



THE NATIONAL  
FOREST

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# **National Forest Company Annual Report and Accounts**

For the year ended 31 March 2020

**HC 908**

Company Registration number: 02991970

Charity number: 1166563



# National Forest Company

## Annual Report and Accounts 2019-20

Presented to Parliament pursuant to Article 6  
of the Government Resources and Accounts Act 2000  
(Audit of Non-profit-making Companies) Order 2009

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### National Forest Company

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## Chair's letter

This is an exciting and daunting time to become Chair of the National Forest Company (NFC). The value of our forests has never been greater, representing as they do a freedom after months of lockdown; a freedom to explore and enjoy that we have perhaps taken for granted. And as the crisis of COVID-19 slowly, all too slowly, recedes, our attention will naturally return to the other great challenge of our time – climate change – where forests once again stand part of the solution. The National Forest Company is in fine fettle and stands ready to meet these trials, in no small part due to the diligence of my predecessor, Sir William Worsley, to whom I and the Forest remain indebted.

The last financial year – pre-lockdown – seems like a distant land, but much was achieved. A new 100 hectares of Forest habitat have taken root. Some 300,000 more trees have been planted by our team and our partners. Forest cover now stands at more than 21% of the area. Further, more than 80% of the woodlands are in active management, an important milestone. Our endeavours are a vital contribution to the Government's tree planting ambitions.

Beyond the natural environment, progress has also been made. Jobs and investment in the Forest have reached an all-time high. Visitor numbers continue to grow. Our challenge of course is to ensure that this growth continues post-COVID-19. Importantly more than half of the primary schools in the area now have regular outdoor education sessions in

the Forest, whilst the number of volunteer groups managing woodlands continues to expand.

As we recover from COVID-19, the National Forest must be part of the new normal. The Forest itself represents the confluence of a number of key elements for recovery: the wellbeing of our community both physical and mental, the continued restoration of our landscape, economic growth based upon sustainable development and of course, ever present, our ability to address climate change. The upcoming England Tree Strategy will provide an opportunity for us to be at the forefront of this new normal, demonstrating best practice, innovation and delivery for the wellbeing of all.

Let me close by paying tribute to the efforts of all our partners, businesses, communities and landowners, all of whom have worked so hard to help the National Forest grow. COVID-19 has prevented me meeting you in person but I look forward to remedying that as the year unfolds. As our remote-engagement world continues, let me say that whilst our forests may not provide Wi-Fi, I promise, you will find a better connection.



**Lord Duncan of Springbank PhD FGS**  
Chair of the Board of Trustees

## Chief Executive's foreword

This has been a turbulent year; one that started with the rapid recognition of the climate crisis, continued through the uncertainties of Brexit, saw unprecedented damage from flooding, and now finds us grappling with the coronavirus pandemic. Despite this background the National Forest has continued to progress, expanding forest cover, securing improved management of habitats, engaging more people in outdoor activities and growing the green economy. As the external agenda catches up, the National Forest is more relevant than ever, mitigating and adapting to the changing climate and demonstrating how we can all live more sustainably.

I am proud of what has been achieved under challenging circumstances, both for the National Forest itself and the NFC, and highlight below a few areas that demonstrate our delivery and future aspirations:

- Launching our draft 25 Year Vision, locally at the National Memorial Arboretum and nationally in the House of Commons, to engage partners in shaping the future of the National Forest.
- Acquiring part of the former Minorca colliery site near Measham to ensure achievement of our forest creation targets, with the support of Leicestershire County Council, helping us navigate the complicated planning work.
- Working with our landowning partners including Woodland Trust and Duchy of Lancaster on woodland management, alongside a successful forestry forum event and a new woodland economy grant programme.
- Winning a further award for the second Timber Festival, run in partnership with Wild Rumpus and supported by Arts Council England, North West Leicestershire District Council and sponsors including James Latham, Reabrook and Forest Holidays.
- Seeing our new tree e-dedication scheme grow beyond expectations with improved digital marketing and communication with supporters.
- Having a successful bid to the National Lottery Heritage Fund for £2.7m for the delivery phase of the Charnwood Forest Landscape Partnership Scheme.
- Securing over £0.5m to expand our outdoor learning work from Audemars Piguet Foundation, Morrisons Foundation and Defra/Natural England in partnership with Leicester City Football Club Community Trust.
- Welcoming new corporate partnerships with De Montfort University, FatFace Foundation and Roger Bullivant who share our ambitions for the National Forest.

As we look forward, I would like to pay tribute to our outgoing Chair, Sir William Worsley, for his considerable energy and leadership over the last four years. It has been a pleasure to work together over that time, shaping the Board, team and strategy on behalf of the National Forest, and I wish him all the very best in his new role as Chair of the Forestry Commission. I am also delighted to be welcoming Lord Duncan into the Chair role as we embark on the new 25 Year Vision for the National Forest. My thanks to all the staff, Trustees, volunteers and partners who have contributed to our achievements this year. We will need all your support again as we embark on the year ahead to combat COVID-19 and plan together for a green recovery.



**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 under the majority control 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 Departmental objectives.

### 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 our natural capital including clean air, water and soils, as well as the enhancement of wildlife. This has particular resonance as we respond to the urgency of both climate change and biodiversity loss. Social benefits relate to the physical and mental wellbeing of individuals who engage with the Forest and the considerable benefits that are derived from programmes that promote access, volunteering, education, skills and training, improving the equality of these opportunities. Economic benefits are provided to society as a whole through promoting more sustainable livelihoods, shifting to a low carbon and circular economy that reduces negative impacts, 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 and under-represented groups in our urban and rural areas; the 8.9 million visitors who enjoy the Forest as a destination each year; the 227,600 individuals who experience the National Forest through the website; and the expanding audience of supporters, partners and stakeholders 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, cost effective and resilient 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 32,391 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 2019-20, the NFC extended its volunteering activities with the commencement of the Creating Working Woodlands project funded by Esmée Fairbairn Foundation, and further training for volunteers involved in the Timber Festival. Over 12,000 volunteer sessions were contributed in 2019-20, with an approximate value of £350k.

### 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 2019-20 the woodland economy grant scheme was again run to stimulate an increase in economic activity designed to sustain woodlands into the future. Qualifying projects are eligible for up to 50% of total costs.

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 Leicestershire & Rutland Wildlife Trust, Youth Hostel Association and The Conservation Volunteers.

Grants totalling £535,007 were awarded during 2019-20. Note 17 to the accounts provides an analysis and information on grant recipients. 44 grants totalling £31,358 supported schools through our Creating a Forest for Learning project to provide outdoor learning training for school staff and to enhance the outdoor learning environment within schools through woodlands.

## Strategic Report

### Financial overview

An operating surplus of £0.679m was achieved in 2019-20 (2018-19: £0.173m). £0.559m of the surplus relates to the acquisition of assets, rather than being expensed, ie £0.025m for IT, furniture and fittings and £0.534m for the Minorca land acquisition.

Total income during 2019-20 was £3.744m (2018-19: £3.590m) of which £2.5m is grant in aid from Defra (2018-19: £2.5m). 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 2021-22 and beyond, pending the outcome of the 2020 Spending Review. Due to COVID-19 it is estimated that corporate sponsorship and donations income could reduce by c25% for the coming year.

During the year there was further investment in the new website of £0.003m (2018-19: £0.066m) and marketing activity £0.067m (2018-19: £0.103m). This contributed to an increase in income generation with £0.517m in unrestricted funding being secured (2018-19: £0.158m).

