain and Central Shared Services have agreed a structured approach to the improvement of business continuity management for those services based in Silvan House in Edinburgh.

There are two main streams being developed – disaster recovery and business continuity planning. The disaster recovery has three strands – ICT, accommodation and communications. Each business area within Silvan House is reviewing and updating their business continuity plans. These will take account of the undertaking from Information Services that, barring disasters, critical business systems can be recovered within five working days.

Information risk management

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

Forestry Commission England have appointed Senior Information Risk Owners who attend quarterly meetings of the Information Security Management Forum (ISMF), chaired by Director Finance Great Britain, which coordinates and controls the implementation of information security across the Forestry Commission. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer and the Information Technology Security Officer.

A policy on protecting information from loss or disclosure outside the Forestry Commission has been published. A Security Culture Change Plan is also in place. Information Asset Owners (IAOs) are in place for those corporate systems holding business critical information, the loss or compromise of which would cause disruption to business operations. We have also identified local Information Asset Owners and will be working with them to assist in production of local asset registers. Online training on Information Assurance was available to all Forestry Commission staff up to the end of March 2012. This is now only available to major departments and we will be working with the ISMF to consider how best to keep up awareness. All laptops are now encrypted and memory sticks used to store or transfer personal or other sensitive information must be pre-encrypted.

Improvements to systems access controls continue to be implemented to ensure that only the appropriate staff have privileged access to systems and data.

Documentation of processes and procedures is continuing to make us less dependent on key staff.

This ongoing work, and our other actions, are reflected in an improved assessment against the Cabinet Office information assurance maturity model.

There were no lapses of data security during 2011-12.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

T.J.D Rollinson
Additional Accounting Officer

15 June 2012

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

I certify that I have audited the financial statements of the Forestry Commission Great Britain/England for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. These financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Forestry Commission, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Forestry Commission's affairs as at 31 March 2012 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE**for the year ended 31 March 2012**

	Note	2011-12		2010-11					
		Staff Costs	Other Costs	Core Income	Staff Costs	Other Costs	Core Income	Staff Costs	Other Costs
		£000	£000	£000	£000	£000	£000	£000	£000
Administration costs:									
Staff costs	3	7,604			7,604			8,159	8,159
Other costs	4		7,845			7,845		14,553	14,553
Income	6			(3,693)		(3,693)		(9,514)	(9,514)
Programme costs:									
Staff costs	3	12,520			21,250			13,434	22,955
Other costs	5		34,115			39,767		25,883	31,844
Income	6			(17,552)		(22,045)		(18,491)	(24,179)
Share of results of associate	10		-			-		-	17
Totals		20,124	41,960	(21,245)	28,854	47,612	(25,738)	34,024	43,835
Net operating cost				40,839		50,728		34,024	43,835
Other Comprehensive Net Expenditure									
Net loss/(gain) on revaluation of property plant and equipment			(29)			261		(75)	2,432
Net loss/(gain) on revaluation of intangible assets			-			-		-	9
Total other comprehensive expenditure/(income) for the year			(29)			261		(75)	2,441
Total comprehensive expenditure			40,810			50,989		33,949	46,276

All income and expenditure are derived from continuing operations.

The notes on pages 57 to 90 form part of these accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

		31 March 2012		31 March 2011		01 April 2010	
	Note	Core £000	Consolidated £000	Core RESTATED £000	Consolidated RESTATED £000	Core RESTATED £000	Consolidated RESTATED £000
Non-current assets							
Property, plant and equipment	8	2,004	12,553	2,374	12,917	2,607	16,106
Intangible assets	9	4,412	4,451	5,739	5,805	6,641	6,762
Financial assets	10	-	14	-	14	-	25
Trade and other receivables	12	109	119	92	125	99	150
Total non-current assets		6,525	17,137	8,205	18,861	9,347	23,043
Current assets							
Inventories	11	123	126	166	169	157	160
Trade and other receivables	12	6,935	8,424	8,753	9,889	6,626	7,531
Cash and cash equivalents	13	3,140	3,145	-	-	13,796	13,818
Total current assets		10,198	11,695	8,919	10,058	20,579	21,509
Total assets		16,723	28,832	17,124	28,919	29,926	44,552
Current liabilities							
Cash and cash equivalents	13	-	-	(2,061)	(2,058)	-	-
Provisions	15	(1,207)	(2,556)	(708)	(1,477)	(549)	(713)
Trade and other payables	14	(13,708)	(15,715)	(9,700)	(11,197)	(24,671)	(26,382)
Total current liabilities		(14,915)	(18,271)	(12,469)	(14,732)	(25,220)	(27,095)
Non-current assets plus/less net current assets/liabilities		1,808	10,561	4,655	14,187	4,706	17,457
Non-current liabilities							
Provisions	15	(1,211)	(1,532)	(1,662)	(2,132)	(823)	(1,254)
Trade and other payables	14	(895)	(895)	(1,146)	(1,146)	(1,302)	(1,302)
Total non-current liabilities		(2,106)	(2,427)	(2,808)	(3,278)	(2,125)	(2,556)
Assets less liabilities		(298)	8,134	1,847	10,909	2,581	14,901
Taxpayers' equity							
General fund	16	(656)	1,722	1,213	4,514	1,955	5,998
Revaluation reserve	16	358	6,412	634	6,395	626	8,903
Total taxpayers' equity		(298)	8,134	1,847	10,909	2,581	14,901

T.J.D Rollinson

Additional Accounting Officer

15 June 2012

The notes on pages 57 to 90 form part of these accounts.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 March 2012

		2011-12	2010-11
	Note	<u>£000</u>	<u>RESTATED</u> £000
Cash flows from operating activities			
Net operating cost		(50,728)	(43,835)
Adjustments for non cash transactions	4/5	5,256	5,405
Transfer of costs	15	-	(54)
Share of results of associate	10	-	17
Timing between accrual and cash VAT	16	(350)	(853)
Non-cash inter-country transfers	16	(582)	147
(Increase) / decrease in inventories	11	43	(9)
(Increase) in trade and other receivables	12	1,471	(2,333)
(Decrease) / increase in trade and other payables	14	4,267	(15,341)
Movements in trade and other payables relating to items not passing through SCNE	14	(5,205)	15,874
Use of provisions	15	(1,678)	(589)
Net cash outflow from operating activities		<u>(47,506)</u>	<u>(41,571)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(876)	(624)
Purchase of intangible assets	9	(518)	(730)
Net cash outflow from investing activities		<u>(1,394)</u>	<u>(1,354)</u>
Cash flows from financing activities			
From the Defra vote		<u>52,045</u>	<u>40,867</u>
Net financing		<u>52,045</u>	<u>40,867</u>
Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		<u>3,145</u>	<u>(2,058)</u>
Receipt / (payment) of amount due from / (to) Defra		2,058	(13,818)
Balance at 31 March		<u>5,203</u>	<u>(15,876)</u>
Cash and cash equivalents at the beginning of the period		<u>(2,058)</u>	<u>13,818</u>
Cash and cash equivalents at the end of the period		<u>3,145</u>	<u>(2,058)</u>

The notes on pages 57 to 90 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

for the year ended 31 March 2012

Note	Core					Consolidated				
	General Fund	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Total	General Fund	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	1,213	634	-	-	1,847	4,514	6,395	-	-	10,909
Changes in taxpayers' equity for 2011-12										
Net operating cost for the year	(40,839)	-	-	-	(40,839)	(50,728)	-	-	-	(50,728)
Internal charges adjustment	16a (8,941)	-	-	-	(8,941)	-	-	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment	-	(29)	-	-	(29)	-	261	-	-	261
Net gain/(loss) on revaluation of financial asset	10 -	-	-	-	-	-	-	-	-	-
Release of reserves to the SCE	11 -	26	-	-	26	-	26	-	-	26
Non-cash charges - auditors remuneration	4/5 60	-	-	-	60	91	-	-	-	91
Non-cash charges - timing between accrual and cash VAT	16a (348)	-	-	-	(348)	(350)	-	-	-	(350)
Non-cash inter-country transfers	16a (586)	-	-	-	(586)	(582)	-	-	-	(582)
Transfer of property, plant and equipment from/to other forestry bodies	16 (312)	(81)	-	-	(393)	(312)	(81)	-	-	(393)
Transfer from revaluation reserve	16 192	(192)	-	-	-	189	(189)	-	-	-
Total recognised income and expense for 2011-12	(50,774)	(276)	-	-	(51,050)	(51,692)	17	-	-	(51,675)
Funding received from Defra vote	16a 52,050	-	-	-	52,050	52,045	-	-	-	52,045
Amounts issued from Defra vote but not spent at year end	16 (3,145)	-	-	-	(3,145)	(3,145)	-	-	-	(3,145)
At 31 March 2012	(656)	358	-	-	(298)	1,722	6,412	-	-	8,134

Consolidated Statement of Changes in Taxpayers' Equity

Note	Core RESTATED					Consolidated RESTATED				
	General Fund	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Total	General Fund	Revaluation Reserve	Donated Asset Reserve	Government Grant Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	1,951	626	4	-	2,581	5,865	8,903	4	129	14,901
Changes in accounting policy	4	-	(4)	-	-	133	-	(4)	(129)	-
Restated balance at 1 April 2010	1,955	626	-	-	2,581	5,998	8,903	-	-	14,901
Changes in taxpayers' equity for 2010-11										
Net operating cost for the year	(34,024)	-	-	-	(34,024)	(43,835)	-	-	-	(43,835)
Internal charges adjustment	16a	(9,215)	-	-	(9,215)	-	-	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment		-	75	-	75	-	(2,438)	-	-	(2,438)
Net gain/(loss) on revaluation of financial asset	10	-	-	-	-	-	6	-	-	6
Net gain/(loss) on revaluation of intangible assets		-	-	-	-	-	(9)	-	-	(9)
Release of reserves to the SCE		-	1	-	1	-	1	-	-	1
Non-cash charges - auditors remuneration	4/5	65	-	-	65	65	-	-	-	65
Non-cash charges - timing between accrual and cash VAT	16a	(857)	-	-	(857)	(853)	-	-	-	(853)
Non-cash charges - intercountry transfers	16a	146	-	-	146	147	-	-	-	147
Transfer of property, plant and equipment from/to other forestry bodies	16	63	(64)	-	(1)	63	(64)	-	-	(1)
Transfer from revaluation reserve	16	4	(4)	-	-	4	(4)	-	-	-
Total recognised income and expense for 2010-11		(43,818)	8	-	(43,810)	(44,409)	(2,508)	-	-	(46,917)
Funding received from Defra vote	16a	41,018	-	-	41,018	40,867	-	-	-	40,867
Amounts issued from Defra vote but not spent at year end	16	2,058	-	-	2,058	2,058	-	-	-	2,058
Balance at 31 March 2011		1,213	634	-	1,847	4,514	6,395	-	-	10,909

The notes on pages 57 to 90 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 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Forestry Commission Great Britain/England for the purpose of giving a true and fair view has been selected. The particular policies selected by Forestry Commission are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

1.1 Accounting convention

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

1.2 Administrative and programme expenditure

The Consolidated Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Prior to 2011-12 the Forestry Commission was exempt from HM Treasury's Administration Budget Regime. From 2011-12 the Forestry Commission is required to comply with the Administration Budget Regime. HM Treasury and Defra determined how the Forestry Commission programme and administration income and expenditure outturn should be recorded to best meet the requirements of the Administration Budget Regime.

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

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

1.3 Funding paid to Forest Enterprise England

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

1.4 Public corporation dividend

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

1.5 Employee benefits

Pensions

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

Performance pay

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

Short-term employee benefits

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

1.6 Contingent liabilities

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

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

1.7 Property, plant and equipment

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

Property, plant and equipment are revalued annually as at 31 March.

Buildings

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

Professionally qualified staff employed by Forestry Commission Great Britain/England undertake a full revaluation of buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land (31 March 2008). 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 2008 and Bidwells, Chartered Surveyors, reviewed this.

Until 31 March 2010, the values of Buildings were restated by internal Chartered Surveyors.

During 2010-11, internal Chartered Surveyors assessed the components of Buildings and determined that there were two distinct categories, buildings valued at market value and buildings valued using Depreciated Replacement Cost (DRC). The valuation as at 31 March 2012 of the market value and DRC building categories was undertaken by Bidwells, Chartered Surveyors. District specific indices were provided by Bidwells based on their knowledge of the market to support properties valued at market value. Additional indices were provided for DRC valued properties based on the Building Cost Information Service (BCIS) All-in Tender Price Index.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Forestry Commission Great Britain/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 Consolidated Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Non-current assets held for sale

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

Plant and machinery

Plant and machinery are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by Forestry Commission Great Britain/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.

Information technology

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

Assets under construction

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

Revaluation reserve

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

1.8 Depreciation

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

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

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

1.9 Land and buildings leased to customers

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

1.10 Government grants receivable

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

1.11 Subsidiaries, associates and joint ventures

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where Forestry Commission Great Britain/England does not exercise in-year budgetary control are accounted for in accordance with paragraph 4.2.4 of the FReM. Where such an investment is in another public sector entity it is reported at historical cost less any impairment. Where an investment is in another entity it is accounted for following the requirements of IAS 39 (see note 1.23).

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

1.12 Inventories

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

1.13 Revenue recognition

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

1.14 Leases

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

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

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

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

1.15 Grants payable

Grants payable to individuals and bodies by Great Britain/England in accordance with its statutory powers and duties are accounted for as they are approved for payment. No provision is made in the financial statements for grant offers made but not yet approved for payment, although they are quantified in note 21.

1.16 European Union (EU) funding

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

1.17 Provisions

Forestry Commission Great Britain/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 cashflows are discounted using the real rate set by HM Treasury.

1.18 Value Added Tax (VAT)

The Forestry Commission is registered for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Consolidated Statement of Comprehensive Net Expenditure is net of VAT. The Forestry Commission accounts for VAT on a Great Britain basis with any VAT due to or from HM Revenue and Customs at the year end included in the Forestry Commission Great Britain/England accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure in the year in which it is incurred.

1.19 Segmental reporting

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

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

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

(b) Transactions and balances

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

1.21 Intangible assets

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

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

Software licences

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

Information Technology and Development Expenditure

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

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

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

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

1.22 Impairment of non-financial assets

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

1.23 Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

Financial assets are recognised when Forestry Commission Great Britain/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 Commission Great Britain/England has transferred substantially all risks and rewards of ownership.

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

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

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

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that Forestry Commission Great Britain/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 Consolidated Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Consolidated Statement of Comprehensive Net Expenditure.

(c) Available-for-sale financial assets

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

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

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

1.24 Cash and cash equivalents

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

1.27 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2012 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

1.28 Effective for future Financial Years

The following IFRSs, IFRIC Interpretations and Amendments, applicable to Forestry Commission Great Britain/England, have been issued but are not yet effective and have not been adopted early.

IFRS 9 Financial Instruments (effective 1 January 2013) – IFRS 9 replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets. The Forestry Commission will undertake an assessment of the impact of IFRS 9 once the new requirements are established.

IFRS 10 Consolidated Financial Statements (effective 1 January 2013) – IFRS 10 replaces IAS 27 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The impact of IFRS 10 will be assessed prior to the effective date.

IFRS 11 Joint Arrangements (effective 1 January 2013) – IFRS 11 replaces IAS 31 and establishes requirements for the presentation and preparation of financial reporting by parties to a joint arrangement. The impact of IFRS 11 will be assessed prior to the effective date.

IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2013) – IFRS 12 applies to entities with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The impact of IFRS 12 will be assessed prior to the effective date.

