

---

---

# **Forestry Commission Great Britain/England**

## **Annual Report and Accounts 2010-11**

**Incorporating:**

**Forestry Commission Great Britain/England Accounts**

**and**

**Forest Enterprise Agency Accounts**

---

---

---

---

# **Forestry Commission Great Britain/England**

## **Annual Report and Accounts 2010-11**

**Incorporating:**

**Forestry Commission Great Britain/England Accounts**

**and**

**Forest Enterprise Agency Accounts**

**(For the year ended 31 March 2011)**

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

*Ordered by the House of Commons to be printed on 13 July 2011*

---

---

*This is part of a series of Annual Reports and Accounts which, along with the Main Estimates 2011-12 and the document Public Expenditure: Statistical Analyses 2011, present the Government's outturn and planned expenditure for 2011-12.*

**© Crown Copyright 2011**

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> or e-mail: [psi@nationalarchives.gsi.gov.uk](mailto:psi@nationalarchives.gsi.gov.uk).

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

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

Public Enquiries  
Forestry Commission,  
231 Corstorphine Road,  
Edinburgh  
EH14 5NE

This document is also available from our website at <http://www.forestry.gov.uk>

ISBN: 9780102971781

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2429072 07/11 13602 19585

Printed on paper containing 75% recycled fibre content minimum.

## Contents

	<b>Page</b>
<b>Foreword</b> by the Chair	2
<b>Annual Report</b>	
Great Britain	3
Corporate governance	14
Forestry Commission England	21
Management commentary	22
<b>Forestry Commission Great Britain / England Accounts</b>	
Financial commentary	32
Remuneration report	35
Statement of responsibilities of the Forestry Commission and the Accounting Officer	41
Statement on internal control	42
Certificate and report of Comptroller and Auditor General	46
Financial statements	48
<b>Forest Enterprise England Agency Accounts</b>	
Financial commentary	93
Remuneration report	96
Statement of accounting officer's responsibilities	101
Statement on internal control	102
Certificate and report of Comptroller and Auditor General	105
Financial statements	107
<b>Annex</b>	
Annex 1: Sustainability Report	146

## FOREWORD by Pamela Warhurst CBE, Chair

In my first full year as Forestry Commission Chair we have seen a number of changes, not least the establishment of the first coalition government since the Second World War. In my foreword for last year's annual report I made reference to the challenges we would be facing as a result of the global economic downturn. As the extent of these challenges become clearer, I am struck by the way the Forestry Commission has responded to the evolving priorities for society throughout its 90-year history, from a remit focused on securing a national timber reserve to the delivery of multiple benefits we undertake today. This is a testament to the expertise, knowledge and commitment of the Forestry Commission's staff and the ability to adapt to changing demands. I know we will respond positively once again.

During the year I have greatly enjoyed visiting a number of our sites, getting out and about meeting our passionate staff and seeing some of our most treasured natural landscapes. I have seen at first hand the quality and consistency of delivery of such a wide range of public benefits throughout Great Britain both on and off the public forest estate. This year we were reminded of how much members of the public value their woods and forests in providing these benefits, leading up to and during the consultation on the future of the public forest estate in England. We now look forward to engaging with the Independent Panel on Forestry, which has been established to advise Ministers on the future direction of forestry and woodland policy in England and on the role of the Forestry Commission in implementing this.

It is not just in rural areas that our work is valued. The Forestry Commission is becoming more and more involved in the urban environment too. The importance of trees to provide urban green space, green infrastructure and urban cooling is of increasing importance. An example of this is the Big Tree Plant, which brought Forestry Commission England and Defra together with a diverse mix of organisations and groups with the shared aim of increasing the number of trees planted in towns, cities and neighbourhoods throughout England. We have an enviable track record of positive environmental leadership and engaging and empowering others to work in partnership to deliver public benefits. I am sure this will become increasingly significant in future years as we help empower the Big Society.

The impact of tree pests and diseases has continued to be a key issue for us and I have no doubt will remain so in to the future. The continued presence of *Phytophthora ramorum* and the impact of this disease, especially in the south west of England but increasingly elsewhere, again highlights the need to continue to use our expertise and to work closely with private owners and managers as well as other parts of government to combat these threats. Acute oak decline, oak processionary moth and bleeding canker also threaten the health of some of our most iconic tree species.

This Annual Report shows examples of the wide range of activities carried out by the Forestry Commission that contribute towards our overall strategic direction. It highlights work at both Great Britain and England level that has helped us move forward and successfully achieve our organisational targets. The United Nations has designated 2011 as International Year of Forests, so what better time for us to celebrate all that we are and all that we achieve here at the Forestry Commission. As part of our commitment to support this special year, we will be helping to share the messages through our own events programme and exciting initiatives with partners.

## ANNUAL REPORT

### Great Britain

#### Forests and climate change

Climate change continues as a key part of our work programme. As the first national assessment of its kind in the world, the Read Report published in 2009 *Combating Climate Change - a role for UK forests* attracted much interest during 2010-11. We disseminated its findings to major audiences both within the UK and overseas, and its evidence has been instrumental in developing our work programme during the year. First, it helped to spur the establishment of the Woodland Carbon Task Force, led by Forestry Commission England, which aims by 2013 to put the conditions in place for an increase in woodland creation. Second, it has formed the basis of a reassessment of our research priorities. This will inform the development of a climate change research strategy for the forestry sector during 2011.

We launched the pilot phase of the Woodland Carbon Code in summer 2010 in order to road-test the Code and accompanying accreditation and verification procedures, prior to its full launch in summer 2011. Throughout this process, we are working with an expert group of stakeholders. The Code will support market confidence in forest carbon in the UK. In addition, we have been working on potential changes to the Green House Gas Reporting Guidelines that will provide a clear recognition of the contribution of woodland creation to carbon abatement and act as a further stimulus to investment in woodland creation.

During the year, we:

- updated research priorities and evidence needs on forestry and climate change;
- developed and led a work programme under the Woodland Carbon Task Force to examine new funding models for woodland creation; and
- implemented the pilot phase of the Woodland Carbon Code in order to road-test the Code prior to its launch in summer 2011.

#### Ensuring the continued health of our trees and forests

The incidence of pests and diseases affecting Britain's trees has remained a strong focus during the year. The emergence of these threats has been very rapid over the last few years, and during the year, we have been working closely with other Government departments, and colleagues in the forestry sector to find ways of increasing the resources available for research in this complex area.

New outbreaks of *Phytophthora ramorum* have been found in Wales, Northern Ireland, and Scotland during the year, and felling measures remain in place to remove the sources of infection. Scientists at Forest Research are now of the opinion that we are unlikely to be able to eradicate Oak Processionary Moth (OPM) from London. Based on this evidence, our future strategy will be to contain the pest within its existing boundaries. We submitted information to the European Commission in support of a UK proposal to establish a Protected Zone within GB, covering the infested west London Boroughs and a 10km buffer zone. Protected Zone status will enable us to put our temporary emergency controls on a permanent footing regulating the import of oak trees into the country. Red Band Needle Blight remains a concern, and our work to create non-regulated quarantine zones, to try to protect areas which have not yet been affected, continued during the year. In Scotland, Pine-tree Lappet Moth finds have increased slightly with more intensive monitoring. Our focus has been on establishing the current distribution and population sizes, and the likely origins of the moth, and predicting the insect's potential spread under future climate projections. Work will continue next year to refine our understanding of the origin and population dynamics of the insect. The find of *Phytophthora lateralis* at several sites in Scotland resulted in immediate action with local authorities to fell the infected trees to reduce the risk of spread.

During the year we:

- conducted an extensive economic appraisal of research and management needs to tackle biosecurity threats;
- completely overhauled our plant health pages on the Forestry Commission website to provide a single point of information in an easy to access way;
- set up outbreak management teams to co-ordinate activity across both the public and private forest estate for the *Phytophthora ramorum* outbreak on Japanese larch, and the *Phytophthora lateralis* outbreak on Lawson Cypress;
- conducted an extensive survey of oak across GB in 2010 and found no evidence of Oak Processionary Moth outside the known infested sites;
- introduced movement controls in the Pine Tree Lappet Moth infested area to minimise the risk of any accidental spread of this potential pest;
- drafted a new Tree Health Strategy and biosecurity protocol; and
- contributed to the EU review of the European Plant Health regime.

Outcomes during the year:

- On 1st September The Plant Health (Fees) (Forestry) (Amendment) Regulations 2010 came into force and increased our documentary, identity and plant health inspection fees for controlled timber entering Great Britain from certain third countries;
- we performed 4,148 inspections on 0.5 million cubic metres of controlled timber 15 consignments of which were found to be non compliant with our landing requirements and remedial action was taken;
- in performing our inspections of controlled sawn timber we achieved our Plant Health Service Standard response time in over 99% of cases;
- we performed 2,800 inspections of wood packaging material entering the country with goods of all kinds from abroad and 41 of these were found to be non compliant and remedial action was taken; and
- our inspections of imported wood packaging material included a small number of imports from a limited trade from Portugal. Wood samples from these imports were analysed by Forest Research to check for the presence of Pine Wood Nematode (*Bursaphelenchus xylophilus*). All of the samples proved negative for the presence of the pest.

## Setting the sustainability standards for forestry in the UK

The public consultation exercise to review the UK Forestry Standard (UKFS) has been well supported and a wide range of comprehensive and detailed responses was received. The consultation was done together with all the associated guidelines except for the new "Water Guidelines", which were put out to consultation between February and April 2010.

Since then, we have:

- concluded consultation on and drafting of the Water Guidelines;
- initiated work on a Forestry Practice Guide on Acidification with all interested parties;
- completed the writing of the eight UKFS and Guideline documents;
- begun design work and final editing in August 2010. This has been a complex process due to the sheer scope of the eight documents and in particular their inter-related nature. The revised standard will be launched in summer 2011;
- represented the UK at the EU ad-hoc committee on timber procurement and have ensured that its recommendations are consistent with the UK approach;
- been working with Defra and the Department for Energy and Climate Change (DECC) to ensure the UK sustainability standard for forestry is reflected in our approach to criteria for biomass, timber procurement and the forthcoming EU Timber Regulation without the need for additional regulation; and
- worked to ensure that home-grown timber, including timber from smaller growers and farmers, can meet these new requirements in a proportional way and does not face additional hurdles to finding a market.

## Dual Certification (FSC and PEFC)

Following work with a range of interested parties we helped facilitate the availability of a second certification scheme, the Programme for the Endorsement of Forest Certification (PEFC) for timber growers in the UK.

In March 2010, the Forestry Commission was able to include PEFC, alongside the Forest Stewardship Council (FSC), for the management of our 750,000 hectares of forests and woodland in Great Britain. Both schemes use the UK Woodland Assurance standard (UKWAS), which is in turn based on the UK Forestry Standard and Guidelines.

## Providing the underpinning evidence and supporting delivery

Providing a robust and cost effective evidence base to support policy development, and operational practice across the forestry sector is one of our key objectives.

During the year we:

- published our refreshed Science and Innovation Strategy 2010-13;
- commissioned a wide range of research during the year from our Forest Research Agency, which is detailed in its own report to Parliament. Much of this research was used to inform policy and operational decisions;
- have been developing more effective ways of disseminating the results;
- hosted an international conference on forests and society at Herriot Watt University in June;
- continued to work in partnership with organisations in the UK, such as LWEC and CAMERAS in Scotland, and from wider afield, to ensure that we gain leverage from our resources, and introduce new thinking and expertise to the research and policy development process; and
- established a joint bursary scheme with the Scottish Forestry Trust to support postgraduate study in forestry at universities in the UK. The scheme is open to UK doctoral and masters students and is intended to run for a period of seven years, starting in 2011.

Notable publications during the year included the *Managing Native Broadleaved Woodlands* book, the *Climate change: impacts and adaptation in England's woodlands* research note, and our final *Bulletin, Number 129 Selecting Douglas fir seed sources for use in Britain*.

## Promoting the sustainability of forests globally

### *Commonwealth Forestry Conference*

The UK hosted the 18<sup>th</sup> Commonwealth Forestry Conference in June 2010 on the theme *Restoring the Commonwealth's Forests: Tackling Climate Change*. More than 400 people from around the world gathered in Edinburgh to consider how the restoration of the Commonwealth's forests can help to resolve some of the world's most pressing environmental problems, especially tackling climate change. Multinational businesses such as Rio Tinto and Mondi, and several international organisations, including the United Nations Food and Agriculture Organisation, the United Nations Forum on Forests and the International Union of Conservation of Nature, also participated. The Conference explored the numerous challenges facing forests and society, and showcased a range of examples of how it is possible to put back some of the forests and their services that have been lost, and confirmed that there is huge potential for further restoration efforts. It also demonstrated how forest restoration can provide real, tangible and deliverable solutions for the world, and illustrated how communities and stakeholders are central to successful restoration. In opening the Conference, the Commonwealth Secretary-General, Mr Kamalesh Sharma, drew particular attention to the need for leadership at all levels of society if we are to tackle the challenges ahead.

### *Global Partnership on Forest Landscape Restoration*

The Forestry Commission continued to support the Global Partnership on Forest Landscape Restoration and hosted a meeting of key Partners on the occasion of the Commonwealth Forestry Conference in Edinburgh, where the Partnership agreed an 18 month work programme to raise the profile of restoration at key international meetings and to scale up restoration activity globally.

### *Forest Europe*

The Forestry Commission maintained an active interest in the Forest Europe/Ministerial Conference on the Protection of Forests in Europe process to ensure a comprehensive package of options will be available to inform Ministerial decisions at the 6<sup>th</sup> Ministerial Conference in Oslo in June 2011, where the focus for ministers will be on whether or not to launch negotiations on a legally binding agreement on forests in Europe, as well as adopting a new vision, mission, goals and targets for the Forest Europe process.

### *EU Green Paper on Forest Protection and Information*

The Forestry Commission coordinated the UK's response from across Government to the European Commission's Green Paper and supported Ministers in providing follow up responses and information to the House of Lords Select Committee on the European Union.

### *China Sustainable Development Dialogue*

A small group of experts from the Forestry Commission visited China in March 2010 to explore co-operation on sustainable forest management and the role that forests can play in tackling climate change, as part of the UK-China Sustainable Development Dialogue. The visit took the form of field visits and seminars in four distinct regions of China, linked to China's ambitious targets for climate change mitigation through a huge afforestation programme planned for the next ten years. The Forestry Commission's role during the visit was to discuss sustainable forest management and explore how China can develop complementary policies on climate change adaptation and how to link forestry to a low carbon economy. The Chinese State Forestry Administration wish to strengthen bi-lateral relations on forests with the UK and have come forward with ideas for practical co-operation, including a proposal to explore a pilot project for a low carbon economic zone based on forestry on the outskirts of Beijing.

The Forestry Commission continued to actively support the pioneering WWF-led New Generation Plantations (NGP) project. This project, now in Phase 2, seeks to build a partnership between WWF and multi-national

plantation and fibre processing companies such as UPK Kymmene, Stora Enso, Portucel, Fibria and Masisa. Key government partners alongside the Forestry Commission have been the State Forest Administration for China. WWF have developed a suite of New Generation Plantation concepts that when implemented by plantation managers mean that these major sources of the World's fibre can be viewed as part of the solution to Sustainable Development. WWF are seeking to challenge the prevalent orthodoxy that plantations are part of the problem through this partnership. Phase 2 focused on extending the NGP concepts to cover in-forest carbon management and bioenergy objectives to complement the Phase 1 concepts of ecological integrity, biodiversity, high-nature conservation value forests and stakeholder involvement.

## Better regulation

The Forestry Commission continues to play a full part in the Better Regulation Agenda set by the Westminster government. The Coalition government has committed to some radical new approaches and institutional reforms to strengthen regulatory reform and cut back more effectively on red tape and bureaucracy.

As part of this, and the Forestry Commission's ongoing commitment to reduce the overall burden of regulations on the forest sector, an independent task force to look at whether and how the regulatory burden on forest-based business in England can be reduced was set up in January 2011. The Task Force will seek views directly from a wide range of stakeholders including the forestry industry, Non-Governmental Organisations and community representatives.

The Regulatory Task Force, who will report its findings to Government by summer 2011, will identify ways to reduce regulatory burdens on those who want to create and sustainably manage forests that help support a more competitive forestry sector. It will do this by:

- reviewing relevant regulations governing the management of existing forests and the establishment of new ones; and
- identifying the impact of regulation on businesses throughout the wood supply chain.

For more information on the current Better Regulation agenda, please see this website: <http://www.bis.gov.uk/policies/better-regulation/better-regulation-executive>.

## Our regulatory functions (plant health and forest reproductive material)

Ensuring that our biosecurity borders are secure is the primary function of our Plant Health Service. During the year we:

- conducted a public consultation exercise regarding the cost recovery of our plant health inspection service. The Plant Health (Fees) (Forestry) (Amendment) Regulations 2010 came into force on 1 September and increased our documentary, identity and plant health fees for the inspection of controlled timber imported from third countries;
- have taken advice from the Better Regulations Unit on the need for Impact Appraisals when considering temporary emergency measures under article 16 of the Directive;
- have indicated to the European Commission and the member States our intention to introduce measures to prevent the accidental introduction of *Agilus anxius* (Bronze Birch Borer), *Hymenoscyphus pseudoalbidus*, the cause of Ash Dieback, and *Phytophthora lateralis*. These will be implemented through amendments to the Plant Health (Forestry) Order 2005.

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

### **People**

Work continued on the implementation of our People Strategy. We have ensured legislative compliance by:

- implementing the changes in the Social Security and Statutory Sick Pay Amendment Regulations - moving from the “sick note” to the “fit note”;
- introducing the “Right to request time off for training”;
- implementing the changes necessary following the introduction of the Constitutional Reform and Governance Act; and
- updating our Annual Leave and Sickness Absence policy/procedure in line with recent case law (Springer & Pereda cases).

We also:

- revised the Terms and Conditions for new recruits to meet the requirements of the ERA;
- produced a new Apprentice Contract to support the Forestry Commission's Apprentice Scheme;
- introduced a new Harassment & Bullying policy; and
- developed a redeployment process to support the ongoing business change.

We have continued to simplify our Human Resources policies and procedures, publishing the new versions in a standard format. Alongside this work, we have redesigned the Human Resources section of the intranet to make it easier for employees and managers to find the information they need.

We have developed our new People Strategy, which will set the strategic direction for the next five years. The key themes being:

- Deployment of People;
- Employee Skills;
- Equality and Diversity;
- Safety, Health and Environment; and
- Pay and Recognition.

We ran a limited Early Release Scheme in the autumn, giving employees an opportunity to request voluntary early retirement or voluntary early severance. A total of 72 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 frequently discussed at their meetings throughout the year.

Areas of specific focus this year:

- ensuring that the Forestry Commission's internal processes and procedures comply with the new Equality Act, and keeping managers and staff informed of the changing legislative requirements; and
- the Forestry Commission's second Gender Equality Scheme was published during the summer and the three legally required annual Monitoring Reports (Disability, Race and Gender) were published by the required deadlines. These Reports focussed mainly on the Forestry Commission's workforce. We were able to report slight increases in the number of female and ethnic staff.

We continued to raise the profile of the Forestry Commission with the lifestyle press targeted at diverse communities e.g. Able and Roots magazines and at events e.g. Black History Month, Stonewall, Diversity Jobs and Opportunities Fair, the Forestry Commission's Graduate Recruitment. We have promoted the use of diverse imagery on the Forestry Commission's website and within our publications.

In order to keep the agenda at the forefront of the attention of the Forestry Commission's staff we provided an information booklet to every member of staff and posters for all cost centres in the spring. The Staff Diversity Forum meets four times a year to provide input into the development of the Forestry Commission's Human Resources policies. Managers' Guidance has been produced to support managers, and staff, with regard to issues surrounding sexual orientation, transgender and religion and belief.

We have continued to further develop and deliver diversity training and build diversity messages into other relevant courses. We have also worked with country-based colleagues to build equality and diversity considerations into operational guidance.

This year we submitted four entries for the Civil Service Equality and Diversity Awards 2010 to highlight the excellent work completed by our Policy and Programme Group, East Midlands Forest District and Central Scotland Conservancy. We are delighted that East Midlands Forest District won the award for "Understanding and Engaging with Communities". The key factors for this outstanding achievement were the sheer scale of the initiatives across all protected characteristics and the innovative approach of the team.

A wide range of services and facilities continue to be provided to diverse communities across the Forestry Commission's local offices. This is encouraged and supported and best practice shared further. An impressive range of outreach services being offered across the Forestry Commission are outlined in our Monitoring Reports and include hosted visits for the Muslim community in Forestry Commission Wales to all access trails and mountain-biking for those with a disability in Forestry Commission Scotland and Forestry Commission England, to providing facilities for weddings and civil ceremonies at the arboreta.

## **Learning & Development**

In the final year of our current People Strategy we have implemented:

- management development for strategic (unit) managers across the whole of the Forestry Commission. This is the final level of our three tier programme;
- Leadership Development Programme to identify potential senior leaders; and
- full accreditation of Investors in People review.
- Technical training continues to support business needs and priorities. The recruitment of a specialist wildlife trainer has also meant that we are now able to meet the particular needs of this group of specialists.

Finally, as demand continues to be high and the need for training to be delivered locally when needed, Learning & Development has been making greater use of technology to support training delivery, including:

- software which allows our Information Technology trainer to work remotely from course participants;
- DVD follow up support material for Geographical Information Systems (GIS) training; and
- DVD on business sustainability to support the launch of online training instead of the traditional "face to face" workshops.

## **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 commenced the introduction of a new accident reporting system. This will make the reporting of accidents and near misses easier. We carried out an audit of our management of construction on the national forest estate.

### Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2010-11 and the preceding years.

Year	No of accidents per 100 employees
2010-11	0.71
2009-10	0.73
2008-09	0.57
2007-08	1.03
2006-07	0.63

### Sickness absence

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

Note: The England analysis does not include the Business Units which consist of Mechanical Engineering Services, Civil Engineering and Plant, Seed and Supply.

## Honours

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

Roger John Cooper MBE. Member, National Committee for Wales and Chair, Woodland Strategy Advisory Panel Wales. For services to forestry.

John Michael Wood MBE. Community Ranger for Sherwood and Lincs forest district. For services to forestry and the community.

## Awards

Roddie Burgess, who led our Plant Health Service for 14 years, retired in March 2011. One of the final events of Mr Burgess's career was the presentation of an honour from the UN Food & Agriculture Organization (FAO). He received a plaque and Certificate of Excellence from Jose Antonio Prado, Chair and Director of the FAO's Forest Assessment, Management and Conservation Division. The awards recognised his decade of work under the FAO umbrella and his contribution to the FAO's new *Guide to implementation of phytosanitary standards in forestry*, which was published just before he retired.

## Communications

Colin Morton, our Head of Corporate Communications was invited to Chair an EU working group set up to draft a first European communications strategy for forestry. The process involved a very broad cross section of the forestry world and the final document was well received by member states. The strategy was officially adopted in February 2011.

## 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.

### 2010-11

Main achievements were:

- established and transferred the Forestry Commission's commercial banking arrangements to the Government Banking Service;
- developing the core systems for Business Sustainability reporting on Travel and Energy, including the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) and preparing Waste and Water monitoring systems for use from 2011-12;
- continuing to produce efficiencies from the expansion of the e-Business for Forestry Initiative particularly through mobile despatching which now accounts for 55 per cent of transactions in England;
- finished the preparation of a procurement manual;
- implemented the government transparency agenda and met all the targets for publishing information; and
- developing structures for the management of business continuity including the co-ordination of disaster recovery planning.

### 2011-12

The 2010 Spending Review presents additional challenges for FAS due to reduced funding allocations to the central shared services. However, through consultation on the future service requirements a work programme for 2011-12 has been agreed with the Finance Service Board which comprises key internal customer representatives.

## Information services (IS)

Information Services is responsible for the development and delivery of Information Technology solutions to the Forestry Commission. Our revised Information Services Strategy sets out the following priorities:

### *Establish clear IS governance*

We will develop & implement good IS governance to ensure that 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*

We will invest in a modern standardised ICT infrastructure platform that: resolves the on-going problems; reduces the business risk; and is capable of meeting future business demands.

*Improve customer service delivery*

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

*Improve the value of Business Systems*

We will work to maximise the value of existing business applications and set a robust framework for any 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 next year concentrate on key building blocks needed to deliver the Information Systems strategy.

## Actions for 2011-12:

- we will implement portfolio management processes to ensure resources are directed to those areas that deliver maximum business value;
- we will further develop the service management processes to improve customer service delivery; and
- we will continue to develop the standardised ICT infrastructure and begin the migration of legacy systems to: reduce business risks, improve service availability and reduce costs.

**Forestry business units (FBU)**

At the request of the Executive Board a review of the Forestry Business Units took place. The outcomes of this are that:

- the day to day management of Civil Engineering transferred into the countries;
- options are being considered for the outsourcing of Mechanical Engineering and Plant and Seed Supply Branch; and
- the day to day management of Mechanical Engineering will transfer to countries from 1 April 2012.