Restricted project income from charitable activities was £0.681m in 2019-20 (2018-19: £0.892m). 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 for 2019-20 are £0.536m (2018-19: £0.385m).

Expenditure during 2019-20 was £3.080m of which unrestricted expenditure was £2.379m and restricted expenditure was £0.701m (2018-19: total expenditure £3.519m, unrestricted expenditure £2.363m and restricted expenditure £1.156m). 29.6% (2018-19: 51%) 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.

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 £0.535m were awarded (2018-19: £0.720m). No grants were made to support land acquisitions in 2019-20.

£0.019m was transferred from unrestricted funds to restricted funds for the challenge walk 'National Forest Trek', and £0.141m transferred from the

Enterprise and Investment Fund to support the 2019 and 2020 National Forest Festival 'Timber'.

At the end of March 2020, the NFC reserves had increased from £6.154m to £6.833m, the main components of which were land and buildings owned by the NFC valued at £4.231m and bank balances of £2.026m.

### 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](https://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 Manager 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 2019-20

2019-20 was another successful year for the NFC in delivering outcomes for the Forest. Targets for forest creation were met (102ha achieved) moving forest cover well beyond 21%, through a combination of land acquisition, planning and grant schemes. Success with forest creation has also meant that targets for access were achieved and non-woodland habitat creation targets were exceeded, delivering additional public benefit. Our work to target woodland management continued to develop well with grants, support and advice securing 472ha of woodlands into active management, split between young and mature woodlands. This success has increased the total figure to more than 81% of our woodlands now in active management, which represents a key milestone. Tree planting was significantly higher than previous years with 290k compared to a previous average of c125k trees planted, making a considerable contribution to government tree planting targets and moving the National Forest close to its 9 millionth tree. This has resulted from

work over the last few years supporting partners such as the Woodland Trust and Forestry England to acquire land for tree planting in the National Forest, as well as completing planting on the NFC sites. The slight reduction from the 300k target set is a result of flooding which meant that planting could not take place on a number of sites.

Our community work saw further progress this year with the Creating a Forest for Learning project increasing regular outdoor learning to 53% of the primary schools in the Forest (up from 43% in 2018-19), the completion of the development phase of the Charnwood Forest Landscape Partnership Scheme supported by the National Lottery Heritage Fund, and the commencement of the Creating Working Woodlands project to grow volunteering and business activity in woodlands. Access and outdoor activity was also enhanced this year with

the National Forest 10k running event being held in April, and development work being undertaken on the new National Forest Trek in partnership with the Defence Medical Rehabilitation Centre Benevolent Fund and the National Memorial Arboretum. Our work continues to engage communities in understanding and using the Forest, impacting positively on the lives of our beneficiaries.

Work to support the tourism and woodland economy also increased this year. The Timber Festival secured another award in its second year and helped to contribute to record visitor numbers to the Forest, now standing at 8.9 million per year, and an increase in tourism jobs of 3.6% to 5,367. In addition, the new woodland economy grants programme helped to accelerate woodland management by supporting small business growth in line with a low carbon economy.

## Resilient Forest

Targets	Progress
<b>Forest Creation:</b>	
Forest cover to reach 21.2%.	Achieved. 21.3% with new forest creation.
100ha of forest creation.	Achieved. Total 102ha comprising 13ha Changing Landscapes Scheme, 8ha Freewoods and Parkland, 41ha via local authority planning work, 40ha via Minorca land acquisition.
300,000 trees planted.	290,000 – slightly lower numbers than planned due to smaller Woodland Trust numbers and planting delayed on Packington and Minorca sites as a result of flooding.
<b>Woodland Management:</b>	
80% of woodlands in active management.	Exceeded. 81% in active management through grants and support to landowners.
400ha of woodlands brought into active management.	Exceeded. 472ha brought into active management with woodland management grants being over-subscribed.
20ha of non-woodland habitat creation/ habitat brought into management.	Exceeded. 35.1ha of grassland and wetland habitats achieved including 16.5ha from Changing Landscapes Scheme and 15.6ha from Minorca land acquisition.

## Accessible Forest

Targets	Progress
<b>Access creation:</b>	
81% of Forest sites created with public access.	Achieved. 81% public access achieved through grant schemes, planning and acquisitions.
5-10km of Forest trails created.	Achieved. 8km secured connecting and improving existing trails (c4km Calke Explore with National Trust, 0.5km Sinai House, 1.2km Sense Valley with Forestry England, 1.4km Changing Landscapes Scheme).
40ha of new access created.	Achieved. 40ha achieved through the Minorca land acquisition.
<b>Promoting outdoor activity:</b>	
50% of National Forest primary schools using woodland sites or wooded school grounds regularly for education.	Exceeded. 53% of primary schools now holding regular sessions using Forest School trained teachers and outdoor wooded classrooms.
9,000 sessions involved in Forest related volunteering each year.	Exceeded. 12,000 woodland volunteer sessions achieved across the Forest.
A Forest-wide network of 55 Community Woodland Management Groups operating.	Exceeded. 56 groups now being supported through the Creating Working Woodlands project.

## Sustainable Forest

Targets	Progress
<b>Visitor economy:</b>	
Increase visitor numbers to 9m pa.	8.9m visitors as reported via independent Scarborough Tourism Economic Activity Monitor (STEAM) data.
Visitor spend pa increased to £450m and tourism jobs increased to 5,300.	Exceeded. Visitor spend of £455m and tourism jobs increased to 5,367 based on latest STEAM figures.
<b>Woodland and low carbon economy:</b>	
Woodland and wider low carbon economy contribution to local jobs increased to 245.	Not progressed. Undergoing further assessment work following introduction of woodland economy grants and Creating Working Woodlands project.
13 woodfuel heating systems operating in the Forest.	Not achieved. Currently unable to monitor due to decommissioning of woodfuel heating systems.
5 woodland economy businesses using the National Forest brand licence.	Not progressed. Accreditation scheme has been put on hold following latest Government guidance on domestic burning of solid fuel.
5,000 National Forest Festival guests.	Achieved. 5,000 guests attended the Timber Festival in July 2019.

## Securing resources and recognition; governance and management

Targets	Progress
<b>Securing resources:</b>	
<b>Increase unrestricted income for the NFC through sustainable resources to £256k.</b>	Exceeded. £517k achieved largely due to success of products such as Dedicate a Tree.
<b>Generate £270k of restricted income.</b>	Exceeded. £681k achieved including additional funding for Creating a Forest for Learning project from Audemars Piguet Foundation, and the new Forest Foxes project funded by Defra/Natural England.
<b>Achieve a campaign return on investment (ROI) of 2:1.</b>	Exceeded. ROI 3:1 achieved reflecting – success of income generation campaign.
<b>Securing recognition:</b>	
<b>Increase National Forest website sessions to 240k.</b>	Exceeded. 276k website sessions achieved due to success of new website and marketing.
<b>Increase media profile: achieve 90 pieces of media content.</b>	Significantly exceeded. 358 pieces of content achieved and improved media monitoring now in place.
<b>Governance and leadership:</b>	
<b>Strategic development: Produce and consult on new National Forest Vision.</b>	Achieved. 25 Year Vision produced and launched in the Forest and at parliamentary reception. Consulted on through stakeholder workshops and online survey.
<b>Board effectiveness: attain assurance based on Charity Governance Code.</b>	Achieved. Assurance achieved through comprehensive Board effectiveness review. Governance action plan agreed and being progressed.
<b>Administration and management:</b>	
<b>90% of value for money targets met.</b>	Achieved. Value for money indicators assessed by Audit & Risk Committee.

