



THE NATIONAL
FOREST

National Forest Company Annual Report and Accounts

For the year ended 31 March 2019

HC 2616

National Forest Company
Annual Report and Accounts 2018-19

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Contents

| | |
|---|----|
| Chair's letter | 2 |
| Chief Executive's foreword | 3 |
| Directors' Annual Report | 4 |
| Strategic report | 6 |
| Statement of Trustees' and Accounting Officer's responsibilities | 16 |
| Governance Statement | 17 |
| Remuneration and Staff Report | 24 |
| The Certificate and Report of the Comptroller and Auditor General to the Members of the National Forest Company | 29 |
| Combined Statement of Financial Activities and Income and Expenditure Account for the year ended 31 March 2019 | 32 |
| Balance Sheet | 33 |
| Statement of Cash Flows for the twelve months ended 31 March 2019 | 34 |
| Notes to the Accounts | 35 |
| Appendix A | |
| Sustainability Report | 53 |

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Chair's letter

This has been my third year as Chair of the National Forest Company (NFC) and during that time there has been a marked increase in the profile of trees and woods across the country, and the many benefits they can bring. Having been appointed as the Government's Tree Champion in June 2018, I have been pleased to see this change, and to highlight the many lessons that can be learned from the National Forest Company's work over the last 27 years, such as increasing forest cover and woodland management.

In this report I am delighted to see another excellent year for delivery in the Forest, with new forest creation exceeding 250 ha, more than doubling last year's level. We are also continuing to lead on woodlands in active management, reaching a new milestone of 75% this year and within striking distance of my aspiration for 80% by 2020. With the help of our many landowners and partners, nearly 134k trees were planted during 2018-19, making a major contribution to Government targets and taking us close to the 9 million figure for the National Forest since its inception.

But it is not just our landscape that is benefiting. Through the year we have worked with all 88 primary schools in the National Forest, helping to train teachers in outdoor learning and creating classrooms in wooded spaces. 43% of schools now have regular outdoor learning sessions with their pupils and we should reach 50% by the end of 2019. Similarly, we are seeing improvements in the economy as our work with tourism businesses

expands, with initiatives such as our Timber Festival, new accommodation and attractions, as well as improved marketing, generating an uplift in visitors, jobs and investment in this part of the Midlands.

As we look ahead to next year, I hope we can continue to contribute positively to Defra's work and the Government's 25 Year Environment Plan. Whether it's planning, agricultural incentives, woodland economy or volunteering, the National Forest is well placed as a national exemplar to showcase how we can all mitigate and adapt to a changing climate, providing clean growth, enhancing natural capital and benefiting our communities.

I would like to thank my fellow Board members for all their work during the year, in particular our new Trustees, Alison Field, Paddy Harrop and Mike Kapur, who have all taken on active roles in the organisation. As always, my thanks also to our many partners, businesses, communities and landowners who have worked so hard to make the National Forest a success. As an enabling body, the NFC relies on your efforts and I believe we can all be proud of what has been achieved.



Sir William Worsley
Chair of the Board of Trustees

Chief Executive's foreword

At a time when the country is going through such uncertainty and change, it is reassuring to see the National Forest continuing to evolve towards its long term vision. We believe passionately that trees and woods can act as a catalyst for change and are continuing to see this in the improvements to our landscape, the wellbeing of our communities and a growing green economy.

This report details many of these successes both for the National Forest itself and the NFC, and I have highlighted a few areas below that demonstrate the breadth of what has been achieved:

- Our thanks to the Forestry Commission who secured an additional 45 ha of forest habitat to expand Sence Valley Forest Park, helping to mark their centenary.
- It was also exciting to be working with the National Trust to help deliver more than 140 ha of woodland and wood pasture at Calke Abbey to extend this habitat across the estate.
- We were delighted to launch our new five-point plan for outdoor learning in the House of Commons, and feel the momentum that our education work is generating.
- The success of our Timber Festival has been encouraging, winning the best new festival at the UK Festival Awards and securing the support of sponsors including James Lathams, Reabrook and Forest Holidays, as well as Arts Council England.

- Launching our new website with the 'Our National Forest' campaign materials and new tree e-dedication has improved our ability to promote the Forest and communicate with supporters.
- Securing funds to grow the woodland economy and community woodland management from Esmée Fairbairn Foundation has provided a much needed boost to these areas of work.
- We were pleased to welcome new corporate partnerships with Cinos Audio and Tollgate Brewery who share our ambitions for the National Forest.

But this year is also the end of an era with the retirement of Simon Evans in December 2018 as Director Operations, after some 27 years with the National Forest. Simon was here at the beginning and has been instrumental in making the Forest a success – he will be sorely missed. However, the National Forest is a team effort, so my thanks to all the staff, Trustees, volunteers and partners who have contributed to our achievements this year. I look forward to working with you again in 2019-20 as we develop an exciting 25 year vision for the National Forest that helps to mitigate and adapt to the urgency of climate change.



John Everitt
Chief Executive/Accounting Officer

Directors' Annual Report

Introduction

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

National Forest Company status

The National Forest Company was established in April 1995 with the objective of overseeing the creation of the National Forest which spans 200 square miles of central England. The NFC is a company limited by guarantee (registered number 2991970) and a registered charity (registered number 1166563). The NFC operates from its registered office at Enterprise Glade, Bath Yard, Moira, Swadlincote, Derbyshire DE12 6BA.

As a charity since April 2016 and applying the provisions of its Articles of Association, the business of the NFC is no longer controlled solely by the Secretary of State for Environment, Food and Rural Affairs. The NFC does, however, given the levels of grant in aid funding received, continue to place economic reliance on the Department for Environment, Food and Rural Affairs (Defra). Grant in aid is paid to the NFC under Section 153 of the Environmental Protection Act 1990. The NFC's status is a Non-Profit Institution within the Public Sector specifically within Central Government as defined by the Office for National Statistics.

Objectives and activities

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

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

- (a) woodland creation and management generally, and in particular in the area of The National Forest, for the benefit of the general improvement of land or for the environment;
- (b) the promotion of urban and rural regeneration by the maintenance, improvement or provision of public amenities; the provision of recreational

facilities for the public at large or those who by reason of their youth, age, infirmity or disablement, financial hardship or social and economic circumstances, have need of such facilities; and the protection or conservation of the environment; and

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

Strategy and priorities

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

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

The Strategy is based on creating a resilient Forest, continuing to move forward with new forest creation and increasing the emphasis and investment in woodland management. It also includes a focus on an accessible Forest, increasing new access routes and engaging people and communities in outdoor activity through education, volunteering and enjoyment. In addition, the Strategy prioritises work to create a sustainable Forest, developing the visitor and woodland economy in line with the Forest brand. To support this, the Strategy recognises the organisational development required for the NFC to meet future challenges, including upgrading its infrastructure and systems as a new charity, growing its income to increase financial sustainability, and building a stronger brand.

Grant funding from Defra contributed significantly towards the delivery of objectives for the year, whilst simultaneously contributing to the delivery of the Defra Strategy and Single Departmental Plan.

Public benefit

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

The National Forest acts as a national exemplar of sustainability and its public benefit is based on its environmental, social and economic outcomes. The direct environmental benefits include the restoration of the landscape from planting nearly 9 million trees and the services that this provides for clean air, water and soils, as well as for the conservation and enhancement of wildlife. Social benefits relate to the physical and mental health of individuals who engage with the Forest and the benefits that are derived from access, education, skills and training. Economic benefits are provided to society as a whole through promoting more sustainable livelihoods and through targeted work with deprived communities.

The benefits are felt by the 220,000 plus residents living within the National Forest area, many of whom are from disadvantaged backgrounds; the 8.7 million visitors who enjoy the Forest as a destination each year; and the wider audience of supporters, partners, stakeholders and individuals who are inspired to engage with our work.

Volunteering statement

It is central to the ethos of the National Forest's development that local communities, businesses and visitors are offered opportunities to become engaged in creating and looking after the Forest, helping to underpin more sustainable management. Volunteering has played a key role in this. Since its creation, the NFC has facilitated a wide range of organisations across the Forest to offer volunteering opportunities; for example, since 1997 over 31,500 volunteer workdays have been arranged in the Forest by The Conservation Volunteers (TCV).

The NFC itself is also directly involved in the engagement and deployment of volunteers, with a volunteering policy approved by the Board. During 2018-19, the NFC extended its volunteering activities with the completion of the lottery funded Black to Green project and further training for volunteer rangers along each section of the National Forest Way long distance trail. In total, c30,000 volunteer hours were contributed in 2018-19, with a value of £214,575.

Grant making policy

The NFC's grant making is targeted to support public benefit and the charity's objects in line with Charity Commission guidance and guidance set out in Managing Public Money. Grants awarded are an important means of delivering multiple Forest objectives including forest creation, woodland management, biodiversity, access and community programmes. Grants are administered through an assessment process that considers priorities, impact and value for money. Higher level grants are approved annually by the Board and smaller grants by Trustee-led Working Groups. This provides the necessary assurances and includes grant conditions for recipients to ensure that charitable purposes are adhered to.

Forest creation is secured through grants awarded via the Changing Landscapes Scheme (CLS), for areas greater than 1 hectare (ha).

The woodland management grant programme supports active management of woodlands covering a range of objectives including forestry, wildlife, access, landscape and community use. Qualifying projects were eligible for up to 60% of total costs. In 2018-19 a new woodland economy grant scheme was piloted to stimulate an increase in economic activity designed to sustain woodlands into the future.

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

The NFC works collaboratively with other charities in the pursuit of its objectives, including grants this year to Bradgate Park Trust, Staffordshire Wildlife Trust and The Conservation Volunteers.

Grants totalling £720,222 were awarded during 2018-19. Note 17 to the accounts provides an analysis and information on grant recipients. During the year 30 grants to schools via Creating a Forest for Learning project were issued totalling £19,452 with an average of 69% contributed in match funding.

Strategic Report

Financial overview

An operating surplus of £0.173m was achieved in 2018-19 (2017-18: £0.689m). The surplus was largely due to the income recognition of funding of £0.208m relating to years two and three (2019-20 and 2020-21) of the Creating Working Woodlands project.

Total income during 2018-19 was £3.590m (2017-18: £3.483m) of which £2.5m is grant in aid from Defra (2017-18: £2.9m). The NFC continues to rely heavily on this funding and is encouraged by an indication from the Department that this is expected to remain at c£2.5m for 2020-21 and beyond, pending the outcome of the 2019 Spending Review. There are no other known factors that are likely to affect the financial performance or position going forward.

During the year there was further investment in the new website of £0.066m. This went live in September 2018 along with our supporter campaign and has supported the generation of £0.158m in unrestricted funding (2017-18: £0.112m).

Restricted project income from charitable activities was £0.892m in 2018-19 (2017-18: £0.835m). These projects with their third party funding make a significant contribution to the delivery of corporate priorities, particularly in the area of community engagement, as well as contributing to core cost recovery. Restricted funds reserves 2018-19 are £0.385m (2017-18 £0.465m).

Expenditure during 2018-19 was £3.519m of which unrestricted expenditure was £2.363m and restricted expenditure was £1.156m (2017-18: total expenditure £2.796m, unrestricted expenditure £2.409m and restricted expenditure £0.387m). Restricted expenditure includes £0.373m additional funding from Defra received in 2017-18 for additional tree planting which took place during Winter 2018/Spring 2019. Over 51% (2017-18: 48%) of the unrestricted funds were spent on forest creation which secured the headline target for new forest habitat whilst also helping to deliver associated targets.

The net gain on investments during 2018-19 (Hanging Hill Farm) was £0.112m (2017-18 nil). During the year the property had £0.108m of remedial and renovation works completed in September 2018 to bring it up to a lettable standard to generate future income. The property has now been reclassified as an investment property and in January 2019 was

commercially let until longer term planning for this strategic site within the Heart of the Forest has been agreed and implemented.

With such a small staff team, the NFC continues to act as an enabler, working in partnership with others to deliver its priorities. The awarding of grants remains an important means of delivering these priorities and during the year grants totalling £0.720m were awarded (2017-18: £0.823m). No grants were made to support land acquisitions in 2018-19.