IFRS 13 Fair Value (effective 1 January 2013) – IFRS 13 defines Fair Value, sets out a framework for its measurement and associated disclosures. The impact of IFRS 13 will be assessed prior to the effective date.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Forest Research Agency development activities

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

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

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

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

			2011-12	2010-11
	Total	Permanently employed staff	Others	Total
	£000	£000	£000	£000
Forestry Commission England				
Wages and salaries	6,784	6,784	-	7,475
Social security costs	530	530	-	579
Other pension costs	1,244	1,244	-	1,359
Agency staff	162	-	162	204
Inward secondments	7	7	-	13
Total net costs	8,727	8,565	162	9,630
Forestry Commission Great Britain				
Wages and salaries	1,652	1,652	-	1,680
Social security costs	132	132	-	137
Other pension costs	269	269	-	295
Total net costs	2,053	2,053	-	2,112
Forestry Commission Central Shared Services				
Wages and salaries	7,432	7,432	-	8,146
Social security costs	579	579	-	623
Other pension costs	1,327	1,327	-	1,477
Agency staff	47	-	47	73
Capitalised Costs	(41)	(41)	-	(468)
Sub-total	9,344	9,297	47	9,851
Less recoveries in respect of outward secondments	-	-	-	-
Total net costs	9,344	9,297	47	9,851
Forestry Commission Great Britain/England Core Department				
Total costs per SCNE	20,124	19,915	209	21,593
Total net costs	20,124	19,915	209	21,593
Forest Research				
Wages and salaries	6,922	6,578	344	7,612
Social security costs	545	519	26	583
Other pension costs	1,263	1,210	53	1,321
Agency staff	-	-	-	5
Total net costs	8,730	8,307	423	9,521
Forestry Commission Great Britain/England Consolidated Department				
Total costs per SCNE	28,854	28,222	632	31,114
Total net costs	28,854	28,222	632	31,114

Staff costs comprise Forestry Commission England and staff employed on a Great Britain basis, which includes Great Britain, Central Shared Services and Forest Research, to provide support to Forestry Commission activities in all three countries and to its agencies.

£41,000 (2010-11: £468,000) of the Forestry Commission Great Britain/England consolidated department total net costs has been charged to capital.

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

For 2011-12, employers' contributions of £3,871,000 were payable to the PCSPS (2010-11: £4,147,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 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 £12,100 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £900 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

1 individual retired early on ill health grounds (2010-11: 1); the total additional accrued pension liabilities in the year amounted to £2,500 (2010-11: £3,200).

Staff had the opportunity to apply for a Voluntary Early Retirement scheme in 2011-12. The results of this scheme are incorporated into note 4 (d) within the Compensation for loss of office section.

3 (b) Average number of persons employed

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

	2011-12	2010-11	
	Permanently - employed staff	Others	Total
	Total number	number	number
England	212	13	232
Great Britain	492	39	551
Great Britain/England consolidated department total	704	52	783

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

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

Each scheme is subject to conditions and financial limits.

Forestry Commission Great Britain/England had house purchase loans totaling £130,000 outstanding at 31 March 2012 relating to 12 employees (2010-11: £142,000 relating to 15 employees). The core department had house purchase loans totaling £120,000 outstanding at 31 March 2012 relating to 11 employees (2010-11: £106,000 relating to 13 employees). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

3 (d) Compensation for loss of office

101 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2012 (2010-11:35). They received a compensation payment of £3,749,987.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (2010-11: nil)	12 (2010-11: 5)	12 (2010-11: 5)
£10,000 - £25,000	- (2010-11: nil)	32 (2010-11: 2)	32 (2010-11: 2)
£25,000 - £50,000	- (2010-11: nil)	30 (2010-11: 7)	30 (2010-11: 7)
£50,000 - £100,000	- (2010-11: nil)	23 (2010-11: 14)	23 (2010-11: 14)
£100,000- £150,000	- (2010-11: nil)	4 (2010-11: 6)	4 (2010-11: 6)
£150,000- £200,000	- (2010-11: nil)	- (2010-11: nil)	- (2010-11: nil)
£200,000- £250,000	- (2010-11: nil)	- (2010-11: 1)	- (2010-11: 1)
Total number of exit packages	- (2010-11: nil)	101 (2010-11: 35)	101 (2010-11: 35)
Total resource cost / £	£0 (2010-11: nil)	£3,749,987 (2010-11: £2,258,035)	£3,749,987 (2010-11: £2,258,035)

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

NOTE 4 ADMINISTRATION COSTS

	Core	2011-12 Consolidated	Core RESTATED	2010-11 Consolidated RESTATED
	£000	£000	£000	£000
Staff transfers	154	154	230	230
Computer costs	107	107	32	32
Travel and subsistence	428	428	451	451
Accommodation	653	653	791	791
Communication	34	34	149	149
Training	84	84	101	101
Premature retirement costs	219	219	-	-
Losses and compensation	28	28	4	4
Legal expenses	38	38	18	18
Partnership and Publicity	5,075	5,075	10,765	10,765
Private Woodland Grants	553	553	1,152	1,152
Other	373	373	795	795
	7,746	7,746	14,488	14,488
Non cash items				
Notional audit fees - audit work	60	60	65	65
Losses/(gains) on disposal of property, plant and equipment	13	13	-	-
Release from Revaluation Reserve	26	26	-	-
	99	99	65	65
Total	7,845	7,845	14,553	14,553

Prior to 2011-12 the Forestry Commission was exempt from HM Treasury's Administration Budget Regime. From 2011-12 the Forestry Commission is required to comply with the Administration Budget Regime. HM Treasury and Defra determined how the Forestry Commission administration expenditure outturn should be recorded to best meet the requirements of the Administration Budget Regime. The analysis above reflects the administration costs agreement with Defra for 2011-12 and the 2010-11 figures have been restated on a comparable basis.

NOTE 5 PROGRAMME COSTS

	Core	2011-12 Consolidated	Core RESTATED	2010-11 Consolidated RESTATED
	£000	£000	£000	£000
Staff transfers	189	215	226	266
Computer costs	4,071	4,130	3,311	3,385
Travel and subsistence	647	1,068	738	1,253
Accommodation	1,025	1,825	886	1,714
Communication	1,784	1,838	1,166	1,282
Training	246	294	294	370
Premature retirement costs	1,877	2,740	624	825
Losses and compensation	4	(35)	10	37
Legal expenses	93	116	142	261
Partnership and Publicity	1,382	3,077	1,796	1,796
Funding to Forest Enterprise England	14,600	14,600	7,893	7,893
Cash audit fee - Forest Research	-	-	-	31
Other	1,757	2,050	2,192	4,551
	27,675	31,918	19,278	23,664
Rentals under operating leases:				
Hire of plant and machinery	111	111	174	174
Other operating leases	1,992	1,992	1,893	1,893
	2,103	2,103	2,067	2,067
Research and development expenditure:	589	589	774	774
Non cash items				
Notional audit fees - Forest Research	-	31	-	-
Depreciation of property, plant and equipment	558	1,176	578	1,291
Amortisation of intangible assets	1,634	1,661	1,633	1,680
Losses/(gains) on disposal of property, plant and equipment	-	7	8	15
Impairment	125	125	68	68
Provisions				
Provided in year	1,530	2,250	1,686	2,537
Provisions not required written back	(41)	(40)	(50)	(50)
Unwinding of discount	(58)	(53)	(159)	(202)
	3,748	5,157	3,764	5,339
Total	34,115	39,767	25,883	31,844

NOTE 6 INCOME

	2011-12		2010-11	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
Administration Income				
Project and partnership income	3,582	3,582	9,395	9,395
Other income	111	111	119	119
Total	3,693	3,693	9,514	9,514
Programme Income				
EU receipts	-	628	-	709
Other income	1,623	5,488	1,973	6,952
Income from operating leases	-	-	5	5
Shared Services				
Income from Scotland	7,330	7,330	7,533	7,533
Income from Wales	2,932	2,932	3,333	3,333
Income from Forest Enterprise England	5,667	5,667	5,647	5,647
	17,552	22,045	18,491	24,179
Total	21,245	25,738	28,005	33,693

Prior to 2011-12 the Forestry Commission was exempt from HM Treasury's Administration Budget Regime. From 2011-12 the Forestry Commission is required to comply with the Administration Budget Regime. HM Treasury and Defra determined how the Forestry Commission programme and administration income outturn should be recorded to best meet the requirements of the Administration Budget Regime. The analysis above reflects the administration and programme income agreement with Defra for 2011-12 and the 2010-11 figures have been restated on a comparable basis.

On consolidation, the internal income received by central shared services from Forestry Commission Great Britain £4,608,000 (2010-11: £4,355,000), Forestry Commission England £2,522,000 (2010-11: £2,355,000) and Forest Research £853,000 (2010-11: £892,000) was removed from programme income.

Seven areas of work are identified as shared services:

- Finance and accounting services
- Information services
- Human resources, including learning and development
- Communications
- Inventory forecasting and operational support services
- Internal audit
- Business sustainability

For each of the major shared services, a service board composed of 'intelligent buyers' from the countries, Forest Research and the service provider have joint accountability for the operation to ensure the needs of the customer and the wider organisation are met. Charges were made at regular intervals during the year with any non-material balances left with the service provider.

Business units covering mechanical and civil engineering and nurseries charge for their services under service level agreements agreed with their own service board. Expenditure was accounted for in each country at the time it was incurred.

The Forest Research Agency undertook a significant proportion of the Forestry Commission's overall annual research programme in the form of specifically commissioned projects to deliver agreed outputs. A separate annual charge was agreed for each project based on full cost recovery. Costs established in one year are used

to determine project charges for future years. The Agency also provided research and survey services for Forest Enterprise England and other parts of the Forestry Commission on a full cost recovery basis. All EU receipts generated by Forest Research are entirely used to fund the entity's own expenditure.

All income from operating leases is from buildings that are sub-leased and not owned by Forestry Commission Great Britain/England. Details are shown at note 23.

NOTE 7 ANALYSIS OF NET OPERATING COST BY SPENDING BODY

	Resource Budget	2011-12 Outturn	2010-11 Outturn RESTATED
	£000	£000	£000
Forest Commission Great Britain/England	50,971	49,780	43,240
Forest Research Agency	691	948	595
Net Operating Cost	51,662	50,728	43,835

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	Land £000	Buildings £000	Plant & Machinery £000	OME £000	Total £000
Valuation :					
At 1 April 2011	1,651	14,324	3,687	2,298	21,960
Additions	-	31	404	441	876
Disposals	-	(84)	(365)	(411)	(860)
Transfers / reclassifications	-	(566)	(13)	35	(544)
Revaluations	65	312	93	2	472
At 31 March 2012	1,716	14,017	3,806	2,365	21,904
Depreciation :					
At 1 April 2011	-	6,083	1,851	1,109	9,043
Charged in year	-	335	416	425	1,176
Disposals	-	(68)	(370)	(403)	(841)
Transfers / reclassifications	-	(254)	(15)	31	(238)
Revaluations	-	182	29	-	211
At 31 March 2012	-	6,278	1,911	1,162	9,351
Net Book Value :					
At 31 March 2012	1,716	7,739	1,895	1,203	12,553
At 31 March 2011	1,651	8,241	1,836	1,189	12,917
Asset Financing :					
Owned	1,716	7,739	1,618	1,203	12,276
Finance leased	-	-	277	-	277
Net Book Value at 31 March 2012	1,716	7,739	1,895	1,203	12,553

Land and Buildings were valued as at 31 March 2008 by professionally qualified staff employed by the Forestry Commission and approved by Mr Mark Thornycroft, FRICS who is Head of Estates. The results of this valuation were also subject to professional review by Bidwells, Chartered Surveyors. The next professional

valuation is due on 31 March 2013. In the intervening years, the assets are revalued using the indices detailed in note 1.7.

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

Office machinery and equipment assets were restated to a current value of £1,203,000 as at 31 March 2012 using an index provided by the ONS.

Depreciation expense of £1,176,000 (2010-11: £1,291,000) has been charged in other programme costs in the Consolidated Statement of Comprehensive Net Expenditure.

	<u>Land</u> £000	<u>Buildings</u> £000	<u>Plant & Machinery</u> £000	<u>OME</u> £000	<u>Total</u> £000
Valuation :					
At 1 April 2010	2,038	13,691	3,509	3,001	22,239
Additions	-	5	308	311	624
Disposals	-	-	(535)	(887)	(1,422)
Transfers / reclassifications	-	-	44	(1)	43
Revaluations	(387)	628	361	(126)	476
At 31 March 2011	<u>1,651</u>	<u>14,324</u>	<u>3,687</u>	<u>2,298</u>	<u>21,960</u>
Depreciation :					
At 1 April 2010	-	2,864	1,681	1,588	6,133
Charged in year	-	453	403	435	1,291
Disposals	-	-	(522)	(883)	(1,405)
Transfers / reclassifications	-	-	47	(1)	46
Revaluations	-	2,766	242	(30)	2,978
At 31 March 2011	<u>-</u>	<u>6,083</u>	<u>1,851</u>	<u>1,109</u>	<u>9,043</u>
Net Book Value :					
At 31 March 2011	<u>1,651</u>	<u>8,241</u>	<u>1,836</u>	<u>1,189</u>	<u>12,917</u>
At 1 April 2010	<u>2,038</u>	<u>10,827</u>	<u>1,828</u>	<u>1,413</u>	<u>16,106</u>
Asset Financing :					
Owned	1,651	8,241	1,533	1,189	12,614
Finance leased	-	-	303	-	303
Net Book Value at 31 March 2011	<u>1,651</u>	<u>8,241</u>	<u>1,836</u>	<u>1,189</u>	<u>12,917</u>

Analysis of property, plant and equipment:

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

	<u>Land</u> £000	<u>Buildings</u> £000	<u>Plant & Machinery</u> £000	<u>OME</u> £000	<u>Total</u> £000
Core at 31 March 2012	-	563	262	1,179	2,004
Agency at 31 March 2012	<u>1,716</u>	<u>7,176</u>	<u>1,633</u>	<u>24</u>	<u>10,549</u>
Core at 31 March 2011	-	961	295	1,118	2,374
Agency at 31 March 2011	1,651	7,280	1,541	71	10,543
Core at 31 March 2010	-	1,020	326	1,261	2,607
Agency at 31 March 2010	2,038	9,807	1,502	152	13,499

NOTE 9 INTANGIBLE ASSETS

	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2011	2,829	10,385	42	13,256
Additions	45	387	86	518
Disposals	(949)	-	-	(949)
Transfers	-	-	(86)	(86)
Impairment	-	(125)	-	(125)
At 31 March 2012	1,925	10,647	42	12,614
Amortisation:				
At 1 April 2011	2,139	5,312	-	7,451
Provided during year	266	1,395	-	1,661
Disposals	(949)	-	-	(949)
Transfers	-	-	-	-
Revaluation to current prices	-	-	-	-
At 31 March 2012	1,456	6,707	-	8,163
Net Book Value :				
At 31 March 2012	469	3,940	42	4,451
At 31 March 2011	690	5,073	42	5,805

	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Cost or valuation:				
At 1 April 2010	2,766	9,914	-	12,680
Additions	217	471	42	730
Disposals	(134)	-	-	(134)
Transfers	(3)	-	-	(3)
Revaluation to current prices	(17)	-	-	(17)
At 31 March 2011	2,829	10,385	42	13,256
Amortisation:				
At 1 April 2010	2,026	3,892	-	5,918
Provided during year	260	1,420	-	1,680
Disposals	(134)	-	-	(134)
Transfers	(4)	-	-	(4)
Revaluation to current prices	(9)	-	-	(9)
At 31 March 2011	2,139	5,312	-	7,451
Net Book Value :				
At 31 March 2011	690	5,073	42	5,805
At 31 March 2010	740	6,022	-	6,762

Analysis of intangible assets:

The net book value of intangible assets comprises:

	Software Licenses	Information Technology	Development Expenditure	Total
	£000	£000	£000	£000
Core at 31 March 2012	430	3,940	42	4,412
Agency at 31 March 2012	39	-	-	39
Core at 31 March 2011	624	5,073	42	5,739
Agency at 31 March 2011	66	-	-	66
Core at 31 March 2010	619	6,022	-	6,641
Agency at 31 March 2010	121	-	-	121

Amortisation of £1,661,000 (2010-11: £1,680,000) is included in other programme costs in the statement of Comprehensive Net Expenditure.