### Income generation performance

Income generation for the year performed significantly better than expected as a result of the new National Forest website and strong digital marketing increasing the quality and reach of our message. The improved functionality and customer fulfilment meant that sales products, in particular the new Dedicate a Tree scheme, charitable giving and sponsorship exceeded targets for both unrestricted income generation and income for restricted projects.

Total income for the year was £3,744,298 of which £2,530,725 was grant in aid from Defra. Income this year included the development of 14 new agreements with partners such as De Montfort University, FatFace Foundation and Roger Bullivant, section 106 funds, and income through the Plant a Tree scheme, groves and Dedicate a Tree scheme. In addition, restricted funds were secured from: the Audemars Piguet

Foundation and Morrisons Foundation for the Creating a Forest for Learning project; Defra/ Natural England for the new Community Forest Woodland Outreach programme; National Lottery Heritage Fund for the continued work on the Charnwood Forest Landscape Partnership Scheme; local authority partners and others for work on tourism; Esmée Fairbairn Foundation for the 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.

Financial reserves are invested at low risk, with balances held in fixed-rate deposit accounts for the year. During the year, a procurement exercise was undertaken to secure new investment managers to help maximise income in line with ethical considerations. This included further consideration

of the NFC's investment and ethical policies, and providing a Business Case to Defra and Treasury.

### Plans for future periods

Key priorities for the coming year will focus on the ambitions set out in the new Corporate Plan 2020 to 2023, as agreed by the Board, and include:

#### *National Forest Environment*

- Significantly increase forest creation and tree planting using land acquisition, grants, planning and advice to extend forest cover.
- Urban tree planting and green infrastructure work with partners, including mapping and assessment.
- Further increase in active management of woodlands including measures to address pests and diseases.
- Development of proposals for a biodiversity programme for woodland and non-woodland habitats.

#### *National Forest Society*

- Creation of new public access sites and linear trails across the Forest.
- Continue planning for the National Forest Trek challenge walking event along the National Forest Way.
- Commencement of the delivery phase of the Charnwood Forest Landscape Partnership Scheme.
- Expansion of project work to increase outdoor learning within primary schools and increase activity with secondary schools.
- Further increase in Community Management of Woodlands groups and volunteering.

#### *National Forest Economy*

- Provide support for a green recovery post COVID-19 for businesses, stakeholders and groups.
- Continue delivery of the Tourism Growth Plan and investment in the visitor economy.
- Run cultural activities to celebrate the National Forest in place of the Festival 'Timber' 2020 which has been postponed until 2021.
- Complete the first phase of a masterplanning exercise for the Heart of the Forest area.

- Develop a sustainable tourism accommodation guide to steer new visitor development in the National Forest.
- Take forward work on the woodland economy and business diversification, including the woodfuel economy.
- Undertake research on natural capital as part of growth plans and industrial strategies.

#### *Cross-cutting work*

- Enhance communications work with increased content, social and digital marketing.
- Feasibility work on new income generation opportunities including a regular supporter product and carbon package.
- Run a culture change and development programme for staff and Trustees, together with induction for the new Chair.
- Develop new brand guidelines and identity, alongside work on the vision.
- Promotion of the new Vision and Strategy for the National Forest.

### Risks and impact of COVID-19

The Board is responsible for management and monitoring of the risks facing the NFC. Because of the unprecedented nature of COVID-19 and the potential impact on the Charity, a specific assessment of risks and implications, as well as mitigation measures, is included in the table below. Since the NFC is primarily funded by grant in aid from Defra and acts as an enabling body rather than a direct operator of services, the impacts of COVID-19 have been much less severe than other organisations. This means that no staff have had to be furloughed, income streams have not experienced significant impact and most services can continue through remote working.

COVID-19 risks	Mitigation
Continued lockdown or restrictions impacts on ability to deliver key operational targets (forest creation, woodland management, education, volunteering).	Flexible approach to grant schemes being planned with second round of Changing Landscapes Scheme possible. Planning in place with Defra to ensure safe outdoor working if restrictions are partially eased. Activity being moved online as far as possible.
Funding from Government diverted to support continued emergency measures.	2020-21 budget based on withholding 2.5% of grant in aid in line with Defra guidance. Financial reserves held at target levels to cope with reductions. Tree planting remains high priority within Government to meet climate change obligations.
Staff sickness or home working reduces ability to continue activity.	Regular guidance and support to staff being provided to safeguard welfare and support self isolation where needed. Work programmes and working practices being varied to accommodate continued activity.
Reduced funding from sponsorship and donations as a result of lower income levels for corporates and individuals.	Fundraising targets within the budget have been reduced to reflect new expectations, and less impacted income sources are being prioritised.
Funding for restricted projects under threat or delivery not possible because of restrictions.	Communication maintained with funders – no withdrawal of restricted project funds to date. Some activity delays and changes to programmes in place to continue to meet project outcomes.
Major events postponed or cancelled with loss of income, reputation and momentum.	Timber Festival public event postponed for 2020 and planning in place for 2021 event. Additional financial liabilities being limited and good communication with funders and customers. Online activities planned to ensure continuity of Timber content and reduce reputation and momentum issues. Other events (eg National Forest Trek) also postponed to 2021 and financial and reputational impact being managed.
Loss of local business partners, local authority support and voluntary sector capacity to provide rapid recovery and continue delivery of objectives.	Assessment of impact on local partners being undertaken and support provided for green recovery. Engagement in wider partnerships within Government and local sector bodies to manage and mitigate issues.

The additional principal risks and uncertainties facing the NFC are also set out below with corresponding plans for managing them. These risks are all exacerbated by the impact of COVID-19. Further information on risk and risk management is provided in the Governance Statement.

COVID-19 risks	Mitigation
<b>Inability to scale up forest creation targets.</b>	Strategic working with landowning partner bodies; land review analysis with farmers and landowners; mapping and proactive promotion of forest creation incentive schemes; development of new mechanisms to secure land and finance including carbon scheme.
<b>Income generation strategy inadequate and does not meet targets.</b>	Product development work to generate new income mechanisms including regular giving and corporate packages. Active website and integration with CRM. Income generation campaign work to promote offer digitally. New brand strategy work and messaging aligned to the 25 Year National Forest Vision.
<b>Loss of Defra support and backing of key partners and funders.</b>	High calibre NFC Chair and new Vision and Strategy in place. Develop close relationship with Ministers and officials. Demonstrate the NFC's impact and value for money. Raise profile of the NFC with MPs, peers and in media. Active engagement in Defra's 25 Year Environment Plan. Secure high profile projects with Defra.



## Board of Trustees

The Trustees of the NFC throughout 2019-20 were as follows:

Name	Date of appointment as Trustee	Role
Sir William Worsley <sup>(1)</sup>	1 April 2016	Chair, Board of Trustees, member of Remuneration Committee
Tony Ballance	1 April 2016	Member, Audit & Risk Committee, chair of Remuneration Committee
Jack Buckner	1 April 2016	Chair, Tourism, Recreation & Communities Working Group, member of 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 & Risk Committee
Christopher Holmes	1 April 2016	Chair, Development Working Group
Mike Kapur	1 April 2018	Chair, Audit & Risk Committee, member of Remuneration Committee
John Everitt <sup>(2)</sup>	1 April 2016	Chief Executive

(1) Sir William Worsley's four-year tenure as Chair ended when he stepped down on 19 May 2020. Lord Ian Duncan of Springbank was appointed as his successor as of 20 May 2020.