A total of £0.184m was transferred from unrestricted funds to restricted funds. £0.074m was transferred from the General Fund to the Black to Green project as match funding for the final year of this three year project. £0.110m was transferred from the Enterprise and Investment fund to support the new National Forest Festival 'Timber' launched in 2018 as an expression of our Tourism Growth Plan, aligned to the brand of the Forest. Alongside the award winning festival we saw visitor numbers to the Forest increase by more than 6% to 8.7 million and tourism jobs exceed 5,000 for the first time.

At the end of March 2019, NFC reserves had increased from £5.981m to £6.154m, the main components of which were land and buildings owned by the NFC valued at £3.757m and bank balances of £1.9m.

Fundraising Statement

The NFC is registered with the Fundraising Regulator and abides by its Code of Fundraising Practice, ensuring that fundraising activities are legal, open, honest and respectful. The standards can be accessed via the Fundraising Regulator website fundraisingregulator.org.uk

The NFC does not use the services of professional fundraisers. The NFC's Development Working Group, comprising two Trustees and reporting to the Board, is responsible for oversight of the income generation strategy which includes fundraising. Operationally, responsibility for the development, management and monitoring of fundraising activities is carried out by the NFC's Development Team; this includes the Fundraising and Development Officer who is a Full Member of the Institute of Fundraising.

No complaints have been received about the NFC's fundraising practice.

Achievements against targets for 2018-19

2018-19 was a particularly successful year for the NFC in delivering outcomes for the Forest. Targets for forest creation were significantly exceeded (254 ha achieved) moving forest cover beyond 21%, through a combination of land acquisition, planning and grant schemes. Success with forest creation has also meant that targets for access and non-woodland habitat creation were exceeded, delivering additional public benefit. Our work to target woodland management continued to develop well with grants, support and advice securing 474 ha of woodlands into active management, split between young and mature woodlands. This success has increased the total figure to 75% of our woodlands now in active management, which represents a key milestone. Additional funds from Defra for tree planting meant that tree targets for the year exceeded our

normal expectations with 139,000 planted, bringing the total number of trees planted to 8.9 million. However, the increased target of 175,000 trees was not achieved as partners' planting plans were shifted into 2019-20. This will mean an even greater number of trees will be planted next year.

Our community work saw further progress this year with the Creating a Forest for Learning project increasing regular outdoor learning to 43% of the primary schools in the Forest, the completion of the Heritage Lottery Fund (HLF) funded Black to Green project, the development phase of the HLF funded Charnwood Forest Landscape Partnership Scheme, and the establishment of a new Creating Working Woodlands project to grow volunteering and business activity in woodlands. Our work continues to engage communities in understanding and using the Forest, impacting positively on the lives of our beneficiaries.

Resilient Forest

| Targets | Progress |
|---|---|
| Forest Creation: | |
| 100 – 130 ha new forest habitat created. | Significantly exceeded. 254 ha secured. Includes 53 ha land acquisition, 161 ha grants and schemes, and 40 ha planning and minerals. |
| 20 ha new non-woodland habitats created or brought into management. | Significantly exceeded. 149 ha secured. |
| 175,000 trees planned or planting secured. | Partially achieved. 133,584 trees planted through NFC grants and on NFC land; partners' planting plans were shifted into 2019-20. |
| Woodland Management: | |
| 100 ha mature woodland and 300 ha young woodland brought into management. | Exceeded overall. 474 ha brought into management, including 394 ha young woodlands and 80 ha mature woodlands. Fewer mature woodlands brought into management to ensure prioritisation of grant funds for younger woodlands. Planted Ancient Woodland Sites (PAWS) under restoration is now at 91%. |
| 5 non-woodland habitats in management (with management plans). | Achieved. Management statements produced for sites in the Heart of the Forest. |
| All NFC sites in active management. | Achieved. Further site development works undertaken at Brookvale Wood, Boothorpe/Hanging Hill Farm, Feanedock and Eastern Old Parks, and active management undertaken at other sites. |
| Undertake best practice research into woodland management. | In progress. Further grey squirrel control tested at cluster sites, alongside existing research trails into ash dieback and woodland connectivity. |

Accessible Forest

| Targets | Progress |
|--|---|
| Access creation: | |
| 60 ha of new/planned public access secured. | Exceeded. 66 ha public access achieved through grant schemes, planning and acquisitions. |
| 5-10km of Forest trails created/developed. | Achieved. Heart of the Forest interpretation hubs installed and trail leaflet produced as part of the Heritage Lottery Funded Black to Green project. New 10k running event organised at Feanedock. |
| Promoting Outdoor Activity: | |
| 40% of National Forest primary schools using woodland sites or wooded school grounds for regular outdoor learning. | Achieved. 43% of schools now with regular sessions using Forest School trained teachers and outdoor wooded classrooms. |
| Community management of woodlands programme delivered with 55 groups. | Partially achieved as targets set assumed earlier project start date. Increase from 47 to 50 groups now up and running. Funding now secured for new capacity to deliver target in 2019-20. |
| 9,000 Forest related volunteering sessions each year. | Partially achieved as targets set assumed earlier project start date. Increase from 8,100 to 8,483 sessions. As above, funding now secured for new capacity to deliver target in 2019-20. |
| Delivery of Black to Green project including evaluation and Heart of the Forest legacy plan. | Achieved. Project completed with delivery of targets and budget. Legacy plan developed including scoping for future investment. |
| Progress development stage of Charnwood Forest Landscape Partnership Scheme | Achieved. Staffing in place and development stage of project on track to submit in Autumn 2019. |

Sustainable Forest

| Targets | Progress |
|---|--|
| Visitor economy: | |
| Increase visitor numbers to 8.2m pa. | Exceeded. Visitor numbers increased to 8.7m pa. |
| Visitor spend per annum increased to £400m and tourism jobs increased to 4,980. | Exceeded. Annual spend increased to £428m, tourism jobs increased to 5,171. |
| Run new National Forest Festival to increase profile and promote visitor destination. | Achieved. National Forest Festival 'Timber' launched, winning best new festival at the UK Festival Awards. |
| Woodland and low carbon economy: | |
| Woodland and low carbon economy contribution to local jobs increased to 240. | Data currently unavailable. We are reviewing all metrics for measuring delivery of the Forest vision and the NFC's Corporate Plan. |
| Support 5 woodland economy businesses to grow and enhance the National Forest brand. | Achieved. 6 woodland economy businesses supported using new woodland economy grants scheme. |
| 12 wood fuel heating systems operating in the Forest. | Achieved. At least 12 systems are in place in the Forest with 25 in the wider Forest catchment. |

Securing resources and recognition; governance and management

| Targets | Progress |
|---|---|
| Securing resources: | |
| Increase unrestricted income for the NFC through sustainable sources. | Ongoing. Increased unrestricted income for 2018-19 £158k (2017-18: £112k) via donations, Plant a Tree schemes including new e-dedication product launched in 2018-19. |
| Generate new programme income for Forest related activity. | Ongoing. New funding secured from Esmée Fairbairn Foundation for 'Creating Working Woodlands' and Arts Council England for the Timber Festival. Existing funds secured from HLF for Charnwood Forest Landscape Partnership Scheme and 'Black to Green', and from Audemars Piguet Foundation for 'Creating a Forest for Learning' project. |
| Securing recognition: | |
| Increase advocacy with partners, politicians and stakeholders. | Achieved. Creating a Forest for Learning report launched at parliamentary reception, visits hosted including Duchess of Kent, Forestry Minister and Defra Secretary of State. Key policy discussions eg with Northern Forest partners and Designated Sites Review team. |
| Increase profile of the National Forest with key audiences. Generate 100 pieces of media content. | Exceeded. Significant coverage in national and local media, and specialist press, including National Forest Festival 'Timber', outdoor learning campaign, and BBC Breakfast Woodland. 145 pieces of content generated. |
| Develop the National Forest brand and upgrade website and communications. 270k web sessions. | Ongoing. New website launched and video assets created for the Our National Forest campaign. Website traffic of 219k sessions achieved for the year, increasing to 22.5k per month, equivalent to 270k per year. |

| Targets | Progress |
|--|---|
| Governance and management: | |
| Update governance and management arrangements in line with charitable status. | Ongoing. Charity Articles amended at Annual General Meeting to reflect Trustee succession. Induction completed for new Trustees and new Board effectiveness assessment piloted. |
| Develop scoping for new 25 year vision for the National Forest. | Ongoing. Work with stakeholders, ambassadors and Board undertaken to generate scoping. Will be taken forward in 2019-20. |
| Upgrade systems and procedures to support organisational development. | Ongoing. General Data Protection Regulations compliance achieved, review of investments and VAT recovery completed. |

Income generation performance

Income generation for the year was enhanced by the launch of the new National Forest website and promotional materials to better showcase the story of the Forest. These provide the platform for new products for sale, charitable giving and sponsorship helping to drive unrestricted income generation and income for selected restricted projects.

Total income for the year was £3,590,489 of which £2,530,725 was grant in aid from Defra. Income this year included the development of agreements with partners including Cinos Audio, Air Ambulance and Tollgate Brewery, section 106 funds, and income through the Plant a Tree scheme, groves and new dedicate a tree scheme. In addition, restricted funds were secured from: the Audemars Piguet Foundation for continued work on the Creating a Forest for Learning project; Heritage Lottery Fund for the continued work on the Heart of the Forest Forum's Black to Green project and the Charnwood Forest Landscape Partnership Scheme; local authority partners and others for work on tourism; Esmée Fairbairn Foundation for the new Creating Working Woodlands project, and woodland grants. Restricted funds were also received towards the National Forest Festival 'Timber', including grants from Arts Council England and North West Leicestershire District Council, as well as sponsorship for the 2019-20 event.

Financial reserves are invested at low risk, with balances held in fixed-rate deposit accounts for the year. During the year, the investment policy and ethical policy were reviewed and proposals put forward for more active management of investments to help maximise income in line with ethical considerations.

Plans for Future Periods

Key priorities for the coming year will focus on the ambitions set out in the Corporate Plan 2017 to 2020, as agreed by the Board, and include:

Resilient Forest

- Continued forest creation and tree planting using land acquisition, grants, planning and advice to extend forest cover.
- Review of NFC forest creation grant schemes and testing new arrangements as part of proposed changes to national incentives.
- Further increase in active management of woodlands including measures to address pests and diseases.

Accessible Forest

- Creation of new public access sites and linear trails across the Forest.
- Completion of the development phase of the Charnwood Forest Landscape Partnership Scheme.
- Expansion of project work to increase outdoor learning within primary schools.
- Increase in Community Management of Woodlands groups and volunteering.
- Legacy arrangements for the Black to Green project with a focus on the Heart of the Forest.

Sustainable Forest

- Delivery of the Tourism Growth Plan and investment in the visitor economy.
- Running of the National Forest Festival 'Timber'.

- Taking forward work on the woodland economy and business diversification, including the woodfuel economy.

Securing recognition and resources; governance and management

- Promotion of new income generation activity and supporter engagement.

- Feasibility work on new income generation opportunities including a Business Improvement District, major events and commercial activity.

- Running a culture change and development programme for staff and Trustees.

- Development of a programme for the new vision and strategy for the National Forest.