## Further actions in 2011-12:

- continued to achieve targets set for the last year of the FBU Operational Efficiency Plan (>£2m over 3 years);
- consolidated the Health & Safety focus in all Business Units; and
- Renewable Energy Business Unit now operating as a division of Forestry Commission Scotland.

**Business sustainability**

We have made progress in a number of areas during 2010-11:

- we have completed a major review of Operational Guidance Booklet (OGB) 35 "Waste Management", in order to update the existing guidance and include sections on waste minimisation, recycling and re-use strategies. This is due for publication in March 2011 and will be accompanied by a new data recording system to monitor waste;
- we completed the development of our Environmental Management System (EMS). Our external assessors LRQA Ltd certified the system as compliant with International Standards Organisation (ISO) 14001:2004 in June 2010. As well as system compliance we have achieved full certification to ISO 14001 at Silvan House; Northern Research Station and Alice Holt. We successfully passed our first surveillance visit by LRQA in December 2010;
- we are revising OGB 43 "Business Sustainability" setting out the internal instructions for the EMS which will enable us to rollout full compliance with ISO 14001 at all other sites in England, Scotland and Wales during 2011-12. LRQA will be scheduling compliance visits later in the year; and

- we have worked with Learning and Development to produce a 14 minute film setting out what staff need to know and do in order to support our environmental objectives. This will be released to all sites for training and awareness in March 2011.

## **Inventory, forecasting and operational support**

The National Forest Inventory (NFI) programme is designed to provide up to date, tractable, impartial measures of the GB forest resource and its associated capacity to provide products and services including timber, biomass, carbon and habitats. Co-operation and support from private sector growers, Non-Governmental Organisations and industry remains strong.

During 2010-11 we completed the NFI map, surveyed more than 2,300 sample plots in the field and continued work to link this data to the growth and yield models developed by Forest Research. We published the NFI Map for Wales and associated Woodland Area report in March 2011, those for England and Scotland are scheduled for publication in late May. We remain on track to publish GB and country estimates of conifer growing stock, expressed as timber, biomass and carbon, in late 2011. This is a key milestone for the programme and will provide unambiguous answers to a number of long standing forest resource questions.

Our corporate spatial metadata and data are maintained and fit for purpose, we will finalise plans for publication once the wider Governmental position is clear.

Geographical Information System applications to assist management of our recreation, conservation and heritage assets and services have been delivered to and well received by frontline staff.

## CORPORATE GOVERNANCE

### Status

The Forestry Commission is the Government department responsible for advising Forestry Ministers within the Westminster Parliament, Scottish Parliament and National Assembly for Wales on forestry policy and for implementing the three separate forestry policy strategies across Forestry Commission England, Forestry Commission Scotland and Forestry Commission 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, the Countryside Act (Scotland) 1967 and the Countryside Act 1958.

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. The Secretary of State consults with Scottish Ministers, the National Assembly for Wales 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.

### 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 other departments, it contributes to the formulation of UK policy in international negotiations, develops the UK's national forest programme and advises on implementation of international and European obligations.

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.

## Ministers

The 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

## Forestry Commissioners and Permanent Head of the Department

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 were:

### Chair

Pamela Warhurst CBE

### Forestry Commissioners

Tim Rollinson, Director General and Deputy Chair

Bob McIntosh, Director, Forestry Commission Scotland

Trefor Owen, Director, Forestry Commission Wales

Paul Hill-Tout, Director, Forestry Commission England (until October 2010)

Jon Owen Jones, Commissioner Wales

Judith Webb, Commissioner Wales

Hamish Macleod, Commissioner Scotland

Dr Olutayo Adebawale, Commissioner England

Sir Harry Studholme, Commissioner England

The Board of Forestry Commissioners met in June, September and December 2010 and March 2011.

They discussed a wide range of GB and international forestry issues, including:

- forest biosecurity;
- corporate governance;
- strategic risk;
- renewable energy;
- Comprehensive Spending Review;
- international forestry policy; and
- climate change.

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](http://www.forestry.gov.uk).

## The Executive Board

The Executive Board is responsible for:

- developing and delivering plans to reflect the long-term objectives and priorities established by the Board of Forestry Commissioners;
- 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; and
- ensuring effective communication.

The members of the Executive Board who served during the year were:

Tim Rollinson, Director General

Dr Bob McIntosh, Director Scotland

Trefor Owen, Director Wales

Paul Hill-Tout, Director England (until October 2010)

David Henderson-Howat, Acting Director England (from October 2010)

Dr James Pendlebury, Chief Executive, Forest Research Agency

Simon Hodgson, Chief Executive, Forest Enterprise England (until August 2010)

Simon Hodgson, Acting Chief Executive, Forestry Commission England (from August 2010)

Michael Ansell, Director Forestry Business Units (Until June 2010)

Frank MacCulloch, Acting Director Forestry Business Units (From June 2010)

Jean Lindsay, Director Human Resources

Keith Gliddon, Director Finance

Wilma Harper, Secretary to the Commissioners and Head of Corporate and Forestry Support

The Executive Board met in April, June, September, November and December 2010 and February 2011.

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

- biosecurity;
- equality and diversity;
- Forest Holidays LLP;
- international forestry policy;
- health and safety;
- public sector spending cuts;
- Forestry Research Agency;
- the Forestry Business Units;
- human resources and
- finance issues.

Further information on the Executive Board is available on our website, [www.forestry.gov.uk](http://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.

Members of the Committee were:

Pamela Warhurst CBE, Chair and Forestry Commission Chair  
Sir Harry Studholme, Commissioner England  
Dr Olutayo Adebawale, Commissioner England  
Keith Oates, Non-executive member  
William Weston, Non-executive member  
Robin Mortimer, Non-executive member (Defra)  
Paul Hill-Tout, Director England and Commissioner (until October 2010)  
David Henderson-Howat, Acting Country Director (from October 2010)  
Simon Hodgson, Chief Executive, Forest Enterprise England (until August 2010)  
Brian Mahony, Acting Chief Executive, Forest Enterprise England (from August 2010)  
Simon Hodgson, Acting Chief Executive, Forestry Commission England (from August 2010)  
Steve Meeks, Finance Director, Forestry Commission England  
Laura Jones, Head of Policy and Programmes

The Committee met in May, July, September and November 2010 and in January and March 2011. There was also an extraordinary meeting in August 2010 to receive and update regarding the Arm's Length Bodies Review.

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

- finance;
- biosecurity;
- the Public Forest Estate Study;
- business sustainability;
- the Natural Environment White Paper; and
- the National Tree Planting Campaign.

At each meeting the 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](http://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 were:

Paul Hill-Tout, Chair, Director and Commissioner England (until October 2010)  
David Henderson-Howat, Acting Country Director (from October 2010)  
Simon Hodgson, Chief Executive, Forest Enterprise England (until August 2010)  
Brian Mahony, Acting Chief Executive, Forest Enterprise England (from August 2010)  
Simon Hodgson, Acting Chief Executive, Forestry Commission England (from August 2010)  
Richard Britton, Head of Forestry Authority and Regions, England

Andrew Smith, Head of Grants and Regulations, Forestry Commission England  
Laura Jones, Head of Policy and Programmes, Forestry Commission England  
PK Khaira, Head of Executive Office, Forestry Commission England  
Robin Maynard, Head of Communications, Forestry Commission England (until September 2010)  
Steve Meeks, Finance Director, Forestry Commission England  
Sarah England, Human Resources Business Partner, Forestry Commission England

The England Executive Board met on ten occasions during the year and addressed a wide range of issues including:

- finance;
- performance targets;
- health and safety;
- risk management;
- biosecurity;
- woodfuel implementation plan;
- community woodland project; and
- human resources and diversity.

## **Forest Enterprise England Management Board**

The Agency Management Board gives strategic direction and leadership for the management of the Forestry Commission Estate and to the forest districts within England.

Members of the Committee were:

Simon Hodgson, Chief Executive (until 29 August 2010)  
Brian Mahony, Acting Chief Executive (from 30 August 2010)  
Brian Mahony, Head of Sustainable Forestry and Land Management (until 29 August 2010)  
Graeme Prest, Forest District Manager, North West England District  
Mark Thornycroft, Head of Estates  
James Swabey, Head of Recreation and Public Affairs  
Mary Forskitt, Acting Head of Finance (until 27 August 2010)  
David Hodson, Head of Finance (from 9 August 2010)  
Paddy Harrop, Head of Recreation and Education Support  
John Tewson, Planning and Environment Manager

The Forest Enterprise England Management Board met on eleven occasions during the year and addressed a wide range of issues including:

- Business planning and financial management
- Corporate Planning
- Risk awareness and management
- Project management
- Business Sustainability
- Reviewing programmes to meet new financial challenges and government priorities
- Ongoing engagement with internal and external partners

### 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](http://www.forestry.gov.uk).

## **England Audit and Risk Committee**

In England, the National Committee and Accounting Officers are supported by a sub committee known as the Audit and Risk Committee (ARC). Its purpose is to help them in their responsibilities for the effective management of risk control and governance across the organisation in England. Through its work the 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 are:

Sir Harry Studholme, Chair and Commissioner for England  
Olutayo Adebawale, Commissioner for England  
Keith Oates, non-executive member England National Committee

Further information on the responsibilities and work of the ARC during the year is provided in the Statement on Internal Control (SIC).

## **Corporate governance**

The SIC provides a summary of the way in which Forestry Commission Great Britain/England manages its Governance and Internal Control. Forestry Commission Great Britain/England has applied the principles of the Treasury's Code of Good Practice for Corporate Governance in the context of its own circumstances.

### **Principal risks, uncertainties and opportunities**

Forestry Commission Great Britain/England has identified the following principal areas of risk, uncertainty and opportunity 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. The key risks looking forward into 2011-12 are detailed in the SIC.

## **Risk management policy**

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 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 prepared for each Region and each of the services needed to deliver the Forestry Commission's business (Finance, IT, HR, Grants and Regulations and Communications).

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.

## 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 been developed using the strategic objectives of Ministers. The outcomes and new approaches mean that the Forestry Commission will organise 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

Biosecurity continued to be a priority issue this year. In September, Lord Henley visited the South West to see the effects of the outbreak of *Phytophthora ramorum*. Lord Henley was given a tour of both private and public woodland in the area, as well as discussions with the land owner and Forestry Commission. The visit concluded with the Minister being given an appreciation of the scale of the outbreak from the air.

In late April, Forestry Commission Chair, Pamela Warhurst presented the prizes at the 2010 Union Cycliste Internationale (UCI) Mountain Bike Cross-Country World Cup, held at Dalby Forest. Over 11,000 visitors were present to watch two days of high level competition. During the weekend, Simon Hodgson also signed an agreement with British Cycling which will promote wider co-operation on cycling issues across the public forest estate. The UCI named Dalby Forest as the best Cross Country Mountain Bike World Cup round of 2010.

Also in April, the National Office in Cambridge officially closed with all work transferring to Bristol from this date.

The Forestry Commission, together with Staffs County Council, co-hosted another very successful Association of Professional Foresters (APF) International Forestry Exhibition on Cannock Chase. A record 16,700 people attended the three day show. District staff worked closely with the APF team during both the set-up and the event. The Forestry Commission education team was particularly successful in attracting more than 500 children from 20 schools to give them an insight into the world of forestry and woodland crafts.

Forest Holidays completed construction of 74 cabins and a new reception building at the Woodlands campsite in the Forest of Dean. The official opening took place in October and was performed by Councillor Peter Amos.

For the first time, the Forestry Commission attended the Newcastle Mela (festival) on 31 July and 1 August. The Forestry Commission stall aimed to inform people about the importance of trees, forest and woodland in relation to climate change, and to encourage a mainly urban audience to visit forests and woodlands in the region. The Mela attracted around 30,000 people and was a lively and colourful event. Our stall created a lot of interest from community leaders, families and individuals, quite a number of whom were already familiar with Kielder Forest.

### Expansion

With the help of the Forestry Commission, among others, the Coalition government have launched a national tree planting campaign, called the *Big Tree Plant*. Ministers have set a target of planting one million additional trees by 2015. The campaign will operate through a competitive grant scheme, providing grants to community organisations to plant and manage trees, a web-based mechanism for people to pledge extra tree planting during the campaign and general support and advice to encourage tree planting.

In support of the *Big Tree Plant*, a community tree planting event was held on the public forest estate, at Ingrebourne Hill. The event will be run with local schools, within areas of deprivation, over a number of weeks where it is expected that some 1,000 trees will be planted.

The Woodland Carbon Task Force received Ministerial endorsement of its aims and approach. This is an element of the work the Forestry Commission are contributing to with the aim of increasing tree planting and woodland management in England. Delivery highlights include the positive reception and level of stakeholder engagement as well as evidence of real woodland creation and woodland management projects taking off due to carbon finance and woodfuel markets.

The Woodland Carbon Code is crucial to the success of the Woodland Carbon Task Force. It covers the whole of the UK with its main objective to bring confidence to and enhance the reputation of UK-based woodland

carbon projects. This will be provided by clear guidance and project documentation templates, models for forecasting and protocols for measuring carbon storage, a project registry and through third party certification bodies being accredited to the Code through the UK Accreditation Service.

## **Economic activity**

Strong demand for timber and increased values were an important feature of the year, supporting the management of forests and increasing returns for landowners.

The formation of the Forestry Regulation Task Force was announced by Jim Paice, Minister of State, at the Association of Professional Foresters' International Forestry Exhibition in September. The Forestry Regulation Task Force will primarily look at areas of regulation affecting forestry in England. The role of the Task Force will focus on identifying the most appropriate mechanisms to ensure the effective and efficient regulation of the forest and woodland sector. The review will look at ways to reduce and simplify the burdens associated with the implementation of the Rural Development Programme for England's grant funding for forestry. It will not look at cross-cutting regulations such as employment law or health and safety regulations.

The Task Force will also carry out a review of relevant regulations and their implementation for both the management of existing forests and the establishment of new ones, though it will also seek to understand the impact of regulation on businesses both up and down the wood supply chain. This will support those who wish to create and sustainably manage forests and help to promote a more competitive forestry sector.

The skills task and finish group met to consider skills issues affecting the forestry sector, including apprenticeships. The group, comprising a mixture of public, private and third-sector organisations, identified urgent current and future skills needs within the industry. An action plan to address these has been created and members of the group have been asked to take forward actions allocated to them.

The sub-national forestry apprenticeship leads met with LANTRA's (the UK's Sector Skills Council for land based and environmental industries) Trees and Timber representative with the aim of discussing how reviews of the Apprenticeship Pilots could feed into the revised Trees and Timber Framework. This also fed into discussions with Forestry Commission colleagues in Wales and Scotland on the revised framework, which has now been finalised.

## **Grants and regulation**

The Rural Development Programme for England (RDPE) is England's mechanism for delivering European agricultural and rural development funding allocated to England, combined with related Exchequer funding for agri-environment, forestry and rural socio-economic support. The RDPE has a total budget of £3.9 billion for 2007-13, of which £179 million is in the indicative planned expenditure for forestry. The English Woodland Grant Scheme (EWGS) is the Forestry Commission's mechanism for delivering grant aid in England.

All RDPE grant schemes were transferred to Defra's accounts from 1 April 2008. Forestry Commission England continues to administer and pay these grants on behalf of Defra. But the cost of the grants, and the associated income from the EU, show in Defra's accounts rather than in the Forestry Commission's accounts.

The total area of woodland creation paid in 2010-11 was 1,775 hectares; this is below the seven-year RDPE target of an average of 2,200 hectares per year but is an 18% increase from last year. This may reflect the impact of the Common Agricultural Policy 'Health Check' which enabled land managers to plant new woodland and continue claiming subsidy on the land under the Single Payment Scheme. In addition to woodland creation under EWGS Forestry Commission staff assisted Natural England in delivering 516 hectares of woodland planting under Environmental Stewardship, the RDPE agri-environment scheme. The Woodland Trust planted 241 hectares of woodland without grant aid from the Forestry Commission. Total woodland regeneration was 1,321 hectares.

We issued 2,050 felling licences which were not linked to new grant agreements. We received 183 reports of alleged illegal felling and investigated 23 of these in detail. Seven of these led to a Restocking Notice, issued using powers granted to the Forestry Commission by a Regulatory Reform Order in 2006 that allows us to issue a Restocking Notice without first securing a prosecution. No cases were considered for prosecution by the Forestry Commission but one case, jointly investigated with the Local Authority, is proceeding to prosecution for a breach of the Tree Preservation Order. Six formal warnings were issued and one case resulted in no further action. The remaining nine cases were reported at the end of the year and are still pending a decision on the final action. One case of illegal felling was formally referred to the Rural Payments Agency for a potential breach of cross-compliance requirements.

Responding to recent changes to government timber procurement policy we launched a new process during the year that helps owners of woodlands smaller than 100 hectares demonstrate that their timber is from a sustainable source. Woodland owners can use the Forestry Commission's Woodland Planning Grant template to produce a management plan and be granted felling approval. The approved plan and subsequent monitoring will meet the 'Category B' evidence requirements of the Defra funded Central Point of Expertise on Timber.

Work to contain the spread of the pathogen *Phytophthora ramorum* continued this year and we issued Statutory Plant Health Notices instructing woodland owners to fell larch trees, the main sporulating host tree species. By the end of 2010-11 120 notices had been issued covering 1,662 hectares (gross) of woodland.

Under the Environmental Impact Assessment (Forestry) (England and Wales) Regulations 1999, we called for one environmental statement to be prepared on a deforestation project to support lowland raised bog restoration in Cumbria. The statement was subsequently received and the project to fell 114ha was approved. We considered fifteen other relevant project proposals in 2010-11. Of these, two are still being considered and one proposal was withdrawn by the applicant after screening. Otherwise we confirmed our opinion that one proposal in the East Midlands would require consent, while the remaining eleven proposals would not be significant and therefore did not require our consent.

Around 153,000 hectares of woodland has been dedicated for public access on foot under the Countryside and Rights of Way Act 2000. Between 1st April 2010 and 31st March 2011 the Forestry Commission assessed and approved 255 requests to close access to the woodland to enable management activities.

## Protection

*The Case for trees* was published in late August and outlines the benefits of urban tree and woodland planting, including for health, climate change adaptation, air quality and property values. The intended audiences are local authorities, planners and developers. The document was highlighted as an example of Government helping to address climate change adaptation in the urban environment in the Command Paper *Government response to the conclusions and recommendations of the Environmental Audit Committee: Adapting to Climate Change, Sixth Report of Session 2009-10*.

Forestry Commission England has been invited to prepare a climate change risk assessment (CCRA) and action plan under the terms of the Climate Change Act. The scope of the report covers the public forest estate, as well as England's trees and woodlands in a wider context through grant and regulatory functions and internal processes.

A Research Note, *Climate Change Impacts and Adaptation in England*, was launched at the APF show on 23 September. As well as outlining the main impacts thought likely on England's trees and woodlands, the Note will be one of the few pieces of guidance available on practical actions in any sector. The Research Note will be supported by a web-based resource, including interactive guidance on species choice and climate change.

Training courses for public-facing Forestry Commission staff, together with a small number of key delivery partners, were completed in September. A total of over 300 staff attended the one day course outlining the Forestry Commission's key messages on climate change adaptation and mitigation, the Climate Change Action

Plan for the Public Forest Estate, woodfuel, regional climate change initiatives, supporting research and the Climate Change Communications Initiative.

## Improvement

We have recently agreed grants for a range of major environmental and recreation projects by Gateshead Council focused on the 170 hectare Derwent Walk Country Park and related sites. The Derwent Walk Country Park is an incredibly rich mosaic of woodlands, meadows, riverbank and reclaimed industrial sites. The work will include restoring 53 hectares of ancient woodland by removing conifers and non-native broadleaves, improving habitat for woodland birds. (Willow warbler, garden warbler and lesser spotted woodpecker) in a joint scheme with the Royal Society for the Protection of Birds (RSPB), four kilometres of new and upgraded footpaths and new interpretation boards for visitors.

Ten years after the launch of our ancient and native woodland restoration programme termed *Woodscape*, 350 hectare Abbott's Wood near Polegate in East Sussex continues to be a focal area for biodiversity. Three key species are responding well to the changing structural diversity of the woodland. These are Dormice, Spiked rampion and the Pearl-bordered fritillary butterfly.

A project to reintroduce Red Kites to south Cumbria has been successful. Red kites were reintroduced to Cumbria by the Forestry Commission and RSPB in August after a 160-year absence from the county. It has been reported that the birds have spread around the county from the initial release site at Grizedale.

The Forestry Commission continued its partnership work with Butterfly Conservation including a programme of habitat improvement works at Beckley Woods in East Sussex. The work is part of a larger project throughout the Rother Valley which encourages woodland owners to undertake woodland management, including coppicing and ride and open habitat improvement. This work helps to improve the habitat for butterflies and seeks to reverse declining populations. Beckley Woods are an important hub in the centre of the project area and are home to a number of rare butterflies including Grizzled Skipper. Funding has been obtained through Sita Landfill Fund to undertake comprehensive habitat enhancements including open space creation and management, coppicing and pond restoration. The work will significantly improve the habitat range in the woodland also benefiting a wide variety of ancient woodland flora and fauna.

An agreement has been reached with a Developer in South East England to accept up to 20 reptiles onto the public forest estate in Abbot's Wood, Sussex. An area of about 5 hectares is to be managed sympathetically for 10 years to provide suitable habitat for grass snakes and slow worms. A pond will be enlarged and corridors kept open in an area of regenerating ancient woodland.

## Empowerment and engagement

The creation of Mab Lane Community Woodland as part of this year's 'Newlands' programme has resulted in 23 hectares of brownfield land being transformed into a multi-functional green space at the heart of West Derby in Liverpool. In addition to the newly planted trees, there are new wildflower meadows, a community orchard and seasonal wetland areas, all of which will support the conservation and enhancement of the area's existing biodiversity.

The education teams at Alice Holt in South East England and Whinnlatter in Cumbria have been recognised as excellent providers of education in the outdoors by being awarded the Learning Outside the Classroom (LOtC) Quality Badge. This is a national award, supported by the government which assures schools and other groups that educational visits to these sites will be of the highest standard. To be awarded the badge, providers have to pledge to sustain high quality learning outside the classroom and to demonstrate good practice in teaching and safety.

A group of volunteers has restored a former hazel coppice plot in Bourne Woods in south Lincolnshire. Using the ancient woodland management technique of coppicing, the volunteers visited Bourne Woods regularly over a 3-month period. The volunteers were of all ages and abilities. After cutting, the arising branches were crafted

into a tall "dead hedge", to deter deer from browsing the new shoots. Now light is flooding back down to the woodland floor which is encouraging wildflowers to grow, and greatly enhances the area's attractiveness to butterflies.

## Spending Review 2010

Forestry Commission GB/England is operating within a lower financial profile during the Spending Review 2010 (SR10) period. This will require us to undertake significant restructuring and downsizing of many programmes and support services. We are consulting staff and the Forestry Commission Trade Unions on our proposals for a new structure and the staffing required.

An SR10 Programme Board has been formed to oversee the preparation of new business models for Forestry Commission England, Forest Enterprise England, Forest Research Agency and the centrally based GB-wide activities and shared services. The new models are designed to achieve the required SR10 settlement baselines across the four years that have been agreed with Defra.

Forestry Commission England will be restructured so that it focuses on delivering forestry policy in England through statutory felling controls, forestry grants, plant health and other key priorities, such as the *Big Tree Plant*. New principle structures have been created within England to form 'Forest Services', and a reformed 'Forest Enterprise', that will be able to operate in the changed financial climate.

Regional structures within Forest Services will be removed and replaced with five management areas with activity supported by administrative hubs. Forest Enterprise will be restructured to form six Forest Districts providing a wide range of programmes essential to the management and development of the estate and making best use of the private sector.

With the establishment of the Independent Panel on Forestry (IPF), asset sales have been suspended and Defra has provided additional finance in 2011-12 to compensate for previously expected land sale receipts. There will be further dialogue with Ministers once the IPF has reported in spring 2012.

The merger of the Cambridge and Bristol National offices in England is complete and work is continuing to maximise efficiencies.

The Forest Research Agency has developed options on the basis of a significant reduction in its Westminster funding. The scale and scope of research work is likely to contract and in order to meet the challenge the Agency proposes to restructure and lower staff numbers.

Great Britain Wide Functions will lower costs through the development of a revised business model which includes further integration with other parts of Forestry Commission GB/England.

Forestry Commission Shared Services are mainly based in Edinburgh and provide a range of services across the whole of the Forestry Commission. Working jointly together, the Heads of Shared Services have prepared a revised business model to achieve the lower financial settlement by reviewing all activities, the structure and staff numbers.

The Forestry Commission expects to lower staff levels by approximately 400 staff by 31 March 2015. The majority of the staff exits are expected to occur through voluntary redundancy, mainly in the 2012-13 financial year. The transition to the new business model is being supported by Defra's Modernisation Fund.