(2) John Everitt is the NFC's Chief Executive and also a Trustee. It was agreed that he should hold this dual role because of the nature of the NFC's current funding position whereby a significant proportion of the NFC's funds are from Defra and the Chief Executive holds the responsibility of Accounting Officer for those funds. To meet the standards for Managing Public Money, Accounting Officers are required to be represented at Board level. It is recognised that this is unusual within a charity, but is considered to be in the best interests of the charity because of the funding relationship, and controls are in place to avoid any abuse of power or conflicts of interest. 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 2019-20 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 as per Trustees'

travel and expense Note 10. 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 £3,744,298 (2018-19: £3,590,489) of which £2,530,725 (2018-19: £2,530,725) was grant in aid from Defra. Total expenditure was £3,080,439 (2018-19: £3,518,919) leaving a net income of £668,859 (2018-19: £183,448).

Total reserves at the end of the financial year increased to £6,832,973 (2018-19: £6,153,789) of which £535,580 comprised restricted funds (2018-19: £385,222) and £4,231,050 (2018-19: £3,757,049) comprised NFC owned land and buildings.

## Reserves

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 2020, £535,580 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 £500,000. The amount of reserves held after making allowance for restricted and designated funds is £4,897,393.

The Audit & Risk Committee reviewed the Reserves Policy in July 2020 prior to the Board review of the Policy at its meeting in July. The Board agreed that with effect from 1 April 2020 the target ranges for the Unrestricted free reserves fund be increased from £200k to £400k and the FCF range be increased by £100k to £500k – £550k to ensure that the Policy remained appropriate to the needs of the Charity.

During the coming year, it is anticipated that increased working capital will be required to manage larger restricted projects including the Charnwood Forest Landscape Partnership Scheme, and 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 2020 shows that the NFC has reserves of £6,832,973 (2019: £6,153,789).

Looking ahead, the annual grant from Defra is expected to continue to represent a high proportion of the NFC income and indication has been received from the Department that grant funding for the next Comprehensive Spending Review period should remain at a similar base level to that allocated for 2019-20 (ie £2,530,725). Defra has also allocated at least a further £1.2m per year to the NFC from the Nature for Climate

Fund for the next five years, commencing in 2020-21. In addition, the NFC's Board approved income generation strategy is now impacting positively on the Charity's income streams with increased targets for unrestricted income.

The NFC's bank balance as at the end of March 2020 totals £2.026m (£1.885m unrestricted, £0.141m 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.

Whilst COVID-19 continues to have some financial impact on the Charity, with an estimated 25% reduction in income from corporates and donations, and delays to outdoor activities and events, the assessment of risk and mitigations being put in place suggest that this can be adequately managed. The Trustees are not aware of any other 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 2019-20.

### 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 2019-20 was £21,000 (2018-19: £17,000). No non-audit work was conducted by the National Audit Office during 2019-20.

### Bankers

The Co-operative Bank  
Miller Street  
Manchester M60 0AL

### Solicitors

Ansons Solicitors  
St Mary's Chambers  
5-7 Breadmarket Street  
Lichfield  
Staffordshire WS13 6LQ

### Pension liabilities

All the 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 (this information is subject to audit)

There were no losses, special payments or gifts made during 2019-20 (2018-19: 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 five days of approval and 90% have been paid within this timescale (2018-19: 75%); 98% were paid within ten days (2018-19: 94%). 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 £17,336 was spent on research and development (2018-19: £57,228).

The main areas of activity were:

- feasibility research on the new National Forest Trek sponsored walk;
- research to drive forward the development of new carbon products;
- development of legacy community groups in the Heart of the Forest;
- evaluation of the woodland values within the Forest;
- ongoing maintenance and support for our GIS systems; and
- annual statistical analysis of the economic impact of tourism on the Forest area.

### Sustainability Report

The NFC's sustainability performance is reported against a series of measures which are consistent, as far as possible, with HM Treasury sustainability reporting guidance and gives an overview of other areas where the NFC aims to make positive impacts through its operations.

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

Summary of Greenhouse Gas Emissions tCO <sub>2</sub>	2019-20 tCO <sub>2</sub>	2018-19 tCO <sub>2</sub>	2017-18 tCO <sub>2</sub>	2016-17 tCO <sub>2</sub>
Building Energy Consumption (Scope 2)	14.38	13.73	14.79	16.44
Official Business Travel (Scope 3)	5.22	8.43	8.99	7.77
<b>Total emissions</b>	<b>19.60</b>	<b>22.16</b>	<b>23.78</b>	<b>24.21</b>
<b>Average number of staff (FTE)</b>	<b>22</b>	<b>24</b>	<b>21</b>	<b>20</b>
<b>Total energy emissions per head (FTE)</b>	<b>0.89</b>	<b>0.92</b>	<b>1.13</b>	<b>1.21</b>

It is pleasing to report that we have again achieved a decrease in total emissions this year, reducing by 11% compared with data for 2018-19. Total emissions per head, at 0.89 tCO<sub>2</sub> for 2019-20, has reduced by 3% compared with 2018-19. Electricity is the only utility which is paid for directly and accounted for c73% of our total emissions during 2019-20.

## Energy consumption data

(Historic tCO<sub>2</sub> data for electricity has been updated in line with the changes to the conversion factor.)

Building Energy Consumption (Scope 2)	Unit	2019-20	2018-19	2017-18	2016-17
<b>Total emissions</b>	<b>tCO<sub>2</sub></b>	<b>14.38</b>	<b>13.73</b>	<b>14.79</b>	<b>16.44</b>
Building energy consumption per head (FTE)	tCO <sub>2</sub>	0.65	0.57	0.70	0.82
Building energy consumption	kw/h	56,787	54,233	58,396	64,943
Energy consumption per head (FTE)	kw/h	2,581	2,260	2,781	3,247
Total energy expenditure	£	10,561	8,779	9,868	9,361
Expenditure per head (FTE)	£	484	366	470	468
Average number of staff (FTE)		22	24	21	20

Total energy consumption increased slightly in 2019-20, by c5% compared with the previous year. We aim to minimise electricity usage as far as possible given the constraints of our current leased accommodation. All staff have been provided with energy efficient laptops and we have installed LED lighting throughout the office. During the coming year we plan to begin a programme of decommissioning physical servers with a gradual move to cloud services.

## 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	2019-20	2018-19	2017-18	2016-17
<b>Total emissions</b>	<b>tCO<sub>2</sub></b>	<b>5.22</b>	<b>8.43</b>	<b>8.99</b>	<b>7.77</b>
Staff mileage (inc Chief Executive)	miles	15,027	22,478	22,951	21,119
Average number of staff (FTE)		22	24	21	20
Staff mileage per head	miles	683	937	1,093	1,056
Staff Air travel	miles	-	-	-	551
Trustees' mileage	miles	3,590	6,232	7,674	4,136
Total miles travelled	miles	18,617	28,710	30,625	25,806
Total Business travel costs	£	24,107	22,381	20,488	17,564

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 and trustees in 2019-20 reduced by 33% and 42% respectively, compared with 2018-19. This is largely a result of increased use of teleconferencing facilities. Travel costs have increased slightly due to increased numbers of events during 2019-20 for which staff and Trustees have used public transport. 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. 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 2019 we held our second 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 a wide range of measures were implemented including:

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

*Transport* – Promotion of car share schemes and a dedicated public bus service; provision of onsite secure bike storage and incentivised cycle scheme.