Risks

The Board is responsible for management and monitoring of the risks facing the NFC. The principal risks and uncertainties facing the NFC are set out in the table below with the plans for managing them. Further information on risk and risk management is provided in the Governance Statement.

| Strategic risks | Mitigation |
|--|--|
| Inability to continue to meet Forest creation targets | Partnership development with landowners and bodies, new forest creation incentive schemes, new mechanisms to secure land and schemes |
| Income generation strategy does not meet targets | New website and promotional work, and liaison with businesses, visitors and residents to develop schemes for support |

Board of Trustees

The Trustees of the NFC throughout 2018-19 were as follows:

| Name | Date of appointment as Trustee | Role |
|-----------------------------|--------------------------------|---|
| Sir William Worsley | 1 April 2016 | Chair, Board of Trustees, member of Remuneration Committee |
| Tony Ballance | 1 April 2016 | Member, Audit and Risk Committee, chair of Remuneration Committee |
| Jack Buckner | 1 April 2016 | Chair, Tourism, Recreation and Communities Working Group Member, Development Working Group |
| Alison Field | 1 April 2018 | Member, Land & Forestry Working Group |
| Paddy Harrop | 1 April 2018 | Chair, Land & Forestry Working Group, member of Audit and Risk Committee |
| Christopher Holmes | 1 April 2016 | Chair, Development Working Group |
| Mike Kapur | 1 April 2018 | Chair, Audit and Risk Committee, member of Remuneration Committee |
| John Everitt ⁽¹⁾ | 1 April 2016 | Chief Executive |

⁽¹⁾ John Everitt is the NFC's Chief Executive and also a Trustee. It was agreed that he should hold this dual role because of the nature of the NFC's current funding position whereby a significant proportion of the NFC's funds are from Defra and the Chief Executive holds the responsibility of Accounting Officer for those funds. To meet the standards for Managing Public Money, Accounting Officers are required to be represented at Board level. It is recognised that this is unusual within a charity, but is considered to be in the best interests of the charity because of the funding relationship, and controls are in place to avoid any abuse of power or conflicts of interest. The Board has delegated the responsibility for the day-to-day management of the charity to the Chief Executive. The Chief Executive reports directly to the Chair of Trustees and provides advice to the Board.

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

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

Trustees are required to disclose any interests they have that may potentially conflict with their management responsibilities for the NFC. This includes company directorships, public appointments and any other significant external interests. During 2018-19 no issues arose as a result of any Trustees' conflicts of interest. No Trustee, other than the Chief Executive who is a Trustee, had any transaction with the NFC, other than being reimbursed expenses necessarily incurred in fulfilling their duties. Information on the remuneration of the Chief Executive is detailed in the Remuneration and Staff Report.

Results for the year

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

Total income for the year was £3,590,489 (2017-18: £3,482,915) of which £2,530,725 (2017-18: £2,903,725) was grant in aid from Defra. Total expenditure was £3,518,919 (2017-18: £2,795,607) leaving a net income of £183,448 (2017-18: £687,308).

Total reserves at the end of the financial year increased to £6,153,789 (2017-18: £5,980,941) of which £385,222 comprised restricted funds (2017-18: £465,161) and £3,757,049 (2017-18: £3,689,520) comprised NFC owned land and buildings.

Reserves

The Audit and Risk Committee reviewed the Reserves Policy in July 2018 prior to the Board review of the policy at its meeting in July where it was agreed that it remained appropriate to the needs of the charity.

The reserves are held as a series of unrestricted or designated funds as per the table below.

| Fund | £ Target Range | Details |
|---|-------------------|--|
| Unrestricted free reserves fund | 200,000 | Working capital to manage cash flows. |
| Financial Contingency Fund (FCF) | 400,000 – 450,000 | Approximately four months running costs, to be used in the event of major cash flow problems. |
| Land Acquisition, Management and Development Fund (LAMDF) | 400,000 – 500,000 | To support land acquisition and initial site establishment costs. |
| Enterprise and Investment Fund (EIF) | 300,000 – 500,000 | To help finance innovation, enterprise and long term financial sustainability for the charity. |

As at 31 March 2019, £385,222 of total reserves held were restricted funds as per Note 18. Balances held in the three designated funds were FCF £450,000, LAMDF £450,000 and EIF £390,056. The amount of reserves held after making allowance for restricted and designated funds is £4,478,511.

During the coming year, it is anticipated that a draw will be required from the LAMDF for a significant land acquisition opportunity. Similarly, consideration will be given to continuing utilisation of the EIF to support our income generation strategy, including provision of contingency for the National Forest Festival ‘Timber’.

Going concern

The Balance Sheet as at 31 March 2019 shows that the NFC has reserves of £6,153,789 (2018: £5,980,941).

Looking ahead, the annual grant from Defra is expected to continue to represent a high proportion of NFC income and indication has been received from the Department that grant for the next year will remain at a similar level to that allocated for 2018-19 (ie £2,530,725). In addition, the charity has reorganised its development and fundraising function and has devised and is implementing a new Board approved income generation strategy which is expected to impact positively on the charity's income streams. The latest projections include increased targets for unrestricted income.

The NFC's bank balance as at the end of March 2019 totals £1.900m (£1.723m unrestricted, £0.177m restricted). If required, and with Board approval, all designated funds of the charity as described in the Reserves section above could be

made available to meet the cashflow requirements of the business.

The Trustees are not aware of any significant risk which may impact on the ability of the NFC to continue to operate at the current level of activity.

All of the above factors inform the opinion that it is appropriate to adopt the going concern basis for the preparation of financial statements for 2018-19.

Auditors and their remuneration

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

The fee for the audit of the financial statements in 2018-19 was £17,000 (2017-18: £16,500). No non-audit work was conducted by the National Audit Office during 2018-19.

Bankers

The Co-operative Bank
Miller Street
Manchester M60 0AL

Pension liabilities

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

Losses, special payments and gifts

Subject to audit there were no losses, or gifts made during 2018-19 (2017-18: Nil). No special payments that require disclosure were made during the year.

Payment of Suppliers

The standard term of payment for supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. However, the Company aims to pay undisputed invoices within 5 days of approval and 75% have been paid within this timescale (2017-18: 75%); 94% were paid within 10 days (2017-18: 92%). No claims were received during the year from suppliers for late payment of invoices under the Late Payment of Commercial Debts (Interest) Act 1998.

Research and development

During the year £57,228 was spent on research (2017-18: £34,881) with the main areas of activity being:

- feasibility research on new woodland creation grant schemes;
- accommodation demand study across the Forest;
- visitor giving research and feasibility;
- YouGov research into outdoor learning attitudes and behaviours;
- feasibility work for a Business Improvement District; and
- annual statistical analysis of the economic impact of tourism on the Forest area.

Sustainability performance

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

Personal data related incidents

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

Post year end events and developments

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



Sir William Worsley

Chair of the Board of Trustees
3 September 2019



John Everitt

Chief Executive/Accounting Officer/Trustee
3 September 2019

Statement of Trustees' and Accounting Officer's Responsibilities

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

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

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

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

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

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

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

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

In so far as the Trustees are aware:

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



Sir William Worsley
Chair of the Board of Trustees
3 September 2019



John Everitt
Chief Executive/Accounting Officer/Trustee
3 September 2019

Governance Statement

Overview

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

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

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

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

Governance Arrangements

Members and Board of Trustees

In accordance with the Articles of Association, the NFC Chair and Secretary of State for Environment, Food and Rural Affairs and two further individuals are Members of the charity. The Secretary of State is in a minority when voting on NFC business and therefore cannot exercise a controlling influence.

The Board of Trustees was established in March 2016. The Board determines the strategy of the organisation and ensures that appropriate policies and procedures are in place to fulfil its obligations as to the use of public funds.

The Chair and six Trustees, excluding the Chief Executive, are not remunerated but are entitled to be reimbursed out of pocket expenses necessarily incurred in fulfilling their duties. The NFC Chief

Executive is a Trustee and his remuneration is detailed in the Remuneration and Staff Report.

The Board meets four times a year, and additionally as necessary, to consider business performance, organisational structure and strategy.

The membership of the Board of Trustees in 2018-19 was as follows:

Sir William Worsley (Chair)

Tony Ballance

Jack Buckner

Alison Field

Paddy Harrop

Chris Holmes

Mike Kapur

The terms of office of two Trustees, Roger Clarke and Brian Mahony both ended on 31 March 2018; Suzanne Carr resigned as a Trustee on 31 March 2018. The NFC undertook an open recruitment exercise to recruit their replacements, and three new Trustees, Alison Field, Paddy Harrop and Mike Kapur, all bringing strong and relevant skills and experience to complement and strengthen the Board, were subsequently appointed with effect from 1 April 2018.

The induction programme for Trustees included: the roles and responsibilities of a Trustee; governance arrangements; vision and strategy for the National Forest, including familiarisation with the Corporate Plan, and meetings and presentations from staff on their operational areas. Handover meetings were held between new and retiring Trustees.

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

During 2018-19 the Board considered a range of matters including:

- consideration of the Corporate Plan 2018-19;
- proposals for development of a long term vision and strategy for the National Forest;
- implementation of actions agreed from the review of effectiveness of working groups

to support the Board in the delivery of its responsibilities;

- risk management, including a review of the NFC's risk policy and consideration of strategic risks relating to the delivery of NFC objectives;
- review of research into new forest creation incentive schemes and development of a land strategy;
- proposals for small scale business development grants to support growth of the National Forest's woodland economy and tourism programmes;
- consideration of the strategy for access and recreation in the National Forest;
- review of the National Forest Festival 'Timber' and proposals for its continuation in 2019;
- Income Generation Strategy campaign and National Forest brand licensing;
- HLF Black to Green project legacy and Heart of the Forest future plans; and
- judging applications to the 2018 round of the Changing Landscapes Scheme.

The Board has periodically undertaken reviews of its governance and Board effectiveness. During 2018-19, we developed and trialled a Board effectiveness model based on the Charity Governance Code which sets the principles and recommended practice for good governance and drawing upon the Charity Commission's guidance using the recognised hallmarks of an effective charity, ie organisational purpose; leadership; integrity; decision making, risk and control; board effectiveness; diversity and openness and accountability.

The review demonstrated that the NFC's governance processes and practice provide a high level of assurance against the Charity Commission's key principles and therefore provided a strong basis for assessing Board performance as 'effective'. This is reassuring for the organisation and reflects the significant work undertaken over the last three years since the NFC secured its charity status in 2016. The review also assessed the quality of reports and papers to the Board which were considered to be of a good quality, enabling the Board to make effective decisions. A small number of key areas were identified where further improvement could be made:

- explore the use of benchmarks from other organisations to help assess performance

such as value for money indicators or industry best practice;

- further work to develop the 'delegations' framework document, and
- greater recognition of diversity including through Trustee recruitment.

An action plan, to be overseen by the Board, will be put in place to address these areas. The Board effectiveness review will be carried out annually and the action plan updated to guide measures that need to be taken to ensure continuous improvement towards the highest standards.

Board Committees and Working Groups

The Board of Trustees is supported by various committees and working groups which have key functions to discharge. Each is chaired by a Trustee and has additional Trustee representation. Appropriate staff are also involved. The Committees and Working Groups are:

- Audit & Risk Committee – covering issues on finance, risk, health and safety, governance, policy and HR;
- Remuneration Committee – covering issues on remuneration of the Chief Executive and senior staff;
- Land & Forestry Working Group – covering issues on land policy, forest creation, forest management and economy, NFC owned sites, access creation and biodiversity;
- Development Working Group – covering issues on income generation, marketing and communications, branding and project development; and
- Tourism, Recreation and Communities Working Group – covering issues on tourism and facilities, recreation and access, and communities, health, education and training.

All committees and working groups have written terms of reference. Membership of the Board, its committees and working groups are provided on page 20.

Review of Effectiveness of Working Groups

Following the review of working groups in 2017-18, the recommendations have now been taken forward including updating all terms of reference, planning site visits and workshop sessions following Board meetings, and the introduction of video conferencing. A further review of the working groups is planned for 2019-20 to be considered by the Board in November 2019.

The Board has acknowledged that as income streams and associated commercial activities develop, a trading subsidiary will need to be established. It is proposed that this will be chaired by an NFC Trustee with other NFC Trustees sitting on the Board alongside other external representatives possessing the necessary commercial expertise. Arrangements are in place to establish the trading subsidiary should commercial activities exceed the current charity threshold.

Audit and Risk Committee (ARC)

The role of ARC is to provide assurance and recommendations to the Board on the effectiveness of its governance, financial management, internal control and risk management systems. ARC also monitors the work of the external audit and the effectiveness of the internal audit service. Minutes of meetings are circulated to all Trustees and oral reports given to the Board on business conducted. The Committee also presents an annual report on its activities to the Board.