## PERFORMANCE AGAINST SPENDING REVIEW 2007 TARGETS FOR 2008-11

Aim	Indicator 2008 - 11	Outturn of the Three Year Period to 31 March 2011
<b><i>Delivering the Strategy for England's Trees, Woodlands and Forests</i></b>		
Aim 1 Protect & Enhance the Resource	Maintain the <b>area of certified woodland at or above 332,000 ha</b> - as an indicator of wider sustainable forest management.	Target missed. The area of certified woodland was 317,000ha as at 31 March 2011 (interim figure due to be finalised at publication of this National Statistic on 9 June 2011). The area was maintained above target up until the most recent interim update. The recent slippage was mainly due to expiry of a major landowner's certificate that has since been renewed.
Aim 2 Climate Change	Increase the number of boilers that use <b>wood for heat generation</b> (with a total installed capacity of 10 MWth) -- as an indicator of the uptake of woodfuel as a renewable source of energy.	Target exceeded-- total installed capacity has increased by an estimate of at least 75MWth (revised figure) at 31 March 2011.
Aim 3 Land & Natural Environment	A net increase of 7,200 ha (see note 1) in the <b>area of native woodland</b> and <b>other semi-natural</b> habitats restored from forest (for which a target will be set during 2008–09) through: <ul style="list-style-type: none"> <li>• <b>minimising</b> losses of native woodland;</li> <li>• <b>restoring</b> PAWS to native woodland;</li> <li>• <b>converting</b> other plantations to native species;</li> <li>• <b>creating</b> new woodland of native species; and</li> <li>• <b>restoring open habitats</b> through reduction or removal of plantations, woodland or scrub.</li> </ul>	Target achieved. The net increase stands at 7,569ha. A draft strategy for open habitats on the Public Forest Estate has been developed (pending any recommendations from the Independent Panel on Forestry).
	Increase the area of all <b>Sites of Special Scientific Interest (SSSIs)</b> where the Forestry Commission has statutory responsibilities which are in favourable or recovering condition to 95% by December 2010 (see note 2).	Substantially achieved. There has been an increase to 94.2% of the area of relevant SSSIs in favourable or unfavourable recovering condition. 99.8% of woodland SSSIs owned by Forestry Commission England are in target condition.
	Reverse the long-term decline in the number of <b>woodland birds by 2015</b> as measured annually against underlying trends using the Woodland Birds Index – as a proxy for wider biodiversity.	Partial progress. Populations for woodland 'generalist' birds have increased whilst populations of woodland 'specialist' birds have declined marginally. Overall the number of woodland birds has remained almost stable (2009 data).
Aim 4 Quality of Life – Communities & Places	Increase the percentage of the population in priority areas with <b>access to woodland</b> according to access standards from 62% to 66% (relating to an additional 750,000 people having access) – as an indicator of woodlands' contribution to <b>Quality of Place</b> .	Target achieved. Increased to 66.3% (relating to an additional 833,000 priority people having access).

Aim	Indicator 2008 - 11	Outturn of the Three Year Period to 31 March 2011
Aim 4 Quality of Life – Communities & Places	Develop a methodology, set a target, then measure an increase in: * visits to and <b>engagement with local woodland</b> ; * quality of experience; and * personal and social benefit for a series of selected sites, as an indicator of woodlands' contribution to <b>Quality of Life</b> .	Target achieved. A strong methodology to evaluate the contribution of trees, woods and forests was developed, independently approved and implemented by Forest Research. This encompassed a national survey; definition, profiling and surveying of the three site catchment populations; on-site visitor surveys; and analysis of staff-led activities. With 12 of the 15 component indicators successfully met, Forestry Commission England has successfully exceeded the Quality of Life target (of 8 out of 15). Comprehensive reports document the reusable methodology.
Aim 5 Working Woodlands	Develop and implement a regular <b>business confidence survey</b> from which will be set future targets for improvement – to improve the quality and quantity of sector information.	Survey withdrawn due to resource reductions, following re-evaluation of its business case. Research into existing business confidence surveys and available good practice completed.
<b>Improving How We Work</b>		
Customer Service	Provide excellent service to the customers of our <b>Grants and Regulations</b> to be measured by achieving 85% of <b>transactions within standard times</b> .	Target exceeded. 96.6% of staff in post at 31 March 2011 had been trained. The target including an allowance for staff turnover and staff away for prolonged periods of time, e.g. on maternity leave, was 88% of 'all' staff.
	Achieve a recommendation standard of at least 75% at <b>all</b> of the visitor centres surveyed – demonstrating our <b>customers readily recommend our sites to their friends</b> – as an indicator of excellent customer service.	Of nine visitor centres surveyed the recommendation standard was exceeded at four and often substantially so with approval values of around 90% or more at Wyre, Bedgebury, Kielder and Haldon Forest Centres. The standard was missed at five sites, although typically only marginally so, but this means this ambitious target was missed overall. The average score was 77% which means that by industry standards performance at each of the nine sites surveyed and overall is very good.
Developing Our People	Deliver <b>Diversity training</b> to 'all' staff – as an indicator of our objective to embed diversity across the organisation.	Target exceeded. 96.6% of staff in post at 31 March 2011 had been trained. The target including an allowance for staff turnover and staff away for prolonged periods of time, e.g. on maternity leave, was 88% of 'all' staff.
	Continue our good record by maintaining <b>working days absence per staff year</b> at or below 6.2 – in recognition of the strong connection between sickness absence, promoting the health and well-being of staff and delivering an engaged and motivated workforce.	Narrowly missed target with an average sick absence rate of 6.4 working days per annum over the three years. Performance in days per annum in 2008/09 was 6.8 (revised figure), 2009/10 6.2, and 2010/11 6.2.
Delivering Sustainability	Attain <b>Environmental Management System</b> accreditation ISO14001 – or similar (subject to business requirements) – as an indicator of our	Target achieved. A robust Environmental Management System has been put in place right across the Forestry Commission and an initial phase of audits has been

Aim	Indicator 2008 - 11	Outturn of the Three Year Period to 31 March 2011
	movement towards <b>greater corporate sustainability</b> .	successful in achieving ISO14001 accreditation. The scope of the accreditation is due to be extended to all major sites during 2011-2012.
Delivering Value for Money	Develop a system, measure and a target, then increase the proportion of <b>grants and regulation transactions carried out on-line</b> – as an indicator of efficiency.	A system has been developed. Significant progress has been made, although no formal measure or target set. All payments are now made through BACS. England Woodland Grant Scheme applications can now be made electronically, and additional guidance and improvements have been made to encourage this. Electronic map request facilities are now available internally ahead of wider provision for customers. Continual improvements have been made to the content and presentation of information on our website, and we have worked closely with the Rural Payments Agency on electronic use of the Rural Land Register.
	<b>Manage the public forest estate within an agreed net cost per hectare</b> - as an indicator of efficiency. The targets per hectare for each of the three financial years were £77.61 for 2008-09, £88.52 for 2009-10, and £88.65 for 2010-11.	Missed in-year target in 2008-09 with outturn of £83.80 per hectare. Target achieved in the two most recent years with a net cost of managing the Public Forest Estate per hectare of £86.27 in 2009-10 and £72.42 in 2010-11,

Note 1: Target adjusted to reflect Grants and Regulations work only.

Note 2: This target, that is specific to Forestry Commission England, includes SSSIs on the Public Forest Estate and **all** woodland SSSIs on other land

## FOREST ENTERPRISE SUMMARY OF KEY PERFORMANCE MEASURES 2010-11

Target Area	Measure	Target for 2010-11	Achieved
Sustainable Forest Management	Percentage of forest estate certified as sustainably managed.	100% of PFE certified	100%
Social	Percentage of the population in priority areas with access to woodland according to access standards – as an indicator of woodlands contribution to Quality of Place.	8.7%	8.74%
	Engagement with local woodland for a series of selected sites, as an indicator of woodlands contribution to Quality of Life.	8 out of 15 indicators	12 out of 15 indicators
Economic	Volume of wood harvested in relation to the production programme.	100%	103.4%
	Number of visitors to regional forest centres.	4.6M ±10%	4.62M
Environmental	Percentage of SSSIs in favourable or recovering condition.	95%	99.5%
	Area of native woodland and other semi-natural habitats.	N/A	N/A
Efficiency	Net cost of management for the public forest estate.	£88.65 per hectare	£72.42 per hectare
	Customer satisfaction when using recreation facilities.	>75% on Net Promoter Score (NPS) system	70%
	Number of reportable accidents for employees.	1.5 per 100 employees	1.1 per 100 employees

Source: The outturn of Forest Enterprise England's Key Performance Measures is provided through internal management systems.

# **Forestry Commission Great Britain/England**

## **Annual Accounts 2010-11**

## 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 2008, Parliament has approved Defra's revised resource Estimate structure which incorporates Forestry Commission Great Britain/England's estimate as a separate Request for Resource (RfR) defined as:

*RfR2 – Direction of the delivery of the Government's Strategy for Trees, Woods and Forests in England and taking the lead in development and promotion of sustainable forest management across Great Britain.*

Sub-head A of RfR2 includes the operation of the Forestry Commission estate in England by its agency, Forest Enterprise England. The Agency is a public corporation for national accounting purposes and accordingly is outside the departmental boundary for the Forestry Commission Great Britain/England accounts. Its net cash requirement is, therefore, reflected wholly in the programme costs for England-wide activities.

Sub-head B includes the operation of the Forest Research Agency which is designated a Great Britain entity and is therefore consolidated in these accounts. The principal place of business of Forest Research is Alice Holt Lodge, Farnham, Surrey.

### Financial Review

Resources to fund our activities in England and our Great Britain functions come from Defra, from Regional Development 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 £27.5m (2009-10 £21.3m) of public funds that are administered by Forestry Commission Great Britain/England staff.

### Significant variances against estimate

The comparison of actual resource expenditure to Estimate is shown below:

	Estimate £000	Outturn £000	Difference £000
England-wide activities	34,470	26,581	7,889
Great Britain-wide activities	19,126	17,248	1,878
Total resource Great Britain/England	53,596	43,829	9,767

The total Forestry Commission Great Britain/England Estimate for 2010-11 amounted to £53.6m. During 2010-11 a revised reduced funding figure of £48.6m was agreed with Defra which reflected the agreed settlement position.

The overall variance between the 2010-11 Estimate and the resource outturn amounted to £9.8m. Taking into account the revised funding position, the reasons for the remaining variance of £4.8m are described below.

For the England activities the net resource underspend of £7.9m is 22.9% less than estimate. The main reasons are:

- A £3.0m Resource Annually Managed Expenditure (RAME) budget was provided through the Spring Supplementary in case Forestry Commission Great Britain/England needed to make a provision for a significant number of early exits as part of our SR10 restructuring and downsizing. In the event this did not materialise as our SR10 plans were not sufficiently advanced to support a provision at year end.
- The take up on non-RDPE grants was lower than anticipated.

For the Great Britain-wide activities the net resource underspend of £1.9m is 9.8% less than estimate. The main reasons for this are:

- Depreciation on capitalised software development costs was £0.7m below estimate.
- An underspend on Great Britain core and shared services of some £0.7m arising from savings and underspends across a range of activities including a lower than expected accrual for holiday pay.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets:

	2010-11 £000	2009-10 £000
<b>Net Resource Outturn (Estimates)</b>	53,596	92,514
<i>Other adjustments</i>	(9,767)	(17,004)
<b>Net Operating Cost (Accounts)</b>	43,829	75,510
<b>Resource Budget Outturn (Budget)</b>	53,596	92,514
<b>of which</b>		
Departmental Expenditure Limits (DEL)	49,256	92,514
Annually Managed Expenditure (AME)	4,340	-

## Market stability

The ongoing downturn in the economy continued to affect overall demand for timber but as with last year, domestic suppliers of timber benefited from weak £sterling against the Euro and Swedish Krona. These relative values allowed some exports from UK to the continent.

Round timber values continued to rise throughout the year as competition for supply became more intense. By the end of the year timber prices were at a higher level than the previous peak in 2007.

The woodland sale market has continued to rise strongly in recent years. This is particularly so in the South of England where there is very strong demand for "hobby woodlands" and environmental ownership. Commercial sales of larger blocks have been competed for with vigour, and there still seems to be more forestry investment money available than supply of large woodland investment sales. Price gains have comfortably exceeded inflation.

## 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 2010-11 indicates that 99.2% of invoices paid by Forestry Commission Great Britain, 98.0% of invoices paid by Forestry Commission England

and 99.5% 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 2010-11 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 Statement on Internal Control.

### **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 £65,000 (2009-10: £77,000). In addition, the fee for the statutory audit of the Forest Research Agency was £31,000 (2009-10: £37,000). No fees were charged for other services (2009-10: 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

6 July 2011

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](http://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 Monitoring 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 Commissioners' Recruitment code, 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:

	<b>Date of current contract / letter</b>	<b>Unexpired term (months*)</b>
Pamela Warhurst CBE	01/01/2010	21
Sir Harry Studholme	18/01/2011	21
Dr Olutayo Adebawale	01/04/2009	12
Hamish Macleod	01/04/2009	12
Jon Owen Jones	18/01/2010	21
Judith Webb	18/01/2010	33
Keith Oates	13/05/2010	25
William Weston	11/12/2007	9
Robin Mortimer	07/10/2008	n/a**

\*months remaining from 31 March 2011

\*\*Robin Mortimer, Director Defra, a member of the National Committee for England during 2010-11, 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:

	2010-11			2009-10		
	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	-	-	125-130	-	-
Paul Hill-Tout	50-55 <sup>1</sup>	-	-	90-95	-	-
David Henderson-Howat	45-50 <sup>2</sup>	-	-	n/a	n/a	n/a
Simon Hodgson	45-50 <sup>3</sup>	-	-	n/a	n/a	n/a
Jean Lindsay	65-70	-	-	75-80	-	-
Sarah England	55-60	-	1,100	55-60	-	2,000
Laura Jones	65-70	-	-	65-70	-	1,500
PK Khaira	45-50	-	-	n/a	n/a	n/a
Robin Maynard	40-45 <sup>4</sup>	-	-	20-25 <sup>5</sup>	-	-
Keith Gliddon	75-80	-	-	80-85	-	-
Wilma Harper	70-75	-	-	70-75	-	-
David Felstead	70-75	-	-	75-80	-	-
Michael Ansell	15-20 <sup>6</sup>	-	-	75-80	4,000	-
Frank MacCulloch	45-50 <sup>7</sup>	-	100	n/a	n/a	n/a
Steve Meeks	65-70	-	-	10-15 <sup>8</sup>	-	-
Andrew Smith	60-65	-	-	60-65	-	-
Richard Britton	65-70	-	2,500	60-65	-	-

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

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

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> Figure quoted is for the period 11 November 2009 to 31 March 2010 whilst Head of Communications, Forestry Commission England. The full year equivalent is 55-60.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Figure quoted is for the period 3 February 2010 to 31 March 2010 whilst Finance Director, Forestry Commission England. The full year equivalent is 65-70.

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 2010-11 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 2010-11.

The salary and pension entitlements of Simon Hodgson, as Chief Executive Forest Enterprise England (until August 2010), and member of the National Committee for England during the year are borne and disclosed in the Forest Enterprise England Annual Report and Accounts 2010-11.

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 2010-11

## **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.

**Pension benefits (information subject to audit)**

	Accrued pension at pension age at 31 March 2011 and related lump sum £000	Real increase (decrease) in pension and related lump sum at pension age £000	CETV at 31 March 2011 £000	CETV at 31 March 2010* £000	Real increase (decrease) in CETV in CETV £000	Employer contribution to partnership pension account to nearest £100
Tim Rollinson	55-60 plus 165-170 LS	0-2.5 plus 0-2.5 LS	1,188	1,107	(3)	-
Paul Hill-Tout	30-35 plus 95-100 LS	0-2.5 plus 0-2.5 LS	622	578	-	-
David Henderson-Howatt	30-35 plus 95-100 LS	0-2.5 plus 2.5-5 LS	700	624	29	-
Simon Hodgson	15-20 plus 55-60 LS	0-2.5 plus 5-7.5 LS	380	314	34	-
Jean Lindsay	20-25 plus 70-75 LS	0-2.5 plus 0-2.5 LS	399	358	9	-
Sarah England	15-20 plus 50-55 LS	0-2.5 plus 0-2.5 LS	225	200	6	-
Laura Jones	15-20 plus 45-50 LS	0-2.5 plus 0-2.5 LS	184	166	4	-
PK Khaira	0-5 plus 10-15 LS	0-2.5 plus 2.5-5 LS	42	28	11	-
Robin Maynard	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	13	6	6	-
Keith Gliddon	35-40 plus 110-115 LS	0-(2.5) plus 0-(2.5) LS	865	805	(5)	-
Wilma Harper	30-35 plus 0-5 LS	0-2.5 plus 0-2.5 LS	574	514	19	-
David Felstead	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	54	34	16	-
Michael Ansell	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	73	53	14	-
Frank MacCulloch	25-30 plus 75-80 LS	2.5-5 plus 7.5-10 LS	497	402	60	-
Steve Meeks	25-30 plus 75-80 LS	0-2.5 plus 5-7.5 LS	409	351	27	-
Andrew Smith	10-15 plus 40-45 LS	0-2.5 plus 2.5-5 LS	181	153	(11)	-
Richard Britton	20-25 plus 40-45 LS	0-2.5 plus 0-(2.5) LS	369	328	10	-

\*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.

**Compensation for loss of office (INFORMATION SUBJECT TO AUDIT)**

35 staff left under Voluntary Exit terms in the year to 31 March 2011. They received a compensation payment of £2,258,035.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	- (2009-10: 1)	5 (2009-10: 2)	5 (2009-10: 3)
£10,000 - £25,000	- (2009-10: 3)	2 (2009-10: 4)	2 (2009-10: 7)
£25,000 - £50,000	- (2009-10: 2)	7 (2009-10: 3)	7 (2009-10: 5)
£50,000 - £100,000	- (2009-10: 4)	14 (2009-10: 6)	14 (2009-10: 10)
£100,000- £150,000	- (2009-10: 1)	6 (2009-10: 2)	6 (2009-10: 3)
£150,000- £200,000	- (2009-10: nil)	- (2009-10: nil)	- (2009-10: nil)
£200,000- £250,000	- (2009-10: 1)	1 (2009-10: nil)	1 (2009-10: 1)
<b>Total number of exit packages</b>	<b>- (2009-10: 12)</b>	<b>35 (2009-10: 17)</b>	<b>35 (2009-10: 29)</b>

  

Total resource cost / £	£-	£2,258,035	£2,258,035
	(2009-10: £716,715)	(2009-10: £844,923)	(2009-10: £1,561,638)

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.

**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 2011.

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

\*\*Robin Mortimer, Director Defra, a member of the National Committee for England during 2010-11, is employed by Defra and does not receive any additional remuneration from Forestry Commission England.

T.J.D Rollinson  
Additional Accounting Officer

6 July 2011

## **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 2008, Parliament has approved Defra's revised resource Estimate structure which now incorporates the Forestry Commission's estimate as a separate Request for Resource (RfR). 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.

## **STATEMENT ON INTERNAL CONTROL**

### **Scope of responsibility**

As Additional Accounting Officer for the Forestry Commission, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Forestry Commission's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

My appointment as Additional Accounting Officer by the Treasury relates to Request for Resource 2 (RfR2) of the Defra Main Estimate which provides net funding for functions which it carries out on a GB-wide basis (including the Forest Research Agency); the Forestry Commission's activities in England; and subsidies to Forest Enterprise England.

My appointment is in accordance with Section 5, subsection 6 of the Government Resources and Accounts Act (GRAA) 2000. My appointment under the GRAA carries with it the responsibility for ensuring that resources authorised by Parliament and sums to be paid out of the Consolidated Fund, in respect of the Forestry Commission, are used for the purposes intended by Parliament.

Accounting Officers for the Forestry Commission's Agencies of Forest Enterprise England and Forest Research Agency are appointed in accordance with the requirements of Managing Public Money. Each is responsible for the operation of a system of internal control and is required to sign a Statement on Internal Control which is reproduced in their annual accounts.

### **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental 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 system of internal control has been in place in Forestry Commission Great Britain/England for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### **Capacity to handle risk**

Forestry Commission Great Britain has a risk management policy statement which sets out why risk management is important; the procedures in place to manage risk; and the roles and responsibilities individuals have to ensure risks are managed effectively. The statement is available to all staff via the intranet. Forestry Commission England and Forest Research Agency have adopted their own risk management policies and procedures.

A key element is the recognition of risk appetite, i.e. the amount of risk the organisation is willing to accept. A review of the risk policy and control procedures is underway that will result in clearer and improved risk management processes more pertinent to the needs of the business. The improved procedures will be embedded across the main business areas and also applied to the SR10 Programme.

### **The risk and control framework**

In 2010-11 the Board of Commissioners has adopted a more formalised governance role in respect of risk management. This is driven in part by the significant degree of challenges currently being faced by the organisation.

The England Executive Board is corporately responsible for owning their risk management policy, ensuring that it 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 National Committee for England receives regular updates on key risks.

The Forest Research Executive Board has formal ownership of the risk policy and its associated management, although there will continue to be sharing of best practice and developments across the Forestry Commission. Each Board member is responsible for ensuring the proper management of risks within their area of responsibility, including embedding policymaking, planning and delivery.

The National Committee for England and the Forest Research Executive Board have established Audit and Risk Committees (ARCs) to support them in their 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.

## **Review of effectiveness of internal control**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors, the Agency Accounting Officers and the executive managers across the Forestry Commission who have responsibility for the development and maintenance of the internal 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the various Boards and ARCs. Plans to address weaknesses and ensure continuous improvement of the system are in place.

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.

Internal Audit will continue to monitor management progress with the issues listed below. The ARCs will also receive regular updates on progress.

## **Organisational change**

Forestry Commission Great Britain/England is facing testing challenges ahead in terms of reduced funding and the consequences for our organisational structure, staffing levels and activities. Associated with this is the need to fund staff exits and to maintain business continuity.

I have put in place an SR10 Programme Board, with associated structures in each part of the organisation, to plan and implement the changes. A bid has been made for access to the Defra Modernisation Fund to meet the costs of staff exits; this is essential if we are to achieve our SR10 savings.

## **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. We have set up an inter-departmental and cross-industry Biosecurity Programme Board<sup>(1)</sup> which has overseen the development of an interim Tree Health Strategy<sup>(2)</sup>, (published on 10 June 2011). Defra Ministers recognise the importance of tree health and plant biosecurity for both the sector and the UK landscape and have commissioned an Action Plan, due to be published next year, which sets out an integrated approach to dealing with serious tree and plant pests and pathogens.

---

<sup>1</sup> <http://www.forestry.gov.uk/website/forestry.nsf/byunique/inf-d-7xugl2>

<sup>2</sup> <http://www.forestry.gov.uk/forestry/inf-d-8gykba>

## **Woodland sales**

As part of our 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 has an immediate, and direct, impact on our baseline funding position. Additional budgetary cover has been made available for 2011-12 following discussion of the financial implications with Defra officials.

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 will report to the Secretary of State in April 2012, and the uncertainty and potential for impaired decision making in the interim period is recognised.

## **Information Communication Technology (ICT) infrastructure**

The Forestry Commission's ICT infrastructure has, for many years grown in an unstructured manner with a series of lowest costs one-off solutions to individual problems. Consequently, the business of the Forestry Commission is now dependant on an ICT infrastructure that is ageing, excessively complex and difficult to manage and maintain. The situation represents a risk to the business operations of the Forestry Commission.

In response, the Forestry Commission has developed a strategy for the development of the ICT infrastructure that includes a full disaster recovery capability. The strategy requires significant investment in both equipment and staff over a period when resources are constrained, so a staged implementation approach has been developed. Whilst the positive action taken to date has improved the ability to recover from a business system failure, the absence of a full off-site disaster recovery facility until 2013-14 remains a risk.

## **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 and the Forest Research Agency 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. Advanced training for those staff with specific information handling responsibilities, including IAOs, is being rolled out. All laptops are now encrypted and memory sticks used to store or transfer personal or other sensitive information must be pre-encrypted.

We have made some improvements to systems access controls to reduce the number of staff who have privileged access to systems; reviewed our computer hall access and updated our data destruction policy.

We recognise that further documentation of processes and procedures is still required to make us less dependent on key staff.

There is still more work to be done but these and our other actions are reflected in an improved assessment against the Cabinet Office information assurance maturity model.

### **Significant internal control issues**

There were no significant problems to report.

*T.J.D Rollinson*  
Additional Accounting Officer

6 July 2011

## **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 2011 under the Government Resources and Accounts Act 2000. These comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Consolidated Statement of 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 Responsibilities of the Forestry Commission and the Accounting Officer, the 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, 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 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.