*Food & Water* – Checking on provenance of food ensuring local, organic, fair trade and free range where possible; more vegetarian and vegan food vendors; provision of sufficient water standpipes.

A ‘Binner Party’ was held where a vendor served a meal from food which would have otherwise gone to landfill. Green Trader Awards were presented to vendors with most sustainable practice.

*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. Compost toilets were installed throughout the site.

#### **Tree guard recycling scheme**

Over the last 29 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. Since the start of the scheme over 40,000 tree guards have been removed and recycled.

#### **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.

#### **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.

The strategic report was approved by the Trustees, on 13 November 2020 and signed on their behalf by:



**Lord Duncan of Springbank PhD FGS**

Chair of the Board of Trustees  
13 November 2020



**John Everitt**  
Chief Executive/Accounting Officer/Trustee  
13 November 2020

## 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.



**Lord Duncan of Springbank PhD FGS**

Chair of the Board of Trustees  
13 November 2020



**John Everitt**  
Chief Executive/Accounting Officer/Trustee  
13 November 2020



## 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, the NFC operates at 'arm's length' from its sponsor department, the Department for Environment, Food and Rural Affairs (Defra).

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

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

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

### Governance Arrangements

#### *Members and Board of Trustees*

In accordance with the Articles of Association, the NFC Chair and Secretary of State for Environment, Food and Rural Affairs and two further independent individuals are Members of the Charity. The Secretary of State is in a minority when voting on the 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 induction programme for new Trustees includes: 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 operational areas.

The membership of the Board of Trustees in 2019-20 was as follows:

Sir William Worsley (Chair)

Tony Ballance

Jack Buckner

Alison Field

Paddy Harrop

Chris Holmes

Mike Kapur

The terms of office of three Trustees, Sir William Worsley (Chair), Tony Ballance (Senior Independent Director) and Jack Buckner (Chair of Tourism, Recreation & Communities Working Group) were due to end on 31 March 2019. Each Trustee, being eligible for a further term of up to three years, indicated their willingness to continue in office and were duly retrospectively reappointed at the AGM on 16 October 2019. Tony Ballance and Jack Buckner confirmed their intention to serve the full term, ie to 31 March 2022.

Sir William Worsley (Chair) confirmed that he would not be serving the full term and gave notice that his term would therefore end in May 2020, after the recruitment process for a new Chair had been successfully concluded. Following a successful recruitment exercise, Lord Duncan of Springbank was appointed as Chair of the NFC and joined the Board on 20 May 2020.

A further Trustee, Chris Holmes, was due to retire on 31 March 2020, and it had been agreed at the AGM to enact the provision to appoint a Trustee for a further term of up to one year; the Trustee having already served two terms. Members agreed that this would provide the Board with continuity whilst a new Chair was sought and allow the incoming Chair to be involved in the subsequent Trustee appointment.

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 2019-20 the Board considered a range of matters including:

- consideration of the Corporate Plan 2019-20;
- continued development of a long-term Vision and Strategy for the National Forest, including analysis of research and best practice;
- risk management, including consideration of strategic risks relating to the delivery of the NFC objectives, COVID-19 impacts and financial sustainability;
- judging applications to the 2019 round of the Changing Landscapes Scheme;
- conducting a Governance and Board Effectiveness Assessment;
- considering the Annual Income Generation Campaign Plan and performance;
- the approach being taken to the Heart of the Forest Masterplan;
- a review of the 2019 National Forest Festival 'Timber' and agreement to its continuation;
- approving the business case for a major fundraising partnership with the National Memorial Arboretum (NMA) and the Defence and Medical Rehabilitation Centre Benevolent Fund (DMRC), ie the National Forest Trek;
- agreeing the NFC's Governance and Succession Planning;
- considering the NFC's response to the Glover Review of Designated Landscapes;
- consideration of the Product Development Strategy;
- Reviewing the annual Safety, Health and Wellbeing (SHaW) report and agreeing the updated SHaW Policy;
- considering mechanisms for increasing forest creation;

- considering major corporate partnership proposals.

The Board undertakes annual reviews of its governance and Board effectiveness. The format of the review is 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 assessment undertaken in 2019-20 again 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'. It also highlighted a good level of consensus amongst Trustees, and between staff and Trustees, on areas of strength, compliance and weakness. This is also reassuring as it suggests good alignment between the executive and non-executive in relation to how the organisation operates. 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.

Progress is underway on the key areas of weakness to be addressed including:

- development of a range of outcomes measurement within the overall work on metrics;
- further development of a Regulations document which will be finalised in 2020-21;
- a specific diversity statement of commitments for the year will be included in the 2020-21 work programme and more positive steps to promote diversity will also be taken with the next round of Trustee recruitment later in 2020;
- improving the engagement of stakeholders in the Forest through a brand development activity programme for 2020-21.



### ***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 (ARC) – 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 & 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 23.

### ***Review of Effectiveness of Working Groups***

Following the review of all working groups in 2017-18, a further review had been planned for 2019-20. It was agreed that it would be beneficial to postpone this pending the recruitment of a new Chair and finalisation of the Forest's new 25 Year Strategy. However, ARC did undertake a review of its own effectiveness which is reported upon below.

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 would 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 & 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 is Chair of ARC.

ARC met four times during 2019-20. Its work included consideration of the financial statements for 2018-19 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 2019-20; considering reports issued by internal audit; scrutinising finance reports, including income generation, prior to them being presented to the Board; reviewing accounting policies; safety, health and wellbeing; 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 re-profiled strategic and standing risks and structure of the Risk Register;
- consideration of a draft three year programme of work for Internal Audit;
- consideration of an investments business case and policy in advance of the Board and prior to submission to Defra;
- review of the NFC's VAT arrangements; and
- review of the Safety, Health and Wellbeing policy and annual report to the Board.

During 2019-20, ARC conducted a review of its own effectiveness utilising the National Audit Office's checklist, based on HM Treasury's Audit Committee Handbook. The overall conclusion was that the Committee was operating effectively and there were no areas of concern. It was agreed that, as appropriate, further consideration should be given to:

- exploring ways of engaging with audit committees of other Defra arm's length bodies;
- additional NFC officer attendance at ARC meetings where appropriate; and
- co-opting external representatives with specific skill sets for set periods of time, or for certain projects.

#### **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 & Forestry Working Group**

The Land & 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 2019-20 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/mitigations relating to them;
- exploring the potential for a carbon offset scheme;
- consideration of proposals for private sector land investment;
- taking on the management of two National Forest Charitable Trust sites;
- development of a Heart of the Forest Masterplan;
- introduction of an Annual Forestry Forum for the Forest;
- development of a Firewood Accreditation scheme; and

- progressing a new Land Strategy for the NFC.

#### **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 2019-20 the Group's work included:

- development and monitoring of our income generation campaign;
- oversight of the projects and product development pipeline including the launch of the business engagement product 'Mycelium';
- oversight of the 'National Forest Trek', a long-distance challenge walk to be delivered in partnership with the National Memorial Arboretum (NMA) and the Defence and Medical Rehabilitation Centre Benevolent Fund (DMRC);
- exploration of a Business Improvement District bid; and
- assessment and review of the return on investment of the income generation campaign.

#### **Tourism, Recreation & Communities Working Group**

The Tourism, Recreation & Communities Working Group meets three or four times a year and is attended by one Trustee 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 2019-20, the Group's work included:

- conducting a review of the Small Grants Scheme;
- oversight and scrutiny of outcomes and risk associated with the delivery of the National Forest Festival 'Timber';
- oversight of restricted projects and funding bids supporting the NFC tourism, recreation and community development strategies;
- development of a Volunteering Strategy; and
- oversight of the 'Creating a Forest for Learning' project and the wider education programme, the Chamwood Landscape Partnership bid and the 'Black to Green' project legacy work.