ARC comprises three Trustees with the Chief Executive attending in his capacity as Accounting Officer. Mike Kapur, newly appointed as a Trustee on 1 April 2018, is Chair of ARC.

ARC met five times during 2018-19. Its work included consideration of the financial statements for 2017-18 and the Audit Completion Report issued by the external auditor prior to the accounts being certified by the Comptroller & Auditor General (C&AG) with an unqualified audit opinion; receiving the external auditor's Audit Planning Report for 2018-19; considering reports issued by internal audit; scrutinising finance reports, including income generation, prior to them being presented to the Board; reviewing accounting policies; health and safety; and fulfilling its responsibilities in respect of risk management (see below).

During the year, the Committee sought assurances from management that recommendations from the prior year's audit were being implemented, including: improving the control process for identifying and assessing the recognition and classification of income streams, and documentation of procedures for the new finance system introduced in 2017-18.

Other business conducted by ARC during the year included:

- review of the whistleblowing arrangements and policy prior to approval by the Board;
- review of the Safety, Health and Wellbeing policy and the annual report to the Board;
- review of compliance with General Data Protection Regulations;
- review of the Ethical Policy;
- consideration of NFC's Reserves Policy before its approval by the Board and investment options for reserves held; and
- development of value for money indicators.

Remuneration Committee

The Remuneration Committee supports the Board in discharging its responsibilities for remuneration issues. Membership of the Committee comprises three Trustees including the Chairs of both the Board and ARC. The Committee provides the Board with recommendations on the Chief Executive's remuneration and benefits, and advises the Chief Executive on the pay and benefits of other senior staff.

Land and Forestry Working Group

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

In 2018-19 the group's work included:

- monitoring progress against targets for Forest creation and woodland management;
- reviewing the effectiveness of the various schemes operated by the NFC and an assessment of risks/mitigation relating to them;
- consideration of research undertaken on options for a successor to the Changing Landscape Scheme;
- development of a process for managing the risk of losing access provision in woodlands;
- review of the Woodland Economy Grant pilot;
- development of a new land strategy for the NFC;
- agreement of a new biosecurity policy for the National Forest;
- discussion of options for incentivising future Forest creation; and
- consideration of the new Creating Working Woodlands project.

Development Working Group

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

In 2018-19 the group's work included:

- development and monitoring of our income generation campaign, launched in September 2018, to increase the profile and raise awareness of the National Forest;
- assessment and review of the return on investment of the income generation campaign;
- oversight of the ongoing development of the new website and integration with the campaign and the customer relationship database and development of reporting systems; and
- oversight of the product development framework to focus on new products to generate further income streams.

Tourism, Recreation and Communities Working Group

The Tourism, Recreation and Communities Working Group meets four times a year and is attended by one Trustees who is Chair. The primary role of the group is to provide strategic overview and support across the tourism, recreation and community development functions. In 2018-19, the group's work included:

- development of proposals for a new Access and Recreation Action Plan;
- oversight and scrutiny of outcomes and risk associated with the delivery of the National Forest Festival 'Timber', and
- oversight of restricted projects and funding bids supporting the NFC tourism, recreation and community development functions of the company, including the Forest for Learning project, the HLF Charnwood Landscape Partnership bid and the Black to Green legacy HLF Resilient Heritage bid.

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

| Board & Committee [Number of meetings in 2018/19] | Main Board [4] | Audit & Risk Committee [5] | Remuneration Committee [1] | Land & Forestry Working Group [3] | Development Working Group [3] | Tourism, Recreation & Communities Working Group [3] |
|--|-------------------|-------------------------------|-------------------------------|--------------------------------------|----------------------------------|--|
| Trustee | Attendance | | | | | |
| William Worsley | 4/4* | | 1/1 | | | |
| John Everitt** | 3/4 | | | | | |
| Tony Ballance | 4/4 | 5/5 | 1/1* | | | |
| Jack Buckner | 3/4 | | | | 3/3 | 3/3* |
| Alison Field | 4/4 | | | 3/3 | | |
| Paddy Harrop | 3/4 | 4/4*** | | 3/3* | | |
| Chris Holmes | 4/4 | | | | 3/3* | |
| Mike Kapur | 4/4 | 4/5* | 1/1 | | | |

*Denotes Chair

** John Everitt attends the Audit and Risk Committee meetings and Remuneration Committee meetings in his capacity as Chief Executive and Accounting Officer.

*** Paddy Harrop joined ARC after the first meeting of the year.

Strategy and planning

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

During the year, the Board considered the long term vision and strategy for the National Forest and NFC. Further work is now planned in 2019-20 to finalise the new vision, develop an updated suite of indicators and produce a new Corporate Plan for the NFC.

The Corporate Plan for the three years from 2017-18 to 2019-20, as approved by the Board, gives direction to strategic priorities for the Forest and NFC and a clear framework for measuring success and identifying potential issues. It also provides the basis for our annual work programmes and budgets. The Plan divides into three main operational themes centred around the creation of a resilient, accessible and sustainable National Forest. Development themes of securing recognition and resources for the Forest, and corporate services themes relating to effective governance and management are also included. NFC activity during 2018-19 was guided by the objectives and targets as detailed in the Plan and progress reports were given to the Board at each quarterly meeting.

Whilst the NFC operates at arm's length from Defra, the charity in its business plan needs to demonstrate how it uses grant from Defra to contribute to the Department's own business plan priorities and wider strategic objectives. Defra's 25 Year Environment Plan produced in 2018 and Single Departmental Plan recognise the valuable role that forests and woodlands play in protecting and enhancing natural capital, including commitments to the public forest estate, national targets and community forestry. These also include the NFC's contribution to national targets, specifically in relation to forest creation, tree planting and woodland management.

Internal controls and the work of internal audit

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

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

The programme of internal audit work undertaken by Mazars LLP during 2018-19, as approved by the Audit and Risk Committee, included reviews of:

- the controls in place around the management and use of the new finance system;
- the first National Forest Festival 'Timber', with a specific focus on controls surrounding the performance framework, marketing and finance, and
- the ongoing new website and integration project with the customer relationship management (CRM) database.

Of the three internal audits completed, one was rated 'substantial' and two were rated 'adequate'. Management agreed to implement the recommendations arising from the work of internal audit which were:

National Forest Festival 'Timber' – five 'significant' recommendations, relating to further development and implementation of marketing strategies and use of social media; and responsibility and monitoring of performance indicators.

Website – 3 'significant' and 1 'housekeeping' recommendations, relating to project management procedures, policy development and reporting.

At the end of the year a total of 16 recommendations were brought forward to follow up; nine have been implemented, four are in progress and three not yet implemented. Those not yet implemented were advisory recommendations relating to ongoing developmental work on trademarking and intellectual property and will be progressed in the coming year.

The work undertaken and conclusions drawn informed the opinion expressed in the Annual Internal Audit Report for 2018-19 that the NFC 'has an adequate, effective and reliable framework of internal control and effective risk management and governance processes to manage the achievement of the NFC's objectives'.

There were no identified instances of fraud during the year.

Information management

The NFC takes the management of the information it holds very seriously and is not aware of any personal data losses in 2018-19 that would require notification to the Information Commissioner's Office.

All staff sign copies of the Company's policies relating to privacy and data handling and are mandated to undertake the Civil Service Learning 'Protecting Information' course. All staff were actively involved in preparation of implementation of the General Data Protection Regulations which came into effect in May 2018. Work continues in terms of developing and embedding new protocols and good practice on our new Customer Relationship Management database; we ensure that staff are regularly reminded of the importance of following data handling procedures with regular refresher sessions and further training provided where necessary.

Whistleblowing

The NFC has a whistleblowing policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2018-19, as was the case in 2017-18. The policy was reviewed by ARC and the Board in 2018-19 and was updated to include reference to the NFC's Senior Independent Director as a contact and the requirement to report any serious cases to the Charity Commission. Staff are reminded of the whistleblowing policy and procedures at team meetings and through periodic updates, to ensure an open and accountable culture.

Risk Management

The NFC Board is responsible for determining the NFC's approach to risk, agreeing the Risk Policy, setting the culture of risk management and for monitoring the management of the highest scored risks as detailed in the Risk Register. Board committees and working groups are responsible for overseeing the management of risks in their area of business and ensuring that the most effective plans are drawn up and implemented to mitigate them. This responsibility has been incorporated into their terms of reference.

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

management features on the agenda for all ARC meetings.

The role of staff and the Senior Leadership Team (SLT) includes: identifying and evaluating significant risks faced by the NFC to be considered initially by ARC and subsequently the Board; implementing policies and associated action plans, and providing information to the committees and working groups on the status of risks and controls.

SLT is also responsible for producing the annual draft risk register. The register divides between the more strategic risks focusing on the key priorities and outcomes for the three year Corporate Plan period covering 2017-18 to 2019-20 and is formally reviewed by ARC and the Board every six months. Responsibility for the more operational risks fall to senior management and working groups and are reported on in the Chief Executive's quarterly report to the Board which focuses on risks relating to the achievement of in-year targets.

In 2018-19, the risks relating to the NFC's ability to continue to secure new forest creation, and a new risk relating to the Timber Festival, featured prominently in the risk register. Work to mitigate these two risks included formulating a stronger pipeline of new forest creation through all mechanisms, alongside improved marketing efforts for Timber Festival ticket sales.

As in 2017-18, the risks surrounding the NFC's ability to secure external funds, coupled with sufficiently raising the profile of the National Forest also featured in the 2018-19 risk register. During the year the Development Team have made good progress on: the development and launch of the new website; a major digital campaign to raise the profile of the National Forest; the development of a new tree e-dedication scheme, and feasibility work on further income generation products including the Business Improvement District and fundraising events.

The NFC received no ministerial directions during the year.

Performance management

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

job plans also detail training and development needs identified to equip the individual to perform effectively.

The National Forest is being created for public benefit and the engagement and views of members of the public are welcomed. The Company has established procedures and arrangements for dealing with complaints and requests made under the Freedom of Information Act. During the year ended 31 March 2019, eight complaints were received (compared with three in 2017-18). The complaints were responded to within the specified timescale and satisfactorily resolved.

Conclusion

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



John Everitt

Chief Executive/Accounting Officer
3 September 2019

Remuneration and Staff Report

(a) Remuneration Report

Remuneration Policy

The Audit and Risk Committee's responsibilities include advising the Board on strategic HR, including pay and reward policy, whilst the Remuneration Committee specifically advises the Board on the remuneration and benefits attached to the Chief Executive Officer (CEO). The Remuneration Committee also advises the CEO on pay and grading considerations relating to other senior roles.

The Remuneration Committee meets annually and comprises three Trustees, including the Chairs of the Board and ARC. The Committee members are identified on page 20.

Trustees' remuneration

Trustees, other than the Chief Executive who is remunerated in his capacity as Chief Executive, do not receive any remuneration for their services. In accordance with the NFC's Articles of Association, all Trustees are entitled to the reimbursement of reasonable travel and substance expenses necessarily incurred in fulfilling their duties. Total Trustee expenses were £7,236 of which £6,942 related to claims from six trustees excluding the CEO, and £294 related to John Everitt as his role as Trustee.

Remuneration of the Chief Executive

(this information is subject to audit):

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

John Everitt has been the NFC's Chief Executive since 5 January 2015. The Principle Accounting Officer for Defra has conferred Accounting Officer status on him. The salary for the post aligns most closely to the range for Senior Civil Service pay band 1.

The salary payable to the Chief Executive is reviewed on 1 April each year. In addition to salary, the Chief Executive is entitled to an annual non-consolidated, non-pensionable bonus of up to 10% of annual salary. The bonus payable is based on the performance level attained and is made as part of the appraisal process operating within the Company. The bonus relates to performance in the year it is reported.

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

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

| Name | Start date | |
|---|-----------------|----------------|
| John Everitt | 5 January 2015 | |
| Single total figure of remuneration: | 2018-19 | 2017-18 |
| | £'000 | £'000 |
| Salary | 65 – 70 | 60 – 65 |
| Non-consolidated bonuses | 0 – 5 | 0 – 5 |
| Pension benefits | 26 | 25 |
| Total | 95 – 100 | 90 – 95 |

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefit met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either

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

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

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The NFC has not,

to date, made any contributions to a partnership pension account.