The Grants and Licences Online System (GLOS) has been capitalised and included within the Information Technology asset class. The carrying amount at 31 March 2012 is £3,940,000 and is being amortised over 7 years.

NOTE 10 FINANCIAL ASSETS

The investment in C-Cure Ltd at 31 March is as follows:

	<u>Core</u> <u>£000</u>	<u>31 March 2012</u> <u>Consolidated</u> <u>£000</u>	<u>Core</u> <u>£000</u>	<u>31 March 2011</u> <u>Consolidated</u> <u>£000</u>
Valuation:				
At 1 April	-	14	-	25
Addition (at cost)	-	-	-	-
Share of loss	-	-	-	(17)
Revaluations	-	-	-	6
At 31 March	-	14	-	14

The operating results for C-Cure for the financial year:-

	<u>2011-12</u> <u>£000</u>	<u>2010-11</u> <u>£000</u>
Operating Loss	-	(50)
Forest Research share	-	(17)

C-Cure Solutions Ltd is a spin-out company launched with the University of Surrey during 2009-10, in the area of land remediation. Until March 2011, Forest Research and the University of Surrey each owned 33.4% of the company and the inventors owned the remaining 33.2%. Genomia Management Ltd invested £100,000 for 107 shares in the company in March 2011. The shareholdings changed at this point. Forest Research now owns 30.93%, the University of Surrey 30.92%, the inventors 28.12% and Genomia 10.03%. C-Cure Solutions Ltd has its registered office at 25 Wakehurst Place, Rustington, West Sussex, BN18 3NG.

Dr James Pendlebury, Chief Executive – Forest Research Agency, represents Forest Research as a Director of the Company, for which he receives no personal payments.

NOTE 11 INVENTORIES

	<u>Core</u> <u>£000</u>	<u>31 March 2012</u> <u>Consolidated</u> <u>£000</u>	<u>Core</u> <u>£000</u>	<u>31 March 2011</u> <u>Consolidated</u> <u>£000</u>	<u>Core</u> <u>£000</u>	<u>01 April 2010</u> <u>Consolidated</u> <u>£000</u>
Priced Publications	123	126	166	169	157	160
Total	123	126	166	169	157	160

NOTE 12 TRADE AND OTHER RECEIVABLES**12(a) Analysis by type**

	31 March 2012		31 March 2011		01 April 2010	
	Core £000	Consolidated £000	Core £000	Consolidated £000	Core £000	Consolidated £000
Current						
Trade receivables	1,135	1,916	2,195	2,712	2,413	2,668
Less: provision for impairment of trade receivables	(129)	(129)	(105)	(105)	(103)	(103)
Trade receivables - net	<u>1,006</u>	<u>1,787</u>	<u>2,090</u>	<u>2,607</u>	<u>2,310</u>	<u>2,565</u>
VAT	3,112	3,112	2,675	2,676	1,964	1,964
Other receivables	122	122	35	35	71	71
House purchase loans to employees	11	11	14	17	13	20
Prepayments and accrued income	2,684	3,392	1,881	2,496	2,268	2,911
Amounts due from Defra vote but not received at the year end	-	-	2,058	2,058	-	-
Total current receivables	<u>6,935</u>	<u>8,424</u>	<u>8,753</u>	<u>9,889</u>	<u>6,626</u>	<u>7,531</u>
Non-current						
House purchase loans to employees	109	119	92	125	99	150
Total non-current receivables	<u>109</u>	<u>119</u>	<u>92</u>	<u>125</u>	<u>99</u>	<u>150</u>
Total receivables	<u>7,044</u>	<u>8,543</u>	<u>8,845</u>	<u>10,014</u>	<u>6,725</u>	<u>7,681</u>

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

As of 31 March 2012, £134,000 of the £1,787,000 total trade receivables (2010-11: £1,004,000 of £2,607,000) were fully performing and not past due or impaired and provided for.

Trade receivables of £1,653,000 (2010-11: £1,708,000) were past due but not impaired as of 31 March 2012. These relate to a number of customers for whom there is no recent history of default.

12(b) Intra-government balances

	Current			Non-current		
	31 March 2012 £000	31 March 2011 £000	01 April 2010 £000	31 March 2012 £000	31 March 2011 £000	01 April 2010 £000
Balances with other central government bodies	323	3,090	131	-	-	-
Balances with local authorities	15	3	60	-	-	-
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Intra-government balances	<u>338</u>	<u>3,093</u>	<u>191</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	8,086	6,796	7,340	119	125	150
Total receivables at 31 March	<u>8,424</u>	<u>9,889</u>	<u>7,531</u>	<u>119</u>	<u>125</u>	<u>150</u>

NOTE 13 CASH AND CASH EQUIVALENTS

	Core	31 March 2012	Core	31 March 2011
	£000	Consolidated	£000	Consolidated
	£000	£000	£000	£000
Balance at 1 April	(2,061)	(2,058)	13,796	13,818
Net change in cash and cash equivalent balances	5,201	5,203	(15,857)	(15,876)
Balance at 31 March	3,140	3,145	(2,061)	(2,058)

	Core	31 March 2012	Core	31 March 2011
	£000	Consolidated	£000	Consolidated
	£000	£000	£000	£000
The following balances are held at:				
Balance with the Government Banking Service	3,140	3,140	(2,061)	(2,061)
Cash at commercial banks and cash in hand	-	5	-	3
Total	3,140	3,145	(2,061)	(2,058)

NOTE 14 TRADE AND OTHER PAYABLES**14(a) Analysis by type**

	Core	31 March 2012	Core	31 March 2011	Core	01 April 2010
	£000	Consolidated	£000	Consolidated	£000	Consolidated
	£000	£000	£000	£000	£000	£000
Current						
Other taxation and social security	207	303	73	107	3,701	3,742
Trade payables	4,840	5,057	6,655	7,048	3,065	3,208
Other payables	1,900	1,900	383	383	57	57
Accruals and deferred income	3,138	4,168	2,375	2,912	3,219	3,904
Current part of finance leases	89	89	83	83	104	104
Payments received on account	389	1,053	131	664	707	1,549
Amounts issued from Defra vote but not spent at year end	3,145	3,145	-	-	13,818	13,818
Total current	13,708	15,715	9,700	11,197	24,671	26,382
Non current						
Finance leases	89	89	84	84	129	129
Payments received on account	397	397	416	416	366	366
Deferred income	409	409	646	646	807	807
Total non current	895	895	1,146	1,146	1,302	1,302
Total payables	14,603	16,610	10,846	12,343	25,973	27,684

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

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

	31 March 2012	31 March 2011	01 April 2010
	£000	£000	£000
GBP Sterling	16,283	12,310	27,508
Euro	304	23	165
US Dollar	23	10	11
	16,610	12,343	27,684

Amounts held in Forest Research bank accounts on behalf of partners in European Commission projects at 31 March 2012 was £94,000 (2010-11: £49,000). This has subsequently all been transferred to the partners concerned. Refer to note 28.

14(b) Intra-government balances

	31 March 2012	31 March 2011	Current	31 March 2012	31 March 2011	Non-current
	£000	£000	01 April 2010	£000	£000	01 April 2010
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	3,416	3,671	13,835	-	-	-
Balances with local authorities	-	96	220	-	-	-
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	-	2	206	-	-	-
Intra-government balances	3,416	3,769	14,261	-	-	-
Balances with bodies external to government	12,299	7,428	12,121	895	1,146	1,302
Total payables at 31 March	15,715	11,197	26,382	895	1,146	1,302

NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2010	1,274	98	1,372	1,869	98	1,967
Provided in year	1,636	50	1,686	1,920	617	2,537
Provisions not required written back	(6)	(44)	(50)	(6)	(44)	(50)
Transfers	-	(54)	(54)	-	(54)	(54)
Utilised in the year	(425)	-	(425)	(589)	-	(589)
Unwinding of discount	(159)	-	(159)	(202)	-	(202)
At 1 April 2011	2,320	50	2,370	2,992	617	3,609
Provided in year	1,539	-	1,539	2,260	-	2,260
Provisions not required written back	-	(50)	(50)	-	(50)	(50)
Transfers	-	-	-	-	-	-
Utilised in the year	(1,383)	-	(1,383)	(1,638)	(40)	(1,678)
Unwinding of discount	(58)	-	(58)	(53)	-	(53)
At 31 March 2012	2,418	-	2,418	3,561	527	4,088

Analysis of expected timing of discounted cash flows:

	Core			Consolidated		
	Early departure costs	Other Provisions	Total	Early departure costs	Other Provisions	Total
	£000	£000	£000	£000	£000	£000
Not later than one year	1,207	-	1,207	2,029	527	2,556
Later than one year and not later than five years	1,080	-	1,080	1,366	-	1,366
Later than five years	131	-	131	166	-	166
At 31 March 2012	2,418	-	2,418	3,561	527	4,088

Early Departure Costs

Forestry Commission Great Britain/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 Commission Great Britain/England provides for this in full when the early retirement programme becomes binding on Forestry Commission Great Britain/England by establishing a provision for the estimated payments.

Other Provisions

In 2010-11, Forest Research Agency made full provision for the potential reclaim of monies from the EU for a research programme undertaken during 2005 to 2008. The balance on this provision amounted to £527,000 at 31 March 2012.

NOTE 16 TAXPAYERS' EQUITY**16(a) General fund**

	31 March 2012		31 March 2011	
	Core	Consolidated	Core RESTATED	Consolidated RESTATED
	£000	£000	£000	£000
At 1 April	1,213	4,514	1,951	5,865
Opening Balance Adjustment			4	133
Adjusted Opening Balance	<u>1,213</u>	<u>4,514</u>	<u>1,955</u>	<u>5,998</u>
Net operating cost for the year	(40,839)	(50,728)	(34,024)	(43,835)
Internal charges adjustment	(8,941)	-	(9,215)	-
Notional auditors remuneration	60	91	65	65
Timing between accrual and cash VAT	(348)	(350)	(857)	(853)
Non-cash inter-country transfers	(586)	(582)	146	147
Transfer of property, plant and equipment from/to other forestry bodies	(312)	(312)	63	63
Transfer from revaluation reserve	192	189	4	4
Funding received from Defra vote	52,050	52,045	41,018	40,867
Amounts issued from Defra vote but not yet received / (spent) at year end	(3,145)	(3,145)	2,058	2,058
At 31 March	<u>(656)</u>	<u>1,722</u>	<u>1,213</u>	<u>4,514</u>

16(b) Revaluation reserve

	31 March 2012		31 March 2011	
	Core	Consolidated	Core	Consolidated
	£000	£000	£000	£000
At 1 April	634	6,395	626	8,903
Arising on revaluation during the year	(29)	261	75	(2,441)
Realised element of revaluation reserve	(192)	(189)	(4)	(4)
Transfer of property, plant and equipment from/to other forestry bodies	(81)	(81)	(64)	(64)
Write-off	26	26	1	1
At 31 March	<u>358</u>	<u>6,412</u>	<u>634</u>	<u>6,395</u>

NOTE 17 FINANCIAL INSTRUMENTS**17(a) Financial instruments by category**

	31 March 2012			31 March 2011		
	Loans and receivables	Available for Sale	Total	Loans and receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Assets as per the Statement of Financial Position						
Available for sale financial assets	-	14	14	-	14	14
Trade and other receivables	2,039	-	2,039	2,784	-	2,784
Cash and cash equivalents	-	-	-	-	-	-
Total	2,039	14	2,053	2,784	14	2,798

	31 March 2012		31 March 2011	
	Other financial liabilities	Total	Other financial liabilities	Total
	£000	£000	£000	£000
Liabilities as per the Statement of Financial Position				
Finance lease liabilities	178	178	167	167
Cash and cash equivalents			(2,058)	(2,058)
Trade and other payables excluding statutory liabilities	11,228	11,228	10,317	10,317
Total	11,406	11,406	8,426	8,426

17(b) Exposure to risk

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

- Credit risk: the possibility that other parties might fail to pay amounts due;
- Liquidity risk: the possibility that Forestry Commission Great Britain/England might not have funds available to meet its commitments to make payments; and
- Market risk: the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

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

i) Credit risk

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

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

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

ii) Liquidity risk

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

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

	Less than 1 year	Between 1 and 5 years	Over 5 years
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 31 March 2012			
Finance lease liabilities	89	89	-
Trade and other payables excluding statutory liabilities	11,228	-	-
Total	11,317	89	-

	Less than 1 year	Between 1 and 2 years	Over 5 years
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 31 March 2011			
Finance lease liabilities	82	84	-
Trade and other payables excluding statutory liabilities	10,317	-	-
Total	10,399	84	-

iii) Market risk

Forestry Commission Great Britain/England has no powers to borrow or invest surplus funds. Financial assets and liabilities are generally generated by day-to-day operational activities and are not held to manage the risks facing Forestry Commission Great Britain/England in undertaking its activities. However, under the Regulatory Reform (Forestry) Order 2006, with Treasury approval, Forestry Commission Great Britain/England may form or participate in the forming of, a body corporate, invest in a body corporate and provide loans. Forestry Commission Great Britain/England may also exploit any intellectual property arising from research.

(1) Cash flow and fair value interest rate risk

Forestry Commission Great Britain/England has no significant interest bearing assets or liabilities and as such income and expenditure cashflows are substantially independent of market interest rates.

(2) Foreign Currency Risk

The Forest Research Agency is exposed to foreign exchange rates through a bank account denominated in Euros and through contracts which are denominated in Euros and US Dollars. However, contract income denominated in Euros and US Dollars forms only 3% of the Agency's total income. Therefore, fluctuations in exchange rates do not have a significant impact on financial position.

17(c) Capital risk management

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

17(d) Fair value estimation

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

NOTE 18 SEGMENTAL INFORMATION

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

NOTE 19 CAPITAL COMMITMENTS

There were no contracted capital commitments at 31 March 2012 (2010-11: £nil).

NOTE 20 COMMITMENTS UNDER LEASES**Operating leases**

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

	Core	31 March 2012	Core	31 March 2011
	£000	Consolidated	£000	Consolidated
	£000	£000	£000	£000
Obligations under operating leases for the following periods comprise:				
Land				
Not later than one year	-	2	-	2
Later than one year and not later than five years	-	8	-	10
More than five years	-	-	-	-
Total	-	10	-	12
Buildings				
Not later than one year	2,351	2,352	2,346	2,347
Later than one year and not later than five years	9,402	9,407	9,277	9,283
More than five years	13,461	13,461	17,752	17,752
Total	25,214	25,220	29,375	29,382
Other leases				
Not later than one year	38	46	250	250
Later than one year and not later than five years	26	39	198	198
More than five years	-	-	-	-
Total	64	85	448	448

Building lease rentals include irrecoverable VAT.

Finance Leases

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

	Core	31 March 2012	Core	31 March 2011
	£000	Consolidated	£000	Consolidated
	£000	£000	£000	£000
Obligations under finance leases for the following periods comprise:				
Plant and Machinery				
Not later than one year	96	96	89	89
Later than one year and not later than five years	95	95	90	90
More than five years	-	-	-	-
	191	191	179	179
Less: interest element	(13)	(13)	(13)	(13)
Present value of obligations	178	178	166	166

NOTE 21 OTHER FINANCIAL COMMITMENTS**Planting and replanting grants**

At 31 March 2012 installments of planting and replanting grants amounting to £0.0176 million (2010-11: £0.14 million).