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

Board & Committee [Number of meetings in 2019/20]	Main Board [4]	Audit & Risk Committee [4]	Remuneration Committee [2]	Land & Forestry Working Group [3]	Development Working Group [4]	Tourism, Recreation & Communities Working Group [3]
<b>Trustee</b>	<b>Attendance</b>					
William Worsley	4/4*		2/2			
John Everitt**	4/4					
Tony Ballance	4/4	3/4	2/2*			
Jack Buckner	3/4				4/4	3/3*
Alison Field	3/4			3/3		
Paddy Harrop	3/4	4/4		3/3*		
Chris Holmes	4/4				4/4*	
Mike Kapur	3/4	4/4*	2/2			

\* Denotes Chair.

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

### 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 the NFC. Further work was carried out to finalise the 25 Year Vision, including work on indicators and production of a new Corporate Plan for the NFC for the three years from 2020-21 to 2023-24.

The Corporate Plan, as approved by the Board, gives direction to strategic priorities for the Forest and the NFC and a clear framework for measuring success and identifying potential issues. It also provides the basis for annual work programmes and budgets. The Plan divides into three main operational themes centred around the Forest environment, society and economy. Development themes of building the brand and securing resources for the Forest, and corporate services themes relating to effective governance and management are also included. The NFC's activity during 2019-20 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 and manifesto commitments, 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 2019-20, as approved by the Audit & Risk Committee, contained a balance of compliance and advisory work:

- core financial controls, including management of the new finance system;
- General Data Protection Regulations (GDPR);

- the Charnwood Forest Landscape Partnership Development Project; and
- return on investment (advisory).

Of the three compliance audits completed, two were rated 'substantial' and one was rated 'adequate'. Management agreed to implement the recommendations arising from the GDPR audit which recommended improvements to the data retention policy and related procedures.

At the end of the year a total of 12 recommendations were brought forward to follow up; seven have been implemented, three are in progress and two not yet implemented. Those not yet implemented were housekeeping and advisory recommendations and will be completed in 2020-21.

The work undertaken and conclusions drawn informed the opinion expressed in the Annual Internal Audit Report for 2019-20 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 2019-20 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, and periodically repeat, the Civil Service Learning 'Protecting Information' course. All staff are engaged in work to further develop and embed protocols and good practice on the new Customer Relationship Management database and staff are regularly reminded of the importance of following data handling procedures with regular refresher sessions and further training where necessary.

### Safety, Health and Wellbeing

The NFC aims to ensure that all staff and volunteers remain safe and well and that the NFC woodlands are safe, enjoyable places to visit. The NFC is committed to the Forest Industry Safety Accord and regularly reviews Safety, Health and Wellbeing policy and practices. Regular inspections are carried out at the NFC sites throughout the year, one of which identified a significant tree limb fall at the Timber festival site during a pre-event inspection.

Following this, the Land & Forestry Group reviewed the Tree Safety Policy and updated sections on tree inspection, in particular relating to procedures, NFC events, and qualifications required.

Staff absence due to sickness equated to an average of 1.44 days per employee during the year (2018-19: 1.2 days). All absences were minor in nature and none related to mental ill health or stress.

### Whistleblowing

The NFC has a Whistleblowing Policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2019-20, as was the case in 2018-19. The Policy includes 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 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 2019-20, the risks relating to the NFC's ability to scale up forest creation targets and respond to the growing focus nationally on tree planting, carbon and forest initiatives featured as key strategic risks on the register.

Risks in relation to income generation and marketing remained significant but were mitigated by a successful income generation campaign, product development work for new income mechanisms, and compelling brand messaging resulting in a higher profile for the National Forest.

The NFC's key strategic risks are all exacerbated by the impact of COVID-19. A specific assessment of risks and implications, as well as mitigation measures, was produced for the Board. Details are provided in the Trustees' Report.

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 2020, two complaints were received (compared with eight in 2018-19). 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  
13 November 2020

## Remuneration and Staff Report

### (a) Remuneration Report

#### Remuneration Policy

The Audit & Risk Committee's (ARC) 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 at least annually and comprises three Trustees, including the Chairs of the Board and ARC. The Committee members are identified on page 23.

#### 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 subsistence expenses necessarily incurred in fulfilling their duties. Total Trustee expenses were £5,698 of which £5,447 related to claims from six trustees excluding the Chief Executive, and £251 related to John Everitt in 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

Official	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1,000) <sup>1</sup>		Total (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
John Everitt	70 – 75	65 – 70	5 – 10	0 – 5	0	0	27	26	100 – 105	95 – 100

### Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who 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% 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 their 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 the appointed provider – Legal & General. 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).

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

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](http://www.civilservicepensionscheme.org.uk)

## Benefits to which the Chief Executive qualifies under the PCSPS

(this information is subject to audit)

Official	Accrued pension at pension age as at 31/3/20	Real increase in pension and related lump sum at pension age	CETV at 31/3/20	CETV at 31/3/19	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
John Everitt	5 – 10	0 – 2.5	106	82	16

## 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)

	Headcount	2019-20 Full time equivalent (FTE)	Headcount	2018-19 Full time equivalent (FTE)
Staff (including Chief Executive)	25	22	27	24

During 2019-20, all staff were employed on a permanent basis, apart from 4 FTE who were employed on fixed term contracts. 2.4 FTE of these were engaged on projects receiving external funding.

The salary and related costs arising from the employment of the above is detailed in Note 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 the NFC; the NFC therefore applied a pay review to its staff which was consistent with Government pay policy.

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

	2019	2018
£70,000 – £79,999	1	1
£60,000 – £69,999	1	1
	<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.

### Sickness absence

Staff absence due to sickness equated to an average of 1.44 days per employee during the year (2018-19: 1.2 days).

### Gender diversity

The gender split of Trustees and staff employed as at 31 March 2020 was as follows:

	Male	Female	Total
Trustees	6	1	7
Staff, including the Chief Executive	9	16	25
<b>Total</b>	<u>15</u>	<u>17</u>	<u>32</u>

### Equal Opportunities

The Company is an equal opportunities employer. It is committed to a policy of non-discrimination on grounds of gender or marital status, sexual orientation, health (including pregnancy), disability, age, religion, colour, 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. All staff are required to complete diversity and inclusion course as part of a suite of mandatory training.

### 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, papers and minutes of meetings of the Board, Audit & Risk Committee and working groups are made available to all staff.

The NFC 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 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 2020 of the Chief Executive, who is the highest and only paid director in the NFC, was in the range of £75,000 – £80,000 (2019: £70,000 – £75,000). This was 2.28 times (2019: 2.23) the median remuneration of the workforce of £34,034 (2019: £32,471).

Remuneration of the workforce ranged from £25k to £80k (2018-19: £15k to £75k).

In 2019-20, no employees received remuneration in excess of the highest paid Director, as was the case in 2018-19.

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  
13 November 2020

## The Certification 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 2020 which 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 reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Directors' Annual 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 2020 and of the net income and expenditure for the year for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

### Emphasis of matter – material uncertainty regarding land and buildings valuation

Without qualifying my opinion, I draw attention to the disclosures in Note 1.3 to the financial statements in relation to the valuation of the land and buildings owned by the National Forest Company. As set out in the Note, COVID-19 is affecting market activity in many sectors and, in line with guidance from the Royal Institute of Chartered Surveyors (RICS), the independent valuer's valuation of National Forest Company's land and buildings as at 31 March 2020 included a "material uncertainty" clause. This means a higher degree of caution, and therefore less certainty, should be attached to the valuation than would normally be the case.