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

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

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

Benefits to which the Chief Executive qualifies under the PCSPS

(this information is subject to audit):

| | 2018-19 £ |
|---|---------------|
| John Everitt | |
| Accrued pension at pension age as at 31/3/19 and related lump sum | 5,000 – 7,500 |
| Real increase in pension and related lump sum at pension age | 0 – 2,500 |
| Cash equivalent transfer value (CETV) at 31/03/19 (nearest £'000) | 82,000 |
| Cash equivalent transfer value (CETV) at 31/03/18 (nearest £'000) | 54,000 |
| Real increase in CETV | 15,000 |

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

(b) Staff Report

Staff employed

| Average number of persons employed: (this information is subject to audit) | 2018-19 | | 2017-18 | |
|---|-----------|----------------------|-----------|----------------------|
| | Headcount | Full time equivalent | Headcount | Full time equivalent |
| Staff (including Chief Executive) | 27 | 24 | 23 | 21 |

During 2018-19, all staff were employed on a permanent basis, apart from nine who were employed on fixed term contracts. Seven of these were engaged on projects receiving external funding, one as a part time Access and Recreation Officer and one on a business administration apprenticeship.

The salary and related costs arising from the employment of the above is detailed in Note 8 to the accounts.

Remuneration of staff

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

Total emoluments of directors or employees earnings more than £60,000 fall within the following bandings:

| | 2018 | 2017 |
|-------------------|----------|----------|
| £70,000 – £79,999 | 1 | – |
| £60,000 – £69,999 | 1 | 2 |
| | <u>2</u> | <u>2</u> |

Total emoluments include salary and benefits in kind but exclude pension payments.

All staff are members of the PCSPS.

Gender diversity

The gender split of Trustees and staff employed as at 31 March 2019 was as follows:

| | Male | Female | Total |
|--------------------------------------|-----------|-----------|-----------|
| Trustees | 6 | 1 | 7 |
| Staff, including the Chief Executive | 11 | 16 | 27 |
| Total | <u>17</u> | <u>17</u> | <u>34</u> |

Sickness absence

Staff absence due to sickness equated to an average of 1.2 days per employee during the year (2017-18: 3.4 days).

Equal Opportunities

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

Staff engagement

Various channels are used to regularly communicate with staff, including weekly updates from the Chief Executive and fortnightly team meetings. Key documents such as the Corporate Plan, Board papers and minutes are made available to all staff.

We also held a series of team days to give everyone the opportunity to generate and contribute their thoughts and to engage with continuing developments and plans for all areas of our work.

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

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

The remuneration as at 31 March 2019 of the Chief Executive, who is the highest and only paid director in the NFC, was in the range of £70,000 – £75,000 (2018: £65,000 – £70,000). This was 2.23 times (2018: 2.06) the median remuneration of the workforce of £32,471 (2018: £32,766).

Remuneration of the workforce ranged from £15k to £75k (2017-18: £15k to £70k).

In 2018-19, no employees received remuneration in excess of the highest paid Director, as was the case in 2017-18.

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



John Everitt
Chief Executive/Accounting Officer
3 September 2019

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Forest Company for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise the Combined Statement of Financial Activities and Income and Expenditure Account, Balance Sheet, Statement of Cash Flows and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein. I have also audited the information in the Directors' Report and the Remuneration and Staff Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the National Forest Company's affairs as at 31 March 2019 and of the net income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Forest Company in accordance with the ethical requirements that are relevant to my audit and the financial statements

in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Forest Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) and the Accounting Officer are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the charitable company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the National Forest Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit

findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure 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.

Other Information

Management is responsible for the other information. The other information comprises information included in the Chair's letter, Chief Executive's foreword, Directors' Annual Report, Statement of Trustees' and Accounting Officer's responsibilities, Governance Statement and Remuneration and Staff Report, but does not include the parts of the Directors' Annual Report and Remuneration and Staff Report described in those reports as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Directors' Annual Report and Remuneration and Staff Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, I have not identified any material misstatements in the other information; and
- the information given in the other information for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies 5 September 2019

Comptroller and Auditor General

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

National Forest Company

Combined Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 March 2019

| | Note | Unrestricted funds £ | Restricted funds £ | 2018-19 Total funds £ | Unrestricted funds £ | Restricted funds £ | 2017-18 Total funds £ |
|---|------|----------------------------|--------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| Income from: | | | | | | | |
| Grant in aid | 2 | 2,530,725 | – | 2,530,725 | 2,530,725 | 373,000 | 2,903,725 |
| Donations | 3 | 94,675 | 15,000 | 109,675 | 37,756 | – | 37,756 |
| Charitable activities | 4 | 32,496 | 844,971 | 877,467 | 36,369 | 420,282 | 456,651 |
| Other trading activities | 5 | 31,041 | 32,500 | 63,541 | 37,800 | 41,250 | 79,050 |
| Investments | | 9,081 | – | 9,081 | 5,733 | – | 5,733 |
| Total | | 2,698,018 | 892,471 | 3,590,489 | 2,648,383 | 834,532 | 3,482,915 |
| Expenditure on: | | | | | | | |
| Raising funds | 6 | (608,255) | – | (608,255) | (506,456) | – | (506,456) |
| Charitable activities | 7 | (1,754,507) | (1,156,157) | (2,910,664) | (1,902,595) | (386,556) | (2,289,151) |
| Total | | (2,362,762) | (1,156,157) | (3,518,919) | (2,409,051) | (386,556) | (2,795,607) |
| Net gains/(losses) on investments | 13 | 111,878 | – | 111,878 | – | – | – |
| Net income/(expenditure) | | 447,134 | (263,686) | 183,448 | 239,332 | 447,976 | 687,308 |
| Transfers between funds | 18 | (183,747) | 183,747 | – | 2,815 | (2,815) | – |
| Other recognised gains/(losses) | | | | | | | |
| Gains/(losses) on revaluation of fixed assets | 12 | (10,600) | – | (10,600) | 1,995 | – | 1,995 |
| Net movement in funds | | 252,787 | (79,939) | 172,848 | 244,142 | 445,161 | 689,303 |
| Reconciliation of funds: | | | | | | | |
| Total funds brought forward | 18 | 5,515,780 | 465,161 | 5,980,941 | 5,271,638 | 20,000 | 5,291,638 |
| Total funds carried forward | 18 | 5,768,567 | 385,222 | 6,153,789 | 5,515,780 | 465,161 | 5,980,941 |

National Forest Company

Balance Sheet as at 31 March 2019

| | Note | As at 31 March 2019 £ | As at 31 March 2018 £ |
|--|------|--------------------------------|--------------------------------|
| Fixed assets: | | | |
| Intangible assets | 11 | 92,164 | 48,084 |
| Tangible assets | 12 | 3,323,848 | 3,727,120 |
| Investment property | 13 | 475,000 | – |
| Total fixed assets | | 3,891,012 | 3,775,204 |
| Current assets: | | | |
| Debtors | 14 | 491,136 | 274,641 |
| Cash at bank and in hand | 15 | 1,900,141 | 2,057,249 |
| Total current assets | | 2,391,277 | 2,331,890 |
| Liabilities: | | | |
| Creditors: Amounts falling due within one year | 16 | (128,500) | (126,153) |
| Net current assets | | 2,262,777 | 2,205,737 |
| Total net assets | | 6,153,789 | 5,980,941 |
| The funds of the Charity: | | | |
| Unrestricted funds | 18 | 5,708,817 | 5,445,430 |
| Restricted income funds | 18 | 385,222 | 465,161 |
| Revaluation Reserve | 18 | 59,750 | 70,350 |
| | | 6,153,789 | 5,980,941 |

The Notes on pages 35 to 52 form part of the accounts.

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

The financial statements were approved by the Board of Trustees on 3 September 2019 and signed on its behalf by:



Sir William Worsley
Chair of the Board of Trustees
3 September 2019



John Everitt
Chief Executive/Accounting Officer/Trustee
3 September 2019

National Forest Company

Statement of Cash Flows for the twelve months ended 31 March 2019

| | Note | 2018-19 £ | 2017-18 £ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | | 145,013 | 760,767 |
| Cash flow from investing activities | | | |
| Investment income | SoFA | 9,081 | 5,733 |
| Transfer of investment funds to instant access | | - | 809,648 |
| Purchase of property, plant and equipment | 12 | (244,875) | (290,082) |
| Purchase of intangible asset | 11 | (66,327) | (48,084) |
| Net cash provided by (used in) investing activities | | (302,121) | 477,215 |
| Change in cash and cash equivalents in the reporting period | | (157,108) | 1,237,982 |
| Cash and cash equivalents at 1 April | | 2,057,249 | 819,267 |
| Cash and cash equivalents at 31 March | 15 | 1,900,141 | 2,057,249 |
| a) Reconciliation of net income/(expenditure) to net cash flow from operating activities | | | |
| Net income for the reporting period | SoFA | 183,448 | 687,308 |
| Impairment charges | 12 | 200,394 | 108,340 |
| Reversal of prior years' impairment charges | 12 | (22,316) | (119,568) |
| Depreciation | 12 | 96,347 | 123,865 |
| Amortisation | 11 | 22,247 | - |
| (Gains)/Losses on investments | 13 | (111,878) | - |
| Decrease/(Increase) in debtors | 14 | (216,495) | (22,768) |
| Increase (Decrease) in creditors | 16 | 2,347 | (10,677) |
| Investment income | SoFA | (9,081) | (5,733) |
| Net cash provided by (used in) operating activities | | 145,013 | 760,767 |
| b) Analysis of cash and cash equivalents | | | |
| Cash at bank and in hand | 15 | 1,900,141 | 2,057,249 |
| Total cash and cash equivalents at 31 March | | 1,900,141 | 2,057,249 |

Notes to the Accounts

Note 1 to the Financial Statements

1.1 Statement of accounting policies

The NFC is a public benefit entity and is a company limited by guarantee and a charity registered in England and Wales. These financial statements have been prepared in compliance with FRS 102 and the FRS 102 Statement of Recommended Practice (SoRP) Accounting by Charities issued by the Charity Commission. In addition, these financial statements also meet the accounting and disclosure requirements of the Companies Act 2006 and the 2018-19 Government Financial Reporting Manual (FRm) issued by HM Treasury, where not inconsistent with the requirements of the SoRP and the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs.

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

1.2 Going concern

These financial statements have been prepared on the basis of the NFC being a going concern. There are no material uncertainties about the charity's ability to continue. This judgement made by the Trustees takes into consideration the level of reserves held by the Company; indication received from Defra that grant funding to the NFC in each of the next two years is likely to be at a similar level to that allocated for 2018-19.

1.3 Significant judgements and accounting estimates

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

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

Judgements

- Income recognition (see Note 1.5 below)
- Useful economic lives of tangible fixed assets (see Note 1.8 below)
- Useful economic lives of intangible fixed assets (see Note 1.9 below)

Estimations

- Annual valuation of NFC owned land and buildings undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see Note 1.8 below).

1.4 Accounting convention

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

1.5 Income recognition

Government grants

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

In 2017-18 we received additional Grant in aid of £373,000 which was allocated as restricted income; these funds were utilised and spent in 2018-19.

Income from donations

General donations are received and utilised for any of the NFC's charitable purposes. No significant benefit is provided to the donor in return, other than the knowledge that the NFC must use the gift to further its purposes. Income from donations are unrestricted.

'Dedicate a Grove' and 'Dedicate a Tree' income are gift donations which the NFC use to support the ongoing creation and management of the National Forest.

The NFC receives an annual donation from Rolls Royce. This is a restricted donation to support South Derbyshire District Council's (SDDC) Environmental Education Project and is paid over to SDDC as a disbursement upon receipt of a satisfactory progress report, as reflected in the agreement.

Income from activities and generated funds

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

Income from restricted projects

(i) Black to Green project

The Heritage Lottery Fund (HLF) is funding the Black to Green project which focuses on community engagement around industrial and natural heritage in the Heart of the National Forest. Funding of £770,000 was awarded for the three year project which commenced in 2015-16. Income from the HLF is received in stage payments which are recognised at the time they become receivable. This project finished in January 2019.