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

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 Great Britain/ England's affairs as at 31 March 2011 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

7 July 2011

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

for the year ended 31 March 2011

	Note	2010-11		2010-11		2009-10			
		Staff Costs £000	Other Costs £000	Core Income £000	Staff Costs £000	Other Costs £000	Core Income £000	Consolidated Income £000	
						RESTATED £000	RESTATED £000		
<b>Administration costs:</b>									
Staff costs	7	21,593			31,114	20,408	30,047		
Other administration costs	8		18,829			18,083	20,785		
Operating income	9			(17,734)		(17,742)	(17,742)		
Share of results of associate	15		-			17	-		
<b>Programme costs:</b>									
<b>England-wide activities</b>									
Programme costs	10		21,104			21,104	26,299		
Other income	11			(9,995)		(9,995)	(7,530)		
<b>Programme costs:</b>									
<b>GB-wide activities</b>									
Programme costs	10		502			2,813	500		
EU receipts	11			-		(709)	-		
Other income	11			(276)		(5,260)	(229)		
<b>Totals</b>		<b>21,593</b>	<b>40,435</b>	<b>(28,005)</b>	<b>31,114</b>	<b>46,413</b>	<b>(33,698)</b>	<b>39,789</b>	<b>49,210</b>
<b>Net operating cost</b>				<b>34,023</b>			<b>43,829</b>	<b>39,789</b>	<b>49,210</b>
<b>Other comprehensive expenditure</b>									
Net loss/(gain) on revaluation of property plant and equipment			(75)			2,432	(239)	(1,757)	
Net loss/(gain) on revaluation of intangible assets			-			9	-	(18)	
<b>Total other comprehensive (income) / expenditure for the year</b>			<b>(75)</b>			<b>2,441</b>	<b>(239)</b>	<b>(1,775)</b>	
<b>Total comprehensive expenditure</b>				<b>33,948</b>		<b>46,270</b>	<b>39,550</b>	<b>47,435</b>	

All income and expenditure are derived from continuing operations.

The notes on pages 53 to 91 form part of these accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at 31 March 2011

	Note	Core £000	2010-11 Consolid- ated £000	Core £000	2009-10 Consolid- ated £000	Core £000	01 April 2009 Consolid- ated £000
<b>Non-current assets</b>							
Property, plant and equipment	13	2,374	12,917	2,607	16,106	1,647	13,815
Intangible assets	14	5,739	5,805	6,641	6,762	6,805	6,947
Financial assets	15	-	14	-	25	-	-
Trade and other receivables	17	92	125	99	150	96	154
<b>Total non-current assets</b>		<b>8,205</b>	<b>18,861</b>	<b>9,347</b>	<b>23,043</b>	<b>8,548</b>	<b>20,916</b>
<b>Current assets</b>							
Inventories	16	166	169	157	160	159	163
Trade and other receivables	17	8,753	9,889	6,626	7,531	4,355	5,654
Cash and cash equivalents	18	-	-	13,796	13,818	6,084	6,538
<b>Total current assets</b>		<b>8,919</b>	<b>10,058</b>	<b>20,579</b>	<b>21,509</b>	<b>10,598</b>	<b>12,355</b>
<b>Total assets</b>		<b>17,124</b>	<b>28,919</b>	<b>29,926</b>	<b>44,552</b>	<b>19,146</b>	<b>33,271</b>
<b>Current liabilities</b>							
Cash and cash equivalents	18	(2,061)	(2,058)	-	-	-	-
Provisions	20	(708)	(1,477)	(549)	(713)	(473)	(1,192)
Trade and other payables	19	(9,700)	(11,197)	(24,671)	(26,382)	(14,764)	(16,455)
<b>Total current liabilities</b>		<b>(12,469)</b>	<b>(14,732)</b>	<b>(25,220)</b>	<b>(27,095)</b>	<b>(15,237)</b>	<b>(17,647)</b>
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>4,655</b>	<b>14,187</b>	<b>4,706</b>	<b>17,457</b>	<b>3,909</b>	<b>15,624</b>
<b>Non-current liabilities</b>							
Provisions	20	(1,662)	(2,132)	(823)	(1,254)	(1,534)	(2,113)
Trade and other payables	19	(1,146)	(1,146)	(1,302)	(1,302)	(990)	(990)
<b>Total non-current liabilities</b>		<b>(2,808)</b>	<b>(3,278)</b>	<b>(2,125)</b>	<b>(2,556)</b>	<b>(2,524)</b>	<b>(3,103)</b>
<b>Assets less liabilities</b>		<b>1,847</b>	<b>10,909</b>	<b>2,581</b>	<b>14,901</b>	<b>1,385</b>	<b>12,521</b>
<b>Taxpayers' equity</b>							
General fund	21	1,210	4,387	1,951	5,865	994	5,389
Revaluation reserve	21	634	6,395	626	8,903	386	7,127
Donated asset reserve	21	3	3	4	4	5	5
Government grant reserve	21	-	124	-	129	-	-
<b>Total taxpayers' equity</b>		<b>1,847</b>	<b>10,909</b>	<b>2,581</b>	<b>14,901</b>	<b>1,385</b>	<b>12,521</b>

T.J.D Rollinson  
Additional Accounting Officer

6 July 2011

The notes on pages 53 to 91 form part of these accounts.

## CONSOLIDATED STATEMENT OF CASH FLOWS

### for the year ended 31 March 2011

	2010-11	2009-10
Note	<u>£000</u>	<u>RESTATED £000</u>
<b>Cash flows from operating activities</b>		
Net operating cost	(43,829)	(49,210)
Adjustments for non cash transactions	8      5,399	3,394
Transfer of costs	20      (54)	(686)
Share of results of associate	15      17	-
Adjustment for CFER	-	701
Timing between accrual and cash VAT	21      (853)	(826)
Non-cash inter-country transfers	21      147	(485)
(Increase) / decrease in inventories	16      (9)	3
(Increase) in trade and other receivables	17      (2,333)	(1,873)
Movements in trade and other receivables relating to items not passing through SCE	15      -	(25)
(Decrease) / increase in trade and other payables	19      (15,341)	10,239
Movements in trade and other payables relating to items not passing through SCE	19      15,874	(7,977)
Use of provisions	20      (589)	(1,279)
<b>Net cash outflow from operating activities</b>	<u><b>(41,571)</b></u>	<u><b>(48,024)</b></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	13      (624)	(1,503)
Purchase of intangible assets	14      (730)	(1,440)
<b>Net cash outflow from investing activities</b>	<u><b>(1,354)</b></u>	<u><b>(2,943)</b></u>
<b>Cash flows from financing activities</b>		
Government grants towards capital expenditure	21      -	129
<b>Net financing</b>	<u><b>40,867</b></u>	<u><b>64,785</b></u>
<b>Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>	<u><b>(2,058)</b></u>	<u><b>13,818</b></u>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	-	-
Payment of amount due to Consolidated Fund	-	(701)
Payment of amount due to Defra	(13,818)	(5,837)
<b>Balance at 31 March</b>	<u><b>(15,876)</b></u>	<u><b>7,280</b></u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u><b>13,818</b></u>	<u><b>6,538</b></u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>-</b></u>	<u><b>13,818</b></u>

The notes on pages 53 to 91 form part of these accounts.

**CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

for the year ended 31 March 2011

Note	Core					Consolidated				
	General	Revaluat	Donated	Governm	Total	General	Revaluat	Donated	Governm	Total
	Fund	ion	Asset	ent		Fund	ion	Asset	ent	
£000	Reserve	Reserve	Grant	£000	£000	Reserve	Reserve	Grant	£000	
	1,951	626	4	-	2,581	5,865	8,903	4	129	14,901
<b>Balance at 1 April 2010</b>										
<b>Changes in taxpayers' equity for 2010-11</b>										
Net operating cost for the year	(34,023)	-	-	-	(34,023)	(43,829)	-	-	-	(43,829)
Internal charges adjustment	21a (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	15 -	-	-	-	-	-	6	-	-	6
Net gain/(loss) on revaluation of intangible assets	-	-	-	-	-	-	(9)	-	-	(9)
Release of reserves to the SCE	-	1	(1)	-	-	-	1	(1)	(5)	(5)
Non-cash charges - auditors remuneration	8 65	-	-	-	65	65	-	-	-	65
Non-cash charges - timing between accrual and cash VAT	21a (857)	-	-	-	(857)	(853)	-	-	-	(853)
Non-cash inter-country transfers	21a 146	-	-	-	146	147	-	-	-	147
Transfer of property, plant and equipment from/to other forestry bodies	21 63	(64)	-	-	(1)	63	(64)	-	-	(1)
Transfer from revaluation reserve	21 4	(4)	-	-	-	4	(4)	-	-	-
<b>Total recognised income and expense for 2010-11</b>	<b>(43,817)</b>	<b>8</b>	<b>(1)</b>	<b>-</b>	<b>(43,810)</b>	<b>(44,403)</b>	<b>(2,508)</b>	<b>(1)</b>	<b>(5)</b>	<b>(46,917)</b>
Funding received from Defra vote	21a 41,018	-	-	-	41,018	40,867	-	-	-	40,867
Amounts issued from Defra vote but not spent at year end	17 2,058	-	-	-	2,058	2,058	-	-	-	2,058
<b>At 31 March 2011</b>	<b>1,210</b>	<b>634</b>	<b>3</b>	<b>-</b>	<b>1,847</b>	<b>4,387</b>	<b>6,395</b>	<b>3</b>	<b>124</b>	<b>10,909</b>

## Consolidated Statement of Changes in Taxpayers' Equity

Note	Core RESTATED					Consolidated RESTATED				
	General Fund	Revaluat ion Reserve	Donated Asset Reserve	Governm ent Grant Reserve	Total	General Fund	Revaluat ion Reserve	Donated Asset Reserve	Governm ent Grant Reserve	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	994	386	5	-	1,385	5,389	7,127	5	-	12,521
Changes in accounting policy	-	-	-	-	-	-	-	-	-	-
<b>Restated balance at 1 April 2009</b>	<b>994</b>	<b>386</b>	<b>5</b>	<b>-</b>	<b>1,385</b>	<b>5,389</b>	<b>7,127</b>	<b>5</b>	<b>-</b>	<b>12,521</b>
<b>Changes in taxpayers' equity for 2009-10</b>										
Net operating cost for the year	(39,789)	-	-	-	(39,789)	(49,210)	-	-	-	(49,210)
Internal charges adjustment	21a (9,441)	-	-	-	(9,441)	-	-	-	-	-
Net gain/(loss) on revaluation of property, plant and equipment	-	239	-	-	239	-	1,757	-	-	1,757
Net gain/(loss) on revaluation of intangible assets	-	-	-	-	-	-	18	-	-	18
Receipt of government grants	21c -	-	-	-	-	-	-	-	129	129
Release of reserves to the SCE	21d -	2	(1)	-	1	-	2	(1)	-	1
Non-cash charges - auditors remuneration	8 77	-	-	-	77	77	-	-	-	77
Non-cash charges - timing between accrual and cash VAT	21a (823)	-	-	-	(823)	(826)	-	-	-	(826)
Non-cash charges - intercountry transfers	21a (421)	-	-	-	(421)	(485)	-	-	-	(485)
Transfer of property, plant and equipment from/to other forestry bodies	21a 72	-	-	-	72	81	-	-	-	81
Transfer from revaluation reserve	21b 1	(1)	-	-	-	1	(1)	-	-	-
<b>Total recognised income and expense for 2009- 10</b>	<b>(50,324)</b>	<b>240</b>	<b>(1)</b>	<b>-</b>	<b>(50,085)</b>	<b>(50,362)</b>	<b>1,776</b>	<b>(1)</b>	<b>129</b>	<b>(48,458)</b>
Funding received from Defra vote	21a 65,099	-	-	-	65,099	64,656	-	-	-	64,656
Amounts issued from Defra vote but not spent at year end	19 (13,818)	-	-	-	(13,818)	(13,818)	-	-	-	(13,818)
<b>Balance at 31 March 2010</b>	<b>1,951</b>	<b>626</b>	<b>4</b>	<b>-</b>	<b>2,581</b>	<b>5,865</b>	<b>8,903</b>	<b>4</b>	<b>129</b>	<b>14,901</b>

The notes on pages 53 to 91 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 2010-11 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. A departure from the FReM is explained in note 1.26 below. This is to ensure that the accounts give a true and fair view of the Department's funding within note 3.

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. Administration costs reflect the costs of running Forestry Commission Great Britain/England, together with associated operating income. Programme costs include costs relating to the payment of national grants to private sector landowners. 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 net cash deficit 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 profit 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 Monitoring 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, 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 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. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### **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.

#### Dwellings and other buildings

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

Professionally qualified staff employed by Forestry Commission Great Britain/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). 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 is restated between professional valuations using indices provided by the Land Registry. Until 31 March 2010, the values of Other Buildings were restated by internal Chartered Surveyors. 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 2011 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

Vehicles, machinery and equipment are shown at fair value less accumulated depreciation. Assets are revalued every five years by professionally qualified staff employed by Forestry 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 in taxpayers' equity. 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 'revaluation reserve' to 'general fund'.

#### Donated Asset Reserve

The Donated Asset Reserve represents the net book value of Property, Plant and Equipment assets that have been funded through donations to the Forestry Commission.

#### Government Grant Reserve

The Government Grant Reserve represents the net book value of Property, Plant and Equipment assets that have been funded through government grants provided to the Forestry Commission.

### **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 recognised at their fair value when there is reasonable assurance that the grant will be received and Forestry Commission Great Britain/England will comply with all attached conditions.

Government grants in respect of capital expenditure are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the Consolidated Statement of Comprehensive Net Expenditure. Where the grant contributes only part of the cost of the asset, only that proportion is released from the government grant reserve. Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

**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 those set out in 1.7 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 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 27.

**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 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 Consolidated Statement of Comprehensive Net Expenditure.

**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 debtor or creditor 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 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 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.

**Computer software**

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 of seven years.

### 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 income statement.

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 income statement.

### **1.24 Cash and cash equivalents**

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

## 1.25 Financial Liabilities

### Classification

Forestry Commission Great Britain/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. Forestry Commission Great Britain/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. Forestry Commission Great Britain/England's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

### Recognition and measurement

Financial liabilities are recognised when Forestry Commission Great Britain/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 income statement.

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

#### (b) Other financial liabilities

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

## 1.26 Restatement of prior year figures

The 2010-11 FReM requires the following changes in accounting policy:-

- There is no longer a requirement to recognise a notional cost of capital charge in the SoCE and General Fund; and
- As a public corporation, Forest Enterprise England must now be accounted for on an External Finance basis. This means that funding paid to FEE is now shown as expenditure in the SoCE.

2009-10 balances have been restated in accordance with IAS 8. A reconciliation of restated balances is provided in Note 35.

Note 3 *Statement of Funding* and Note 4 *Analysis of Net Outturn by Section* have not been restated for the removal of cost of capital in line with HM Treasury guidance. However, the FReM requires that funding should be restated for all other accounting policy changes by way of an in-year credit or charge. Prior year funding cannot be amended as it reflects funding authorised.

The impact of the change in financing of FEE, and resultant public corporation dividend, has not been reflected in an in-year charge to supply, deviating from the FReM. This is because this charge would be misleading, as it does not reflect a funding requirement and so increase in funding.

The in-year charge to supply, and restated funding, had the FReM been followed, is set out below.

	<u>£000</u>
2010-11 Net Resource Outturn	43,829
Cumulative effect of prior year restatements, excluding cost of capital, for change in accounting policy	3,024
Adjusted Net Resource Outturn	<u>46,853</u>

### 1.27 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2011 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 intangible assets**

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 STATEMENT OF FUNDING****Summary of outturn for the year ended 31 March 2011**

Note	Gross		Estimate	Gross		Outturn	2010-11	2009-10	
	Expenditure	A-in-A	Net Total	Expenditure	A-in-A	Net Total	Net total outturn compared with Estimate:	** Net Total Outturn	
	£000	£000	£000	£000	£000	£000	£000	£000	
England-wide activities	4	46,740	(12,270)	34,470	26,581	-	26,581	7,889	56,177
GB-wide activities	4	19,126	-	19,126	17,248	-	17,248	1,878	16,328
<b>Total</b>	<b>4</b>	<b>65,866</b>	<b>(12,270)</b>	<b>53,596</b>	<b>43,829</b>	<b>-</b>	<b>43,829</b>	<b>9,767</b>	<b>72,505</b>

As explained in Note 35, this note has not been restated to show the removal of cost of capital and change in Forest Enterprise England financing. Note 35 shows the impact had 2010-11 funding been adjusted to reflect an in-year credit for these accounting policy changes. Prior year funding cannot be restated as it represents funding authorised.

**Net cash requirement for 2010-11**

Note	Estimate	Outturn	2010-11	2009-10	
	£000	£000	Net total outturn compared with Estimate: saving/(Excess)	Outturn	
	£000	£000	£000	£000	
Net cash requirement	6	40,867	42,925	(2,058)	50,838

**Summary of income payable to the Consolidated Fund**

	Income	Forecast	Income	Outturn
	£000	Receipts	£000	Receipts
	£000	£000	£000	£000
Total	-	-	-	-

Explanations of variances between Estimate and Outturn are given in the Financial Commentary.

**NOTE 4 ANALYSIS OF NET OUTTURN BY SECTION**

	Outturn						2010-11	2009-10	
	Admin	Other	Grants	Gross	A in A	Net	Net Total	Estimate	**Prior year
								Net total	
£000	£000	£000	£000	£000	£000	£000	comparing with	Estimate	outturn
<b>England-wide activities</b>									
To direct the delivery of the Government's strategy for Trees, Woods and Forests in England									
Forestry Commission England DEL	-	26,175	-	26,175	-	26,175	31,490	5,315	56,177
Forestry Commission England AME	-	406	-	406	-	406	2,980	2,574	-
<b>Total</b>	<b>-</b>	<b>26,581</b>	<b>-</b>	<b>26,581</b>	<b>-</b>	<b>26,581</b>	<b>34,470</b>	<b>7,889</b>	<b>56,177</b>
<b>GB-wide activities</b>									
To take the lead in development and promotion of sustainable forest management across Great Britain									
Forestry Commission Great Britain DEL	-	15,010	776	15,786	-	15,786	17,766	1,980	16,328
Forestry Commission Great Britain AME	-	1,462	-	1,462	-	1,462	1,360	(102)	-
<b>Total</b>	<b>-</b>	<b>16,472</b>	<b>776</b>	<b>17,248</b>	<b>-</b>	<b>17,248</b>	<b>19,126</b>	<b>1,878</b>	<b>16,328</b>
<b>Resource Outturn</b>	<b>-</b>	<b>43,053</b>	<b>776</b>	<b>43,829</b>	<b>-</b>	<b>43,829</b>	<b>53,596</b>	<b>9,767</b>	<b>72,505</b>

\*\*This is the Outturn as reported in the 2009-10 published accounts. The comparative cannot be restated as it must reflect the funding authorised.

Explanations of the variances are given in the Financial Commentary.

**NOTE 5 RECONCILIATION OF NET OUTTURN TO NET OPERATING COST**

	2010-11		2010-11	
	Outturn			Outturn
	Outturn	Estimate		
	£000	£000	Estimate	
Net resource outturn	43,829	53,596	9,767	
<b>Net operating cost</b>	<b>43,829</b>	<b>53,596</b>	<b>9,767</b>	

**NOTE 6 RECONCILIATION OF RESOURCES TO NET CASH REQUIREMENT**

		<b>Estimate</b>	<b>Outturn</b>	<b>2010-11 Net total outturn compared with Estimate: saving / (excess)</b>
	Note	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Resource Outturn</b>	4	<b>53,596</b>	<b>43,829</b>	<b>9,767</b>
<b>Capital:</b>				
Acquisition of property, plant and equipment and intangible assets	13/14	2,000	1,354	646
Government grants towards capital expenditure		-	-	-
<b>Non-operating cost A in A:</b>				
Proceeds of fixed asset disposals		-	-	-
<b>Accruals adjustments:</b>				
Non-cash items		(7,836)	(5,362)	(2,474)
Changes in working capital other than cash		(6,893)	1,653	(8,546)
Changes in non current payables		-	156	(156)
Use of provision	20	-	589	(589)
Timing between accrual and cash VAT		-	853	(853)
Non-cash inter-country transfers		-	(147)	147
<b>Net cash requirement</b>		<b><u>40,867</u></b>	<b><u>42,925</u></b>	<b><u>(2,058)</u></b>

Explanations of the variances between request for resource and outturn are given in the Financial Commentary.

**NOTE 7 STAFF NUMBERS AND RELATED COSTS****7 (a) Employee benefit expense**

	2010-11		2009-10	
	Total	Permanently employed staff	Others	Total
	£000	£000	£000	£000
<b>Forestry Commission England</b>				
Wages and salaries	7,475	7,475	-	6,600
Social security costs	579	579	-	498
Other pension costs	1,359	1,359	-	1,227
Agency staff	204	-	204	349
Inward secondments	13	13	-	119
<b>Total net costs</b>	<b>9,630</b>	<b>9,426</b>	<b>204</b>	<b>8,793</b>
<b>Forestry Commission Great Britain</b>				
Wages and salaries	1,680	1,680	-	1,819
Social security costs	137	137	-	150
Other pension costs	295	295	-	330
Agency staff	-	-	-	-
Inward secondments	-	-	-	-
<b>Total net costs</b>	<b>2,112</b>	<b>2,112</b>	<b>-</b>	<b>2,299</b>
Less recoveries in respect of outward secondments	-	-	-	(10)
<b>Total net costs</b>	<b>2,112</b>	<b>2,112</b>	<b>-</b>	<b>2,289</b>
<b>Forestry Commission Central Shared Services</b>				
Wages and salaries	8,146	8,146	-	7,929
Social security costs	623	623	-	599
Other pension costs	1,477	1,477	-	1,428
Agency staff	73	-	73	75
Inward secondments	-	-	-	-
Capitalised Costs	(468)	(468)	-	(715)
<b>Sub-total</b>	<b>9,851</b>	<b>9,778</b>	<b>73</b>	<b>9,316</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>9,851</b>	<b>9,778</b>	<b>73</b>	<b>9,316</b>
<b>Forestry Commission Great Britain/England</b>				
<b>Core Department</b>				
Total costs per SCE	21,593	21,316	277	20,408
Less recoveries in respect of outward secondments	-	-	-	(10)
<b>Total net costs</b>	<b>21,593</b>	<b>21,316</b>	<b>277</b>	<b>20,398</b>
<b>Forest Research</b>				
Wages and salaries	7,612	6,829	783	7,631
Social security costs	583	522	61	580
Other pension costs	1,321	1,228	93	1,407
Agency staff	5	-	5	21
<b>Total net costs</b>	<b>9,521</b>	<b>8,579</b>	<b>942</b>	<b>9,639</b>
<b>Forestry Commission Great Britain/England</b>				
<b>Consolidated Department</b>				
Total costs per SCE	31,114	29,895	1,219	30,047
Less recoveries in respect of outward secondments	-	-	-	(10)
<b>Total net costs</b>	<b>31,114</b>	<b>29,895</b>	<b>1,219</b>	<b>30,037</b>

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:

£468,000 (2009-10: £715,000) 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](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2010-11, employers' contributions of £4,147,000 were payable to the PCSPS (2009-10: £4,355,000) 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 £17,900 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 £1,300 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 (2009-10: nil); the total additional accrued pension liabilities in the year amounted to £3,200 (2009-10: £nil).

Staff had the opportunity to apply for a Voluntary Early Retirement scheme in 2010-11. As per EPN 296, the results of this scheme are incorporated into the Remuneration Report within the Compensation for loss of office section.