Existing woodlands

Forestry Commission England was committed under draft and signed contracts to the payment of future installments of grants which support existing woodlands amounting to £1.183 million at 31 March 2012 (2010-11: £1.48 million).

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

	2011-12		2010-11		01 April 2010	
	<u>Core</u> £000	<u>Consolidated</u> £000	<u>Core</u> £000	<u>Consolidated</u> £000	<u>Core</u> £000	<u>Consolidated</u> £000
Not later than one year	395	395	568	568	2,000	2,000
Later than one year and not later than five years	806	806	906	906	1,700	1,700
More than five years	-	-	150	150	-	-
	1,201	1,201	1,624	1,624	3,700	3,700

NOTE 22 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There were no contingent liabilities as at 31 March 2012 (2010-11: two).

NOTE 23 OPERATING LEASE RECEIVABLES

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

	31 March 2012		31 March 2011	
	<u>Core</u> £000	<u>Consolidated</u> £000	<u>Core</u> £000	<u>Consolidated</u> £000
Not later than one year	1,014	1,014	646	646
Later than one year and not later than five years	2,119	2,119	1,791	1,791
More than five years	1,591	1,591	1,335	1,335
	4,724	4,724	3,772	3,772

The Forestry Commission sub-leased parts of two buildings to three 3rd parties under agreements which will terminate in March 2014, October 2020, and August 2022.

NOTE 24 LOSSES AND SPECIAL PAYMENTS

	Number	2011-12 £000	Number	2010-11 £000
Losses total	6	6	16	19
Special Payments total	3	36	1	153
	9	42	17	172

NOTE 25 CONSOLIDATED RELATED PARTY TRANSACTIONS

Forestry Commission England's Public Corporation Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England provided an annual subsidy limit of £14,600,000 to Forest Enterprise England.

In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are HM Treasury, UK Co-ordinating Body, the Paymaster General's Office, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, the Department for Communities and Local Government, the North West Development Agency, Yorkshire Forward the Greater London Authority, South East Development Agency and East of England Development Agency.

In the year to 31 March 2012, Forest Enterprise England entered into material transactions involving Hamish Macleod, a non-executive Forestry Commissioner, which are disclosed in their Annual Report and Accounts for 2011-12.

The following additional transactions were carried out with related parties:

25(a) Purchases of goods and services

	2011-12 £000	2010-11 £000
University of Reading	21	7
University of Southampton	1	2
	22	9

The above transactions, for course fees, student stipend, samples and amendments to an existing database, production of a new database, occurred on an arm's length basis. These transactions are disclosed as Andy Moffat holds a visiting professorship at the University of Reading and Peter Freer-Smith holds a visiting professorship at the University of Southampton. The outstanding balances at 31 March 2012 were £2,000 in relation to the University of Reading and £1,000 in relation to the University of Southampton (2010-11: £nil).

25(b) Transactions with C-Cure Solutions Ltd

	2011-12	2010-11
	£000	£000
C-Cure Solutions Ltd	10	-
	10	-

The above value related to income received from the investment in C-Cure Solutions Ltd. James Pendlebury is the Forest Research Director of the company. The balance outstanding as at 31 March 2012 amounted to £4,000 (2010-11: nil). See note 11 for further details.

25(c) Other

	2011-12	2010-11
	£000	£000
Farm Woodland Premium Scheme (FWPS) grant	1	2
Scottish Forestry Scheme (SFS) grant	-	2
Partner employee salary package	39	39
	40	43

Sir Harry Studholme, Commissioner for England and Chair of the National Committee received a Farm Woodland Premium Scheme grant of £700 during the year (2010-11: £700). There were no further payments due at 31 March 2012.

The partner of a member of the National Committee for England, received salary payments of £34,000 (2010-11: £31,000), benefits of £1,000 (2010-11: £3,000), and allowances of £4,000 (2010-11: £5,000) as part of a normal salary package for employment at the Forestry Commission. There were no outstanding balances at 31 March 2012 (2010-11: £nil). The National Committee member played no role in the appointment, management or setting the remuneration of their partner.

25(d) Key management compensation

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

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

NOTE 26 THIRD PARTY ASSETS

Forestry Commission England is the lead partner for the Intelligent Energy Europe Woodheat project. The Forestry Commission provides 25% of the funding for this project, and acts as co-ordinator for the remaining 75% of funding received from the European Union. The duties of co-ordinator include receiving EU funds on behalf of partners for onward transmission once work programmes have been approved. The purpose of the project is to promote use of the woodfuel in SE England. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2012 the amount held in Forestry Commission bank accounts on behalf of partners was £43,000 (2010-11: £20).

As a coordinator for a number of projects partially funded by the European Commission, Forest Research also receives funds on behalf of partners for onward transmission once work programmes have been approved. The third party assets are also not recognised in these accounts.

	Gross Inflows	Gross Outflows	31 March 2012	31 March 2011
	<u>£000</u>	<u>£000</u>	Closing Balance	Closing Balance
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Core	-	-	-	-
Consolidated	1,433	1,388	94	49

NOTE 27 EVENTS AFTER 31 MARCH 2012

In accordance with the requirements of IAS 10, events after 31 March 2012 are considered up to the date on which the accounts are authorised for issue. These accounts were authorised for issue on 28 June 2012.

NOTE 28 RECONCILIATION OF PRIOR YEAR RESTATEMENT

The 2011-12 FReM requires the following changes in accounting policy, as HM Treasury have brought the accounting for government grants further into line with the requirements of IAS 20.

	Note	Per 2010-11 Published Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
Statement of Comprehensive Net Expenditure					
Other programme costs	SCE	31,713	31,719	6	Donated asset and government grant depreciation charge no longer offset by release from reserves
Net operating cost for the year	SCE	43,829	43,835	6	Donated asset and government grant depreciation charge no longer offset by release from reserves
Statement of Financial Position					
General fund	SFP	4,387	4,514	127	Balance on government grant and donated asset reserves restated to general fund
Government grant reserve	SFP	124	-	(124)	Restatement of donated asset reserve
Donated asset reserve	SFP	3	-	(3)	Restatement of government grant reserve
Taxpayers equity	SFP	4,514	4,514	-	
Statement of Cash Flows					
Net operating cost for the year	CF	43,829	43,835	6	Per SoCNE section above
Adjustment for non-cash transactions	CF	(5,399)	(5,405)	(6)	Government grant and donated asset depreciation charge no longer offset by release from reserves
Net cash outflow from operating activities	CF	41,571	41,571	-	No impact on net cash flow
Statement of Changes in Taxpayers' Equity					
<u>General Fund</u>					
Opening balance	SOCE	5,865	5,998	133	Funding of assets restated to general fund from donated asset and government grant reserves
Net operating cost for the year	SOCE	(43,829)	(43,835)	(6)	Depreciation no longer offset by donated asset and government grant reserves. Effect of 2010-11 transactions.
Closing balance at 31 March 2011	SOCE	4,387	4,514	127	

Forest Enterprise England

Annual Report 2011-12

FINANCIAL COMMENTARY

Basis of accounts

The Forest Enterprise England accounts have been prepared under a direction given by the Forestry Commission Great Britain / England in accordance with the framework document between the Forestry Commission England and Forest Enterprise England.

Status

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

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

Financial review

The decision to suspend SR10 woodland sales in February 2011 had an immediate, and direct, impact on the baseline funding position. Additional budgetary cover of £8m was made available for 2011-12 following discussion of the financial implications with Defra.

As part of the SR10 settlement, Forest Enterprise was asked to progressively reduce its dependence on woodland sales to fund operational costs by the end of the SR10 period. The decision to suspend SR10 woodland sales in February 2011 had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover of £8m was made available for 2011-12 following discussion of the financial implications with Defra.

Forest Enterprise was able to deliver its financial targets without drawing on the additional budget cover from Defra in 2011-12 through:

	£'000
Increased timber receipts:	2,414
Land sales agreed in 2010/11 and transacted in 2011/12:	5,620
Total favourable variance	<u>8,034</u>

Operating performance

Forest Enterprise England incurred an operating surplus, before financing, of £28.1 million (2010-11 £19.7 million deficit).

IAS 41 requires that changes in fair value, less costs to sell, of biological assets during a period are reported in net profit or loss. The valuation movements in 2011-12 have produced a reported surplus for the year.

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

	2011-12	2010-11	2009-10
Operating surplus/(deficit)	£28.1m	(£19.7m)	(£17.1m)
Add back impact of valuations			
Gain on biological assets	(£67.0m)	(£16.7m)	(£19.0m)
Value of felled timber	£19.7m	£17.6m	£12.7m
Deficit excluding valuation movements	(£19.2m)	(£18.8m)	(£23.4m)

The deficit, before financing, for 2011-12 is higher than that of the previous year; however an unfunded provision (a one off charge) of £0.9m for organisational change is included within the 2011-12 accounts. Without the one off charge, the underlying position would show continued improvement across the three years commencing 2009-10.

Net position after financing

We achieved a net surplus after financing and surplus on sale of properties, of £44.0 million (2010-11 £7.2 million deficit).

Funding from the Forestry Commission increased by £6.7m from 2010-11 (£7.9m) to 2011-12 (£14.6m). As stated in the 2010-11 accounts, Forestry Commission baseline funding was set to rise on a planned basis to £11.5m in 2011-12. The funded costs of organisational change in 2011-12 increased the financing available for Forest Enterprise to £14.6m.

The corporate plan shows that the baseline funding for Forest Enterprise will reduce to £10.8m in 2012-13. Due to the suspension of Woodland Sales, additional budgetary cover is also available for 2012-13 following discussion of the financial implications with Defra.

Depreciation (a non cash cost) is not directly funded by the Forestry Commission, any capital investment in Forest Enterprise England is afforded from internally generated resources.

Capital

The accounts show that property sales raised £5.6million. A net surplus of £1.3 million (2010-11: net surplus £4.7million) on disposals were made, after expenses of £0.2 million.

Following an interim annual valuation, the value of the forest estate increased by £400.5 million and other land increased by £37.5 million.

External Financing and Cashflow

During 2011-12 Forest Enterprise changed the management of its finances from a net cash basis to a full external financing basis. This has the impact of generating an increased cash book balance for Forest Enterprise in 2011-12. Under the previous net cash basis, movements such as increases to or decreases in debtor balances were funded by or returned to Forestry Commission Great Britain/England.

The external financing basis means that cash flow from operating performance, capital expenditure, capital receipts and working capital movements act to increase or decrease cash held.

Funding for capital projects that are not afforded from internally generated resources or capital grants, require sources of external finance, such as loan financing from the National Loan Fund.

Forest Enterprise did not plan for or require external finance in 2011-12.

Forest Holidays

In May 2006, the Forestry Commission entered into a partnership with the Camping and Caravanning Club to take over management of its Forest Holidays' business. Under IAS 32 and IAS 39 the arrangement is regarded as an investment and accounted for as a financial asset.

Other Disclosures

Pensions

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

Supplier Payment Policy

Forest Enterprise England complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract or by special arrangement with individual suppliers, we aim to pay within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2011-12 indicates that 97.6% of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts.

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

Personal data related incidents

There were no protected personal data related incidents reported for Forest Enterprise England in 2011-12 or previous financial years. Forest Enterprise England will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Governance Statement.

Auditors

These accounts are audited by the Comptroller and Auditor General. The audit fee was £108,000 (2010-11: £125,000). No fees were charged for other services (2010-11: nil).

Disclosure of audit information to the auditors

So far as the Accounting Officer is aware, there is no relevant audit information of which the Forest Enterprise England auditors are unaware. The Accounting Officer has taken all the necessary steps required to make him self aware of any relevant audit information and to establish that the Forest Enterprise England auditors are aware of that information.

S. Hodgson
Accounting Officer

20 June 2012

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

REMUNERATION REPORT

Remuneration policy

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

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

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

Remaining Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Management System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, is based on their manager's assessment of their performance.

Employment contracts

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

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

Salary and pension entitlements (subject to audit)

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

	2011-12			2010-11		
	Salary £000	Bonus payments £000	Benefits in kind to nearest £100	Salary £000	Bonus payments £000	Benefits in kind to nearest £100
Simon Hodgson	-	-	-	30-35 ¹	-	2,900
Brian Mahony	75-80	-	-	40-45 ²	-	-
Brian Mahony	-	-	-	25-30 ³	-	-
Graeme Prest	50-55	-	200	50-55	-	200
Mark Thornycroft	65-70	-	-	65-70	-	-
James Swabey	20-25 ⁵	-	-	60-65	-	-
David Hodson	45-50	-	-	30-35 ⁴	-	-
Paddy Harrop	55-60	-	-	50-55	-	-
Jim Lyon	25-30 ⁷	-	-	-	-	-
John Tewson	30-35 ⁶	-	-	50-55	-	-
David Williamson	55-60 ⁸	-	-	-	-	-
Alan Corson	55-60	-	-	-	-	-

¹ Figure quoted is for the period 1 April 2010 to 29 August 2010 whilst Chief Executive Forest Enterprise England. The full year equivalent is 75-80.

² Figure quoted is for the period 29 August 2010 to 31 March 2011 whilst Acting Director Forest Enterprise England. The full year equivalent is 75-80.

³ Figure quoted is for the period 1 April 2010 to 29 August 2010 whilst Head of Sustainable Forestry and Land Management. The full year equivalent is 65-70.

⁴ Figure quoted is for the period 9 August 2010 to 31 March 2011. The full year equivalent is 45-50.

⁵ Figure quoted is for the period 1 April 2011 to 29 July 2011 whilst Head of Recreation and Public Affairs. The full year equivalent is 65-70.

⁶ Figure quoted is for the period 19 September 2011 to 31 March 2012 whilst Head of Forest Management. The full year equivalent is 65-70.

⁷ Figure quoted is for the period 1 October 2011 to 31 March 2012 whilst Forest Management Director, East District. The full year equivalent is 50-55.

⁸ Figure quoted is for the period 1 October 2011 to 31 March 2012 whilst Head of Recreation, Development and External Affairs. The full year equivalent is 60-65.

Following the departure of the Forestry Commission England Country Director in October 2010, transitional senior management arrangements were put in place to oversee and manage the organisation through the early years of Spending Review 2010. This led to the creation of a temporary Forestry Commission England Chief Executive role occupied by Simon Hodgson. The role has focussed on taking forward organisational restructuring and downsizing, whilst maintaining operational capability across Forestry Commission England. During this time the Director General, Tim Rollinson, has led on engagement with Defra Ministers and senior officials.

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

Salary

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

Benefits in kind

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

Pension benefits (subject to audit)

	Accrued pension at pension age at 31 March 2012 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2012 £000	CETV at 31 March 2011* £000	Real increase in CETV £000	Employer contribution to partnership pension account to nearest £100
Graeme Prest	15-20 plus 45-50 LS	0-2.5 plus 0.2.5 LS	216	192	7	-
Brian Mahony	30-35 plus 65-70 LS	0-2.5 plus 0.2.5 LS	664	600	12	-
Mark Thornycroft	20-25 plus 70-75 LS	0-(2.5) plus 0-(2.5) LS	532	519	(6)	-
James Swabey	35-40 plus 0-5 LS	0-2.5 plus 0.2.5 LS	701	655	15	-
David Hodson	0-5 plus 0-5 LS	0-2.5 plus 0.2.5 LS	15	5	7	-
Paddy Harrop	15-20 plus 45-50 LS	0-2.5 plus 0.2.5 LS	219	192	10	-
John Tewson	20-25 plus 70-75 LS	0-2.5 plus 5-7.5 LS	464	385	44	-
Jim Lyon	20-25 plus 70-75 LS	0-(2.5) plus 0-(2.5) LS	512	481	(10)	-
David Williamson	20-25 plus 65-70 LS	0-2.5 plus 2.5-5 LS	447	392	19	-
Alan Corson	20-25 plus 70-75 LS	0-2.5 plus 0.2.5 LS	484	434	13	-

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

Civil Service Pensions

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

S. Hodgson
Accounting Officer

20 June 2012

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

Governance Statement

1. Scope of Responsibility

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

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

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at Forest Enterprise for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

3. The Governance Framework

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

Forest Enterprise England Management Board (FEEMB)

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

Following the departure of the Forestry Commission England Country Director in October 2010, transitional senior management arrangements were put in place to oversee and manage the organisation through the early years of Spending Review 2010. This led to the creation of a temporary Forestry Commission England Chief Executive role occupied by Simon Hodgson. The role has focussed on taking forward organisational restructuring and downsizing, whilst maintaining operational capability across Forestry Commission England. During this time the Director General, Tim Rollinson, has led on engagement with Defra Ministers and senior officials.