(ii) Creating a Forest for Learning project

The Audemars Piguet Foundation is providing funding of up to £149,500 over a three year period for the project the long term aim of which is to give every child between the ages of 5 and 11, living in the National Forest, the opportunity to experience outdoor learning in a forest environment. The project is being delivered in co-ordination with schools and woodland owners. The project runs from a calendar year so the income is recognised when the NFC has met any performance or other deliverable criteria for its recognition.

(iii) Creating Working Woodlands project

The Esmée Fairbairn Foundation is providing funding towards the Creating Working Woodlands project which focuses on establishing a model of largescale woodland regeneration to benefit communities. Funding of £312,330 was awarded for the three year project which commenced in January 2019. Income from the Esmée Fairbairn Foundation for year one was received on the start date of the grant with years two and three payments recognised in full as per SoRP provisions 5.8, 5.15 and 5.26.

(iv) Charnwood Development project

The Heritage Lottery Fund (HLF) is funding the Charnwood Development project to develop and submit a second round bid for a five year project to engage local people in the understanding and protection of the landscape and heritage of Charnwood Forest. Funding of up to £176,400, 73% of the total eligible development cost was awarded for this 18 month project which commenced in April 2018. The remaining budget is funded by other partners and the NFC. Funding from HLF is received in stage payments which are recognised at the time they become receivable.

National Forest Festival 'Timber'

The 'Timber' festival is a new festival, launched in 2018, to promote awareness of the Forest and the NFC's charitable objectives. The Festival was supported by a grant from the Arts Council; this income is recognised when there is evidence of entitlement.

Woodland creation grants

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

Section 106 agreements

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

1.6 Expenditure

Expenditure is accounted for on an accruals basis and is classified under the relevant activity within the SoFA.

1.7 Expense allocation

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

Governance costs include trustee expenses, production of the Annual Report and Accounts, audit fees and bank charges. The salary and related costs of the Chief Executive, who is also a trustee, are now included within governance costs (27%) and support costs (73%) following the introduction of a timesheet recording system.

The salary and related costs of staff employed wholly on raising funds and the various charitable activities are allocated to those activities. Where staff are engaged on more than one of these activities, timesheets capture the percentage of each individual's time spent on each activity.

Indirect costs have been allocated to the headings in the SoFA on the basis of full time equivalent headcount of staff employed directly on charitable activities and activities for raising funds. The exception is grants administration costs which have been allocated on a staff time basis via the timesheets.

1.8 Tangible fixed assets

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provisions 10.33 to 10.36. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2019 by Fisher German, Chartered Surveyors. Land and buildings in the Balance Sheet are shown at the valuations provided per Note 12.

Where the valuation is higher than the purchase price paid, the excess over purchase price is credited to a Revaluation Reserve. Where land or buildings are revalued due to a change in market values but remain at below the purchase price, the loss on revaluation is charged to the SoFA in the year of the revaluation. Similarly, where as a result of a proposed change of use there is impairment in the value of the land or buildings, the loss on impairment is charged to the SoFA in the year

of the impairment. Where in a subsequent year the value of land or buildings which has been the subject of an impairment charge increases, usually as a result of an increase in market values, and the valuation remains at below the purchase price, then the increase is charged to the SoFA as a reversal of previous years' impairment. Changes in the value of land or buildings arising from revaluation or impairment are reflected in the balance of unrestricted funds and in the Revaluation Reserve.

Impairment and reversal of prior years' impairment on land is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 7).

Depreciation

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

NFC owned buildings are at Hanging Hill Farm which was acquired in March 2015. These comprise a farmhouse and outbuildings. In 2018-19, the building was renovated to bring it to minimum standards suitable for letting to a tenant and is now classified as an investment property with effect from 1 October 2018 (Note 13). The building has therefore been depreciated to 30 September 2018 (Note 12) when the renovation works were completed.

1.9 Intangible fixed assets

In 2018-19 £84k of costs were incurred to continue the redevelopment the website, of which £18k relates to costs expensed to the SoFA. The balance of £66k relates to capitalised intangible website costs.

The new website will provide an on-going economic benefit to the charity and the cost of the asset can be measured reliably, therefore the development cost has been capitalised to the Balance Sheet as an intangible fixed asset. All intangible assets are measured at their historical cost at acquisition. Following the initial recognition of the website, subsequent measurement will be made using the revaluation model. At the end of each reporting period an impairment review will be performed to determine whether the website is still fit for purpose in generating funds and achieving our expectations.

Amortisation will be charged on a straight line basis over the useful economic life of the asset and the useful economic life will be reviewed at each reporting date. No amortisation was charged in the month of capitalisation (August 2018) but a full month in the year of disposal.

When reviewed at 31 March 2019 by the Audit and Risk Committee (ARC), the website was deemed fit for purpose and the finite life determined to be three years. No independent valuation has been carried out; ARC estimated the fair value to be appropriate, informed by past experience and on the assumption that the technology utilised is current and fit for purpose. The website has been amortised from when it went live in September 2018, with the expense being charged to the SoFA.

1.10 Investment property

During the year the Hanging Hill Farm property had £108,122 of remedial and renovation work carried out to bring it up to a lettable standard. The property has now been commercially let until longer term plans for the site have been agreed and implemented; therefore it is now classified as an investment property.

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provision 10.48. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2019. Investment Property in the Balance Sheet is shown at the valuations provided per Note 13.

Investments are measured at fair value and any gains or losses arising from the revaluation are charged to the SoFA. In 2018-19 the gain on the property was £111,878 (2017-18 nil).

1.11 Current assets and liabilities

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

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

1.12 Cash and cash equivalents

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

1.13 Investments

There were no funds as at the end of March 2019 in the Business 95 day saver account with the Nationwide Building Society where funds can only be accessed by giving 95 days' notice.

1.14 Leases

The NFC has no finance leases.

Rentals under operating leases are charged to the SoFA on a straight-line basis over the term of the lease, even if payments are not made on such a basis.

1.15 Financial instruments

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

1.16 Staff costs and pensions

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

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

Note 2

Grant in aid

Grant in aid of £2,530,725 was received from Defra in 2018-19 (2017-18: £2,903,725). The grant is treated as unrestricted income since the Department, whilst requiring that funds allocated contribute to the delivery of its objectives, does not stipulate any specific purpose(s) as to how any of the funds must be utilised. In 2017-18 we received additional Grant in aid of £373,000 which was allocated as restricted income, these funds were utilised and spent in 2018-19.

Grant in aid accounts for over 70% of total NFC income and is utilised to fund the forest creation and woodland management programmes, including the various grant schemes, contributes to the tourism and community engagement programmes and meets a significant proportion of governance and support costs.

Note 3

Income from donations

| | Unrestricted | Restricted | Total 2018-19 | Total 2017-18 |
|------------------|---------------|---------------|------------------|------------------|
| | £ | £ | £ | £ |
| Donations | 34,728 | – | 34,728 | 37,756 |
| Dedicate a Grove | 32,814 | – | 32,814 | – |
| Dedicate a Tree | 27,133 | – | 27,133 | – |
| Rolls Royce | – | 15,000 | 15,000 | – |
| Total | 94,675 | 15,000 | 109,675 | 37,756 |

Note 4

Income from charitable activities

| | Unrestricted | Restricted | Total 2018-19 | Total 2017-18 |
|--|---------------|----------------|------------------|------------------|
| | £ | £ | £ | £ |
| Black to Green project | – | 202,149 | 202,149 | 213,675 |
| Woodland creation grants | – | 29,089 | 29,089 | 35,440 |
| Section 106 agreements | – | 39,690 | 39,690 | 48,690 |
| Tourism and promotion programme | – | 19,000 | 19,000 | 21,720 |
| Charnwood Development project | – | 116,482 | 116,482 | 4,805 |
| Creating a Forest for Learning project | – | 45,731 | 45,731 | 58,452 |
| Timber Festival | – | 71,500 | 71,500 | 37,500 |
| Creating Working Woodlands project | – | 312,330 | 312,330 | – |
| Plant a Tree scheme | 22,625 | – | 22,625 | 23,713 |
| Other | 9,871 | 9,000 | 18,871 | 12,656 |
| Total | 32,496 | 844,971 | 877,467 | 456,651 |

Note 5

Income from other trading activities

| | Unrestricted | Restricted | Total 2018-19 | Total 2017-18 |
|--------------|---------------|---------------|------------------|------------------|
| | £ | £ | £ | £ |
| Sponsorship | 31,041 | 32,500 | 63,541 | 79,050 |
| Total | 31,041 | 32,500 | 63,541 | 79,050 |

Note 6

Cost of activities for raising funds

| | Total 2018-19 £ | Total 2017-18 £ |
|--------------------------------|-----------------------|-----------------------|
| Activities undertaken directly | 429,007 | 296,084 |
| Support costs | <u>179,248</u> | <u>210,372</u> |
| Total | <u>608,255</u> | <u>506,456</u> |

Note 7

Analysis of expenditure on charitable activities

| Activity or programme | Activities undertaken directly £ | Grant funding of activities £ | Support Costs £ | Total 2018-19 £ | Total 2017-18 £ |
|--|---|--|-----------------------|-------------------------|-------------------------|
| Forest Creation ⁽¹⁾⁽²⁾ | 579,140 | 466,684 | 167,863 | 1,213,687 | 1,164,160 |
| Woodland Management ⁽²⁾ | 177,979 | 161,033 | 152,365 | 491,377 | 351,495 |
| Tourism and Promotion | 65,685 | – | 49,657 | 115,342 | 162,091 |
| Community Engagement | 30,348 | 92,505 | 51,498 | 174,351 | 144,251 |
| Black to Green project | 268,176 | – | 88,572 | 356,748 | 370,071 |
| Charnwood Forest Landscape project | 79,315 | – | 76,255 | 155,570 | 13,888 |
| Creating a Forest for Learning project | 45,874 | – | 29,218 | 75,092 | 83,195 |
| Timber Festival | 255,839 | – | 32,642 | 288,481 | – |
| Creating Working Woodlands project | 9,688 | – | 11,632 | 21,320 | – |
| Bid Feasibility Study | 13,118 | – | 5,578 | 18,696 | – |
| | <u>1,525,162</u> | <u>720,222</u> | <u>665,280</u> | <u>2,910,664</u> | <u>2,289,151</u> |

¹Woodland creation grants income is expensed within Forest Creation.

²Section 106 income £39,690 is expensed within the following areas, £32,338 Forest Creation, £3,690 Woodland Management and £3,662 carried forward to 2019-20 as per Note 18.

Note 8

Staff costs and pensions

8.1 Employees with earnings above £60,000

| | 2018-19 | 2017-18 |
|-------------------|----------|----------|
| £70,000 – £79,999 | 1 | – |
| £60,000 – £69,999 | 1 | 2 |
| | <u>2</u> | <u>2</u> |

8.2 Staff salaries, social security and pensions

| | 2018-19 £ | 2017-18 £ |
|------------------------------|------------------|------------------|
| Costs of all employed staff: | | |
| Salaries | 904,603 | 795,592 |
| Social security costs | 88,434 | 78,206 |
| Pension costs | 181,829 | 158,945 |
| | <u>1,174,866</u> | <u>1,032,743</u> |

8.3 Average number of persons employed

| | 2018-19 | | 2017-18 | |
|-----------------------------------|-----------|-------------------------|-----------|-------------------------|
| | Headcount | Full time equivalent | Headcount | Full time equivalent |
| Staff (including Chief Executive) | <u>27</u> | <u>24</u> | <u>23</u> | <u>21</u> |

Note 10
Governance Costs

| | 2018-19 | 2017-18 |
|---|---------------|---------------|
| | £ | £ |
| Trustees' travel and expenses | 7,236 | 8,373 |
| Trustee meetings and meals external | 437 | 484 |
| Annual Report and Accounts production | 1,673 | 1,626 |
| Fees payable for the audit of the Annual Accounts | 17,000 | 16,500 |
| Internal audit fees | 7,170 | 10,236 |
| Bank charges | 3,469 | 2,532 |
| Legal fees | 950 | – |
| Trustee recruitment | – | 15,250 |
| Other sundry expenditure | 237 | 79 |
| Strategic costs ⁽¹⁾ | 26,000 | 18,891 |
| | <u>64,172</u> | <u>73,971</u> |

⁽¹⁾ Strategic costs represent 27% of the Chief Executive's employment costs.