#### 7 (b) Average number of persons employed

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

	2010-11		2009-10	
	Total	Permanently - employed staff	Others	Total
	number	number	number	number
<b>England</b>				
England	232	211	21	218
Great Britain total	551	485	66	564
<b>Great Britain/England consolidated department total</b>	<b>783</b>	<b>696</b>	<b>87</b>	<b>782</b>

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

- Advances of salary for house purchase
- 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 £142,000 outstanding at 31 March 2011 relating to 15 employees (2009-10: £170,000 relating to 17 employees). The core department had house purchase loans totaling £106,000 outstanding at 31 March 2011 relating to 13 employees (2009-10: £112,000 relating to 14 employees). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

**NOTE 8 OTHER ADMINISTRATION COSTS**

The Forestry Commission is exempt from the Administration Budget regime which most central government departments and their agencies are bound by. Administration costs in year can be analysed as follows:-

	<u>Core</u>	<u>2010-11</u> <u>Consolidated</u>	<u>Core</u>	<u>2009-10</u> <u>Consolidated</u>
	£000	£000	£000	£000
Staff transfers	456	496	471	501
Computer costs	3,344	3,418	3,090	3,163
Travel and subsistence	1,189	1,704	1,324	1,898
Accommodation	1,677	2,505	1,930	2,667
Communication	1,315	1,431	1,353	1,467
Training	395	471	457	536
Premature retirement costs	760	961	558	544
Losses and compensation	14	41	21	24
Legal expenses	157	276	197	197
Other	2,852	2,934	3,158	3,384
	<u>12,159</u>	<u>14,237</u>	<u>12,559</u>	<u>14,381</u>
<b>Rentals under operating leases:</b>				
Hire of plant and machinery	174	174	82	82
Other operating leases	1,893	1,893	1,860	1,860
	<u>2,067</u>	<u>2,067</u>	<u>1,942</u>	<u>1,942</u>
<b>Research and development expenditure:</b>	776	776	1,068	1,068
<b>Non cash items</b>				
Notional audit fees - audit work	65	65	77	77
Notional audit fees - non-audit work	-	-	-	-
Depreciation of property, plant and equipment	576	1,291	446	1,171
Amortisation of intangible assets	1,633	1,680	1,583	1,643
Losses/(gains) on disposal of property, plant and equipment	8	15	8	35
Losses on disposal of intangible assets	-	-	-	-
Impairment	68	68	-	-
Gain on revaluation of office machinery and equipment	-	-	(161)	(161)
Release from government grant reserve	-	(5)	2	2
Provisions				
Provided in year	1,686	2,537	579	646
Provisions not required written back	(50)	(50)	-	-
Unwinding of discount	(159)	(202)	(20)	(19)
	<u>3,827</u>	<u>5,399</u>	<u>2,514</u>	<u>3,394</u>
<b>Total</b>	<u>18,829</u>	<u>22,479</u>	<u>18,083</u>	<u>20,785</u>

**NOTE 9 OPERATING INCOME**

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core</b>	<b>2009-10 Consolidated</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Shared Services</b>				
Income from Scotland	7,533	7,533	7,354	7,354
Income from Wales	3,333	3,333	3,384	3,384
Income from Forest Enterprise England	5,647	5,647	5,325	5,325
	<b>16,513</b>	<b>16,513</b>	<b>16,063</b>	<b>16,063</b>
Income from operating leases	5	5	396	396
Other operating income	1,216	1,216	1,283	1,283
Total	<b>17,734</b>	<b>17,734</b>	<b>17,742</b>	<b>17,742</b>

On consolidation, the internal income received by central shared services from Forestry Commission Great Britain £4,355,000 (2009-10: £4,323,000), Forestry Commission England £2,355,000 (2009-10: £2,836,000) and Forest Research £892,000 (2009-10: £762,000) was removed from operating 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 income from operating leases are from buildings that are sub-leased and not owned by Forestry Commission Great Britain/England. Details are shown at note 29.

**NOTE 10 PROGRAMME COSTS**

	Core	2010-11 Consolidated	Core RESTATED	2009-10 Consolidated RESTATED
	£000	£000	£000	£000
<b>England-wide activities</b>				
Support for forestry and the rural economy including grants paid to private woodland owners	1,152	1,152	4,851	4,851
Other programme costs	12,059	12,059	7,197	7,197
<b>Sub-total</b>	<b>13,211</b>	<b>13,211</b>	<b>12,048</b>	<b>12,048</b>
Forest Enterprise England funding	7,893	7,893	14,251	14,251
<b>Total</b>	<b>21,104</b>	<b>21,104</b>	<b>26,299</b>	<b>26,299</b>
<b>GB-wide activities</b>				
Other programme costs, including research and publications	502	2,813	500	2,404
<b>Total</b>	<b>502</b>	<b>2,813</b>	<b>500</b>	<b>2,404</b>

Forestry Commission Great Britain/England programme costs include funding paid to Forest Enterprise England of £7,893,000 (2009-10 restated: £14,251,000).

**NOTE 11 PROGRAMME INCOME**

	Core	2010-11 Consolidated	Core RESTATED	2009-10 Consolidated RESTATED
	£000	£000	£000	£000
<b>England-wide activities</b>				
Other income	9,995	9,995	7,530	7,530
<b>Total</b>	<b>9,995</b>	<b>9,995</b>	<b>7,530</b>	<b>7,530</b>
<b>GB-wide activities</b>				
Eu receipts	-	709	-	420
Other income	276	5,260	229	4,633
<b>Total</b>	<b>276</b>	<b>5,969</b>	<b>229</b>	<b>5,053</b>

**NOTE 12 ANALYSIS OF NET OPERATING COST BY SPENDING BODY**

	Request for Resources	2010-11 Outturn	2009-10 Outturn RESTATED
	£000	£000	£000
Forest Commission Great Britain/England	53,528	43,239	49,230
Forest Research Agency	68	590	(20)
<b>Net Operating Cost</b>	<b>53,596</b>	<b>43,829</b>	<b>49,210</b>

**NOTE 13 PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Plant & Machinery	OME	Total
	£000	£000	£000	£000	£000
<b>Valuation :</b>					
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
<b>At 31 March 2011</b>	<b>1,651</b>	<b>14,324</b>	<b>3,687</b>	<b>2,298</b>	<b>21,960</b>
<b>Depreciation :</b>					
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
<b>At 31 March 2011</b>	<b>-</b>	<b>6,083</b>	<b>1,851</b>	<b>1,109</b>	<b>9,043</b>
<b>Net Book Value :</b>					
<b>At 31 March 2011</b>	<b>1,651</b>	<b>8,241</b>	<b>1,836</b>	<b>1,189</b>	<b>12,917</b>
At 31 March 2010	2,038	10,827	1,828	1,413	16,106
<b>Asset Financing :</b>					
Owned	1,651	8,241	1,533	1,189	12,614
Finance leased	-	-	303	-	303
<b>Net Book Value at 31 March 2011</b>	<b>1,651</b>	<b>8,241</b>	<b>1,836</b>	<b>1,189</b>	<b>12,917</b>

Land, Dwellings and Other 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 £1,189,000 as at 31 March 2011 using an index provided by the ONS.

Depreciation expense of £1,291,000 (2009-10: £1,171,000) has been charged in other administration costs in the Consolidated Statement of Comprehensive Net Expenditure.

	<u>Land</u>	<u>Buildings</u>	<u>Plant &amp; Machinery</u>	<u>OME</u>	<u>Total</u>
	£000	£000	£000	£000	£000
<b>Valuation :</b>					
At 1 April 2009	2,038	11,269	3,020	2,405	18,732
Additions	-	375	343	656	1,374
Donations	-	-	129	-	129
Disposals	-	-	(136)	(371)	(507)
Transfers / reclassifications	-	69	-	23	92
Revaluations	-	1,978	153	288	2,419
At 31 March 2010	<u>2,038</u>	<u>13,691</u>	<u>3,509</u>	<u>3,001</u>	<u>22,239</u>
<b>Depreciation :</b>					
At 1 April 2009	-	2,100	1,403	1,414	4,917
Charged in year	-	426	333	412	1,171
Disposals	-	-	(109)	(363)	(472)
Transfers / reclassifications	-	(4)	-	18	14
Revaluations	-	342	54	107	503
At 31 March 2010	<u>-</u>	<u>2,864</u>	<u>1,681</u>	<u>1,588</u>	<u>6,133</u>
<b>Net Book Value :</b>					
<b>At 31 March 2010</b>	<u>2,038</u>	<u>10,827</u>	<u>1,828</u>	<u>1,413</u>	<u>16,106</u>
At 1 April 2009	<u>2,038</u>	<u>9,169</u>	<u>1,617</u>	<u>991</u>	<u>13,815</u>
<b>Asset Financing :</b>					
Owned	2,038	10,827	1,459	1,413	15,737
Finance leased	-	-	369	-	369
<b>Net Book Value at 31 March 2010</b>	<u>2,038</u>	<u>10,827</u>	<u>1,828</u>	<u>1,413</u>	<u>16,106</u>

Analysis of property, plant and equipment:

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

	<u>Land</u>	<u>Buildings</u>	<u>Plant &amp; Machinery</u>	<u>OME</u>	<u>Total</u>
	£000	£000	£000	£000	£000
<b>Core at 31 March 2011</b>	<u>-</u>	<u>961</u>	<u>295</u>	<u>1,118</u>	<u>2,374</u>
<b>Agency at 31 March 2011</b>	<u>1,651</u>	<u>7,280</u>	<u>1,541</u>	<u>71</u>	<u>10,543</u>
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
Core at 31 March 2009	-	832	23	792	1,647
Agency at 31 March 2009	2,038	8,337	1,594	199	12,168

**NOTE 14 INTANGIBLE ASSETS**

	<b>Software Licenses</b>	<b>Information Technology</b>	<b>Development Expenditure</b>	<b>2010-11 Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
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)
<b>At 31 March 2011</b>	<b>2,829</b>	<b>10,385</b>	<b>42</b>	<b>13,256</b>
<b>Amortisation:</b>				
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)
<b>At 31 March 2011</b>	<b>2,139</b>	<b>5,312</b>	<b>-</b>	<b>7,451</b>
<b>Net Book Value :</b>				
<b>At 31 March 2011</b>	<b>690</b>	<b>5,073</b>	<b>42</b>	<b>5,805</b>
At 31 March 2010	740	6,022	-	6,762

	<b>Software Licenses</b>	<b>Information Technology</b>	<b>Development Expenditure</b>	<b>2009-10 Total</b>
	£000	£000	£000	£000
<b>Cost or valuation:</b>				
At 1 April 2009	2,714	8,495	-	11,209
Additions	21	1,419	-	1,440
Revaluation to current prices	31	-	-	31
<b>At 31 March 2010</b>	<b>2,766</b>	<b>9,914</b>	<b>-</b>	<b>12,680</b>
<b>Amortisation:</b>				
At 1 April 2009	1,609	2,653	-	4,262
Provided during year	404	1,239	-	1,643
Revaluation to current prices	13	-	-	13
<b>At 31 March 2010</b>	<b>2,026</b>	<b>3,892</b>	<b>-</b>	<b>5,918</b>
<b>Net Book Value :</b>				
<b>At 31 March 2010</b>	<b>740</b>	<b>6,022</b>	<b>-</b>	<b>6,762</b>
At 1 April 2009	1,105	5,842	-	6,947

Analysis of intangible assets:

The net book value of intangible assets comprises:

	<b>Software Licenses</b>	<b>Information Technology</b>	<b>Development Expenditure</b>	<b>Total</b>
	£000	£000	£000	£000
<b>Core at 31 March 2011</b>	<b>623</b>	<b>5,074</b>	<b>42</b>	<b>5,739</b>
<b>Agency at 31 March 2011</b>	<b>66</b>	<b>-</b>	<b>-</b>	<b>66</b>
Core at 31 March 2010	619	6,022	-	6,641
Agency at 31 March 2010	121	-	-	121
Core at 31 March 2009	963	5,842	-	6,805
Agency at 31 March 2009	142	-	-	142

Amortisation of £1,680,000 (2009-10: £1,643,000) is included in other administration costs in the statement of comprehensive net expenditure.

## NOTE 15 INVESTMENT

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

	<u>Core</u>	<u>2010-11 Consolidated</u>	<u>Core</u>	<u>2009-10 Consolidated</u>
	£000	£000	£000	£000
<b>Valuation:</b>				
At 1 April	-	25	-	-
Addition (at cost)	-	-	-	25
Share of loss	-	(17)	-	-
Revaluations	-	6	-	-
<b>At 31 March</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>25</b>

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

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
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.

In the year ended 31 March 2011, the first year of operation, C-Cure Ltd had no turnover and an expenditure of £50,000. Forest Research's 33.4% share of the operating loss is therefore £17,000.

## NOTE 16 INVENTORIES

	<u>Core</u>	<u>2010-11 Consolidated</u>	<u>Core</u>	<u>2009-10 Consolidated</u>	<u>Core</u>	<u>01 April 2009 Consolidated</u>
	£000	£000	£000	£000	£000	£000
Priced Publications	166	169	157	160	159	163
<b>Total</b>	<b>166</b>	<b>169</b>	<b>157</b>	<b>160</b>	<b>159</b>	<b>163</b>

**NOTE 17 TRADE AND OTHER RECEIVABLES****17(a) Analysis by type**

	2010-11		2009-10		01 April 2009	
	Core £000	Consolidated £000	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Current</b>						
Trade receivables	2,195	2,712	2,413	2,668	991	1,415
Less: provision for impairment of trade receivables	(105)	(105)	(103)	(103)	(105)	(105)
Trade receivables - net	<u>2,090</u>	<u>2,607</u>	<u>2,310</u>	<u>2,565</u>	<u>886</u>	<u>1,310</u>
VAT	2,675	2,676	1,964	1,964	1,834	1,834
Other receivables	35	35	71	71	112	112
House purchase loans to employees	14	17	13	20	15	20
Prepayments and accrued income	1,881	2,496	2,268	2,911	1,508	2,378
Amounts due from Defra vote but not received at the year end	2,058	2,058	-	-	-	-
<b>Total current receivables</b>	<u><b>8,753</b></u>	<u><b>9,889</b></u>	<u><b>6,626</b></u>	<u><b>7,531</b></u>	<u><b>4,355</b></u>	<u><b>5,654</b></u>
<b>Non-current</b>						
House purchase loans to employees	92	125	99	150	96	154
<b>Total non-current receivables</b>	<u><b>92</b></u>	<u><b>125</b></u>	<u><b>99</b></u>	<u><b>150</b></u>	<u><b>96</b></u>	<u><b>154</b></u>
<b>Total receivables</b>	<u><b>8,845</b></u>	<u><b>10,014</b></u>	<u><b>6,725</b></u>	<u><b>7,681</b></u>	<u><b>4,451</b></u>	<u><b>5,808</b></u>

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

As of 31 March 2011, £1,004,000 of the £2,607,000 total trade receivables (2009-10: £2,051,000 of £2,668,000) were fully performing and not past due or impaired and provided for.

Trade receivables of £1,708,000 (2009-10: £617,000) were past due but not impaired as of 31 March 2011. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2010-11 £000	2009-10 £000
Less than one month	1,347	420
One to two months	113	26
Two to three months	8	56
More than three months	240	115
	<u><b>1,708</b></u>	<u><b>617</b></u>

As of 31 March 2011, trade receivables of £105,000 (2009-10: £103,000) were impaired and also provided for. These relate to 10 debts analysed as follows:

	2010-11 £000	2009-10 £000
Customer ceased trading or in administration	22	45
Customer deceased	-	1
Advanced legal proceedings underway	3	3
Other	80	54
	<u><b>105</b></u>	<u><b>103</b></u>

The ageing of the trade receivables provided for is as follows:

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>£000</u>
Less than one month	-	-
One to two months	-	-
Two to three months	-	-
More than three months	105	103
	<b>105</b>	<b>103</b>

Movements in the provision for impairment of trade receivables are as follows:

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>£000</u>
At 1 April	103	105
Provision for receivables impairment	9	-
Receivables written off during the year as uncollectable	(7)	-
Unused amounts reversed	-	(2)
At 31 March	<b>105</b>	<b>103</b>

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Forestry Commission does not hold any collateral as security.

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

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
GBP Sterling	9,583	7,532	5,635
Euro	415	136	157
US Dollar	16	13	16
	<b>10,014</b>	<b>7,681</b>	<b>5,808</b>

### 17(b) Intra-government balances

	<b>Current</b>			<b>Non-current</b>		
	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	3,090	131	594	-	-	-
Balances with local authorities	3	60	71	-	-	-
<b>Intra-government balances</b>	<b>3,093</b>	<b>191</b>	<b>665</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	6,796	7,340	4,989	125	150	154
<b>Total receivables at 31 March</b>	<b>9,889</b>	<b>7,531</b>	<b>5,654</b>	<b>125</b>	<b>150</b>	<b>154</b>

**NOTE 18 CASH AND CASH EQUIVALENTS**

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core</b>	<b>2009-10 Consolidated</b>
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>13,796</b>	<b>13,818</b>	<b>6,084</b>	<b>6,538</b>
Net change in cash and cash equivalent balances	(15,857)	(15,876)	7,712	7,280
<b>Balance at 31 March</b>	<b>(2,061)</b>	<b>(2,058)</b>	<b>13,796</b>	<b>13,818</b>

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core</b>	<b>2009-10 Consolidated</b>
	£000	£000	£000	£000
<b>The following balances are held at:</b>				
Balance with the Government Banking Service	(2,061)	(2,061)	13,796	13,796
Cash at commercial banks and cash in hand	-	3	-	22
<b>Total</b>	<b>(2,061)</b>	<b>(2,058)</b>	<b>13,796</b>	<b>13,818</b>

**The balance at 31 March comprises:**

Amounts issued from the consolidated fund for supply but not (received)/spent at the year end	(2,061)	(2,058)	13,796	13,818
---	---------	---------	--------	--------

**NOTE 19 TRADE AND OTHER PAYABLES****19(a) Analysis by type**

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core</b>	<b>2009-10 Consolidated</b>	<b>Core</b>	<b>01 April 2009 Consolidated</b>
	£000	£000	£000	£000	£000	£000
<b>Current</b>						
Other taxation and social security	73	107	3,701	3,742	2,889	2,937
Trade payables	6,655	7,048	3,065	3,208	3,270	3,620
Other payables	383	383	57	57	42	42
Accruals and deferred income	2,375	2,912	3,219	3,904	2,025	2,641
Current part of finance leases	83	83	104	104	-	-
Payments received on account	131	664	707	1,549	-	677
Amounts issued from Defra vote but not spent at year end	-	-	13,818	13,818	5,837	5,837
Consolidated Fund extra receipts due to the Consolidated Fund	-	-	-	-	701	701
<b>Total current</b>	<b>9,700</b>	<b>11,197</b>	<b>24,671</b>	<b>26,382</b>	<b>14,764</b>	<b>16,455</b>
<b>Non current</b>						
Finance leases	84	84	129	129	-	-
Payments received on account	416	416	366	366	-	-
Deferred income	646	646	807	807	990	990
<b>Total non current</b>	<b>1,146</b>	<b>1,146</b>	<b>1,302</b>	<b>1,302</b>	<b>990</b>	<b>990</b>
<b>Total payables</b>	<b>10,846</b>	<b>12,343</b>	<b>25,973</b>	<b>27,684</b>	<b>15,754</b>	<b>17,445</b>

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:

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	£000	£000	£000
GBP Sterling	12,310	27,508	17,383
Euro	23	165	60
US Dollar	10	11	-
Danish Krona	-	-	2
	<b>12,343</b>	<b>27,684</b>	<b>17,445</b>

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. It is due to complete in 2010-11. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2011 the amount held in Forestry Commission bank accounts on behalf of partners was £20 (2009-10: £(60)). The overdrawn balance in 2009-10 was a timing issue driven by the fact the fees on the account were deducted by the bank prior to receipt of the April 2010 instalment. As third party assets these sums are not recorded on the face of these accounts. Refer to note 32.

Amounts held in Forest Research bank accounts on behalf of partners in European Commission projects at 31 March 2011 was £49,000 (2009-10: £301,000). This has subsequently all been transferred to the partners concerned. Refer to note 32.

#### 19(b) Intra-government balances

	<b>2010-11</b>	<b>2009-10</b>	<b>Current 01 April 2009</b>	<b>2010-11</b>	<b>2009-10</b>	<b>Non-current 01 April 2009</b>
	£000	£000	£000	£000	£000	£000
Balances with other central government bodies	3,671	13,835	11,167	-	-	-
Balances with local authorities	96	220	224	-	-	-
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	2	206	1	-	-	-
<b>Intra-government balances</b>	<b>3,769</b>	<b>14,261</b>	<b>11,392</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	7,428	12,121	5,063	1,146	1,302	990
<b>Total payables at 31 March</b>	<b>11,197</b>	<b>26,382</b>	<b>16,455</b>	<b>1,146</b>	<b>1,302</b>	<b>990</b>

**NOTE 20 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
<b>At 1 April 2009</b>	<b>727</b>	<b>1,280</b>	<b>2,007</b>	<b>2,025</b>	<b>1,280</b>	<b>3,305</b>
Provided in year	559	20	579	626	20	646
Transfers	350	(1,036)	(686)	350	(1,036)	(686)
Utilised in the year	(342)	(166)	(508)	(1,113)	(166)	(1,279)
Unwinding of discount	(20)	-	(20)	(19)	-	(19)
<b>At 1 April 2010</b>	<b>1,274</b>	<b>98</b>	<b>1,372</b>	<b>1,869</b>	<b>98</b>	<b>1,967</b>
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)
<b>At 31 March 2011</b>	<b>2,320</b>	<b>50</b>	<b>2,370</b>	<b>2,992</b>	<b>617</b>	<b>3,609</b>

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
In the remainder of the Spending Review period to 31 March 2011	-	-	-	-	-	-
Between 1 April 2011 and 31 March 2015	1,839	50	1,889	2,396	617	3,013
Between 1 April 2015 and 31 March 2019	476	-	476	582	-	582
Thereafter	5	-	5	14	-	14
<b>At 31 March 2011</b>	<b>2,320</b>	<b>50</b>	<b>2,370</b>	<b>2,992</b>	<b>617</b>	<b>3,609</b>

**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.

**NOTE 21 TAXPAYERS' EQUITY****21(a) General fund**

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core RESTATED</b>	<b>2009-10 Consolidated RESTATED</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 April	1,951	5,865	994	5,389
Net operating cost for the year	(34,023)	(43,829)	(39,789)	(49,210)
Internal charges adjustment	(9,215)	-	(9,441)	-
Notional auditors remuneration	65	65	77	77
Timing between accrual and cash VAT	(857)	(853)	(823)	(826)
Non-cash inter-country transfers	146	147	(421)	(485)
Transfer of property, plant and equipment from/to other forestry bodies	63	63	72	81
Transfer from revaluation reserve	4	4	1	1
Funding received from Defra vote	41,018	40,867	65,099	64,656
Amounts issued from Defra vote but not yet received / (spent) at year end	2,058	2,058	(13,818)	(13,818)
<b>At 31 March</b>	<b><u>1,210</u></b>	<b><u>4,387</u></b>	<b><u>1,951</u></b>	<b><u>5,865</u></b>

**21(b) Revaluation reserve**

	<b>Core</b>	<b>2010-11 Consolidated</b>	<b>Core</b>	<b>2009-10 Consolidated</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 April	626	8,903	386	7,127
Arising on revaluation during the year	75	(2,441)	239	1,775
Realised element of revaluation reserve	(4)	(4)	(1)	(1)
Transfer of property, plant and equipment from/to other forestry bodies	(64)	(64)	-	-
Write-off	1	1	2	2
<b>At 31 March</b>	<b><u>634</u></b>	<b><u>6,395</u></b>	<b><u>626</u></b>	<b><u>8,903</u></b>

**21(c) Donated asset reserve**

	<b>Core 2010-11</b>	<b>Consolidated 2010-11</b>	<b>Core 2009-10</b>	<b>Consolidated 2009-10</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April	4	4	5	5
Additions during the year	-	-	-	-
Revaluations	-	-	-	-
Release to SCE	(1)	(1)	(1)	(1)
<b>Balance at 31 March</b>	<b><u>3</u></b>	<b><u>3</u></b>	<b><u>4</u></b>	<b><u>4</u></b>

**21(d) Government grant reserve**

	<b>Core 2010-11</b>	<b>Consolidated 2010-11</b>	<b>Core 2009-10</b>	<b>Consolidated 2009-10</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balance at 1 April	-	129	-	-
Additions during the year	-	-	-	129
Release to SCE	-	(5)	-	-
<b>Balance at 31 March</b>	<b>-</b>	<b>124</b>	<b>-</b>	<b>129</b>

**NOTE 22 FINANCIAL INSTRUMENTS****22(a) Financial instruments by category**

	<b>2010-11</b>			<b>2009-10</b>		
	<b>Loans and receivables</b>	<b>Available for Sale</b>	<b>Total</b>	<b>Loans and receivables</b>	<b>Available for Sale</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Assets as per the Statement of Financial Position</b>						
Available for sale financial assets	-	14	14	-	25	25
Trade and other receivables	2,784	-	2,784	2,806	-	2,806
Cash and cash equivalents	-	-	-	13,818	-	13,818
<b>Total</b>	<b>2,784</b>	<b>14</b>	<b>2,798</b>	<b>16,624</b>	<b>25</b>	<b>16,649</b>
	<b>2010-11</b>			<b>2009-10</b>		
		<b>Other financial liabilities</b>	<b>Total</b>		<b>Other financial liabilities</b>	<b>Total</b>
		<u>£000</u>	<u>£000</u>		<u>£000</u>	<u>£000</u>
<b>Liabilities as per the Statement of Financial Position</b>						
Finance lease liabilities		167	167		233	233
Cash and cash equivalents		(2,058)	(2,058)		-	-
Trade and other payables excluding statutory liabilities		10,317	10,317		8,374	8,374
<b>Total</b>		<b>8,426</b>	<b>8,426</b>		<b>8,607</b>	<b>8,607</b>

**22(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.

Refer to note 17 for further analysis of credit risk.

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 Budget Act via the Defra vote. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget 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.

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

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 5 years</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>At 31 March 2010</b>			
Finance lease liabilities	94	139	-
Trade and other payables excluding statutory liabilities	8,008	128	238
<b>Total</b>	<b><u>8,102</u></b>	<b><u>267</u></b>	<b><u>238</u></b>

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.