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

The members of the Board who served during the year, and their attendance, were:

Member	April 2011	June 2011	July 2011	Sept 2011	Oct 2011	Nov 2011	Feb 2012	Feb 2012	Mar 2012
Brian Mahony Director FEE (Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mark Thornycroft Head of Estates	✓	X	✓	✓	✓	✓	✓	✓	✓
James Swabey Head of Recreation and Public Affairs (to 29th July 2011)	X	✓	✓	–	–	–	–	–	–
David Williamson Head of Recreation and Public Affairs (from 1st October 2011)	–	–	–	–	✓	✓	✓	✓	✓
John Tewson Head of Forestry Management	X	✓	✓	✓	✓	✓	✓	✓	✓
David Hodson Head of Finance	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paddy Harrop Recreation & Education Manager	✓	X	✓	✓	✓	✓	X	✓	✓
Alan Corson Marketing Officer	✓	✓	✓	✓	X	✓	✓	✓	✓
Jim Lyon East Anglia Forest Management Director	X	X	X	X	X	X	✓	✓	✓
Graeme Prest Planning & Environment Manager	✓	✓	✓	✓	X	✓	✓	✓	✓

Note: The FEEMB met twice in February 2012.

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

They also discussed a wide range of forestry and recreation issues during the year, including:

- Climate change;
- Community woodland management;
- Retail issues;
- Cycling income;
- Live music income;
- Open habitats;
- Biodiversity; and,
- Production forecasts.

Further information on the FEEMB is available on our website, www.forestry.gov.uk.

Performance

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

During the year, Board and committee arrangements were reviewed against the Cabinet Office and HM Treasury Corporate Governance Code of Good Practice 2011. The conclusion was that we were very closely aligned to the Code. Some minor changes were considered, but in view of imminent fundamental changes to Forest Enterprise England and its governance it was decided to defer any changes.

Register of interests

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

4. Review of Effectiveness

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

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

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

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

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

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

5. Risk Management

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

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

6. Significant Governance Issues

Organisational Change

During 2011-12 Forest Enterprise took on the significant challenge of reduced funding and the consequences for our organisational structure, staffing levels and activities.

Effectively managing the demanding change process, notably the development and consultation on new organisational structures, and ensuring business continuity through a period of significant downsizing, presented a significant challenge throughout 2011-12. As a result new structures will be in place from 1 April 2012, and a sound platform established on which to meet the reduced financial settlement across the SR10 period.

During the year an internal review of the Forestry Business Units was undertaken. As a result it has been agreed that the Business Units will no longer exist as a separate management unit and from 1 April 2012 responsibility for the management of Mechanical Engineering Services will be devolved to the three countries and the management of Plant and Seed Supply Branch will move to England.

Forestry Policy

The Independent Panel on Forestry Policy in England has been tasked to advise the Secretary of State for Environment, Food and Rural Affairs on the future direction of forestry and woodland policy in England, and to advise on the role of the Forestry Commission in implementing policy on forestry and woodland in relation to England. The Panel published a Progress Report in December 2011, and will provide a final report to the Secretary of State in July 2012. The uncertainty and potential for impaired decision making in the interim period has been recognised.

Woodland Sales

As part of the SR10 settlement, Forest Enterprise was asked to progressively reduce its dependence on woodland sales to fund operational costs by the end of the SR10 period. The decision to suspend SR10 woodland sales in February 2011 had an immediate, and direct, impact on our baseline funding position. Additional budgetary cover was made available for 2011-12 following discussion of the financial implications with Defra.

Bio security

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

Information Communication Technology (ICT) infrastructure

There has been significant progress toward the modernisation of the Forestry Commission's ICT infrastructure, but during this transition period Forest Enterprise continues to be dependant on an ICT infrastructure that is

ageing, complex and difficult to maintain. This represents a risk to the business operations of the Agency which will considerably reduce when the new disaster recovery facility is available in the summer of 2012 and the full business systems migration is completed during 2013-14.

Business continuity management

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

Forest Enterprise England is reliant on Shared Services based in Silvan House in Edinburgh for many of its Human Resources, Information Services and Finance requirements. Shared Services have agreed a structured approach to the improvement of business continuity management for those services.

Information risk management

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

Forestry Commission England has appointed a Senior Information Risk Owner who attends quarterly meetings of the Information Security Management Forum (ISMF), chaired by Director Finance Great Britain, which coordinates and controls the implementation of information security across the Forestry Commission. The work of the ISMF is supported on a day to day basis by the Departmental Security Officer and the Information Technology Security Officer.

A policy on protecting information from loss or disclosure outside the Forestry Commission has been published. A Security Culture Change Plan is also in place. Information Asset Owners (IAOs) are in place for those corporate systems holding business critical information, the loss or compromise of which would cause disruption to business operations. We have also identified local Information Asset Owners and will be working with them to assist in production of local asset registers. Online training on Information Assurance was available to all Forestry Commission staff up to the end of March 2012. This is now only available to major departments and we will be working with the ISMF to consider how best to keep up awareness. All laptops are now encrypted and memory sticks used to store or transfer personal or other sensitive information must be pre-encrypted.

Improvements to systems access controls continue to be implemented to ensure that only the appropriate staff have privileged access to systems and data.

Documentation of processes and procedures is continuing to make us less dependent on key staff.

This ongoing work, and our other actions, are reflected in an improved assessment against the Cabinet Office information assurance maturity model.

There were no lapses of data security during 2011-12.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

S. Hodgson
Accounting Officer

20 June 2012

INDEPENDENT AUDITOR'S REPORT TO THE HOUSE OF COMMONS

I have audited the financial statements of Forest Enterprise England for the year ended 31 March 2012. These financial statements comprise the Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Forest Enterprise England's affairs as at 31 March 2012 and of the comprehensive income for the year then ended; and
- the financial statements have been properly prepared in accordance with directions issued by the Forestry Commission.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury guidance and directions made by the Forestry Commission; and
- the information given in Financial Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Amyas C E Morse
Comptroller and Auditor General

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

June 2012

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2012

		2011-12	2010-11
	Note	<u>£000</u>	<u>£000</u>
Operating income			
Sustainable forest management		41,779	37,508
Forest estate		5,103	5,960
Recreation and public affairs		13,731	14,114
		<u>60,613</u>	<u>57,582</u>
Operating expenditure			
Sustainable forest management		(49,231)	(47,942)
Forest estate		(3,930)	(4,310)
Recreation and public affairs		(26,639)	(24,188)
Value of felled timber	7/9	(19,659)	(17,574)
		<u>(99,459)</u>	<u>(94,014)</u>
Operating (deficit) before gain on revaluation of biological assets		(38,846)	(36,432)
Gain on revaluation of biological assets	9	66,953	16,711
Operating surplus / (deficit) after gain on revaluation of biological assets		<u>28,107</u>	<u>(19,721)</u>
Funding received from Forestry Commission Great Britain/England		14,600	7,893
Surplus on sale of properties	6	1,326	4,655
Surplus / (deficit) for the year		<u>44,033</u>	<u>(7,173)</u>
Other comprehensive income			
Net gain on revaluation of Property Plant and Equipment		438,166	180,116
Net gain on revaluation of available for sale financial assets		-	1,512
Total other comprehensive income for the year		<u>438,166</u>	<u>181,628</u>
Total comprehensive income		<u>482,199</u>	<u>174,455</u>

There have been no acquisitions during the year.

All income and expenditure is derived from continuing operations.

The notes on pages 111 to 142 form part of these accounts

STATEMENT OF FINANCIAL POSITION

as at 31 March 2012

		31 March 2012	31 March 2011 RESTATED	01 April 2010 RESTATED
		<u>£000</u>	<u>£000</u>	<u>£000</u>
Non current assets	Note			
Property, plant and equipment	7	1,300,446	876,585	715,621
Biological assets	9	151,798	93,622	86,100
Financial assets	8	5,808	5,808	4,297
Trade and other receivables	12	9,119	7,926	8,697
Total non current assets		<u>1,467,171</u>	<u>983,941</u>	<u>814,715</u>
Current assets				
Non-current assets held for sale	10	74	3,456	1,748
Inventories	11	1,172	1,324	1,180
Trade and other receivables	12	15,214	13,466	10,612
Cash and cash equivalents	13	3,667	19	17
Total current assets		<u>20,127</u>	<u>18,265</u>	<u>13,557</u>
Total assets		<u>1,487,298</u>	<u>1,002,206</u>	<u>828,272</u>
Current liabilities				
Provisions	15	(1,062)	(405)	(238)
Trade and other payables	14	(13,143)	(10,732)	(12,177)
Total current liabilities		<u>(14,205)</u>	<u>(11,137)</u>	<u>(12,415)</u>
Non current assets plus net current assets		<u>1,473,093</u>	<u>991,069</u>	<u>815,857</u>
Non current liabilities				
Provisions	15	(183)	(213)	-
Trade and other payables	14	(16,550)	(17,785)	(17,228)
Total non-current liabilities		<u>(16,733)</u>	<u>(17,998)</u>	<u>(17,228)</u>
Assets less liabilities		<u>1,456,360</u>	<u>973,071</u>	<u>798,629</u>
Taxpayers' equity				
General fund	16	375,342	330,146	336,927
Revaluation reserve	16	1,081,018	642,925	461,702
Total taxpayers' equity		<u>1,456,360</u>	<u>973,071</u>	<u>798,629</u>

S. Hodgson
Accounting Officer

20 June 2012

The notes on pages 111 to 142 form part of these accounts

STATEMENT OF CASH FLOWS

as at 31 March 2012

		2011-12	2010-11
	Notes	£000	RESTATED £000
Cash flows from operating activities			
Net surplus / (deficit) for the year		44,033	(7,173)
Adjustments for non-cash transactions:			
Depreciation	7	4,517	4,233
Deferred income released		(392)	(369)
Timing between accrual and cash VAT	16	445	380
Non-cash inter-country transfers	16	249	(363)
Profit on disposal of property	6	(1,547)	(5,320)
Losses on disposal of other property, plant and equipment		73	103
Impairment of property, plant and equipment and write off of revaluation reserve		24	(96)
Property, plant and equipment written off	7	177	20
Movements in provisions	15	1,134	514
Increase in plant and seed (biological assets)	9	32	391
Decrease / (Increase) in inventories	11	152	(144)
(Increase) / decrease in trade and other receivables	12	(2,941)	(2,083)
Finance lease additions		(623)	(2,205)
(Decrease)/increase in trade and other payables	14	1,568	(519)
Movements in payables relating to items not passing through the Statement of Comprehensive Income		-	(490)
Use of provisions	15	(506)	(134)
Adjustments for non-cash transactions:			
- (Gain) on revaluation of biological assets	9	(66,952)	(16,711)
- Value of fellings	7 / 9	19,659	17,574
Net cash inflow / (outflow) from operating activities		(898)	(12,392)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(1,205)	(790)
Donations towards capital expenditure		-	480
Government grants towards capital expenditure		-	11
Proceeds of disposal of properties	6	5,620	12,693
Proceeds of disposal of other property, plant and		131	-
Net cash outflow / (inflow) from investing activities		4,546	12,394
Net increase/(decrease) in cash and cash equivalents in the period		3,648	2
Cash and cash equivalents at the beginning of the period		19	17
Cash and cash equivalents at the end of the period		3,667	19

The notes on pages 111 to 142 form part of these accounts

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

as at 31 March 2012

RESTATED

		General Fund	Revaluation Reserve	Total
	Note	£000	£000	£000
Balance at 31 March 2010		336,927	460,749	797,676
Changes in Accounting Policy	27	-	953	953
Restated balance at 1 April 2010		336,927	461,702	798,629
Changes in taxpayers' equity for 2010-11				
Net gain/(loss) on revaluation of property, plant and equipment	16	-	181,550	181,550
Non-cash charges - timing between accrual and cash VAT	16	380	-	380
Non-cash charges - intercountry transfers	16	(363)	-	(363)
Realised element of revaluation reserve	16	368	(368)	-
Transfer of property, plant and equipment from/to other forestry bodies	16	7	20	27
Release of reserves to the statement of comprehensive net expenditure		-	21	21
Net deficit for the year		(7,173)	-	(7,173)
Total recognised income and expense for 2010-11		(6,781)	181,223	174,442
Balance at 31 March 2011		330,146	642,925	973,071
Restated balance at 1 April 2011		330,146	642,925	973,071
Changes in taxpayers' equity for 2011-12				
Net gain/(loss) on revaluation of property, plant and equipment	16	-	438,166	438,166
Non-cash charges - timing between accrual and cash VAT	16	445	-	445
Non-cash charges - intercountry transfers	16	249	-	249
Realised element of revaluation reserve	16	327	(327)	-
Transfer of property, plant and equipment from/to other forestry bodies	16	142	230	372
Release of reserves to the statement of comprehensive net expenditure		-	24	24
Net surplus for the year		44,033	-	44,033
Total recognised income and expense for 2011-12		45,196	438,093	483,289
Balance at 31 March 2012		375,342	1,081,018	1,456,360

The notes on pages 111 to 142 form part of these accounts

NOTES TO THE ACCOUNTS

NOTE 1 STATEMENT OF ACCOUNTING POLICIES

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

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

1.1 Accounting convention

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

1.2 Funding

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

1.3 Public corporation dividend

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

1.4 Employee benefits

Pensions

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

Performance pay

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

Short-term employee benefits

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

1.5 Contingent liabilities

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

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

1.6 Property, plant and equipment

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

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

Forest Estate

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

Forest Estate Land

Forest Estate land is shown at fair value and excludes the value attributable to any trees growing on that land. External professional valuers undertake a full external professional valuation of the Forest Estate Land at five-yearly intervals. Following a public procurement exercise in 2007, Bidwells, Chartered Surveyors were appointed as the Forestry Commission's valuers as from the full valuation as at 31 March 2008. In accordance with Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate land is valued at fair value using market value for existing use. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

Trees Not Apportioned to Biological Assets

Trees falling outwith 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 Bidwells, Chartered Surveyors, in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate tree values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

Other Land

Non-Forest Land is shown at fair value. Professionally qualified staff employed by Forest Enterprise England undertake a full revaluation of non-forest land at five yearly intervals coinciding with that for the Forest Estate (31 March 2008). 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 Bidwells. A full valuation took place on 31 March 2008.

Until 31 March 2010, the values of Other Land were restated by professionally qualified staff employed by Forest Enterprise England. Restatement was based on sample professional valuations and further details are included within Note 2 'Critical Accounting Estimates and Judgements'.

During 2010-11, in order to achieve greater independence in the valuation process, management reviewed the methodologies underpinning the valuation of Other Land in intervening years between formal professional valuations. From 31 March 2011, Other Land has been categorised into its component parts and the most appropriate indices have been applied to the relevant components as detailed below.