Note 11

Intangible Assets

| | Asset under construction | Website | Total |
|-------------------------------------|-----------------------------|----------------------|----------------------|
| | £ | £ | £ |
| Cost or valuation | | | |
| At 1 April 2018 | 48,084 | – | 48,084 |
| Additions during the year | 25,185 | 41,142 | 66,327 |
| Transfer during the year | <u>(73,269)</u> | <u>73,269</u> | <u>–</u> |
| At 31 March 2019 | <u>–</u> | <u>114,411</u> | <u>114,411</u> |
| Amortisation | | | |
| At 1 April 2018 | – | – | – |
| Charges in the period: | <u>–</u> | <u>22,247</u> | <u>22,247</u> |
| At 31 March 2019 | <u>–</u> | <u>22,247</u> | <u>22,247</u> |
| Net Book Value 31 March 2019 | <u>–</u> | <u>92,164</u> | <u>92,164</u> |
| Cost or valuation | | | |
| At 1 April 2017 | – | – | – |
| Additions during the year | <u>48,084</u> | <u>–</u> | <u>48,084</u> |
| At 31 March 2018 | <u>48,084</u> | <u>–</u> | <u>48,084</u> |
| Amortisation | | | |
| At 1 April 2017 | – | – | – |
| Charges in the period: | <u>–</u> | <u>–</u> | <u>–</u> |
| At 31 March 2018 | <u>–</u> | <u>–</u> | <u>–</u> |
| Net Book Value 31 March 2018 | <u>48,084</u> | <u>–</u> | <u>48,084</u> |

For each revalued class of intangible asset the carrying amount, had the assets been carried under the historical cost model, is required to be disclosed: Intangible assets £92,164 (2017-18: £48,084).

There has been no valuation by an independent valuer.

Note 12

Tangible Assets

| | Land £ | Buildings £ | Furniture and Fittings £ | Information Technology £ | Total £ |
|---|------------------|----------------|--------------------------------|--------------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 April 2018 | 3,349,520 | 344,000 | 148,832 | 90,495 | 3,932,847 |
| Additions during the year | 121,207 | 108,122 | 5,241 | 10,305 | 244,875 |
| Disposals/transfers during the year | – | – | – | – | – |
| Impairment | (200,394) | – | – | – | (200,394) |
| Reversal of prior years' impairment | 22,316 | – | – | – | 22,316 |
| Revaluation (loss)/gain to Revaluation Reserve | (10,600) | – | – | – | (10,600) |
| Investment property transfer | – | (452,122) | – | – | (452,122) |
| At 31 March 2019 | <u>3,282,049</u> | <u>–</u> | <u>154,073</u> | <u>100,800</u> | <u>3,536,922</u> |
| Depreciation | | | | | |
| At 1 April 2018 | – | 4,000 | 145,897 | 55,830 | 205,727 |
| Charges in the period: | | | | | |
| Depreciation | – | 85,000 | 918 | 10,429 | 96,347 |
| Revaluation | – | – | – | – | – |
| Depreciation charged on disposals | – | – | – | – | – |
| Investment property transfer | – | (89,000) | – | – | (89,000) |
| At 31 March 2019 | <u>–</u> | <u>–</u> | <u>146,815</u> | <u>66,259</u> | <u>213,074</u> |
| Net Book Value 31 March 2019 | <u>3,282,049</u> | <u>–</u> | <u>7,258</u> | <u>34,541</u> | <u>3,323,848</u> |
| Cost or valuation | | | | | |
| At 1 April 2017 | 3,169,555 | 344,000 | 148,558 | 80,762 | 3,742,875 |
| Additions during the year | 280,075 | – | 274 | 9,733 | 290,082 |
| Disposals/transfers during the year | – | – | – | – | – |
| Impairment | (108,340) | – | – | – | (108,340) |
| Reversal of prior years' impairment | 6,235 | – | – | – | 6,235 |
| Revaluation gain to Revaluation Reserve | 1,995 | – | – | – | 1,995 |
| At 31 March 2018 | <u>3,349,520</u> | <u>344,000</u> | <u>148,832</u> | <u>90,495</u> | <u>3,932,847</u> |
| Depreciation | | | | | |
| At 1 April 2017 | – | 4,000 | 144,466 | 46,729 | 195,195 |
| Charges in the period: | | | | | |
| Depreciation | – | 113,333 | 1,431 | 9,101 | 123,865 |
| Revaluation | – | (113,333) | – | – | (113,333) |
| Depreciation charged on disposals | – | – | – | – | – |
| At 31 March 2018 | <u>–</u> | <u>4,000</u> | <u>145,897</u> | <u>55,830</u> | <u>205,727</u> |
| Net Book Value 31 March 2018 | <u>3,349,520</u> | <u>340,000</u> | <u>2,935</u> | <u>34,665</u> | <u>3,727,120</u> |

Buildings have now been reclassified to an investment property (Note 13) now that the property is being commercially let.

For each revalued class of tangible asset the carrying amount, had the assets been carried under the historical cost model, is required to be disclosed: Land £3,094,867 (2017-18: £3,177,337). The prior year figures have been restated to reflect impairments under the historical cost model.

Note 12 continued

An annual valuation of NFC land and buildings as at 31 March 2019 was undertaken by an independent Chartered Surveyor. Changes in the value of land or buildings arising from revaluation or impairment are therefore reflected.

Impairments on land is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 7).

Reversal of prior years' impairment on land is charged to the SoFA through expenditure on charitable activities via Forest Creation activity (Note 7).

Note 13**Investments**

| | 2018-19 |
|------------------------------------|-----------------------|
| | £ |
| Valuation | |
| At 1 October 2018 | |
| Investment property | 363,122 |
| Revaluation of investment property | 111,878 |
| At 31 March 2019 | <u><u>475,000</u></u> |

Investment property is a property that is now being commercially let. This property was a fixed asset and reclassified to an investment property as at 1 October 2018 with a Net Book Value of £363,122 and was subsequently revalued by an independent Chartered Surveyor at 31 March 2019 with a gain of £111,878.

Note 14**Debtors**

| | 31 March 2019 | 31 March 2018 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| VAT | 4,409 | 8,492 |
| Prepayments | 26,145 | 10,708 |
| Accrued Income: | | |
| – Creating Working Woodlands project | 208,220 | – |
| – Black to Green project – HLF funding | 105,477 | 108,020 |
| – Charnwood project – HLF funding | 53,283 | – |
| – Woodland grants from Rural Payments Agency | – | 3,678 |
| – Other | 14,225 | 1,918 |
| Debtors | | |
| – Other | 62,521 | 130,314 |
| | <u><u>474,280</u></u> | <u><u>263,130</u></u> |
| Amount falling due after more than one year: | | |
| Accrued income | 8,514 | 5,676 |
| Other debtors | 8,342 | 5,835 |
| | <u><u>16,856</u></u> | <u><u>11,511</u></u> |
| Total debtors | <u><u>491,136</u></u> | <u><u>274,641</u></u> |

Note 15

Cash at bank and in hand

| | 31 March 2019 | 31 March 2018 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Balance at 1 April | 2,057,249 | 819,267 |
| Net (decrease)/increase in cash and cash equivalent balances | <u>(157,108)</u> | <u>1,237,982</u> |
| Balance at 31 March | <u>1,900,141</u> | <u>2,057,249</u> |

The following balances at 31 March 2019:

| | | |
|-----------------------------------|-------------------------|-------------------------|
| Commercial banks and cash in hand | 1,888,149 | 1,650,499 |
| Government Banking Service | <u>11,992</u> | <u>406,750</u> |
| | <u>1,900,141</u> | <u>2,057,249</u> |

Note 16

Creditors

| | 31 March 2019 | 31 March 2018 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Amounts falling due within one year: | | |
| Creditors | 14,967 | – |
| Accruals | 85,382 | 87,789 |
| Deferred income | <u>28,151</u> | <u>38,364</u> |
| | <u>128,500</u> | <u>126,153</u> |

The deferred income £28,151 relates to year 3 (calendar year) of the ‘Creating a Forest for Learning’ project, where most of the specified outputs will be delivered in 2019-20.

Analysis of movement of deferred income

| | Charnwood project | Creating a Forest for Learning project | Total |
|------------------------|----------------------|---|----------------------|
| | £ | £ | £ |
| 31 March 2017 Deferred | 3,962 | 44,403 | 48,365 |
| 31 March 2018 Released | (3,962) | (44,403) | (48,365) |
| 31 March 2018 Deferred | 2,000 | 36,364 | 38,364 |
| 31 March 2019 Released | (2,000) | (36,364) | (38,364) |
| 31 March 2019 Deferred | – | 28,151 | 28,151 |
| Total | <u>–</u> | <u>28,151</u> | <u>28,151</u> |

Note 17

Analysis of Grants

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

| | Grants to Institutions | Grants to Landowners | Support Costs | 2018-19 | 2017-18 |
|--|---------------------------|-------------------------|------------------|----------------|----------------|
| | £ | £ | £ | £ | £ |
| Forest creation, access and nature conservation | 205,850 | 260,834 | 43,490 | 510,174 | 701,784 |
| Woodland management | 73,627 | 87,406 | 90,430 | 251,463 | 180,998 |
| Community engagement | 92,505 | – | 16,487 | 108,992 | 73,585 |
| Total | 371,982 | 348,240 | 150,407 | 870,629 | 956,367 |

During the 2018-19 financial year, the NFC awarded grants to the following:

| Institution and/or Landowner | 2018-19 | 2017-18 |
|-----------------------------------|----------------|----------------|
| | £ | £ |
| Woodland Trust | – | 388,500 |
| South Derbyshire District Council | 41,530 | 45,285 |
| Leicestershire County Council | 76,924 | 69,172 |
| National Trust | 108,427 | – |
| Grants to other institutions | 145,099 | 114,610 |
| Grants to landowners/Individuals | 348,242 | 205,878 |
| Total Grants paid | 720,222 | 823,445 |

Note 18

Summary of fund movements

| | At 1 April 2018 | Income | Expenditure | Revaluation | Transfers ⁽¹⁾ | At 31 March 2019 |
|--|--------------------|------------------|--------------------|----------------|--------------------------|---------------------|
| | £ | £ | £ | £ | £ | £ |
| Unrestricted | | | | | | |
| General Fund | 4,045,430 | 2,698,018 | (2,362,762) | – | (436,925) | 3,943,761 |
| Financial Contingency Fund ⁽⁴⁾ | 450,000 | – | – | – | – | 450,000 |
| Land Acquisition, Management and Development Fund ⁽⁵⁾ | 450,000 | – | – | – | – | 450,000 |
| Enterprise and Investment Fund ⁽⁶⁾ | 500,000 | – | – | – | (109,944) | 390,056 |
| Investment property | – | – | – | 111,878 | 363,122 | 475,000 |
| Revaluation Reserve | 70,350 | – | – | (10,600) | – | 59,750 |
| Total Unrestricted | 5,515,780 | 2,698,018 | (2,362,762) | 101,278 | (183,747) | 5,768,567 |
| Restricted | | | | | | |
| Other restricted funds ⁽²⁾ | 4,342 | 96,779 | (93,159) | – | – | 7,962 |
| Grant in Aid – tree planting | 373,000 | – | (373,000) | – | – | – |
| Black to Green project | – | 202,149 | (275,952) | – | 73,803 | – |
| Creating a Forest for Learning project | 24,069 | 45,731 | (50,082) | – | – | 19,718 |
| ‘Timber’ Festival ⁽³⁾ | 63,750 | 104,000 | (230,547) | – | 109,944 | 47,147 |
| Creating Working Woodlands project | – | 312,330 | (12,682) | – | – | 299,648 |
| Charnwood Forest project | – | 116,482 | (105,735) | – | – | 10,747 |
| Rolls Royce | – | 15,000 | (15,000) | – | – | – |
| Total Restricted | 465,161 | 892,471 | (1,156,157) | – | 183,747 | 385,222 |
| Total Reserves | 5,980,941 | 3,590,489 | (3,518,919) | 101,278 | – | 6,153,789 |

⁽¹⁾ Transfer from unrestricted General Fund is the reclassification of the investment property £363,122 and £73,808 match funding contribution for the Black to Green Project. Transfer from the Enterprise and Investment Fund is £109,944 for the 2018 Timber Festival.