**22(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.

**22(d) Fair value estimation**

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

**NOTE 23 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS****23(a) Analysis of capital expenditure and financial investment by Request for Resource**

	<b>Capital Expenditure</b>	<b>Loans</b>	<b>A in A</b>	<b>Net total</b>
	£000	£000	£000	£000
England-wide activities	-	-	-	-
GB-wide activities	1,354	-	-	1,354
<b>Total 2010-11</b>	<b>1,354</b>	-	-	<b>1,354</b>
Total 2009-10	2,943	-	-	2,943

**23(b) Reconciliation of net cash requirement to increase / (decrease) in cash**

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Net cash requirement	(42,925)	(50,838)
From the Defra vote (RfR2)	40,867	64,656
Payment of amount due to Defra	(13,818)	(5,837)
Payment of amount due to consolidated fund	-	(701)
<b>Increase in cash</b>	<b><u>(15,876)</u></b>	<b><u>7,280</u></b>

**NOTE 24 SEGMENT 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 25 CAPITAL COMMITMENTS**

There were no contracted capital commitments at 31 March 2011 (2009-10: £nil).

**NOTE 26 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:

	2010-11		2009-10	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Obligations under operating leases for the following periods comprise:</b>				
<b>Land</b>				
Not later than one year	-	2	-	2
Later than one year and not later than five years	-	10	-	10
More than five years	-	-	-	2
<b>Total</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>14</b>
<b>Buildings</b>				
Not later than one year	2,346	2,347	1,790	1,791
Later than one year and not later than five years	9,277	9,283	6,916	6,922
More than five years	17,752	17,752	10,875	10,876
<b>Total</b>	<b>29,375</b>	<b>29,382</b>	<b>19,581</b>	<b>19,589</b>
<b>Other leases</b>				
Not later than one year	250	250	53	53
Later than one year and not later than five years	198	198	29	29
More than five years	-	-	-	-
<b>Total</b>	<b>448</b>	<b>448</b>	<b>82</b>	<b>82</b>

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.

	2010-11		2009-10	
	Core £000	Consolidated £000	Core £000	Consolidated £000
<b>Obligations under finance leases for the following periods comprise:</b>				
<b>Plant and Machinery</b>				
Not later than one year	89	89	100	100
Later than one year and not later than five years	90	90	145	145
More than five years	-	-	-	-
	<b>179</b>	<b>179</b>	<b>245</b>	<b>245</b>
Less: interest element	(13)	(13)	(12)	(12)
<b>Present value of obligations</b>	<b>166</b>	<b>166</b>	<b>233</b>	<b>233</b>

**NOTE 27 OTHER FINANCIAL COMMITMENTS****Planting and replanting grants**

At 31 March 2011 installments of planting and replanting grants amounting to £0.14 million (2009-10: £1.7 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 £1.48 million at 31 March 2011 (2009-10: £2.0 million).

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

	2010-11		2009-10		01 April 2009	
	Core £000	Consolidated £000	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	568	568	2,000	2,000	4,000	4,000
Later than one year and not later than five years	906	906	1,700	1,700	1,000	1,000
More than five years	150	150	-	-	0	0
	<b>1,624</b>	<b>1,624</b>	<b>3,700</b>	<b>3,700</b>	<b>5,000</b>	<b>5,000</b>

**NOTE 28 CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37**

There were two contingent liabilities as at 31 March 2011 (2009-10: one) in respect of actions by ex-employees of the Forest Research Agency.

**NOTE 29 OPERATING LEASE RECEIVABLES**

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

	2010-11		2009-10	
	Core £000	Consolidated £000	Core £000	Consolidated £000
Not later than one year	646	646	5	5
Later than one year and not later than five years	1,791	1,791	-	-
More than five years	1,335	1,335	-	-
	<b>3,772</b>	<b>3,772</b>	<b>5</b>	<b>5</b>

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 30 LOSSES AND SPECIAL PAYMENTS**

	Number	2010-11 £000	Number	2009-10 £000
Losses total	16	19	13	5
Special Payments total	1	153	3	6
	<b>17</b>	<b>172</b>	<b>16</b>	<b>11</b>

**NOTE 31 CONSOLIDATED RELATED PARTY TRANSACTIONS**

Forestry Commission England's executive agency Forest Enterprise England is regarded as a related party. During the year, Forestry Commission England has had a significant number of material transactions with 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 2011, 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 2010-11.

The following additional transactions were carried out with related parties:

**31(a) Purchases of goods and services**

	2010-11 £000	2009-10 £000
University of Reading	7	10
University of Southampton	2	8
	<b>9</b>	<b>18</b>

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. There are no outstanding balances at 31 March 2011 (2009-10: £nil).

**31(b) Transactions with C-Cure Solutions Ltd**

	2010-11 £000	2009-10 £000
C-Cure Solutions Ltd	-	25
	<b>-</b>	<b>25</b>

The above transaction for investment in shares in C-Cure Solutions Ltd is disclosed as under the Agreement to form the company, James Pendlebury was appointed as the Forest Research Director of the company. See note 15 for details.

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
<b>Loans to other related parties</b>		
Balance at 1 April	6	-
Loans advanced during the year	-	6
Loans repaid during the year	(6)	-
<b>Balance at 31 March</b>	<u>-</u>	<u>6</u>

The loan in 2009-10 related to a payment made by Forest Research on behalf of C-Cure Solutions Ltd for materials before the company had received funding from Forest Research and Surrey University. The balance was repaid during the first quarter of 2010-11.

### 31(c) Other

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Farm Woodland Premium Scheme (FWPS) grant	2	4
England Woodland Scheme (EWS) grant	-	5
Scottish Forestry Scheme (SFS) grant	2	2
Partner employee salary package	39	36
	<u>43</u>	<u>47</u>

Sir Harry Studholme, Commissioner for England and Chair of the National Committee received a Farm Woodland Premium Scheme grant of £700 during the year (2009-10: £3,000) and an England Woodland Grant Scheme grant of £nil (2009-10: £4,900). There were no further payments due at 31 March 2011).

Michael Ansell, Head of Forest Renewables, received a Farm Woodland Premium Scheme grant of £600 (2009-10: £576) and payments of £2,400 (2009-10: £2,383) under the Scottish Forestry Grant Scheme during the year. There were no further payments due at 31 March 2011.

The partner of a member of the National Committee for England, received salary payments of £31,000 (2009-10: £29,000), benefits of £3,000 (2009-10: £3,000), and allowances of £5,000 (2009-10: £4,000) as part of a normal salary package for employment at the Forestry Commission. There were no outstanding balances at 31 March 2011 (2009-10: £nil). The National Committee member played no role in the appointment, management or setting the remuneration of their partner.

### 31(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.

### 31(e) Loans to related parties

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Balance at 1 April	28	28
Loans advanced during the year	-	-
Loan repayments	(3)	-
<b>Balance at 31 March</b>	<u>25</u>	<u>28</u>

The above balance relates to one member of key management personnel (2009-10: 1). House purchase loans to key management personnel are provided on the same terms and conditions as other Forestry Commission staff members. Such advances of salary are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

No provision has been made at 31 March 2011 (2009-10: £nil) in relation to the loans made to key management personnel.

---

## NOTE 32 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. It is due to complete in 2010-11. As third party assets these sums are not recorded on the face of these accounts. At 31 March 2011 the amount held in Forestry Commission bank accounts on behalf of partners was £20 (2009-10: £(60) ). The 2009-10 overdrawn balance was a timing issue driven by the fact the fees on the account were deducted by the bank prior to receipt of the April 2010 installment.

In addition, 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.

	<b>Gross Inflows</b>	<b>Gross Outflows</b>	<b>2010-11 Closing Balance</b>	<b>2009-10 Closing Balance</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Core	-	-	-	-
Consolidated	49	(301)	49	301

---

## NOTE 33 EVENTS AFTER 31 MARCH 2011

In accordance with the requirements of IAS 10, events after 31 March 2011 are considered up to the date on which the accounts are authorised for issue. These accounts were authorised for issue on 7 July 2011.

---

## NOTE 34 ENTITIES WITHIN THE DEPARTMENTAL BOUNDARY

The entities within the boundary during 2010-11 were as follows:

**(a) Supply-financed agencies:**

Forest Research Agency, which incurred a net deficit of £590,000. The aggregate amount of its capital and reserves as at 31 March 2011 was £9,062,000. The annual report and accounts of the Forest Research Agency are published separately.

**(b) Non-executive NDPBs:** None.

**(c) Other entities:** None.

**NOTE 35 RECONCILIATION OF PRIOR YEAR RESTATEMENT**

The 2010-11 FReM requires the following changes in accounting policy:-

- There is no longer a requirement to recognise a notional cost of capital charge in the SCE and General Fund; and
- As a public corporation, Forest Enterprise England must now be accounted for on an External Finance basis. This means that funding paid to FEE is now shown as expenditure in the SCE.

2009-10 balances have been restated in accordance with IAS 8. A reconciliation of the restated balances is provided below.

The prior year comparative figures in the Statement of Funding (Note 3), and the Analysis of Net Outturn by Section (Note 4) have not been restated in accordance with HMT guidance. The 2009-10 Net Resource Outturn restated in line with 2010-11 accounting policies would have been as follows:-

	<u>2009-10</u>
	<u>£000</u>
<b>Net Resource Outturn (Statement of Parliamentary Supply)</b>	<b>72,505</b>
<i>Adjustments to the net operating cost:</i>	
Remove cost of capital charge	(477)
Adjustment to funding paid to Forest Enterprise England (cash rather than resource basis)	(25,823)
<i>Remove Forest Enterprise England adjustments from the consolidation:</i>	
Forest Enterprise England depreciation	2,565
Forest Enterprise England cash flow from investing activities	(823)
Donations towards Forest Enterprise England capital expenditure	406
Government grants towards Forest Enterprise England capital expenditure	857
<b>Adjusted Net Resource Outturn</b>	<b><u>49,210</u></b>

	Note	Per 2009-10				Adjustment		Description of Adjustment
		Published		Restated	Balance	Core	Consolidated	
		Core	Consolidated					
		£000	£000	£000	£000	£000	£000	
<b>Statement of Consolidated Net Expenditure</b>								
Other administration costs	SCE / 8	18,149	21,262	18,083	20,785	66	477	Remove cost of capital charge
England-wide activities: programme costs	SCE / 10	52,122	52,122	26,299	26,299	25,823	25,823	Change policy for calculating the funding paid to Forest Enterprise England
<b>Net operating cost for the year</b>	SCE	<b>65,678</b>	<b>75,510</b>	<b>39,789</b>	<b>49,210</b>	<b>25,889</b>	<b>26,300</b>	
<b>Statement of Cash Flows</b>								
Net operating cost for the year	CF		(75,510)		(49,210)		(26,300)	See SCE section for analysis
Adjustments for non-cash transactions	CF		3,871		3,394		477	Removal of notional cost of capital charge
Forest Enterprise England non-cash adjustments	CF		25,823		-		25,823	Adjustment not required under new accounting policy
Net cash outflow from operating activities	CF		(48,024)		(48,024)		-	No net impact on cash outflow
<b>Statement of Changes in Taxpayer's Equity &amp; General Fund</b>								
Net operating cost for the year	SOCE / 21a	(65,678)	(75,510)	(39,789)	(49,210)	(25,889)	(26,300)	See SCE section for analysis
Notional cost of capital	SOCE / 21a	66	477	-	-	66	477	Removal of cost of capital charge
Forest Enterprise England non-cash adjustments	SOCE / 21a	25,823	25,823	-	-	25,823	25,823	Adjustment not required under new accounting policy
<b>General Fund closing balance at 31 March 2010</b>	SOCE / 21a / SFP	<b>1,951</b>	<b>5,865</b>	<b>1,951</b>	<b>5,865</b>	-	-	No net impact on closing balance

# **Forest Enterprise England**

## **Annual Report 2010-11**

## FINANCIAL COMMENTARY

### Basis of accounts

The Forest Enterprise England accounts have been prepared under a direction given by the Treasury in accordance with Section 7 of the Government Resources and Accounts Act 2000.

### Departmental accounting boundary

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. Accordingly, it is outside the departmental boundary for resource accounting purposes but its net cash requirement is reflected in the Forestry Commission Great Britain/England Resource Accounts.

### Status

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 executive Agency, 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

Details of the financial performance targets set for Forest Enterprise England by the Forestry Commission National Committee for England and achievement against those targets are shown in Note 26 to the accounts.

### Operating performance

Forest Enterprise England incurred an operating deficit, before financing, of £19.7 million (2009-10 restated: £17.1 million).

This summary position should be considered in the context of the impact of valuation movements (non distributable gains or losses) on timber holdings and felling. If these are taken into consideration, the operating deficit is reduced as follows:

	2010-11	2009-10
<b>Operating deficit</b>	<b>(£19.7m)</b>	<b>(£17.1m)</b>
Add back impact of valuations		
Gain of biological assets	(£16.7m)	(£19.0m)
Value of felled timber	£17.6m	£12.7m
<b>Deficit excluding valuation movements</b>	<b>(£18.8m)</b>	<b>(£23.4m)</b>

The main driver for the deficit reduction of £4.6m excluding valuation movements is the adjusted position is the increase in timber sales from £24.5 million in 2009-10 to £29.5m in 2010-11. While we exceeded our marketing and sales volume plans by 3%, dispatching 1,535,000 cubic metres of timber, it was the improved market price for timber in 2010-11 that materially improved the income position. Against this increase the unfunded costs of work associated with *Phytophthora* of £0.5m together with work required to facilitate the movement of felled timber (bridges and roads) of £0.6m were additional costs incurred in 2010-11.

### Net position after financing

We achieved a net deficit after financing and surplus on sale of properties, of £7.1 million (2009-10 restated: £0.4million).

Funding from the Forestry Commission fell by £6.4m from 2009-10 (£14.3m) to 2010-11 (£7.9m) which contributes to the increase in the overall net deficit. However, the reduction in revenue funding was offset by planned increases in asset sales which were used to afford the overall financial position. Forestry Commission funding for 2011-12 is set to rise to £11.5m.

Depreciation (a non cash cost) is not funded by the Forestry Commission, as any capital investment in Forest Enterprise England is currently afforded from disposals.

### **Capital**

The accounts show that property sales raised £12.7million. This comprised £12.0 million from woodland rationalisation sales, £0.2 million from the disposal of houses and £0.5 million from development and other sales. A net surplus of £4.7 million (2009-10: net surplus £2.4million) on disposals were made, after expenses of £0.6 million.

Following an interim valuation, the value of the forest estate increased by £159.2 million and other land increased by £12.2 million. Building assets were valued upwards by £8.2 million and buildings under construction at the year end amounted to £0.8 million.

The main capital project taken forward, with the assistance of external funding, was the visitor centre 'Hicks Lodge' in the West Midlands.

### **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. As the investment in the partnership is outside the departmental boundary and Forest Enterprise England does not exercise budgetary control over the partnership, then, in accordance with the FReM the arrangement is regarded as an investment. Under IAS 32 and IAS 39 the investment is treated as a financial asset. In accordance with the initial business plan, no income has been received from the investment in the partnership.

### **Other Disclosures**

#### **Research and Development**

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster. More information on the work of Forest Research can be found on the Forestry Commission website <http://www.forestry.gov.uk/research>.

#### **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 2010-11 indicates that 96.4% 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 2010-11 or previous financial years. Forestry Commission 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 Statement on Internal Control.

**Auditors**

These accounts are audited by the Comptroller and Auditor General. The audit fee was £125,000 (2009-10: £100,000). No fees were charged for other services (2009-10: 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

6 July 2011

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](http://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 Monitoring 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 Commissioners' Recruitment code, 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:

	2010-11			2009-10		
	Salary	Bonus payments	Benefits in kind	Salary	Bonus payments	Benefits in kind
	£000	£000	to nearest £100	£000	£000	to nearest £100
Simon Hodgson	30-35 <sup>1</sup>	-	2,900	75-80	-	2,800
Brian Mahony	40-45 <sup>2</sup>	-	-	n/a	n/a	n/a
Brian Mahony	25-30 <sup>3</sup>	-	-	70-75	-	-
Graeme Prest	50-55	-	200	45-50	-	1,600
Mark Thornycroft	65-70	-	-	60-65	-	-
James Swabey	60-65	-	-	55-60	-	-
David Hodson	30-35 <sup>4</sup>	-	-	n/a	n/a	n/a
Paddy Harrop	50-55	-	-	35-40 <sup>5</sup>	-	-
John Tewson	50-55	-	-	45-50	-	-

<sup>1</sup> 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.

<sup>2</sup> Figure quoted is for the period 29 August 2010 to 31 March 2011 whilst Acting Chief Executive Forest Enterprise England. The full year equivalent is 75-80.

<sup>3</sup> 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.

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

<sup>5</sup> Figure quoted is for the period 25 June 09 to 31 March 2010. The full year equivalent is 45-50.

Mary Forskitt, a member of the Forest Enterprise England Management Board, was on a fixed term secondment from Pricewaterhouse Coopers which finished on 27 August 2010. Her costs were invoiced to Forest Enterprise England direct and have been provided for in the Accounts.

### 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 2011 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2011 £000	CETV at 31 March 2010* £000	Real increase in CETV £000	Employer contribution to partnership pension account to nearest £100
Simon Hodgson	15-20 plus 55-60 LS	0-2.5 plus 5-7.5 LS	380	314	34	-
Graeme Prest	10-15 plus 40-45 LS	0-2.5 plus 2.5-5 LS	166	139	14	-
Brian Mahony	30-35 plus 60-65 LS	0-2.5 plus 0-2.5 LS	595	512	41	-
Mark Thornycroft	20-25 plus 65-70 LS	0-2.5 plus 0-2.5 LS	518	479	14	-
James Swabey	30-35 plus 0-5 LS	0-2.5 plus 0-2.5 LS	643	562	35	-
David Hodson	0-5 plus 0-5 LS	0-2.5 plus 0-2.5 LS	7	-	6	-
Paddy Harrop	10-15 plus 40-45 LS	0-2.5 plus 2.5-5 LS	166	141	12	-
John Tewson	20-25 plus 60-65 LS	0-2.5 plus 0-2.5 LS	378	336	12	-

\*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 updated 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.

**Compensation for loss of office (INFORMATION SUBJECT TO AUDIT)**

11 staff left under Voluntary Exit terms in the year to 31 March 2011. They received a compensation payment of £412,199. 3 staff left under Compulsory Exit terms in the year to 31 March 2011 and received compensation payments amounting to £42,675.

<b>Exit package cost band</b>	<b>Number of compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>
<£10,000	1 (2009-10: nil)	5 (2009-10: nil)	6 (2009-10: nil)
£10,000 - £25,000	2 (2009-10: nil)	2 (2009-10: nil)	4 (2009-10: nil)
£25,000 - £50,000	- (2009-10: nil)	2 (2009-10: nil)	2 (2009-10: nil)
£50,000 - £100,000	- (2009-10: nil)	- (2009-10: nil)	- (2009-10: nil)
£100,000- £150,000	- (2009-10: nil)	1 (2009-10: nil)	1 (2009-10: nil)
£150,000- £200,000	- (2009-10: nil)	1 (2009-10: nil)	1 (2009-10: nil)
<b>Total number of exit packages</b>	<b>3 (2009-10: nil)</b>	<b>11 (2009-10: nil)</b>	<b>14 (2009-10: nil)</b>
<b>Total resource cost / £</b>	<b>£42,675</b> (2009-10: nil)	<b>£412,199</b> (2009-10: nil)	<b>£454,874</b> (2009-10: nil)

S. Hodgson  
Accounting Officer

6 July 2011

## STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Forestry Commission to prepare for each financial year a statement of accounts for Forest Enterprise England 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, 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- 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.

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*.

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Agency Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Forest Enterprise England's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The Agency is an executive agency of the Forestry Commission. The Agency's framework document sets out my responsibilities as Accounting Officer. I am accountable to parliament through the 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.

As Accounting Officer, I am responsible for the Agency's accounts and financial procedures and for the proper, effective and efficient use of resources provided to the Agency within the terms of the Framework Document and in pursuit of the agreed objectives and targets.

### The purpose of the system of internal control

I am responsible for the operation of a system of internal control. The system is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Forest Enterprise England'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 system of internal control has been in place in Forest Enterprise England for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

Forest Enterprise England has a risk management policy statement which sets out why risk management is important; the procedures in place to manage risk; and the roles and responsibilities individuals have to ensure risks are managed effectively. The statement is available to all staff via the intranet.

A key element is Forest Enterprise England's recognition of its risk appetite, i.e. the amount of risk the organisation is willing to accept. A review of Forest Enterprise England's risk policy and control procedures was conducted during 2010-11, resulting in clearer and improved risk management processes more pertinent to the needs of the business. The improved procedures have been embedded across the main business areas, and also applied to the SR10 Programme.

### The risk and control framework

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.

### Review of effectiveness of internal control

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the executive managers within Forest Enterprise England, the work of the internal auditors and comments made by the external auditors in their

management letters and other reports. I receive an Annual Assurance Statement from each of the Heads of Shared Services for the Forestry Commission, based centrally in Edinburgh, providing me with assurance on the standard of internal control within their area of responsibility.

The main challenges for Forest Enterprise England are:

- managing the consequences of the significant SR10 reductions across the period 2011-12 – 2014-15;
- handling the bio security threat, notably from Phytophthora; and
- managing business continuity through a period of significant restructuring and downsizing.

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

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

Internal Audit will continue to monitor management progress with the issues listed below. The ARC will also receive regular updates on progress.

## **Organisational change**

Forest Enterprise England is facing testing challenges ahead in terms of reduced funding and the consequences for our organisational structure, staffing levels and activities. Associated with this is the need to fund staff exits and to maintain business continuity.

Forest Enterprise England is represented on the SR10 Programme Board for Forestry Commission England which was set up to plan and implement the changes. A bid has been made for access to the Defra Modernisation Fund to meet the costs of staff exits across the four financial years; this is essential if we are to achieve our SR10 savings.

## **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. We have set up an inter-departmental and cross-industry Biosecurity Programme Board<sup>(3)</sup> which has overseen the development of an interim Tree Health Strategy<sup>(4)</sup> (published on 10 June 2011). Defra Ministers recognise the importance of tree health and plant biosecurity for both the sector and the UK landscape and have commissioned an Action Plan, due to be published next year, which sets out an integrated approach to dealing with serious tree and plant pests and pathogens.

Forest Enterprise have recognised the risk associated with the biosecurity 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.

## **Woodland sales**

As part of our 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 has an immediate, and direct, impact on our baseline funding position. Additional budgetary cover has been made available for 2011-12 following discussion of the financial implications with Defra officials.

---

<sup>3</sup> <http://www.forestry.gov.uk/website/forestry.nsf/byunique/infd-7xugl2>

<sup>4</sup> <http://www.forestry.gov.uk/forestry/infd-8gykba>

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 will report to the Secretary of State in April 2012, and the uncertainty and potential for impaired decision making in the interim period is recognised.

### **Information Communication Technology (ICT) infrastructure**

Forest Enterprise England uses the Forestry Commission's ICT infrastructure. The infrastructure has, for many years grown in an unstructured manner with a series of lowest costs one-off solutions to individual problems. Consequently, the business of the Forest Enterprise England is now dependant on an ICT infrastructure that is ageing, excessively complex and difficult to manage and maintain. The situation represents a risk to our business operations.

In response, the Forestry Commission has developed a strategy for the development of the ICT infrastructure that includes a full disaster recovery capability. The strategy requires significant investment in both equipment and staff over a period when resources are constrained, so a staged implementation approach has been developed. Whilst the positive action taken to date has improved the ability to recover from a business system failure, the absence of a full off-site disaster recovery facility until 2013-14 remains a risk.

### **Business continuity management**

Within Forest Enterprise England, business continuity plans have been subjected to a desk-based review during 2010-11, and a sample will be physically tested during 2011-12.

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, whose responsibilities include Forest Enterprise England. The SIRO 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 IT 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. Advanced training for those staff with specific information handling responsibilities, including IAOs, is being rolled out. All laptops are now encrypted and memory sticks used to store or transfer personal or other sensitive information must be pre-encrypted.

### **Significant internal control issues**

There were no significant problems to report.