- Open land - Custom indices provided by Bidwells, Chartered Surveyors
- Agricultural land - Farmland Market Index provided by the RICS Rural Land Survey

- Telecom masts - Indices provided by Strutt and Parker, Chartered Surveyors
- Wayleaves - Index provided by the Energy Networks Association
- Quarries and mineral workings - Internal Chartered Surveyors undertook full valuations based on the capitalisation of the future cash inflows taking into account the reserve levels in the individual quarries.
- Car parks, trails and picnic areas - Indices provided by the Office for National Statistics (ONS) using the relevant Producer Price Index.
- Community Woodlands - Internal Chartered Surveyors assessed the components of the woodlands and determined that the woodlands consist of three key components which are listed below together with the associated valuation methodology.
 - (i) Land - internal Chartered Surveyors determined that the land is agricultural in nature, and therefore, the Farmland Market Index provided by the RICS Rural Land Survey is the most appropriate valuation method.
 - (ii) Landscaping and planting - custom indices provided by Bidwells, Chartered Surveyors
 - (iii) Infrastructure - consists mainly of paths and determined by internal Chartered Surveyors that ONS indices applied to car parks, trails and picnic areas above is the most appropriate valuation method.

Dwellings and other buildings

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

Professionally qualified staff employed by Forest Enterprise England undertake a full revaluation of dwellings and other buildings at five yearly intervals coinciding with that for the Forest Estate and Other Land (31 March 2008). 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 2008 and Bidwells, Chartered Surveyors, reviewed this.

The value of Dwellings are restated between professional valuations using indices provided by the Land Registry. Until 31 March 2010, the values of Other Buildings were restated by professionally qualified staff employed by Forest Enterprise England. Restatement was based on sample professional valuations and further details are included within Note 2 'Critical Accounting Estimates and Judgements'.

During 2010-11, internal Chartered Surveyors assessed the components of Other Buildings and determined that there were two distinct categories, buildings valued at market value and buildings valued using Depreciated Replacement Cost (DRC). The valuation as at 31 March 2012 of the market value and DRC building categories was undertaken by Bidwells, Chartered Surveyors. District specific indices were provided by Bidwells based on their knowledge of the market to support properties valued at market value. Additional indices were provided for DRC valued properties based on the Building Cost Information Service (BCIS) All-in Tender Price Index.

Expenditure on Infrastructure

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

Subsequent expenditure

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

Non-current assets held for sale

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

Vehicles, machinery and equipment

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

Office, machinery and equipment

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

Assets under construction

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

Revaluation reserve

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

1.7 Depreciation

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

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

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

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

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

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

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

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

1.8 Land and buildings leased to customers

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

1.9 Government grants receivable

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

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

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

1.10 Subsidiaries, associates and joint ventures

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

The investment in Forest Holidays LLP is accounted for under the requirements of IAS 39 and is treated as a financial asset. Further details of the investment are included within the Financial Commentary section. The investment and associated balances are included in the following areas of the financial statements:

Investment	- Investments within note 8
Partnership loan	- Trade and other receivables within note 12
Partnership lease	- Trade and other receivables within note 12

1.11 Biological Assets

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

Biological assets are measured at fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably. External professional valuers undertake a full external professional valuation at five yearly intervals. As detailed above the valuation is carried out by Bidwells, Chartered Surveyors in accordance with RICS Appraisal and Valuation Standards (the 'Red Book') under the Existing Use or Fair Value models as appropriate for obtaining a fair value. In the intervening years between professional valuations, custom indices are used to restate land values. The indices are provided by Bidwells who are contracted to undertake the work until 2012.

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

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

1.12 Inventories

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

1.13 Revenue recognition

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

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

1.14 Leases

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

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

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

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

1.15 Grants payable

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

1.16 Provisions

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

1.17 Value Added Tax (VAT)

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

1.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Forest Enterprise England Management Board.

1.19 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the banking transactions or valuation where items are remeasured. Foreign exchange gains and

losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

1.20 Impairment of non-financial assets

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

1.21 Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

1.22 Cash and cash equivalents

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

1.23 Financial liabilities

Classification

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

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

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

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

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

(b) Other financial liabilities

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

1.24 Restatement of prior year figures

From 2011-12 Forest Enterprise England must prepare its accounts in accordance with International Financial Reporting Standards, as adopted by the European Union. This change was instigated by HM Treasury following a review of Accounts Directions during 2011-12.

This has caused the following changes in accounting policy:

From 2011-12 Government Grants and Donated Assets must be assessed in accordance with IAS 20. The adoption of IAS 20 has resulted in the removal of the Government Grants and Donated Asset reserves from the accounts. The balances previously recognised within these reserves have now been appropriately restated within deferred income and the revaluation reserve.

Further detail demonstrating the effect of these changes in accounting policy is contained within Note 27.

1.25 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2012 have been adopted in these statements.

1.26 Effective for future Financial Years

The following IFRSs, IFRIC Interpretations and Amendments, applicable to the Forestry Commission, have been issued but are not yet effective and have not been adopted early.

IFRS 9 Financial Instruments (effective 1 January 2013) – IFRS 9 replaces IAS 39 and introduces new requirements for the classification and measurement of financial assets. The Forestry Commission will undertake an assessment of the impact of IFRS 9 once the new requirements are established.

IFRS 10 Consolidated Financial Statements (effective 1 January 2013) – IFRS 10 replaces IAS 27 and establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The impact of IFRS 10 will be assessed prior to the effective date.

IFRS 11 Joint Arrangements (effective 1 January 2013) – IFRS 11 replaces IAS 31 and establishes requirements for the presentation and preparation of financial reporting by parties to a joint arrangement. The impact of IFRS 11 will be assessed prior to the effective date.

IFRS 12 Disclosure of Interest in Other Entities (effective 1 January 2013) – IFRS 12 applies to entities with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The impact of IFRS 12 will be assessed prior to the effective date.

IFRS 13 Fair Value (effective 1 January 2013) – IFRS 13 defines Fair Value, sets out a framework for its measurement and associated disclosures. The impact of IFRS 13 will be assessed prior to the effective date.

NOTE 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the accounting policies

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

Classification of the Forest Estate and Biological Assets

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

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

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

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

Land designations are not subject to frequent change. Management therefore considers that detailed review of the designations shall normally take place on a 5-yearly cycle to coincide with the professional valuation of land. Accounts from 2007-08 are based on the analysis of the agency's land records as at 31 March 2008. The next formal review will take place prior to the professional valuation in 2012.

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

Valuation of the Forest Estate and Biological Assets

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

IAS 41 allows market value to be based on the combined land plus biological assets where an active market exists for the combined asset. A professional valuation of the forest estate took place on 31 March 2008. 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 outwith IAS 41, and biological assets under IAS 41.

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

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

On initial recognition and at the end of each reporting period, a biological asset must be measured at fair value less estimated point-of-sale costs. Fair value is linked to the market valuation determined by proceeds from the sales of woodlands as a whole and it has been determined that associated costs would be those relating to marketing and sales expenses. Analysis of sales and marketing costs in prior years show these to vary annually. Management has calculated the cost of sales percentage figure by using the actual sales cost data attributed to woodland sales over the three years to 30 November in the year of disposal. For 2011-12 woodland disposals, the cost of sales percentage was calculated as 4.6% of the Fair Value. Management does not consider that the actual disposal costs in the final four months of the financial year would materially impact on the estimated cost of sales calculated.

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

Other Land

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

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

Dwellings and Other Buildings

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

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

NOTE 3 SEGMENTAL INFORMATION

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

NOTE 4 STAFF NUMBERS AND RELATED COSTS

4 (a) Employee benefit expense

	Permanently employed staff	Others	2011-12 Total	2010-11 Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Salaries	22,452	-	22,452	24,119
Social security costs	1,573	-	1,573	1,698
Other pension costs	3,808	-	3,808	3,993
Agency/temporary staff	-	96	96	150
	<u>27,833</u>	<u>96</u>	<u>27,929</u>	<u>29,960</u>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but Forest Enterprise England is unable to identify its share of the underlying assets and liabilities. The scheme

actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2011-12, employers' contributions of £3,601,000 were payable to the PCSPS (2010-11: £3,649,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 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 £58,000 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £3,900 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

2 individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £6,926 (2010-11: £4,043).

Staff had the opportunity to apply for a Voluntary Early Retirement scheme in 2011-12. As per EPN 296, the results of this scheme are incorporated into the Compensation for loss of office section below.

4 (b) Average number of persons employed

Average number of whole-time equivalent persons employed:

	Permanently employed staff	Others	2011-12 Total	2010-11 Total
	Number	Number	Number	Number
Directly employed	797	54	851	949
Other	-	37	37	14
Total	797	91	888	963

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

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

Each scheme is subject to conditions and financial limits.

4 (d) Compensation for loss of office

135 staff left under Voluntary Exit and Voluntary Redundancy terms in the year to 31 March 2012. They received a compensation payment of £2,853,421.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (2010-11: 1)	24 (2010-11: 5)	24 (2010-11: 6)
£10,000 - £25,000	- (2010-11: 2)	67 (2010-11: 2)	67 (2010-11: 4)
£25,000 - £50,000	- (2010-11: nil)	36 (2010-11: 2)	36 (2010-11: 2)
£50,000 - £100,000	- (2010-11: nil)	8 - (2010-11: nil)	8 (2010-11: nil)
£100,000- £150,000	- (2010-11: nil)	- (2010-11: 1)	- (2010-11: 1)
£150,000- £200,000	- (2010-11: nil)	- (2010-11: 1)	- (2010-11: 1)
Total number of exit packages	(2010-11: 3)	135 (2010-11: 13)	135 (2010-11: 13)
Total resource cost / £	- (2010-11: £42,675)	£2,853,421 (2010-11: £412,199)	£2,853,421 (2010-11: £454,874)

NOTE 5 OPERATING DEFICIT

The operating deficit before gain on revaluation of biological assets is stated after charging:

	<u>2011-12</u>	<u>2010-11</u>
	£000	£000
Hire of plant and equipment	1,050	1,004
Operating lease rentals:		
Land and buildings	126	126
Plant and machinery	180	250
Auditors' remuneration - audit work	108	125
Shared central services	5,667	5,637
Non-cash costs:		
Provisions –		
Provided in year	1,311	740
Provisions not required written back	(151)	(265)
Provisions utilised in year	(506)	(134)
Unwinding of discount	(27)	(15)
Depreciation of property, plant and equipment	4,517	4,233

Expenditure includes the cost of shared central services provided to Forest Enterprise England. As part of the Forestry Devolution Review, shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost of the needs of stakeholders although primary direction comes from the countries. Seven areas of work are identified as shared services:

- Finance and accounting services;
- Information services;
- Human Resources, including Learning and Development;
- Communications;
- Inventory forecasting and operational support services;
- Internal audit; and
- Business sustainability.

For each of the shared services, a service board was formed composed of “intelligent buyers” from the countries and Forest Research together with the service provider. The boards have joint accountability for the operation of these services to ensure the needs of the customer and the wider organisation are met. Charges were made at regular intervals during the year.

Business units covering mechanical and civil engineering and nurseries charge for their services under service level agreements agreed with their service board. Expenditure was accounted for in each country at the time it was incurred.

The Forest Research Agency provides research development and survey services to Forest Enterprise England through a service level agreement and charges internal Forest Enterprise England customers in the year. The Forest Research Agency is charged for shared services and business unit costs where appropriate.

NOTE 6 SURPLUS ON SALE OF PROPERTIES

	2011-12	2010-11
	<u>£000</u>	<u>£000</u>
Income	5,620	12,693
Book value	<u>(4,073)</u>	<u>(7,373)</u>
	<u>1,547</u>	<u>5,320</u>
Disposal costs:		
External costs	(120)	(559)
Administrative expenses	<u>(101)</u>	<u>(106)</u>
	<u>(221)</u>	<u>(665)</u>
Surplus on sale of properties	<u>1,326</u>	<u>4,655</u>

NOTE 7 PROPERTY PLANT AND EQUIPMENT

	Forest Estate	Other Land	Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation :								
At 31 March 2011	688,134	113,788	1,438	81,340	14,438	206	760	900,104
Additions	256	30	-	325	892	9	351	1,863
Transfers	(3,024)	3,024	-	1,187	338	-	(814)	711
Transfer to NCAHFS	-	-	-	(87)	-	-	-	(87)
Transfer in from NCAHFS	50	-	-	-	-	-	-	50
Disposals	(296)	(4)	-	(684)	(2,272)	(61)	-	(3,317)
Fellings	(10,919)	-	-	-	-	-	-	(10,919)
Write-off	-	-	-	-	-	-	(177)	(177)
Revaluation	400,524	37,539	-	(33)	147	-	-	438,177
At 31 March 2012	<u>1,074,725</u>	<u>154,377</u>	<u>1,438</u>	<u>82,048</u>	<u>13,543</u>	<u>154</u>	<u>120</u>	<u>1,326,405</u>
Depreciation :								
At 31 March 2011	-	-	-	16,180	7,203	136	-	23,519
Provided during year	-	-	-	2,227	2,257	33	-	4,517
Transfers	-	-	-	182	185	-	-	367
Transfer to NCAHFS	-	-	-	(13)	-	-	-	(13)
Disposals	-	-	-	(277)	(2,103)	(61)	-	(2,441)
Revaluation	-	-	-	(53)	63	-	-	10
Impairment	-	-	-	-	-	-	-	-
At 31 March 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,246</u>	<u>7,605</u>	<u>108</u>	<u>-</u>	<u>25,959</u>
Net Book Value :								
At 31 March 2012	<u>1,074,725</u>	<u>154,377</u>	<u>1,438</u>	<u>63,802</u>	<u>5,938</u>	<u>46</u>	<u>120</u>	<u>1,300,446</u>
At 31 March 2011	688,134	113,788	1,438	65,160	7,235	70	760	876,585
Owned	1,031,627	154,377	1,438	63,802	1,415	46	120	1,252,825
Finance Leased	43,098	-	-	-	4,523	-	-	47,621
Total	<u>1,074,725</u>	<u>154,377</u>	<u>1,438</u>	<u>63,802</u>	<u>5,938</u>	<u>46</u>	<u>120</u>	<u>1,300,446</u>

	Forest Estate	Other Land	Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation :								
At 31 March 2010	546,484	101,659	1,542	73,204	9,930	256	822	733,897
Additions	-	-	-	-	2,387	2	609	2,998
Transfers	-	-	-	670	(119)	-	(670)	(119)
Transfer to NCAHFS	(7,962)	(62)	-	(77)	-	-	-	(8,101)
Transfer in from NCAHFS	387	-	-	-	-	-	-	387
Disposals	(8)	-	-	(808)	(665)	(34)	-	(1,515)
Fellings	(9,937)	-	-	-	-	-	-	(9,937)
Write-off	-	-	-	-	(19)	-	(1)	(20)
Revaluation	159,170	12,191	(104)	8,351	2,924	(18)	-	182,514
At 31 March 2011	688,134	113,788	1,438	81,340	14,438	206	760	900,104
Depreciation :								
At 31 March 2010	-	-	-	13,996	4,144	136	-	18,276
Provided during year	-	-	-	2,167	2,024	42	-	4,233
Transfers	-	-	-	-	(147)	-	-	(147)
Transfer to NCAHFS	-	-	-	(10)	-	-	-	(10)
Disposals	-	-	-	(115)	(570)	(34)	-	(719)
Revaluation	-	-	-	142	1,752	(8)	-	1,886
At 31 March 2011	-	-	-	16,180	7,203	136	-	23,519
Net Book Value :								
At 31 March 2011	688,134	113,788	1,438	65,160	7,235	70	760	876,585
At 31 March 2010	546,484	101,659	1,542	59,208	5,786	120	822	715,621
Owned	659,750	113,788	1,438	65,160	1,399	70	760	842,365
Finance Leased	28,384	-	-	-	5,836	-	-	34,220
Total	688,134	113,788	1,438	65,160	7,235	70	760	876,585

Bidwells, Chartered Surveyors carried out a professional valuation of the Forest Estate and Biological Assets as at 31 March 2008. The next professional valuation is due on 31 March 2013. In the intervening years, the assets are revalued using specialist forestry indices developed and provided by Bidwells. Indices provided for woodlands in relation to 2011-12 reflected an increase of between 50 and 75 per cent on values recorded as at 31 March 2011. The main reason for the high valuation increase was that the woodland market was particularly strong, especially for well located, good quality, productive forests which are currently seen as a safe, tangible asset class for investors. The attraction of commercial forestry as a source of renewable raw material for industrial use was also a major driver and confidence in the long term performance of timber markets remained at a high level.