⁽²⁾ Other restricted funds balance of £7,962 relates to Woodland Trust £3,300, Tourism and Promotion £1,000 and Section 106 £3,662 income carried forward.

⁽³⁾ ‘Timber’ Festival funds £47,147 at 31 March 2019 relates to the 2019 Timber Festival.

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

⁽⁴⁾ Financial Contingency Fund – equates to approximately four months of NFC running costs and to be used in the event of major cashflow problems.

⁽⁵⁾ Land Acquisition, Management and Development Fund (LAMDF) – available to support land acquisition and initial site establishment costs.

⁽⁶⁾ Enterprise and Investment Fund (EIF) – available to support innovation, enterprise and long term financial sustainability.

Note 19

Analysis of net assets between funds

| | Unrestricted | Restricted | Total 31 March 2019 |
|---------------------|------------------|----------------|---------------------------|
| | £ | £ | £ |
| General Fund | 5,708,817 | 385,222 | 6,094,039 |
| Revaluation Reserve | 59,750 | – | 59,750 |
| Net assets | 5,768,567 | 385,222 | 6,153,789 |

Note 20

Analysis of funds

| | Unrestricted | Restricted | Total 31 March 2019 |
|--|------------------|----------------|---------------------------|
| | £ | £ | £ |
| Reserves balances at 31 March are represented by: | | | |
| Intangible assets | 92,164 | – | 92,164 |
| Fixed assets | 3,323,848 | – | 3,323,848 |
| Investment property | 475,000 | – | 475,000 |
| Current assets | 1,977,904 | 413,373 | 2,391,277 |
| Creditors | (100,349) | (28,151) | (128,500) |
| | 5,768,567 | 385,222 | 6,153,789 |

Note 21

Commitments under operating leases

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

| | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| | £ | £ |
| Obligations under operating leases comprise: | | |
| Buildings, office accommodation lease | – | – |
| Not later than one year | 34,500 | 41,228 |
| Later than one year and within five years | 145,763 | 164,910 |
| Later than five years | – | – |
| | 180,263 | 206,138 |

The above obligations relate to the lease for office accommodation occupied by the National Forest Company which commenced on 1 April 2018 and will expire on 31 March 2023.

Note 22

Other financial commitments

Forest creation schemes

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

| | 31 March 2019 | 31 March 2018 |
|---|------------------|------------------|
| | £ | £ |
| Not later than one year | 82,972 | 435,926 |
| Later than one year and not later than five years | 276,025 | 279,026 |
| Later than five years | 59,974 | 138,969 |
| | <u>418,971</u> | <u>853,921</u> |

Note 23

Financial Instruments

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

Note 24

Related party transactions

Key management personnel of the Charity:

John Everitt has been a member of the National Lottery Heritage Fund Midlands and East Committee since January 2015. The Committee's decision to award grant support for the Black to Green project was taken prior to him joining the Committee. During 2018-19, the NFC received £202,149 (includes accrued income as at 31 March 2019) from the Fund (2017-18: £213,675) in respect of the Black to Green project. Grant support of £89,790 (includes accrued income as at 31 March 2019) was also received for the development stage of the Charnwood Forest Landscape Partnership Scheme project; John Everitt declared an interest and was not party to the decision to award funds.

John Everitt, Trustee is also the Chief Executive of NFC. Please refer to the Remuneration and Staff Report for the remuneration of the Chief Executive.

Trustee Tony Ballance, appointed on 1 April 2016, is an Executive Director of Severn Trent Water plc. In February 2019, the NFC purchased land at Packington from Severn Trent plc at a cost of £117,135. Tony Ballance declared an interest at Board meetings and withdrew from discussions associated with this acquisition.

Trustee Alison Field, appointed on 1 April 2018, is a Council Member of the Institute of Chartered Foresters (ICF) and a member of the editorial panel for the Royal Forestry Society's Quarterly Journal. The NFC paid £250 to the ICF for a recruitment advertisement and £1,685 to the Royal Forestry Society comprising £1,500 for a grant towards research into the cost of grey squirrel damage to woodland and £185 in respect of the NFC's membership subscription.

During the year, no trustee or related parties has undertaken any transactions with the Company other than those disclosed in the Remuneration and Staff Report.

Other related parties:

The NFC has dealings with the Department for Environment, Food and Rural Affairs (Defra) and some of its sponsored bodies. The NFC receives grant in aid from Defra. During the year, the NFC received £2,530,725 (2017-18: £2,903,725).

The NFC received £16,512 from Rural Payments Agency (2017-18: £18,440) for woodland grants.

The NFC paid £13,573 (2017-18: £14,427) to the Forestry Commission for the construction of a bird hide base and sand martin wall at Hicks Lodge Cycle Centre as part of the Black to Green project.

The NFC paid £3,258 to Forest Research (2017-18: nil) in respect of: £1,725 grant towards growth assessment of climate change plots and £1,534 for updating of National Forest carbon offset data. The NFC also has an agreement with Forest Research allowing access to a National Forest site at Eastern Old Parks in order to undertake research into Ash Dieback disease.

Note 25

Events after the reporting period

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

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

Appendix A

Sustainability Report

(this information is not subject to audit)

Introduction

This report provides an annual assessment of the National Forest Company's (NFC) sustainability performance against a series of measures which are consistent, as far as possible, with HM Treasury sustainability reporting guidance. It also gives an overview of other areas where we aim to make positive impacts through our operations.

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

The NFC operates from serviced accommodation leased from a private landlord. The data in this report therefore focuses primarily on our main direct impacts which are energy consumption (Scope 2 Energy Indirect Emissions) and official business travel (Scope 3 Other indirect Green House Gas (GHG) Emissions). Water data cannot currently be reported upon as consumption is included within the landlord's service charge and accurate data is not available.

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

Summary of key sustainability data

| | 2018–19 | 2017–18 | 2016–17 | 2015–16 |
|--|--------------|--------------|--------------|--------------|
| Summary of Greenhouse Gas Emissions tCO2 | tCO2 | tCO2 | tCO2 | tCO2 |
| Building Energy Consumption (Scope 2) | 16.70 | 17.94 | 19.95 | 15.33 |
| Official Business Travel (Scope 3) | 8.43 | 8.99 | 7.77 | 7.76 |
| Total emissions | 25.13 | 26.93 | 27.72 | 23.09 |
| Average number of staff (FTE) | 24 | 21 | 20 | 19 |
| Total energy emissions per head (FTE) | 1.05 | 1.28 | 1.39 | 1.21 |

It is pleasing to report that, despite the increase in the average number of full time equivalent staff, we have again achieved a decrease in emissions from both our total energy and business mileage emissions this year. Total emissions per head, at 1.05 tCO2 for 2018-19, has reduced by 18% compared with data for 2017-18. Electricity is the only utility which is paid for directly and accounted for c67% of our total emissions during 2018-19.

Energy consumption data

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

| Building Energy Consumption (Scope 2) | Unit | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|--|-------------|-------------|--------------|--------------|--------------|
| Total emissions | tCO2 | 16.7 | 17.94 | 19.95 | 15.33 |
| Building energy consumption per head (FTE) | tCO2 | 0.70 | 0.85 | 1.00 | 0.81 |
| Building energy consumption | kw/h | 54,233 | 58,396 | 64,943 | 49,898 |
| Energy consumption per head (FTE) | kw/h | 2,260 | 2,781 | 3,247 | 2,626 |
| Total energy expenditure | £ | 8,779 | 9,868 | 9,361 | 8,093 |
| Expenditure per head (FTE) | £ | 366 | 470 | 468 | 426 |
| Average number of staff (FTE) | | 24 | 21 | 20 | 19 |

Total energy consumption has decreased again this year, by c7% compared with the previous year; consumption per head has decreased by c17% per full time equivalent. This in the main is due to the workstation refresh programme now being fully completed where we have replaced computers with energy efficient laptops. At the end of the year we also upgraded to more energy efficient lighting throughout our office. The total cost of electricity for the year was decreased by c11%; there were no price increases during the year.

Official business travel data

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

| Official Business Travel (Scope 3) | Unit | 2018-19 | 2017-18 | 2016-17 | 2015-16 |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total emissions | tCO2 | 8.43 | 8.99 | 7.77 | 7.76 |
| Staff mileage (inc Chief Executive) | miles | 22,478 | 22,951 | 21,119 | 21,331 |
| Average number of staff (FTE) | | 24 | 21 | 20 | 19 |
| Staff mileage per head | miles | 937 | 1,093 | 1,056 | 1,123 |
| Staff Air travel | miles | – | – | 551 | – |
| Trustees' mileage | miles | 6,232 | 7,674 | 4,136 | 4,523 |
| Total miles travelled | miles | 28,710 | 30,625 | 25,806 | 25,854 |
| Total Business travel costs | £ | 22,381 | 20,488 | 17,564 | 20,690 |

Whilst we accept that the rural location of the Forest means that staff often need to travel to fulfil operational duties, the use of teleconferencing and car sharing is nevertheless widely encouraged. Journeys by car are made only when there is no other practical alternative. Total car miles travelled for staff in 2018-19 is slightly lower than 2017-18 and the mileage per head has also decreased by 15% compared with the previous year. The introduction of improved teleconferencing facilities should enable us to secure further reductions in mileage and travel costs. None of our staff or trustees used flights this year.

Waste

The majority of waste generated at our office is paper and cardboard, all of which is recycled. All other recyclable materials are recycled via the local authority recycling services; no data is currently available for this, nor for the minimal amount of waste that is not recyclable. All our IT equipment is recycled for refurbishment and re-use. Staff take home any food waste for composting.

Procurement

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

Timber Festival

In July 2018 we held our inaugural Timber Festival to celebrate and raise awareness of the transformative impact of the National Forest and its rich and diverse heritage. Delivering the Festival in a sustainable way was key for all its elements and measures implemented included:

Energy – Monitoring fuel consumption use on site; energy efficient light bulbs were used throughout.

Transport – Promotion of car share schemes and public transport; secure bike parking provided for cyclists.

Food & Water – Checking on provenance of food ensuring local, organic, fair trade and free range where possible; tap water usage encouraged to limit use of single plastics through provision of sufficient standpipes.

Waste – Durable and reusable materials used for the event build including signage and stages; reusable cup scheme; banned excessive packaging, plastic bottles and straws, plastic bags and disposable giveaways.

For the Timber Festival 2019 we aim to make further improvements including: exploring the use of hybrid generators and ethical fuels; increasing the number of standpipes for drinking water; increase the range of vegetarian and vegan food concessions; operate a cycling scheme; collaborating with local bus companies; introducing compost toilets.

Tree guard recycling scheme

Over the last 28 years, we have planted c9 million trees which will have been protected from browsing mammals by either fencing or tree guards and in 2017-18 we introduced our tree guard recycling scheme. Tree guard removal and recycling is now included in our woodland management grant scheme whereby guards are recycled in the UK, and the plastic is then used to make benches, barn flooring and water barrels. In 2018-19 over 15,000 tree guards were removed and recycled covering 10 ha of woodland. Where possible, we now use fencing as a primary option for protection to limit the use of plastics in the environment.

Sustainable biomass chip

We are supporting the production of sustainable biomass chip through our Woodland Economy Grant scheme. The biomass chip can be a more environmentally friendly energy source when compared to oil, gas or electricity, as it is produced from sustainably managed woodland which provides habitat for wildlife, areas for access and recreation and supports the local economy.

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