### 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 report. 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the National Forest Company's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the National Forest Company have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about National Forest Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### 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) 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 charity'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 charity 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 applicable law.

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

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.
- Conclude on the appropriateness of the National Forest Company'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. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause the National Forest Company to cease to continue as a going concern.

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

Trustees are responsible for the other information. The other information comprises information included in the Chair's letter, Chief Executive's foreword, Directors' Annual Report, Strategic 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 that report 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 prescribed by the Companies Act 2006

In my opinion:

- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Annual Report; and
- the information given in the Strategic and Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

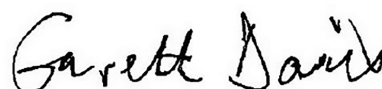
### Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate and proper 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 are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.



**Gareth Davies**  
**Comptroller and Auditor General**

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

**Date 17 November 2020**

## National Forest Company

### Combined Statement of Financial Activities and Income and Expenditure Account for the year ended 31 March 2020

	Note	Unrestricted funds £	Restricted funds £	2019-20 Total funds £	Unrestricted funds £	Restricted funds £	2018-19 Total funds £
<b>Income from:</b>							
Grant in aid	2	2,530,725	–	2,530,725	2,530,725	–	2,530,725
Donations	3	383,463	20,000	403,463	94,675	15,000	109,675
Charitable activities	4	21,780	650,733	672,513	32,496	844,971	877,467
Other trading activities	5	111,839	10,000	121,839	31,041	32,500	63,541
Investments		15,758	–	15,758	9,081	–	9,081
<b>Total</b>		<b>3,063,565</b>	<b>680,733</b>	<b>3,744,298</b>	<b>2,698,018</b>	<b>892,471</b>	<b>3,590,489</b>
<b>Expenditure on:</b>							
Raising funds	6	(634,620)	–	(634,620)	(608,255)	–	(608,255)
Charitable activities	7	(1,744,744)	(701,075)	(2,445,819)	(1,754,507)	(1,156,157)	(2,910,664)
<b>Total</b>		<b>(2,379,364)</b>	<b>(701,075)</b>	<b>(3,080,439)</b>	<b>(2,362,762)</b>	<b>(1,156,157)</b>	<b>(3,518,919)</b>
<b>Net gains/(losses) on investments</b>	13	5,000	–	5,000	111,878	–	111,878
<b>Net income/(expenditure)</b>		<b>689,201</b>	<b>(20,342)</b>	<b>668,859</b>	<b>447,134</b>	<b>(263,686)</b>	<b>183,448</b>
<b>Transfers between funds</b>	18	(160,375)	160,375	–	(183,747)	183,747	–
<b>Other recognised gains/(losses)</b>							
Gains/(losses) on revaluation of fixed assets	12	–	–	–	(10,600)	–	(10,600)
Gains/(loss) on Foreign Currency	14	–	10,325	10,325	–	–	–
<b>Net movement in funds</b>		<b>528,826</b>	<b>150,358</b>	<b>679,184</b>	<b>252,787</b>	<b>(79,939)</b>	<b>172,848</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward	18	5,768,567	385,222	6,153,789	5,515,780	465,161	5,980,941
<b>Total funds carried forward</b>	18	<b>6,297,393</b>	<b>535,580</b>	<b>6,832,973</b>	<b>5,768,567</b>	<b>385,222</b>	<b>6,153,789</b>

## National Forest Company

### Balance Sheet

as at 31 March 2020

	Note	As at 31 March 2020 £	As at 31 March 2019 £
<b>Fixed assets:</b>			
Intangible assets	11	56,637	92,164
Tangible assets	12	3,804,906	3,323,848
Investment property	13	480,000	475,000
<b>Total fixed assets</b>		<b>4,341,543</b>	<b>3,891,012</b>
<b>Current assets:</b>			
Debtors	14	622,697	491,136
Cash at bank and in hand	15	2,026,219	1,900,141
<b>Total current assets</b>		<b>2,648,916</b>	<b>2,391,277</b>
<b>Liabilities:</b>			
Creditors: Amounts falling due within one year	16	(157,486)	(128,500)
<b>Net current assets</b>		<b>2,491,430</b>	<b>2,262,777</b>
<b>Total net assets</b>		<b>6,832,973</b>	<b>6,153,789</b>
<b>The funds of the Charity:</b>			
Unrestricted funds	18	6,237,643	5,708,817
Restricted income funds	18	535,580	385,222
Revaluation Reserve	18	59,750	59,750
		<b>6,832,973</b>	<b>6,153,789</b>

The Notes on pages 37 to 60 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 13 November 2020 and signed on its behalf by:



**Lord Duncan of Springbank PhD FGS**  
Chair of the Board of Trustees



**John Everitt**  
Chief Executive / Accounting Officer

## National Forest Company

### Statement of Cash Flows

for the twelve months ended 31 March 2020

	Note	2019-20 £	2018-19 £	
<b>Cash flows from operating activities</b>				
Net cash provided by operating activities		662,011	145,013	
<b>Cash flow from investing activities</b>				
Interest and rent from investment	SoFA	15,758	9,081	
Purchase of property, plant and equipment	12	(559,169)	(244,875)	
Purchase of intangible asset	11	(2,847)	(66,327)	
<b>Net cash provided by (used in) investing activities</b>		<b>(546,258)</b>	<b>(302,121)</b>	
<b>Change in cash and cash equivalents in the reporting period</b>				
Cash and cash equivalents at 1 April		1,900,141	2,057,249	
Change in cash and cash equivalents due to exchange rate movements	SoFA	10,325	–	
<b>Cash and cash equivalents at 31 March</b>	15	<b>2,026,219</b>	<b>1,900,141</b>	
<b>a) Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>				
Net income for the reporting period	SoFA	668,859	183,448	
Adjustments for:				
Impairment charges	12	76,872	200,394	
Reversal of prior years' impairment charges	12	(11,500)	(22,316)	
Depreciation	12	12,739	96,347	
Amortisation	11	38,374	22,247	
(Gains)/losses on investments	13	(5,000)	(111,878)	
Decrease/(Increase) in debtors	14	(131,561)	(216,495)	
Increase (Decrease) in creditors	16	28,986	2,347	
Interest and rent from investment	SoFA	(15,758)	(9,081)	
<b>Net cash provided by (used in) operating activities</b>		<b>662,011</b>	<b>145,013</b>	
<b>b) Analysis of cash and cash equivalents</b>				
Cash at bank and in hand	15	2,026,219	1,900,141	
<b>Total cash and cash equivalents at 31 March</b>		<b>2,026,219</b>	<b>1,900,141</b>	
<b>c) Analysis of changes in net debt</b>				
	At start of Year £	Cash-flows £	Non-cash changes £	At end of year £
Cash	1,900,141	126,078	–	2,026,219
Cash equivalents	–	–	–	–
Borrowings	–	–	–	–
<b>Total</b>	<b>1,900,141</b>	<b>126,078</b>	<b>–</b>	<b>2,026,219</b>



## 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 2019-20 Government Financial Reporting Manual (FReM) 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. This judgement made by the Trustees takes into consideration the level of reserves held by the Company; and an indication from Defra that grant in aid funding for the next Comprehensive Spending Review period should remain at a similar base level to the 2019-20 allocation. Defra has also allocated at least a further £1.2m per year to the NFC from the Nature for Climate Fund for the next five years, commencing in 2020-21. In addition, the NFC's Board approved income generation strategy is now impacting positively on the Charity's income streams with increased targets for unrestricted income.