Other Land, Dwellings and Other Buildings were valued as at 31 March 2008 by professionally qualified staff employed by Forest Enterprise England and approved by Mr Mark Thornycroft, FRICS who is Head of Estates. The results of this valuation were also subject to professional review by Bidwells. The next professional valuation is due on 31 March 2013. In the intervening years, the assets are revalued using the indices detailed in note 1.6.

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

Office machinery and equipment (OME) was restated to a current value of £46,000 at 31 March 2012 using an index provided by the ONS.

Depreciation expense of £4,517,000 (2010-11: £4,233,000) has been charged in the Statement of Comprehensive Income.

NOTE 8 FINANCIAL ASSETS

	Forest Holidays Investment		
	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 April	5,808	4,297	4,297
Revaluation to current prices	-	1,511	-
At 31 March	<u>5,808</u>	<u>5,808</u>	<u>4,297</u>

The investment represents Forest Enterprise England's share in the limited liability partnership between the Forestry Commissioners and the Camping and Caravanning Club to operate holiday facilities within the Forestry Commission's land holdings.

The investment is valued annually at 28 February on an open market basis by Barrs & Co, specialist leisure consultants and valuers.

NOTE 9 BIOLOGICAL ASSETS

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

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

The carrying value of total biological assets was £151,798,000 at 31 March 2012 (2010-11: £93,622,000) comprising:

- Plant and seed £2,447,000 (2010-11: £2,482,000).
- Timber £149,351,000 (2010-11: £91,140,000).

	31 March 2012	31 March 2011
	<u>£000</u>	<u>£000</u>
Balance at 1 April	93,622	86,100
Fellings	(8,740)	(7,637)
Movement on plant and seed	(32)	(391)
Transferred to NCAHFS	-	(1,175)
Transferred in from NCAHFS	3	14
Disposals	(8)	-
Gains and losses arising from changes in fair values	66,953	16,711
Balance at 31 March	<u>151,798</u>	<u>93,622</u>

Bidwells Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 31 March 2013. For 2011-12, valuations were updated using indexation information provided by Bidwells Chartered Surveyors. Apportionment of biological assets was carried out by Forest Enterprise England staff using the judgements and estimates outlined at Note 2.

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

mitigate this, Forest Enterprise England maintains regular dialogue with its valuers to gauge market movements during the year and assess how these may impact on funding requirements. Discussions on these impacts are also held with Forestry Commission Great Britain/England and the Department of Environment, Food and Rural Affairs (Defra) to consider the effect on their Resource requirements.

NOTE 10 Non-current assets held for sale

The following assets related to surplus properties have been presented as held for sale following the approval for sale by the management of Forest Enterprise England. The completion dates for sale are expected to be within the 12 months to 31 March 2012:-

	Land	Buildings	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April 2010	1,748	-	1,748
Transfers in	9,199	67	9,266
Transfers out	(401)	-	(401)
Disposals	(6,613)	(67)	(6,680)
Revaluation	(477)	-	(477)
Balance at 1 April 2011	3,456	-	3,456
Transfers in	-	74	74
Transfers out	(54)	-	(54)
Disposals	(3,402)	-	(3,402)
Revaluation	-	-	-
Balance at 31 March 2012	-	74	74

Assets amounting to £50,000 were transferred from non-current assets held for sale to Property, Plant and Equipment. The properties were no longer deemed as surplus properties by the Management Board and the removal of the surplus assets from the overall disposal programme did not have any adverse effect on the operational results for the year.

NOTE 11 INVENTORIES

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Timber	695	696	505
Consumable materials, supplies and livestock	477	628	675
	1,172	1,324	1,180

NOTE 12 TRADE AND OTHER RECEIVABLES**12(a) Analysis by type**

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>01 April 2010</u>
	£000	£000	£000
Current			
Trade receivables	12,658	10,276	8,544
less provision for impairment of trade receivables	(2)	(221)	(11)
Trade receivables - net	<u>12,656</u>	<u>10,055</u>	<u>8,533</u>
Other receivables	-	1	-
House purchase loans to employees	20	21	20
Partnership loan	-	988	-
Partnership lease	345	326	321
Prepayments and accrued income	2,193	2,075	1,738
	<u>15,214</u>	<u>13,466</u>	<u>10,612</u>
Non current			
Partnership loan	5,195	3,952	4,463
Partnership Lease	3,805	3,823	4,049
House purchase loans to employees	84	116	157
Prepayments and accrued income	35	35	28
	<u>9,119</u>	<u>7,926</u>	<u>8,697</u>
Total receivables	<u>24,333</u>	<u>21,392</u>	<u>19,309</u>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more to 9 members of staff at 31 March 2012 (2010-11: £2,500 or more, relating to 11 employees). The total outstanding value of all loans was £103,000 (2010-11: £137,000). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

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

As at 31 March 2012, trade receivables of £2,224,000 (2010-11: £7,952,000) were fully performing and not past due or impaired and provided for.

As at 31 March 2012, trade receivables of £10,432,000 (2010-11: £2,103,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

12(b) Intra-Government Balances

	31 March 2012	31 March 2011	Current 01 April 2010	31 March 2012	31 March 2011	Non current 01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government	300	311	101	-	-	-
Balances with local authorities	90	77	147	-	-	-
Balances with NHS trusts	-	18	-	-	-	-
Balances with public corporations and trading funds	-	1	-	-	-	-
Intra-government balances	390	407	248	-	-	-
Balances with bodies external to government	14,824	13,059	10,364	9,119	7,926	8,697
Total receivables	15,214	13,466	10,612	9,119	7,926	8,697

NOTE 13 CASH AND CASH EQUIVALENTS

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April	19	17	22
Net change in balances	3,648	2	(5)
Balance at 31 March	3,667	19	17

The following balances were held at:-

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Government Banking Service	3,667	19	17
Total	3,667	19	17

NOTE 14 TRADE AND OTHER PAYABLES**14(a) Analysis by type**

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>RESTATED</u> £000	<u>RESTATED</u> £000
Current			
Trade payables	2,885	3,215	2,921
Other payables	1,905	81	304
Taxation and social security costs	287	108	110
Accruals and deferred income	6,594	5,951	7,587
Current part of finance leases	1,455	1,368	1,182
Payments received on account	17	9	73
	<u>13,143</u>	<u>10,732</u>	<u>12,177</u>
Non current			
Accruals and deferred Income	12,618	12,983	12,894
Other Payables	87	108	-
Payments received on account	17	18	19
Finance leases	3,828	4,676	4,315
	<u>16,550</u>	<u>17,785</u>	<u>17,228</u>
Total payables	<u>29,693</u>	<u>28,517</u>	<u>29,405</u>

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

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

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
GBP Sterling	29,693	28,517	29,405
	<u>29,693</u>	<u>28,517</u>	<u>29,405</u>

14(b) Intra-Government Balances

	Current			Non-current		
	31 March 2012	31 March 2011	01 April 2010	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>RESTATED</u> £000	<u>RESTATED</u> £000	<u>£000</u>	<u>RESTATED</u> £000	<u>RESTATED</u> £000
Balances with other central government bodies	-	5	2	-	-	-
Balances with local authorities	7	75	27	-	-	-
Balances with NHS trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Intra-government balances	<u>7</u>	<u>80</u>	<u>29</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	13,136	10,652	12,148	16,550	17,785	17,228
Total payables	<u>13,143</u>	<u>10,732</u>	<u>12,177</u>	<u>16,550</u>	<u>17,785</u>	<u>17,228</u>

NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES

	Early departure costs	Public legal claims	Other legal claims	Other provisions	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 April 2010	22	127	89	-	238
Provided in the year	262	87	391	-	740
Provisions not required written back	-	(91)	(120)	(54)	(265)
Provisions transferred from FCE	-	-	-	54	54
Provisions utilised in the year	(21)	(38)	(75)	-	(134)
Unwinding of discount	(15)	-	-	-	(15)
At 31 March 2011	248	85	285	-	618
Provided in the year	1,086	103	122	-	1,311
Provisions not required written back	-	(81)	(70)	-	(151)
Provisions utilised in the year	(209)	(79)	(218)	-	(506)
Unwinding of discount	(27)	-	-	-	(27)
At 31 March 2012	1,098	28	119	-	1,245

Analysis of expected timing of discounted cash flows:

	Early departure costs	Public legal claims	Other legal claims	Other provisions	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Not later than one year	915	28	119	-	1,062
Later than one year and not later than five years	108	-	-	-	108
Later than five years	75	-	-	-	75
At 31 March 2012	1,098	28	119	-	1,245

Early departure costs

Forest Enterprise 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. Forest Enterprise England provides for this in full when the early retirement programme becomes binding on the agency by establishing a provision for the estimated payments.

Public and other legal claims

Provision has been made for various legal claims against Forest Enterprise England. The provision reflects all known claims where legal advice indicates that it is more than probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities. Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

NOTE 16 TAXPAYER'S EQUITY**16 (a) General Fund**

	31 March 2012	31 March 2011
	<u>£000</u>	<u>£000</u>
Balance at 1 April	330,146	336,927
Movement in year:		
Net (deficit)/ Surplus for year	44,033	(7,173)
Transfers of property, plant and equipments from/to other Forestry Bodies	142	7
Transferred to the General Fund (realised element of revaluation reserve)	327	368
Timing between accrual and cash VAT	445	380
Non-cash inter-country transfers	249	(363)
	<u>45,196</u>	<u>(6,781)</u>
Balance at 31 March	<u>375,342</u>	<u>330,146</u>

16(b) Revaluation reserve

	31 March 2012	31 March 2011
	<u>£000</u>	<u>£000</u>
Balance at 1 April	642,925	460,749
Government Grant Adjustment		953
Adjusted balance at 1 April	<u>642,925</u>	<u>461,702</u>
Arising on revaluation during the year:		
Forest estate	400,524	158,737
Land	37,539	12,191
Forest Holidays land	-	(104)
Dwellings and other buildings	19	8,211
VME	84	1,012
OME	-	(9)
Investment in Forest Holidays	-	1,512
	<u>438,166</u>	<u>181,550</u>
Transferred to the General Fund (realised element of revaluation reserve)	(327)	(368)
Transfers of property, plant and equipments from/to other Forestry Bodies	230	20
Write-off of revaluation reserve	24	21
Balance at 31 March	<u>1,081,018</u>	<u>642,925</u>

NOTE 17 FINANCIAL INSTRUMENTS**17(a) Investments in non-public sector bodies (Available for sale financial assets)**

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£000	£000
Balance at 1 April	5,808	4,297
Net gains/losses transfer to equity	-	1,511
Balance at 31 March	<u>5,808</u>	<u>5,808</u>

Available for sale financial assets comprises Forest Enterprise England's partnership share of Forest Holidays LLP, an unlisted investment denominated in GB pounds sterling.

17(b) Financial Instruments by category

	31 March 2012			31 March 2011		
	Loans and receivables	Available for Sale	Total	Loans and receivables	Available for Sale	Total
	£000	£000	£000	£000	£000	£000
Assets as per SFP						
Available-for-sale financial assets	-	5,808	5,808	-	5,808	5,808
Trade and other receivables (excluding prepayments)	23,653	-	23,653	20,229	-	20,229
Cash and cash equivalents	3,667	-	3,667	19	-	19
Total	<u>27,320</u>	<u>5,808</u>	<u>33,128</u>	<u>20,248</u>	<u>5,808</u>	<u>26,056</u>

	31 March 2012			31 March 2011		
	Liabilities at fair value through the profit and loss	Other financial liabilities	Total	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	£000	£000	£000	£000	£000	£000
Liabilities as per the SFP						
Finance lease liabilities	-	5,283	5,283	-	6,044	6,044
Trade and other payables excluding statutory liabilities	-	22,083	22,083	-	20,567	20,567
Total	<u>-</u>	<u>27,366</u>	<u>27,366</u>	<u>-</u>	<u>26,611</u>	<u>26,611</u>

17 (c) Exposure to risk

Forest Enterprise England's activities expose it to a variety of financial risks.

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

Liquidity risk: the possibility that Forest Enterprise England might not have funds available to meet its commitments to make payments; and

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

Due to the way in which government departments are financed, Forest Enterprise England is not exposed to the degree of financial risk faced by business entities.

(i) Credit risk

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

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by Forest Enterprise England.

Refer to Note 12 for further analysis of credit risk.

(ii) Liquidity risk

Forestry Commission Great Britain/England makes provision for the use of resources by Forest Enterprise England for revenue and capital purposes each financial year. The Westminster Government makes provision for the Forestry Commission Great Britain/England's use of resources in a Consolidated Fund Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Consolidated Fund Act. The Act also specifies an overall cash authorisation to operate for the financial year. Forest Enterprise England is not therefore exposed to significant liquidity risks.

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

	Less than 1 year	Between 1 and 5 years	Over 5 years
	<u>£000</u>	<u>£000</u>	<u>£000</u>
31 March 2012			
Finance lease liabilities	1,455	2,211	1,617
Trade and other payables excluding statutory liabilities	5,531	3,859	12,693
Total	<u>6,986</u>	<u>6,070</u>	<u>14,310</u>
	Less than 1 year	Between 1 and 5 years	Over 5 years
	<u>£000</u>	<u>£000</u>	<u>£000</u>
31 March 2011			
Finance lease liabilities	1,368	3,080	1,596
Trade and other payables excluding statutory liabilities	20,441	86	40
Total	<u>21,809</u>	<u>3,166</u>	<u>1,636</u>

(iii) Market risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities. However, under the Regulatory Reform (Forestry) Order 2006, with Treasury approval, the Agency may form or participate in the forming of a body corporate, invest in a body corporate and provide loans.

(1) Cash flow and fair value interest rate risk

Forest Enterprise England has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

(2) Foreign Currency Risk

Forest Enterprise England does not generally undertake transactions in foreign currency, therefore its exposure to foreign currency risk is minimal.

17 (d) Capital risk management

Forest Enterprise England's objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

17 (e) Fair Value Estimation

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

NOTE 18 CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2012 (31 March 2011: £71,000 related to the Hicks Lodge Project building works, and commitments to purchase plant and machinery).