*S. Hodgson*  
Accounting Officer

6 July 2011

## **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 Forest Enterprise England for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 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, 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 Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agency; and the overall presentation of the financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

### **Opinion on the financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of the Agency's affairs as at 31 March 2011, and of the comprehensive net expenditure 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 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit.
- the Statement on Internal Control 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

7 July 2011

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

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

for the year ended 31 March 2011

		<b>2010-11</b>	<b>2009-10</b>
	Note	<u>£000</u>	<u>RESTATED</u>
		<u>£000</u>	<u>£000</u>
<b>Operating income</b>			
Sustainable forest management		37,508	31,095
Forest estate		5,960	4,473
Recreation and public affairs		14,114	13,677
Gain on revaluation of biological assets		16,711	18,954
		<u><b>74,293</b></u>	<u><b>68,199</b></u>
<b>Operating expenditure</b>			
Sustainable forest management		(47,942)	(42,500)
Forest estate		(4,310)	(3,943)
Recreation and public affairs		(24,188)	(26,076)
Value of felled timber		(17,574)	(12,741)
		<u><b>(94,014)</b></u>	<u><b>(85,260)</b></u>
		<u><b>(19,721)</b></u>	<u><b>(17,061)</b></u>
<b>Operating surplus / (deficit)</b>			
<b>Financing</b>			
Funding received from Forestry Commission Great Britain/England		7,893	14,251
Surplus on sale of properties	6	4,655	2,419
<b>(Deficit) for the year</b>		<u><b>(7,173)</b></u>	<u><b>(391)</b></u>
Transferred to general fund	16	<u>(7,173)</u>	<u>(391)</u>
<b>Other comprehensive expenditure</b>			
Net gain/(loss) on revaluation of Property Plant and Equipment		180,116	96,656
Net gain/(loss) on revaluation of available for sale financial assets		1,512	-
<b>Total other comprehensive income / (expenditure) for the year</b>		<u><b>181,628</b></u>	<u><b>96,656</b></u>
<b>Total comprehensive expenditure</b>		<u><b>174,455</b></u>	<u><b>96,265</b></u>

There have been no acquisitions during the year.

All income and expenditure is derived from continuing operations.

*The notes on pages 111 to 144 form part of these accounts*

**STATEMENT OF FINANCIAL POSITION**

as at 31 March 2011

		2010-11	2009-10	01 April 2009
		£000	RESTATED £000	RESTATED £000
<b>Non current assets</b>	<b>Note</b>			
Property, plant and equipment	7	876,585	715,621	623,966
Biological assets	9	93,622	86,100	73,527
Financial assets	8	5,808	4,297	4,297
Trade and other receivables	12	7,926	8,697	8,102
<b>Total non current assets</b>		<b>983,941</b>	<b>814,715</b>	<b>709,892</b>
<b>Current assets</b>				
Non-current assets held for sale	10	3,456	1,748	3,131
Inventories	11	1,324	1,180	1,107
Trade and other receivables	12	13,466	10,612	11,868
Cash and cash equivalents	13	19	17	22
<b>Total current assets</b>		<b>18,265</b>	<b>13,557</b>	<b>16,128</b>
<b>Total assets</b>		<b>1,002,206</b>	<b>828,272</b>	<b>726,020</b>
<b>Current liabilities</b>				
Provisions	15	(405)	(238)	(345)
Trade and other payables	14	(10,330)	(11,808)	(10,838)
<b>Total current liabilities</b>		<b>(10,735)</b>	<b>(12,046)</b>	<b>(11,183)</b>
<b>Non current assets plus net current assets</b>		<b>991,471</b>	<b>816,226</b>	<b>714,837</b>
<b>Non current liabilities</b>				
Provisions	15	(213)	-	(71)
Trade and other payables	14	(4,803)	(4,334)	(2,121)
<b>Total non-current liabilities</b>		<b>(5,016)</b>	<b>(4,334)</b>	<b>(2,192)</b>
<b>Assets less liabilities</b>		<b>986,455</b>	<b>811,892</b>	<b>712,645</b>
<b>Taxpayers' equity</b>				
General fund	16	330,146	336,927	335,748
Revaluation reserve	16	642,051	460,749	364,796
Donated asset reserve	16	2,481	2,072	1,507
Government grant reserve	16	11,777	12,144	10,594
<b>Total taxpayers' equity</b>		<b>986,455</b>	<b>811,892</b>	<b>712,645</b>

S. Hodgson  
Accounting Officer

6 July 2011

The notes on pages 111 to 144 form part of these accounts

**STATEMENT OF CASH FLOWS**

as at 31 March 2011

		<b>2010-11</b>	<b>2009-10</b>
	Notes	<u>£000</u>	<u>RESTATED</u> £000
<b>Cash flows from operating activities</b>			
Net deficit for the year		(7,173)	(391)
Adjustments for non-cash transactions:			
Depreciation	7	4,233	2,565
Donated asset reserve released	16	(69)	(37)
Government Grant reserve released	16	(300)	(64)
Timing between accrual and cash VAT	16	380	494
Non-cash inter-country transfers	16	(363)	373
Profit on disposal of property	6	(5,320)	(3,164)
Profit on disposal of other property, plant and equipment		103	(88)
Gain on revaluation of OME	7	-	(18)
Impairment of property, plant and equipment and write off of revaluation reserve		(96)	75
Property, plant and equipment written off	7	20	10
Movements in provisions	15	514	55
Increase in plant and seed (biological assets)	9	391	(148)
(Increase) in inventories	11	(144)	(73)
(Increase)/decrease in trade and other receivables	12	(2,083)	661
Finance lease additions		(2,205)	(4,265)
(Decrease)/increase in trade and other payables	14	(1,009)	3,183
Use of provisions	15	(134)	(233)
<b>Net cash inflow from operating activities</b>		<b>(13,255)</b>	<b>(1,065)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(790)	(1,788)
Donations towards capital expenditure	16	480	406
Government grants towards capital expenditure	16	11	857
Proceeds of disposal of properties	6	12,693	7,734
Proceeds of disposal of other property, plant and equipment		-	64
Adjustments for non-cash transactions:			
- (Gain) on revaluation of biological assets	9	(16,711)	(18,954)
- Value of fellings	7 / 9	17,574	12,741
<b>Net cash outflow from investing activities</b>		<b>13,257</b>	<b>1,060</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>2</b>	<b>(5)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>17</b>	<b>22</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>19</b>	<b>17</b>

The notes on pages 111 to 144 form part of these accounts

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**

as at 31 March 2011

		General	Reval-	Donated	Govern-		
		Fund	uation	Asset	ment		
		RESTATED	Reserve	Reserve	Grant	Total	
Note		£000	RESTATED	£000	Reserve	RESTATED	
		£000	£000	£000	£000	£000	
	<b>Balance at 31 March 2009</b>	336,412	350,948	1,507	10,594	699,461	
	Changes in accounting policy (New Planting 0708)	(334)	334	-	-	-	
	Changes in accounting policy (New Planting 0809)	(330)	330	-	-	-	
	Changes in accounting policy (Financed Leased Land 0809)	-	13,184	-	-	13,184	
	<b>Restated balance at 1 April 2009</b>	<b>335,748</b>	<b>364,796</b>	<b>1,507</b>	<b>10,594</b>	<b>712,645</b>	
	<b>Changes in taxpayers' equity for 2009-10</b>						
	Net gain/(loss) on revaluation of property, plant and equipment	16	-	96,655	196	757	97,608
	Non-cash charges - timing between accrual and cash VAT	16	494	-	-	-	494
	Non-cash charges - intercountry transfers	16	373	-	-	-	373
	Realised element of revaluation reserve	16	777	(777)	-	-	-
	Transfer of property, plant and equipment from/to other forestry bodies	16	(74)	-	-	-	(74)
	Receipt of government grants	16	-	-	-	857	857
	Receipt of donated assets	16	-	-	406	-	406
	Release of reserves to the statement of comprehensive net expenditure		-	75	(37)	(64)	(26)
	Net deficit for the year		(391)	-	-	-	(391)
	<b>Total recognised income and expense for 2009-10</b>		<b>1,179</b>	<b>95,953</b>	<b>565</b>	<b>1,550</b>	<b>99,247</b>
	<b>Balance at 31 March 2010</b>		<b>336,927</b>	<b>460,749</b>	<b>2,072</b>	<b>12,144</b>	<b>811,892</b>
	<b>Balance at 31 March 2010</b>		336,927	444,893	2,072	12,144	796,036
	Changes in accounting policy (Financed Leased Land 0809)		-	13,184	-	-	13,184
	Changes in accounting policy (Financed Leased Land 0809)			2,672			2,672
	<b>Restated balance at 1 April 2010</b>		<b>336,927</b>	<b>460,749</b>	<b>2,072</b>	<b>12,144</b>	<b>811,892</b>
	<b>Changes in taxpayers' equity for 2010-11</b>						
	Net gain/(loss) on revaluation of property, plant and equipment	16	-	181,629	(2)	(77)	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
	Receipt of government grants	16	-	-	-	10	10
	Receipt of donated assets	16	-	-	480	-	480
	Release of reserves to the statement of comprehensive net expenditure		-	21	(69)	(300)	(348)
	Net deficit for the year		(7,173)	-	-	-	(7,173)
	<b>Total recognised income and expense for 2010-11</b>		<b>(6,781)</b>	<b>181,302</b>	<b>409</b>	<b>(367)</b>	<b>174,563</b>
	<b>Balance at 31 March 2011</b>		<b>330,146</b>	<b>642,051</b>	<b>2,481</b>	<b>11,777</b>	<b>986,455</b>

The notes on pages 111 to 144 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 2010-11 *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 Forest Enterprise England for the purpose of giving a true and fair view has been selected. 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 an annual funding payment from Forestry Commission Great Britain/England. Funding is equal to Forest Enterprise England's net cash deficit and is accounted for through the Statement of Comprehensive Net Expenditure.

#### 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 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 profit in the future, 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 Monitoring 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. 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. Amounts reported to Parliament are separately noted at the amounts reported to Parliament.

### 1.6 Property, plant and equipment

Legal ownership of all land and buildings is vested in the Secretary of State with legal ownership of the timber, including uncut trees, vested in Forest Enterprise England. Legal ownership of other tangible fixed assets is vested in Forest Enterprise England. 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). 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 Bachelor Thacker, 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). 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 2011 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 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 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

Forestry 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.

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 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 in taxpayers' equity. 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 Net Expenditure. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from 'revaluation reserve' to 'general fund'.

Donated Asset Reserve

The Donated Asset Reserve represents the net book value of Property, Plant and Equipment assets that have been funded through donations to Forest Enterprise England.

Government Grant Reserve

The Government Grant Reserve represents the net book value of Property, Plant and Equipment assets that have been funded through government grants provided to Forest Enterprise England.

**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 Net Expenditure.

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**

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and Forest Enterprise England will comply with all attached conditions.

Government grants in respect of capital expenditure are credited to a government grant reserve. Subsequent revaluations are also taken to this reserve. Each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the Statement of Comprehensive Net Expenditure. Where the grant contributes only part of the cost of the fixed asset, only that proportion is released from the government grant reserve. 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**

Investments held in subsidiaries, associates or joint ventures that are outside the departmental boundary and where Forest Enterprise 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 financial asset policy below).

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 Net Expenditure 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 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 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 Net Expenditure.

### **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 Net Expenditure 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 Net Expenditure 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 Net Expenditure.

### 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 income statement.

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 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 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 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 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 Statement of Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Net Expenditure 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 Net Expenditure. Impairment losses recognised in the Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

## **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 income statement.

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 Net Expenditure.

#### (b) Other financial liabilities

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

### 1.24 Restatement of prior year figures

From 2010-11 Forest Enterprise England falls under the External Finance accounting regime. This has caused the following changes in accounting policy:

- Funding received from the Forestry Commission is now recognised in the Statement of Comprehensive Net Expenditure rather than through the General Fund.

Forest Enterprise England is also no longer required to recognise a notional cost of capital charge in the accounts as per HM Treasury guidance. This has been treated as a change in accounting policy.

The requirement that leased land with an indefinite useful life should be classified as an operating lease was removed from IAS 17, effective from 2010-11. Management has re-assessed Forest Estate land leases and reclassified them as finance leases where the criteria in IAS 17 have been met.

Further detail demonstrating the effect of these changes in accounting policy is contained within Note 28.

### 1.25 Effective in these Financial Statements

All International Financial Reporting Standards, Interpretations and Amendments effective at 31 March 2011 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

**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 the Forestry Commission Great Britain/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 2010-11 woodland disposals, the cost of sales percentage was calculated as 4.8% 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 SEGMENT 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

	<b>Permanently employed staff</b>	<b>Others</b>	<b>2010-11 Total</b>	<b>2009-10 Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Salaries	24,119	-	24,119	23,597
Social security costs	1,698	-	1,698	1,643
Other pension costs	3,993	-	3,993	4,073
Agency/temporary staff	-	150	150	461
	<u><b>29,810</b></u>	<u><b>150</b></u>	<u><b>29,960</b></u>	<u><b>29,774</b></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](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For 2010-11, employers' contributions of £3,649,000 were payable to the PCSPS (2009-10: £3,971,000) 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 £63,000 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 £4,400 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 £4,043 (2009-10: £3,219).

Staff had the opportunity to apply for a Voluntary Early Retirement scheme in 2010-11. As per EPN 296, the results of this scheme are incorporated into the Remuneration Report within the Compensation for loss of office section, together with information on compulsory redundancies.

#### 4 (b) Average number of persons employed

Average number of whole-time equivalent persons employed:

			2010-11	2009-10
	<b>Permanently employed staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Directly employed	858	91	949	982
Other	-	14	14	13
<b>Total</b>	<b>858</b>	<b>105</b>	<b>963</b>	<b>995</b>

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

- Advances of salary for house purchase;
- 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.

**NOTE 5 OPERATING DEFICIT**

The operating deficit net of recreation, conservation and heritage is stated after charging:

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Hire of plant and equipment	1,004	1,087
Operating lease rentals:		
Land and buildings	126	480
Plant and machinery	250	277
Auditors' remuneration - audit work	125	100
Shared central services	5,637	5,528
Non-cash costs:		
Provisions –		
Provided in year	741	280
Provisions not required written back	(265)	(234)
Provisions utilised in year	(134)	(233)
Unwinding of discount	(15)	9
Depreciation of property, plant and equipment	4,233	2,565

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 GAIN/(LOSS) ON SALE OF PROPERTIES**

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>RESTATED</u> £000
Income	12,693	7,734
Book value	<u>(7,373)</u>	<u>(4,570)</u>
	<u>5,320</u>	<u>3,164</u>
Disposal costs:		
External costs	(559)	(403)
Administrative expenses	<u>(106)</u>	<u>(342)</u>
	<u>(665)</u>	<u>(745)</u>
<b>Surplus on sale of properties</b>	<u><b>4,655</b></u>	<u><b>2,419</b></u>

**NOTE 7 PROPERTY PLANT AND EQUIPMENT**

	<b>Forest Estate</b>	<b>Land</b>	<b>Forest Holidays Land</b>	<b>Dwellings and Other Buildings</b>	<b>VME</b>	<b>OME</b>	<b>AUC</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Valuation :</b>								
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
<b>At 31 March 2011</b>	<u><b>688,134</b></u>	<u><b>113,788</b></u>	<u><b>1,438</b></u>	<u><b>81,340</b></u>	<u><b>14,438</b></u>	<u><b>206</b></u>	<u><b>760</b></u>	<u><b>900,104</b></u>
<b>Depreciation :</b>								
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
<b>At 31 March 2011</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>16,180</b></u>	<u><b>7,203</b></u>	<u><b>136</b></u>	<u><b>-</b></u>	<u><b>23,519</b></u>
<b>Net Book Value :</b>								
At 31 March 2011	<u><b>688,134</b></u>	<u><b>113,788</b></u>	<u><b>1,438</b></u>	<u><b>65,160</b></u>	<u><b>7,235</b></u>	<u><b>70</b></u>	<u><b>760</b></u>	<u><b>876,585</b></u>
At 31 March 2010	<u>546,484</u>	<u>101,659</u>	<u>1,542</u>	<u>59,208</u>	<u>5,786</u>	<u>120</u>	<u>822</u>	<u>715,621</u>
Owned	659,750	113,788	1,438	65,160	1,399	70	760	842,365
Finance Leased	28,384	-	-	-	5,836	-	-	34,220
Total	<u>688,134</u>	<u>113,788</u>	<u>1,438</u>	<u>65,160</u>	<u>7,235</u>	<u>70</u>	<u>760</u>	<u>876,585</u>

	Forest Estate	Land	Forest Holidays Land	Dwellings and Other Buildings	VME	OME	AUC	Total RESTATED
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation :</b>								
At 1 April 2009	459,475	100,300	1,542	66,324	5,441	239	5,246	638,567
Additions	56	-	-	-	4,386	25	323	4,790
Donations / Government Grants	-	-	-	-	-	-	1,263	1,263
Transfers	-	-	-	5,931	(15)	-	(6,000)	(84)
Transfer to NCAHFS	(1,330)	-	-	(563)	-	-	-	(1,893)
Transfer from NCAHFS	437	-	-	-	-	-	-	437
Disposals	-	-	-	(530)	(520)	(36)	-	(1,086)
Fellings	(7,673)	-	-	-	-	-	-	(7,673)
Write-off	-	-	-	-	-	-	(10)	(10)
Revaluation	95,519	1,359	-	2,042	638	28	-	99,586
<b>As 31 March 2010</b>	<b>546,484</b>	<b>101,659</b>	<b>1,542</b>	<b>73,204</b>	<b>9,930</b>	<b>256</b>	<b>822</b>	<b>733,897</b>
<b>Depreciation :</b>								
At 31 March 2009	-	-	-	10,561	3,933	107	-	14,601
Provided during year	-	-	-	2,036	480	49	-	2,565
Transfers	-	-	-	-	(10)	-	-	(10)
Transfer to NCAHFS	-	-	-	(50)	-	-	-	(50)
Disposals	-	-	-	(184)	(482)	(30)	-	(696)
Revaluation	-	-	-	1,633	223	10	-	1,866
<b>As 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,996</b>	<b>4,144</b>	<b>136</b>	<b>-</b>	<b>18,276</b>
<b>Net Book Value :</b>								
<b>At 31 March 2010</b>	<b>546,484</b>	<b>101,659</b>	<b>1,542</b>	<b>59,208</b>	<b>5,786</b>	<b>120</b>	<b>822</b>	<b>715,621</b>
At 1 April 2009	459,475	100,300	1,542	55,763	1,508	132	5,246	623,966
<b>At 31 March 2010</b>								
Owned	528,468	101,659	1,542	59,208	2,120	120	822	693,939
Finance Leased	18,016	-	-	-	3,666	-	-	21,682
Total	546,484	101,659	1,542	59,208	5,786	120	822	715,621

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.

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.

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 or internal professional staff as appropriate.

Office machinery and equipment (OME) was restated to a current value of £70,000 at 31 March 2011 using an index provided by the ONS.

Additions to assets under construction included £480,000 funded by donations, £10,000 funded by UK government grants and £nil funded by EU grants.

Depreciation expense of £4,233,000 (2009-10: £2,565,000) has been charged in the Statement of Comprehensive Net Expenditure.

**NOTE 8 INVESTMENTS**

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
At 1 April	4,297	4,297	4,297
Revaluation to current prices	1,511	-	-
<b>At 31 March</b>	<b><u>5,808</u></b>	<b><u>4,297</u></b>	<b><u>4,297</u></b>

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 £93,622,000 at 31 March 2011 (2009-10: £86,100,000) comprising:

- Plant and seed £2,482,000 (2009-10: £2,873,000).
- Timber £91,140,000 (2009-10: £83,227,000).

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>RESTATED £000</u>
Balance at 1 April	86,100	73,527
Fellings	(7,637)	(5,068)
Movement on plant and seed	(391)	149
Transferred to NCAHFS	(1,175)	(2,082)
Transferred in from NCAHFS	14	620
Gains and losses arising from changes in fair values	16,711	18,954
<b>Balance at 31 March</b>	<b><u>93,622</u></b>	<b><u>86,100</u></b>

Bidwells Chartered Surveyors revalued the forest estate including biological assets. The next full revaluation is due as at 1 April 2013. For 2010-11, 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 Expenditure 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 2011:-

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
	<b>RESTATED</b>		
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Balance at 1 April 2009</b>	<b>3,131</b>	-	<b>3,131</b>
Transfers in	3,411	513	3,924
Transfers out	(1,057)	-	(1,057)
Disposals	(3,657)	(501)	(4,158)
Revaluation	(80)	(12)	(92)
<b>Balance at 1 April 2010</b>	<b>1,748</b>	-	<b>1,748</b>
Transfers in	9,199	67	9,266
Transfers out	(401)	-	(401)
Disposals	(6,613)	(67)	(6,680)
Revaluation	(477)	-	(477)
<b>Balance at 31 March 2011</b>	<b>3,456</b>	-	<b>3,456</b>

Assets amounting to £401,000 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

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Timber	696	505	573
Consumable materials, supplies and livestock	628	675	534
	<b>1,324</b>	<b>1,180</b>	<b>1,107</b>

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

	<u>2010-11</u>	<u>2009-10</u>	<u>01 April 2009</u>
	£000	£000	£000
<b>Current</b>			
Trade receivables	10,276	8,544	8,210
less provision for impairment of trade receivables	(221)	(11)	(67)
Trade receivables - net	<u>10,055</u>	<u>8,533</u>	<u>8,143</u>
Other receivables	1	-	18
House purchase loans to employees	21	20	24
Partnership loan	988	-	-
Partnership lease	326	321	-
Prepayments and accrued income	2,075	1,738	3,683
	<u>13,466</u>	<u>10,612</u>	<u>11,868</u>
<b>Non current</b>			
Partnership loan	3,952	4,463	3,565
Partnership Lease	3,823	4,049	4,369
House purchase loans to employees	116	157	168
Prepayments and accrued income	35	28	-
	<u>7,926</u>	<u>8,697</u>	<u>8,102</u>
<b>Total receivables</b>	<u>21,392</u>	<u>19,309</u>	<u>19,970</u>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more to 11 members of staff at 31 March 2011 (2009-10: £2,500 or more, relating to 14 employees). The total outstanding value of all loans was £137,000 (2009-10: £177,000). 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 2011, trade receivables of £7,952,000 (2009-10: £7,218,000) were fully performing and not past due or impaired and provided for.

As at 31 March 2011, trade receivables of £2,103,000 (2009-10: £1,315,000) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Less than one month	430	688
One to three months	1,535	588
More than three months	138	39
	<u>2,103</u>	<u>1,315</u>

As of 31 March 2011, trade receivables totalling £221,000 (2009-10: £11,000) were impaired and also provided for. These relate to 9 debts analysed as follows:

	<b>2010-11</b>		<b>2009-10</b>	
	Number	Value (£)	Number	Value (£)
Customer ceased trading / in administration	3	217	1	450
Legal action pending / underway	1	1	7	8,490
Other	5	3	3	2,240
	<b>9</b>	<b>221</b>	<b>11</b>	<b>11,180</b>

The ageing of the trade receivables provided for is as follows:-

	<b>2010-11</b>	<b>2009-10</b>
	£000	£000
Less than one month	-	-
One to three months	3	-
More than three months	218	11
	<b>221</b>	<b>11</b>

Movements in the provision for impairment of trade receivables are as follows:

	<b>2010-11</b>	<b>2009-10</b>
	£000	£000
At 1 April	11	67
New provisions	218	4
Receivables written off during the year as uncollectable	(8)	(50)
Unused amounts reversed	-	(10)
At 31 March	<b>221</b>	<b>11</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. Forest Enterprise England does not hold any collateral as security.