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>01 April 2010</u>
	£000	£000	£000
Property, plant & equipment	-	71	30

NOTE 19 COMMITMENTS UNDER LEASES**19(a) Operating leases**

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

	<u>31 March 2012</u>	<u>31 March 2011</u>	<u>01 April 2010</u>
	£000	£000	£000
Land			
Not later than one year	3	3	87
Later than one year and not later than five years	12	11	331
More than five years	1,120	1,052	61,676
Total	1,135	1,066	62,094
Buildings			
Not later than one year	123	124	393
Later than one year and not later than five years	168	249	1,408
More than five years	48	28	2,319
Total	339	401	4,120
Plant and Machinery			
Not later than one year	180	250	277
Later than one year and not later than five years	84	198	202
More than five years	-	-	-
Total	264	448	479

19(b) Finance leases

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

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Land			
Not later than one year	137	134	138
Later than one year and not later than five years	499	489	505
More than five years	3,108	3,047	3,101
	<u>3,744</u>	<u>3,670</u>	<u>3,744</u>
Less: interest element	(1,805)	(1,769)	(1,826)
Present value of obligations	<u>1,939</u>	<u>1,901</u>	<u>1,918</u>
Plant and Machinery			
Not later than one year	1,517	1,708	1,346
Later than one year and not later than five years	2,146	3,308	2,727
More than five years	-	9	39
	<u>3,663</u>	<u>5,025</u>	<u>4,112</u>
Less: interest element	(316)	(882)	(533)
Present value of obligations	<u>3,347</u>	<u>4,143</u>	<u>3,579</u>

NOTE 20 OTHER FINANCIAL COMMITMENTS

Forest Enterprise England has entered into non-cancellable contracts for artist fees and stage rental for the 'Forest Concert Tour 2012' at various venues throughout England. The payments to which the agency is committed are analysed by the period during which the commitment expires are as follows:

	31 March 2012	31 March 2011	01 April 2010
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Not later than one year	2,474	2,587	2,651
Later than one year and not later than five years	-	141	-
	<u>2,474</u>	<u>2,728</u>	<u>2,651</u>

NOTE 21 LEASE RECEIVABLES**21(a) Operating leases**

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

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£000	£000
Not later than one year	2,356	2,418
Later than one year and not later than five years	7,939	7,365
More than five years	8,158	9,631
	<u>18,453</u>	<u>19,414</u>

Forest Enterprise England leases land and buildings under agreements that terminate between June 2011 and March 2030.

21(b) Finance leases

Total future minimum lease receivables under the Forest Holidays partnership buildings lease are given in the table below for each of the following periods:

	<u>31 March 2012</u>	<u>31 March 2011</u>
	£000	£000
Not later than one year	345	326
Later than one year and not later than five years	1,380	1,305
More than five years	24,155	22,835
	<u>25,880</u>	<u>24,466</u>
Less: interest element	(21,733)	(20,317)
Present value of receivables	<u>4,147</u>	<u>4,149</u>

NOTE 22 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

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

Forest Enterprise England is working actively and positively with the Environment Agency and Forest Research, and other associated local land owners, to identify a sustainable woodland based solution to address the water quality issues affecting the land.

This has been classified as a contingent liability in line with IAS 37 due to the uncertainty regarding Forest Enterprise England's legal liability and due to the absence of a sufficiently reliable estimate of the amount of the possible obligation.

NOTE 23 LOSSES AND SPECIAL PAYMENTS

	Number	2011-12 £000	Number	2010-11 £000
Losses total	37	284	57	119
Special payments total	115	378	175	238
	152	662	232	357

NOTE 24 RELATED PARTY TRANSACTIONS

The Forestry Commission Great Britain/England is regarded as a related party. During the year, Forest Enterprise England received annual subsidy funding of £14,600,000 from Forestry Commission Great Britain/England.

In addition, Forestry Commission Great Britain/England has had various material transactions with other government departments and other central government bodies. The main entities within government with which the Forestry Commission has had dealings are H M Treasury, UK Co-ordinating Body, the Paymaster General's Office, HM Revenue and Customs, the Department for the Environment, Food and Rural Affairs, Communities and Local Government, the North West Development Agency and Yorkshire Forward.

The following additional transactions were carried out with related parties:

2011-12	Services Rendered to related party	Purchases from related party	Amounts owed (to) by related party
	£000	£000	£000
Entities Sponsored by Defra	347	217	160
Forest Holidays	748	198	23
Entities with directors in common:			
BSW Timber PLC	2,580	-	508
Howie Forest Products	98	-	141
	3,773	415	832
2010-11	Services Rendered to related party	Purchases from related party	Amounts owed (to) by related party
	£000	£000	£000
Entities Sponsored by Defra	1,154	43	579
Forest Holidays	459	45	2
Entities with directors in common:			
BSW Timber PLC	2,113	-	508
Howie Forest Products	165	-	69
	3,891	88	1,158

All balances are unsecured and were incurred on an arms length basis.

The above transactions for timber sale with BSW Timber PLC and Howie Forest Products occurred on an arms length basis and are disclosed because Hamish Macleod, a non-executive Forestry Commissioner, is Joint Managing Director of Howie Forest Products Ltd. BSW acquired Howie Forest Products Ltd in November 2009, therefore transactions with BSW have also been disclosed from this date.

NOTE 25 THIRD PARTY ASSETS

Forest Enterprise England held a security deposit relating to a third party property lease in respect of mineral workings at Broadmoor Brickworks. The security deposit is due to be repaid in 2020-21. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2012 the amount held in Forest Enterprise England's bank accounts on behalf of the lessee was £11,704 (2010-11: £11,704).

NOTE 26 EVENTS AFTER 31 MARCH 2012

In accordance with the requirements of IAS 10, events after 31 March 2012 are considered up to the date on which the accounts are authorised for issue. These accounts were authorised for issue on 28 June 2012.

NOTE 27 RECONCILIATION OF PRIOR YEAR RESTATEMENT

From 2011-12 Government Grants and Donated Assets must be assessed in accordance with IAS 20. The adoption of IAS 20 has resulted in the removal of the Government Grants and Donated Asset reserves from the accounts. The balances previously recognised within these reserves have now been appropriately restated within deferred income and the revaluation reserve. This has caused the following restatements:-

	Note	Per 2010-11 Published Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
Statement of Financial Position					
Current Payables - Deferred Income	SFP	10,330	10,732	402	Movement of Current Deferred Income from Government Grant /Donated Asset reserves
Non Current Payables - Deferred Income	SFP	4,803	17,785	12,982	Movement of Non Current Deferred Income from Government Grant /Donated
Revaluation reserve	SFP	642,051	642,925	874	Restatement of donated asset reserve, revaluation element
Donated asset reserve	SFP	2,481	-	(2,481)	Restatement of donated asset reserve
Government grant reserve	SFP	11,777	-	(11,777)	Restatement of government grant reserve
Taxpayers' equity	SFP	<u>671,442</u>	<u>671,442</u>	<u>-</u>	Sum of the adjustments above
Statement of Cash Flows					
Donated asset reserve released	CF	(69)	-	69	Government grant and donated asset depreciation charge no longer offset by release from reserves
Government grant reserve released	CF	(300)	-	300	Government grant funded asset depreciation charges no longer offset by release from reserves
Deferred Income released	CF	-	(369)	(369)	Deferred Income Release to SOCI
Movements in payables relating to items not passing through the SOCI	CF	-	(490)	(490)	Movement of in year transactions from Government Grant/ Donated Asset reserves to Deferred Income Payables balance
(Decrease)/ Increase in Trade and Other Payables	CF	(1,009)	(519)	490	Restated decrease in trade and other payables as a result of in year movement on government grant/donated asset reserves
Statement of Changes in Taxpayer's Equity					
<u>Revaluation Reserve</u>					
Opening balance	SOCE	460,749	461,702	953	Restatement of Opening balance following clearance of Government Grant/ Donated
Arising on revaluation during the year:					
Dwellings and other buildings	SOCE	8,290	8,211	(79)	Clearance of Revaluation reserve element from Donated Asset /Government Grant
Closing balance at 31 March 2011	SOCE	<u>642,051</u>	<u>642,925</u>	<u>874</u>	

Annex: Sustainability Report

This Annex does not form part of the auditors' opinion on the Accounts

ANNEX1: SUSTAINABILITY REPORT

Introduction

The Forestry Commission England carries out sustainability reporting in line with the Greening Government Commitments and the FReM reporting requirements. As the largest land manager in England, enabling the management of the public forest estate for multiple public benefits and providing advice and grants to landowners, we report sustainability in line with the DEFRA key performance indicators. The UK Forestry Standard (UKFS) outlines the requirements for sustainable forest management and these requirements are independently audited against the United Kingdom Woodland Standard (UKWAS). The supporting activities needed to perform this core function enabled through partnership with businesses, communities and other organisations as indicated in the corporate plan are set out in the environmental policy and managed through the Environmental Management System (EMS) designed to meet the requirements of BS EN ISO 14001 2004. The intention is to have the EMS externally assessed to the standard to provide external verification of our environmental performance.

Summary of Performance

The environmental impacts of the organisation's activity are managed through the Environmental Management System (EMS) which is designed to deliver the environmental policy. The implementation of the EMS has established baseline data against energy, travel, water and waste and includes sustainable procurement requirements as part of the improvement targets following the government buying standards.

A number of successful programmes are already showing improvement:

- Strategic travel plans and the procurement of low carbon vehicles.
- The installation of wood fuel heating systems, solar technologies and water and electric automated meters.
- Rain water harvesting and reedbed sewage treatment systems
- Low-energy lighting. (Looking to move to LED over time)
- Increased recycling and reduced waste to landfill. – Better waste service procurement.
- Sustainable procurement of materials and equipment
- Office sharing with other government departments in low carbon buildings.
- Increased use of conferencing to reduce the need to travel to meetings.
- 23% of electricity meters are now AMR's

The executive board have approved a set of key performance indicators within the business plan designed to monitor progress towards strategic business objectives in relation to environmental performance.

The Forestry Commission England is fully committed to meeting the government's Greening Government Commitments. The data gathering process is now finalised and will continue to improve as the performance management system is embedded in normal business monitoring and reporting processes.

The main targets and measures are CO2 emissions from energy use and travel and use of natural and other resources through monitoring of water use, waste reduction and procurement activity. Whilst data is still incomplete and the quality of information gleaned from this available data is improving, there is still some way to go before we can reap the benefits from the system in terms of strategic planning and improved performance across all of the measures. The indications are that there may be substantial cost savings through improved integration of management systems, targeting energy saving and reduced travel, reduced waste and procurement of more sustainable products and services.

REPORTING REQUIREMENTS

Performance Measurement		2011-12 Performance	
Area		Actual (Qty/Cost)	Target
Greenhouse Gas emissions (Scopes 1, 2 & 3 Business Travel including national and international air/rail travel) and energy used by Built Estate. (tonnes CO ₂ e↑)		3,789	• 10% reduction on baseline
Electricity, Gas and other heating fuels (Estate)	Consumption (Kwh)	3,085,385	• 12% reduction on Baseline
	Expenditure	£411 786	
Total Energy ¹	Expenditure	£3,788,344	
Estate and office Waste ²	Amount (Tonnes)	2,057	<ul style="list-style-type: none"> • < 20% Landfill • ≥80% recycling • 10% overall reduction in weight
	Expenditure	£55,542	
Estate and Office Water	Quantity Used (m ³)	60,781	• 8% reduction on Baseline
	Expenditure	£61 225	

¹Total energy is the fossil fuel consumption of the built estate (Heating and lighting etc.) and the CO₂ from travel.
²Waste includes sewage and WEEE.

The business plan has adopted a set of normalised performance indicators and these are reported to DEFRA and other 3rd parties within the normal reporting processes.

Summary of Future Strategy

This is managed through the EMS and the associated guidance for delivering all of our environmental policy commitments. The key outcomes are reported through the management review and this informs on-going progress towards business sustainability objectives across all aspects of our support functions related to core sustainable forest management activity.

The main improvements in performance will come from the combined contribution from the 6 newly-formed forest management areas to achieve the stated performance objectives outlined in the Environmental Policy Statement. (EPS) <http://www.forestry.gov.uk/forestry/INFD-6Z2JZM>. The implementation of the operational guidance related to sustainable business will ensure continuous improvement in environmental performance over time as an integral part of the core business planning and monitoring processes.

GHG Emissions

The Forestry Commission England has a number of offices across the country managed through central estates these are strategically located to provide multiple public benefits from the public forest estate and to engage with private landowners. There is an on-going programme of optimising the built estate to determine what investment in energy saving measures can be employed to reduce CO₂ emissions and save energy costs over time. The sharing of office space with other government departments at key locations has already happened and opportunities to do this across the country will be taken where it is practical and beneficial to do so. Many districts have installed wood fuel boilers and other green technology measures to reduce energy use from fossil fuel generated sources. The organisation is aligning its performance targets with DEFRA as far as possible and will take practical measures to reduce emissions as resources and further opportunities to share resources permit. At present only 0.8% of energy use is from sustainable sources across England.

Waste

Significant reductions in operational waste to landfill have already been achieved across most of the estate and all locations have recycling in place. There is a significant amount of Fly-Tipping across the forest estate and this is a challenge for the organisation to deal with. The organisation is considering contracting environmentally reputable waste management specialists to reduce waste administration by combining the waste management needs over a large area covering the country with perhaps three or four comprehensive waste management contracts that meet our needs... Approximately 63% of our reported waste is from Fly-tipping. Our own Forestry Commission office waste has a good recycling rate of approximately 73%.

Use of Resources

The uses of natural resources being monitored are water and timber procurement. Water is being monitored through meters and local initiatives such as rainwater harvesting and reedbed sewage treatment are used at some forest districts. Many water saving devices have been put in place and this work continues. All timber used by the organisation must be certified as coming from legal and certified sustainable sources including all construction projects and temporary works.

Climate Change Adaptation and Mitigation

Forestry Commission England has published a report on the implications of climate change on the delivery of its responsibilities and functions, following an invitation to report under the terms of the Climate Change Act (2008). An outline adaptation plan is included within the Report. A Climate Change Action Plan for the Public Forest Estate in England has also been published and is now being implemented, which identifies a programme of measures to reduce greenhouse gas emissions and increase the resilience of the 258,000 ha Public Forest estate to the effects of projected climate change.

Biodiversity and Natural Environment

At the conclusion of the Programme:

99.5% of the SSSI on the Forestry Commission estate is in target condition.

96% of all broadleaved woodland SSSI is in target condition.

and

95.3% of all coniferous woodland SSSI is in target condition.

So we have met and in every case exceeded the 95% goal set by Defra in bringing across our three core responsibilities.

Sustainable Procurement including Food

In April 2011 we published and embedded new guidance for purchasing activities across the organisation. Over this year we have been building on existing sustainable procurement activities to address the Greening Government Commitments. Specifically focusing on a better understanding of our supply chain impacts for forest operations, haulage and civil engineering. We are also working towards improving our application of the Government Buying Standards to relevant contracts.

Sustainable Construction

The Forestry Commission applies the BREEAM best practice requirements for construction waste during construction projects. During refurbishments of core buildings, sustainable materials are used as far as practical.

People

During the strategic amalgamation of the forest management areas from 16 down to 6, all staff have been supported with any issues they may have had during the move to new locations. The Employee Assistance Programme (EAP) is still available for any member of staff with any wellbeing problems they may need to discuss regarding any personal impacts the built asset rationalisation process may have had. Managers are also able to get help in re assigning additional work to staff and in assimilating staff from other areas and help with staff leaving the organisation, the full impact on staff may not be known for some time as new work patterns settle down in the next few weeks and months and HR will maintain support initiatives for as long as they are needed.

Environmental Management System (EMS)

The Forestry Commission has an EMS in place certified to BS EN ISO 14001-2004. Forestry Commission England is aiming to be included within this certified EMS by Nov 2012. The EMS has already provided cost savings as well as environmental benefits in terms of improved management procedures and improved awareness of environmental impacts and legal compliance with regards waste, procurement and emissions. As further system integration takes place and programmes to improve performance are implemented across England, significant benefits should be achieved in terms of saving staff time and costs.

Governance

The governance of the performance of the organisation is through the normal business planning, monitoring and reporting processes to senior management. The EMS performance reporting is part of this process, based on key performance indicators agreed across the 6 large management areas for England covering Forest Services, the management of the public forest estate at the districts and the arboretums.

The sustainability performance measures are managed in the same way as financial monitoring and reporting processes. Data is gathered in a central database and this provides information to guide strategic decision making as the needs of the business evolve in a changing operating environment.

Each cost centre is responsible for supplying the performance information to a central database against the agreed performance indicators in their respective business plans. This information is summarised centrally and monitored through the EMS audit process and as part of the normal business monitoring process within the management unit. The Cost Centre managers are responsible for ensuring that the data is accurate, timely and complete in line with stated policy.



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