The carrying amounts of trade and other receivables are denominated in the following currency:

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	£000	£000	£000
GBP Sterling	21,392	19,309	19,970
	<b>21,392</b>	<b>19,309</b>	<b>19,970</b>

**12(b) Intra-Government Balances**

	<u>2010-11</u> £000	<u>2009-10</u> £000	<u>Current</u> <u>01 April 2009</u> £000	<u>2010-11</u> £000	<u>2009-10</u> £000	<u>Non current</u> <u>01 April 2009</u> £000
Balances with other central government	311	101	54	-	-	-
Balances with local authorities	77	147	267	-	-	-
Balances with NHS trusts	18	-	-	-	-	-
Balances with public corporations and trading funds	1	-	-	-	-	-
<b>Intra-government balances</b>	<b>407</b>	<b>248</b>	<b>321</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	13,059	10,364	11,547	7,926	8,697	8,102
<b>Total receivables</b>	<b>13,466</b>	<b>10,612</b>	<b>11,868</b>	<b>7,926</b>	<b>8,697</b>	<b>8,102</b>

**NOTE 13 CASH AND CASH EQUIVALENTS**

	<u>2010-11</u> £000	<u>2009-10</u> £000	<u>01 April 2009</u> £000
Balance at 1 April	17	22	35
Net change in balances	2	(5)	(13)
<b>Balance at 31 March</b>	<b>19</b>	<b>17</b>	<b>22</b>

The following balances were held at:-

	<u>2010-11</u> £000	<u>2009-10</u> £000	<u>01 April 2009</u> £000
Government Banking Service	19	17	22
<b>Total</b>	<b>19</b>	<b>17</b>	<b>22</b>

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

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>RESTATED</u>	<u>RESTATED</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Current</b>			
Trade payables	3,215	2,921	4,026
Other payables	81	304	349
Taxation and social security costs	108	110	98
Accruals and deferred income	5,549	7,218	6,047
Current part of finance leases	1,368	1,182	267
Payments received on account	9	73	51
	<b>10,330</b>	<b>11,808</b>	<b>10,838</b>
<b>Non current</b>			
Deferred Income	1	-	-
Other Payables	108	-	-
Payments received on account	18	19	-
Finance leases	4,676	4,315	2,121
	<b>4,803</b>	<b>4,334</b>	<b>2,121</b>
<b>Total payables</b>	<b>15,133</b>	<b>16,142</b>	<b>12,959</b>

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:

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
GBP Sterling	15,133	16,142	12,959
	<b>15,133</b>	<b>16,142</b>	<b>12,959</b>

**14(b) Intra-Government Balances**

	<b>Current</b>			<b>Non-current</b>		
	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>RESTATED</u>	<u>RESTATED</u>	<u>£000</u>	<u>RESTATED</u>	<u>RESTATED</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Balances with other central government bodies	5	2	102	-	-	-
Balances with local authorities	75	27	153	-	-	-
<b>Intra-government balances</b>	<b>80</b>	<b>29</b>	<b>255</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	10,250	11,779	10,583	4,803	4,334	2,121
<b>Total payables</b>	<b>10,330</b>	<b>11,808</b>	<b>10,838</b>	<b>4,803</b>	<b>4,334</b>	<b>2,121</b>

**NOTE 15 PROVISIONS FOR LIABILITIES AND CHARGES**

	Early departure costs	Public legal claims	Other legal claims	Other provisions	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 April 2009</b>	<b>89</b>	<b>164</b>	<b>163</b>	-	<b>416</b>
Provided in the year	1	92	187	-	280
Provisions not required written back	-	(96)	(138)	-	(234)
Provisions utilised in the year	(77)	(33)	(123)	-	(233)
Unwinding of discount	9	-	-	-	9
<b>At 1 April 2010</b>	<b>22</b>	<b>127</b>	<b>89</b>	-	<b>238</b>
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)
<b>At 31 March 2011</b>	<b>248</b>	<b>85</b>	<b>285</b>	-	<b>618</b>

Analysis of expected timing of discounted cash flows:

	Early departure costs	Public legal claims	Other legal claims	Other provisions	Total
	£000	£000	£000	£000	£000
In the remainder of the Spending Review period to 31 March 2011	-	-	-	-	-
Between 1 April 2011 and 31 March 2015	124	85	285	-	494
Between 1 April 2015 and 31 March 2019	96	-	-	-	96
Thereafter	28	-	-	-	28
<b>At 31 March 2011</b>	<b>248</b>	<b>85</b>	<b>285</b>	-	<b>618</b>

*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**

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>RESTATED</u> £000
<b>Balance at 31 March</b>	336,927	336,412
Changes in accounting policy (New Planting 0708)	-	(334)
Changes in accounting policy (New Planting 0809)	-	(330)
<b>Restated balance at 1 April</b>	<u><b>336,927</b></u>	<u><b>335,748</b></u>
<b>Movement in year:</b>		
Net deficit for year	(7,173)	(391)
Transfers of property, plant and equipments from/to other Forestry Bodies	7	(74)
Transferred to the General Fund (realised element of revaluation reserve)	368	777
Timing between accrual and cash VAT	380	494
Non-cash inter-country transfers	<u>(363)</u>	<u>373</u>
	<u>(6,781)</u>	<u>1,179</u>
<b>Balance at 31 March</b>	<u><b>330,146</b></u>	<u><b>336,927</b></u>

**16(b) Revaluation reserve**

	<b>2010-11</b>	<b>2009-10</b>
	<u>£000</u>	<u>RESTATED</u> £000
Balance at 1 April	444,893	350,948
Opening balance adjustment - new plantings 0708	-	334
Opening balance adjustment - new plantings 0809	-	330
Finance leased land adjustment - 0809	13,184	13,184
Finance leased land adjustment - 0910	2,672	-
Adjusted balance at 1 April	<u><b>460,749</b></u>	<u><b>364,796</b></u>
<b>Arising on revaluation during the year:</b>		
Forest estate	158,737	95,426
Land	12,191	1,359
Forest Holidays land	(104)	-
Dwellings and other buildings	8,290	(545)
VME	1,012	415
OME	(9)	-
Investment in Forest Holidays	1,512	-
	<u>181,629</u>	<u>96,655</u>
Transferred to the General Fund (realised element of revaluation reserve)	(368)	(777)
Transfers of property, plant and equipments from/to other Forestry Bodies	20	-
Write-off of revaluation reserve	21	75
<b>Balance at 31 March</b>	<u><b>642,051</b></u>	<u><b>460,749</b></u>

**16 (c) Donated asset reserve**

	<u>2010-11</u> £000	<u>2009-10</u> £000
Balance at 1 April	2,072	1,507
Additions during the year	480	406
Revaluations	(2)	196
Release to the statement of comprehensive net expenditure	(69)	(37)
<b>Balance at 31 March</b>	<b><u>2,481</u></b>	<b><u>2,072</u></b>

**16 (d) Government grant reserve**

	<u>UK</u> £000	<u>EU</u> £000	<u>2010-11</u> £000	<u>2009-10</u> £000
<b>Balance at 1 April</b>	<b>9,428</b>	<b>2,716</b>	<b>12,144</b>	<b>10,594</b>
Additions during the year	10	-	10	857
Revaluations	(71)	(6)	(77)	757
Release to the statement of comprehensive net expenditure	(205)	(95)	(300)	(64)
<b>Balance at 31 March</b>	<b><u>9,162</u></b>	<b><u>2,615</u></b>	<b><u>11,777</u></b>	<b><u>12,144</u></b>

**NOTE 17 FINANCIAL INSTRUMENTS****17(a) Investments in non-public sector bodies (Available for sale financial assets)**

	<u>2010-11</u> £000	<u>2009-10</u> £000
Balance at 1 April	4,297	4,297
Net gains/losses transfer to equity	1,511	-
<b>Balance at 31 March</b>	<b><u>5,808</u></b>	<b><u>4,297</u></b>

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**

	2010-11			2009-10		
	<u>Loans and receivables</u> £000	<u>Available for Sale</u> £000	<u>Total</u> £000	<u>Loans and receivables</u> £000	<u>Available for Sale</u> £000	<u>Total</u> £000
<b>Assets as per SFP</b>						
Available-for-sale financial assets	-	5,808	5,808	-	4,297	4,297
Trade and other receivables (excluding prepayments)	20,229	-	20,229	17,571	-	17,571
Cash and cash equivalents	19	-	19	17	-	17
<b>Total</b>	<b><u>20,248</u></b>	<b><u>5,808</u></b>	<b><u>26,056</u></b>	<b><u>17,588</u></b>	<b><u>4,297</u></b>	<b><u>21,885</u></b>

	2010-11			2009-10		
	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	RESTATED £000
<b>Liabilities as per the SFP</b>						
Finance lease liabilities	-	6,044	6,044	-	5,497	5,497
Trade and other payables excluding statutory liabilities	-	7,183	7,183	-	8,268	8,268
<b>Total</b>	<b>-</b>	<b>13,227</b>	<b>13,227</b>	<b>-</b>	<b>13,765</b>	<b>13,765</b>

### 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.

	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>2010-11</b>			
Finance lease liabilities	1,368	3,080	1,596
Trade and other payables excluding statutory liabilities	7,057	86	40
<b>Total</b>	<b><u>8,425</u></b>	<b><u>3,166</u></b>	<b><u>1,636</u></b>
	<b>Less than 1 year</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>
	<u>RESTATED</u>	<u>RESTATED</u>	<u>RESTATED</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>2009-10</b>			
Finance lease liabilities	1,182	2,685	1,630
Trade and other payables excluding statutory liabilities	8,250	3	15
<b>Total</b>	<b><u>9,432</u></b>	<b><u>2,688</u></b>	<b><u>1,645</u></b>

(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**

Amounts contracted for but not provided in the accounts amounted to £71,000 and relate to the Hicks Lodge Project building works, and commitments to purchase plant and machinery (2009-10: relating to building works at the Grizedale Visitor Centre and Wyre Project).

	<u>2010-11</u> £000	<u>2009-10</u> £000	<u>01 April 2009</u> £000
Property, plant & equipment	71	30	472

**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>2010-11</u> £000	<u>2009-10</u> £000	<u>01 April 2009</u> £000
<b>Land</b>			
Not later than one year	3	87	73
Later than one year and not later than five years	11	331	286
More than five years	1,052	61,676	49,978
<b>Total</b>	<b>1,066</b>	<b>62,094</b>	<b>50,337</b>
<b>Buildings</b>			
Not later than one year	124	393	384
Later than one year and not later than five years	249	1,408	1,499
More than five years	28	2,319	2,587
<b>Total</b>	<b>401</b>	<b>4,120</b>	<b>4,470</b>
<b>Plant and Machinery</b>			
Not later than one year	250	277	494
Later than one year and not later than five years	198	202	1,314
More than five years	-	-	10
<b>Total</b>	<b>448</b>	<b>479</b>	<b>1,818</b>

**19(b) Finance leases**

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

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>RESTATED</u> £000	<u>RESTATED</u> £000
<b>Land</b>			
Not later than one year	134	138	132
Later than one year and not later than five years	489	505	480
More than five years	3,047	3,101	2,947
	<u><b>3,670</b></u>	<u><b>3,744</b></u>	<u><b>3,559</b></u>
Less: interest element	(1,769)	(1,826)	(1,736)
<b>Present value of obligations</b>	<u><b>1,901</b></u>	<u><b>1,918</b></u>	<u><b>1,823</b></u>
<b>Plant and Machinery</b>			
Not later than one year	1,708	1,346	209
Later than one year and not later than five years	3,308	2,727	372
More than five years	9	39	2
	<u><b>5,025</b></u>	<u><b>4,112</b></u>	<u><b>583</b></u>
Less: interest element	(882)	(533)	(17)
<b>Present value of obligations</b>	<u><b>4,143</b></u>	<u><b>3,579</b></u>	<u><b>566</b></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 2011' (2009-10: 'Forest Concert Tour 2010'; 2008-09: 'Forest Concert Tour 2009') 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:

	<b>2010-11</b>	<b>2009-10</b>	<b>01 April 2009</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Not later than one year	2,587	2,651	2,306
Later than one year and not later than five years	141	-	-
	<u><b>2,728</b></u>	<u><b>2,651</b></u>	<u><b>2,306</b></u>

**NOTE 21 LEASE RECEIVABLES****21(a) Operating leases**

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

	<u>2010-11</u>	<u>2009-10</u>
	£000	£000
Not later than one year	2,418	2,319
Later than one year and not later than five years	7,365	6,709
More than five years	9,631	9,857
	<u>19,414</u>	<u>18,885</u>

Forest Enterprise England leases land and buildings under agreements that terminate between June 2010 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>2010-11</u>	<u>2009-10</u>
	£000	£000
Not later than one year	326	313
Later than one year and not later than five years	1,305	1,250
More than five years	22,835	20,627
	<u>24,466</u>	<u>22,190</u>
Less: interest element	(20,317)	(18,070)
<b>Present value of receivables</b>	<u>4,149</u>	<u>4,120</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	2010-11 £000	Number	2009-10 £000
Losses total	57	119	75	106
Special payments total	175	238	74	176
	<b>232</b>	<b>357</b>	<b>149</b>	<b>282</b>

**NOTE 24 RELATED PARTY TRANSACTIONS**

The Forestry Commission Great Britain/England is regarded as a related party. During the year, Forest Enterprise England has had a significant number of material transactions with the 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:

**24(a) Sales of goods and services:**

The value of purchases from Forest Enterprise England in the year to 31 March 2011 were:

	2010-11 £000	2009-10 £000
BSW Timber plc	2,113	624
Howie Forest Products	165	635
	<b>2,278</b>	<b>1,259</b>

**Year-end balances arising from sale of goods and services:**

Amounts owing to Forest Enterprise England at 31 March 2011 were:

	2010-11 £000	2009-10 £000
BSW Timber plc	508	372
Howie Forest Products	69	89
	<b>577</b>	<b>461</b>

All balances are unsecured and were incurred on an arms length basis.

The above transactions for timber sale 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.

**24(b) Other**

Paddy Harrop, member of the Forest Enterprise England Management Board, is an unpaid Board member of the International Mountain Bike Association (IMBA). He received an expenses payment from the IMBA of £530 for attendance of the IMBA UK 2010 conference.

**24(c) Key management compensation**

Key management personnel are deemed to be the members of the Forest Enterprise England Management Board.

Refer to the Remuneration Report for further details of the remuneration of Board members.

**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 2011 the amount held in Forest Enterprise England's bank accounts on behalf of the lessee was £11,704 (2009-10: £nil).

**NOTE 26 FINANCIAL PERFORMANCE MEASURES**

The financial performance measures set by the National Committee for England for 2010-11 and the actual outturns achieved were:

	<u>Achieved</u>	<u>Target</u>
	£000	£000
Operating deficit	7,173	6,708
Cash deficit	7,893	8,000
Gross receipts from sale of properties	(12,693)	(13,500)

**NOTE 27 EVENTS AFTER 31 MARCH 2011**

In accordance with the requirements of IAS 10, events after 31 March 2011 are considered up to the date on which the accounts are authorised for issue. These accounts were authorised for issue on 7 July 2011.

**NOTE 28 RECONCILIATION OF PRIOR YEAR RESTATEMENT**

From 2010-11 Forest Enterprise England falls under the External Finance accounting regime. This has caused the following changes in accounting policies:-

- Forest Enterprise England is no longer required to recognise a notional cost of capital charge; and
- Funding received is now recognised in the Statement of Comprehensive Net Expenditure rather than through the General Fund.

The requirement that leased land with an indefinite useful life should be classified as an operating lease was removed from IAS 17, effective from 2010-11. Management has re-assessed Forest Estate land leases and reclassified them as finance leases where the criteria in IAS 17 are met.

Balances have been restated from 1 April 2009 in accordance with IAS 8. A reconciliation of the restated balances is provided below:-

	Note	Per 2009-10 Published Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
<b>Statement of Comprehensive Expenditure</b>					
Notional cost of capital	SCE	(26,184)	-	(26,184)	Removal of notional cost of capital charge
Government grant	SCE	-	14,251	(14,251)	Funding from Forestry Commission Great Britain/England
Total SCE adjustment for changes in accounting policy				<u>(40,435)</u>	
Gain on revaluation of biological assets	SCE	19,574	18,954	620	Adjustment of finance leased forest estate
Sustainable forest management	SCE	(42,403)	(42,500)	97	Adjustment to forest estate finance lease creditor
Surplus on sale of properties	SCE, 6	2,455	2,419	36	Disposal of finance leased forest estate
Total finance leased Forest Estate SCE adjustment				<u>753</u>	
Net (deficit) for the year	SCE	(40,074)	(391)	(39,683)	

	Note	Per 2009-10 Published Accounts £000	Restated Balance £000	Adjustment £000	Description of Adjustment
<b>Statement of Financial Position</b>					
Property, plant and equipment	SCE, 8	697,604	715,621	(18,017)	Finance leased Forest Estate at 31 March 2010
Non-current assets held for sale	SCE, 11	2,743	1,748	995	Adjustment to value of finance leased forest estate NCAHFS
Current payables	SCE, 15	(11,739)	(11,808)	69	Forest Estate finance lease creditor at 31 March 2010
Non current payables	SCE, 15	(2,485)	(4,334)	1,849	Forest Estate finance lease creditor at 31 March 2010
General fund	SCE, SOCE, 17a	337,679	336,927	752	See SCE section for analysis (total finance leased Forest Estate adjustment)
Revaluation reserve	SCE, SOCE, 17b	444,893	460,749	(15,856)	Revaluation of Forest Estate finance lease creditor
Taxpayers equity	SCE, SOCE	796,788	811,892	(15,104)	Sum of the above
<b>Statement of Cash Flows</b>					
Net surplus / (deficit) for the year	CF	(40,074)	(391)	(39,683)	See SCE section for analysis
Notional cost of capital	CF	26,184	-	26,184	Removal of notional cost of capital charge
Profit on disposal of property	CF	(3,200)	(3,164)	(36)	
(Decrease)/increase in trade and other payables	CF	3,087	3,183	(96)	Movement on the Forest Estate finance lease creditor
Net cash inflow from operating activities	CF	(14,696)	(1,065)	(13,631)	Funding now within the Net Surplus for the Year
(Gain) on revaluation of biological assets		(19,574)	(18,954)	(620)	Disposal of finance leased Forest Estate
Financing: Deficit funded by the Forestry Commission	CF	14,251	-	14,251	Adjustment of finance leased Forest Estate
					Funding is now within cash flows from operating activities
Net decrease in cash and cash equivalents in the period	CF	(5)	(5)	-	No net impact on cash flows
<b>Statement of Changes in Taxpayer's Equity</b>					
<u>General Fund</u>					
Net (deficit) for the year	SOCE / 17a	(40,074)	(391)	(39,683)	See SCE section for analysis
Notional cost of capital	SOCE / 17a	26,184	-	26,184	Removal of notional cost of capital charge
Cash deficit funded by the Forestry Commission	SOCE / 17a	14,251	-	14,251	Funding is now within the net deficit for the year
General Fund closing balance at 31 March 2010	SOCE / 17a / SFP	337,679	336,927	752	
<u>Revaluation Reserve</u>					
Balance at 1 April 2010	SOCE / 17b / SFP	351,612	364,796	(13,184)	Revaluation of finance leased Forest Estate 2008-09
Net gain/(loss) on revaluation of property, plant and equipment	SOCE / 17b	93,983	96,655	(2,672)	Revaluation of finance leased Forest Estate 2009-10
Revaluation reserve closing balance at 31 March 2010	SOCE / 17b / SFP	444,893	460,749	(15,856)	Sum of the above

# **Annex: Sustainability Report**

**This Annex has not been subject to audit and does not form part of the auditors' opinion on the Accounts**

## ANNEX1: SUSTAINABILITY REPORT

### Introduction

#### Introduction

As the largest landowner in England, the Forestry Commission has a long track record of managing and improving sensitive habitats. Our public forest estate is covered by the UK Woodland Assurance Standard – the first public forest estate to be certified and alongside this we are in the process of accrediting all of our administrative activity against the ISO14001 (2004) standard. We are committed to minimising the environmental impact of our activities and to maintaining the sustainable management of the public forest estate.

#### Summary Performance

The Forestry Commission operates an organisational-wide Environmental Management System (EMS) that provides a framework for improving the quality and effectiveness of our environmental performance. Our EMS has been independently certified to ISO14001 (2004) standard. The Scope of the EMS for the Forestry Commission includes activities and services associated with the protection and expansion of Britain's forests and woodlands and the development and promotion of sustainable forest management, including plant health, research and nursery facilities, utilities management and transport. Our ISO14001 certification complements the accreditation of the public forest estate which is covered by the UK Woodland Assurance Standard.

Forestry Commission England manages a dispersed and complex estate which has a large number of public and private energy and water supplies and well as hazardous and non-hazardous waste streams. During 2010-11 we made significant progress in capturing data on all of the supplies and waste-streams and have established baseline performance indicators for most of our estate.

During 2010-11 our business travel generated 2,081 tonnes of CO<sub>2</sub> from 7.6 million miles, which represents a 7.4per cent CO<sub>2</sub> saving against 2009-10 figures.

#### Travel, Energy, Waste and Water

Forestry Commission England manages a dispersed and complex estate which has a large number of public and private energy and water supplies and well as hazardous and non-hazardous waste streams. During 2010-11 we made significant progress in capturing data on all of the supplies and waste-streams and have established baseline performance indicators for most of our estate. We have concentrated on Travel and Energy in order to report on these from 1 April 2010.

Travel - we now have a fully-developed system that provides managers with output on mileage and CO<sub>2</sub> from each type of travel against target limits. This has resulted in a reduction in CO<sub>2</sub> of 7.4per cent against the target limit across England and equates to a reduction of over 12per cent from 2009-10.

Travel Group	Travel Type	Total Mileage	Total CO <sub>2</sub> (KG)
Public Transport	Air	258,582	69,341
	Bus	6,105	1,139
	Ferry	627	151
	Rail	670,914	60,517
	Underground	2,430	267
	<b>Total</b>	<b>938,658</b>	<b>131,415</b>
Road Transport	Lease Fleet	480,787	101,872
	Fleet Admin	2,615,270	566,392
	Fleet Operational	2,370,541	983,793
	Hire Car	119,481	33,222
	Motorcycle	4,209	535
	Private Car	1,082,789	262,359
	Taxi	7,118	1,984
	<b>Total</b>	<b>6,680,195</b>	<b>1,950,157</b>
<b>Total</b>		<b>7,618,853</b>	<b>2,081,571</b>

Energy - we have established a system to record all of our usage at meters level whether it is Core, Residual, Renewables or other supplies. This will allow us to meet both our internal and HM Treasury reporting requirements as well of those for the CRC Energy Efficiency Scheme.

During 2010-11 we established a programme to install half-hour automatic energy meter reader over most of the public forest estate and this will be continued during 2011-12. The new system will allow us to identify and target areas for future improvement in energy efficiency in terms of usage, CO<sub>2</sub> and cost.

Waste - we have developed a system that will allow us to monitor our performance against our recently revised internal waste strategy. This will also allow us to meet HM Treasury requirements and will come into effect on 1 April 2011.

Water - we have established a system that will allow us to capture our consumption from the various sources of supply on our extensive estate. This will come into effect on 1 April 2011 to allow us to report to HM Treasury from FY2011-12.

### **Biodiversity & Adaption Action Plans**

Sites of Special Scientific Interest - 99.5per cent of SSSI on the Forestry Commission Estate were in Favourable or Unfavourable recovering condition at March 2011.

Priority Open Habitats - The Forestry Commission Estate supports 22 open priority habitats including limestone pavements, lowland heaths and upland hay meadows. At March 2011 there were more than 17,000ha of priority open habitat recorded on spatially on the Sub-compartment Database. Much of this habitat has been restored from former forestry - over 1500 hectares since 2005.

Woodland Priority Habitats - The Forestry Commission manages 25,982ha of priority woodland habitat. Significant parts of this are ancient woodland or have been restored from Plantations on Ancient Woodlands Sites. Defra are currently leading on a project to trial a monitoring approach on non-SSSI woodland in England and Wales which could potentially be used to assess and report the condition of priority woodland habitats across the Forestry Commission estate in the future.

Priority Species - 81 different BAP species (1013 individual records) have been recorded across Forestry Commission England estate on the Forestry Commission's Conservation Extension (March 2011). 47 of these species are also Woodland Biodiversity Integration group species. Efforts are underway across Forestry Commission England to protect and improve woodland habitats for a number of priority species through a range of projects and landscape scale initiatives.

## **Sustainable Procurement**

The Forestry Commission has been working on a number of areas to improve its Sustainable Procurement performance. These include establishing a Sustainable Procurement Policy, developing a Sustainable Procurement Action Plan, adopting the Flexible Framework tool to provide a route to better performance, and analysing our spend to identify our high sustainability impact suppliers.

## **Governance**

Business Sustainability is lead by a programme board (PB) consisting of board-level accounting officers from each part of the Forestry Commission. The programme board is responsible for formulating the Forestry Commission's Environmental Policy to service the themes outlined in our environmental action plan, and delivered through our ISO14001 EMS. Terms of reference for the PB are as follows:

- Be responsible to the Forestry Commission Executive Board for the efficient operation of the Business Sustainability Programme, reporting back at least once per annum;
- Set priorities and objectives for the Business Sustainability Programme and ensure that these are achieved;
- Ensure that Government targets for sustainability within the remit of the programme are communicated to stakeholders and that mechanisms are put in place to record and monitor progress against agreed targets;
- Ensure that objectives set for the Forestry Commission as a whole also meet the requirements of Country, Research and Business Unit Boards and that jointly agreed targets are adopted as policy by managers within these units;
- Top management (including the programme board) will review the EMS at planned intervals to ensure its continuing suitability, adequacy, and effectiveness; and
- Ensure that the Forestry Commission achieves its target of securing ISO 14001 accreditation.

The programme board establishes corporate level performance targets for the organisation and receives an annual report of performance from the programme manager.

Following the development of the Environmental Management System and successful accreditation of the EMS to ISO 14001:2004 for three key sites, the emphasis of the programme has moved towards achieving full accreditation across the remainder of the Forestry Commission, and maintaining the system to meet the requirements of the Standard. This requires Commission-wide management and reporting of non-conformance, to ensure identification of root cause and effective remedial action. It also provides a platform for regular monitoring of changes to environmental legislation, ensuring that the Forestry Commission can discharge its duties fully within the requirements of the law. This is particularly important in the context of waste management. The central governance also ensures that the EMS and the Forestry Commission's Environmental Policy can be regularly updated as required to reflect changing requirements across three countries and provides opportunities for networking of best practice.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich, NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

E-mail: [customer.services@tso.co.uk](mailto:customer.services@tso.co.uk)

Textphone: 0870 240 3701

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries: 020 7219 3890

Fax orders: 020 7219 3866

Email: [bookshop@parliament.uk](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

**Customers can also order publications from:**

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

Tel 028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-297178-1



9 780102 971781