#### 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 the NFC owned land and buildings undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (see Notes 1.8 and 1.10 below). Due to the outbreak of COVID-19, the valuation is being reported as subject to 'material valuation uncertainty'.

#### 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.

##### 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 is 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. Income is allocated to restricted income when it is given by the donor or grant maker for defined purposes.

### Income from Sponsorship

Sponsorship income is recognised as income when the conditions for its receipt have been met, as per SoRP (5.39 – 5.47). This is a change in accounting estimate for 2019-20 to ensure the appropriate recognition of sponsorship and partnership income in current and/or future periods. Due to this change, as per SoRP 3.46, the estimate of sponsorship income for the 2019-20 accounts has reduced income by £2,650 and increased liabilities (deferred income) by £2,650.

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. Where there are no specified deliverables under the agreement then the income is recognised in the Statement of Financial Activities (SoFA), in line with the stage of completion of the agreement term.

### Income from restricted projects

#### (i) Creating a Forest for Learning project

The Audemars Piguet Foundation is providing funding of up to £149,500 over a three-year period until December 2019 for the project, the long-term aim being to give every child between the ages of five 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.

Following the funding application for the second phase of the 'Creating a Forest for Learning' project, Audemars Piguet Foundation have agreed to further support this programme with a total amount of CHF 300,000, over a four year period commencing February 2020. The grant will support over 90% of primary schools and 40% of secondary schools to embed outdoor learning. Income for year one

was received at the start of the grant with years two, three and four payments recognised in full.

With the grant being paid in Swiss Francs, initial recognition of income for years one to four are recorded at the spot exchange rate on the date both parties committed to the project, as at 12 February 2020. The year one grant payment was received on 4 March resulting in an exchange rate gain of £937 taken to the SoFA. Exchange differences for years two to four will be taken to the SoFA at the reporting date (resulting in a total of £10,325 2019-20) and subsequent reporting dates thereafter.

The Morrisons Foundation is also providing funding of £51,142 towards this project for a two-year period until 31 March 2021 with income recognised in full.

#### (ii) 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.

#### (iii) Charnwood Forest Landscape Partnership Development project

The National Lottery Heritage Fund (NLHF and formerly Heritage Lottery Fund) funded the Charnwood Forest Landscape Partnership 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 and finished in September 2019. The remaining budget was funded by other partners and the NFC. Funding from NLHF was received in stage payments which were recognised at the time they became receivable. The delivery bid application to the NLHF was successful and the project commenced in July 2020.

(iv) Community Forest Woodland Outreach

This project is a consortium delivered with Leicester City Football Club Trust and the Forest Schools Association (FSA), with the NFC as the accountable body and consortium lead. Natural England (the project contractor) offers grant funding not exceeding £174,843 for the period 2 August 2019 to 31 March 2023 in addition to partner contributions. The project focuses on delivering outdoor learning within 32 schools in Leicester and the wider Leicestershire area and other target schools utilising the Creating a Forest for Learning model. Since there are performance related conditions (milestones) attached to the income received, applying para 5.16 of SoRP, income is only recognised to the extent that the charity has provided the specific goods or services, as entitlement only occurs when the performance-related conditions are met.

(v) Black to Green project

The Heritage Lottery Fund (HLF) funded the Black to Green project which focused 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 and ended in January 2019.

**National Forest Festival 'Timber'**

The 'Timber' festival, launched in 2018, aims to promote awareness of the Forest and the NFC's charitable objectives. The second Festival in 2019 was once again supported by a grant from Arts Council England. This income is recognised when there is evidence of entitlement; for 2019-20 this includes grant funding for the 2020 virtual festival activities.

## 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 (33%) and support costs (67%) 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 28 February 2020 by Fisher German, Chartered Surveyors and were subsequently updated at 31 March 2020. The market approach was adopted, with the opinion of value based on the comparable evidence obtained and their experience of valuing residential property, woodland and agricultural land in the locality. Due to the outbreak of COVID-19, the valuation is being reported as subject to 'material valuation uncertainty', the disclosure has been included to ensure transparency of the current circumstances. This material uncertainty disclosure does not invalidate the valuation but reflects that the market faced uncertainty and restrictions were in place at the time of valuation. 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 three and five years. No depreciation is charged in the year of acquisition of the asset but a full year is charged in the year of disposal.

## 1.9 Intangible Fixed Assets

In 2019-20 £22k of costs were incurred to continue the redevelopment of the website, of which £19k relates to costs expensed to the SoFA. The balance of £3k relates to capitalised intangible website costs.

The website continues to 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 the website at cost less accumulated amortisation and impairment losses.

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 2020 by the Audit & Risk Committee (ARC), the website was deemed fit for purpose and the finite life determined to be three years. 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

The property at Hanging Hill Farm is commercially let until longer term plans for the site are agreed and implemented.

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 28 February 2020 and were subsequently updated at 31 March 2020. The market approach was adopted, with the opinion of value based on the comparable evidence obtained and their experience of valuing residential property, woodland and agricultural land in the locality. Due to the outbreak of COVID-19, the valuation is being reported as subject to 'material valuation uncertainty', the disclosure has been included to ensure transparency of the current circumstances. This material uncertainty disclosure does not invalidate the valuation but reflects that the market faced uncertainty and restrictions were in place at the time of valuation.

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 2019-20 the gain on the property was £5,000 (2018-19: £111,878).

## 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 2020 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 Foreign Currencies

Receipt and payment recognition of transactions in foreign currencies are recorded at the rate of exchange at the time of the transaction. Exchange differences on monetary items are translated at the closing rate at the end of each reporting period with the differences taken to the Statement of Financial Activities (SoFA).

### 1.17 Staff costs and pensions

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

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

## Note 2

### Grant in aid

Grant in aid of £2,530,725 was received from Defra in 2019-20 (2018-19: £2,530,725). The grant is treated as unrestricted income since the Department, whilst requiring that funds allocated contribute to the delivery of its objectives, does not stipulate any specific purpose(s) as to how any of the funds must be utilised.

Grant in aid accounts for 68% 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 2019-20	Unrestricted	Restricted	Total 2018-19
	£	£	£	£	£	£
Donations	84,887	–	84,887	34,728	–	34,728
Groves	45,064	–	45,064	32,814	–	32,814
Dedicate a Tree	253,512	–	253,512	27,133	–	27,133
Rolls-Royce	–	20,000	20,000	–	15,000	15,000
<b>Total</b>	<b>383,463</b>	<b>20,000</b>	<b>403,463</b>	<b>94,675</b>	<b>15,000</b>	<b>109,675</b>

## Note 4

## Income from charitable activities

	Unrestricted	Restricted	Total 2019-20	Unrestricted	Restricted	Total 2018-19
	£	£	£	£	£	£
Black to Green project	–	–	–	–	202,149	202,149
Woodland creation grants	–	15,752	15,752	–	29,089	29,089
Section 106 agreements	–	17,975	17,975	–	39,690	39,690
Tourism and promotion programme	–	18,000	18,000	–	19,000	19,000
Charnwood Development project	–	105,004	105,004	–	116,482	116,482
Creating a Forest for Learning project	–	331,926	331,926	–	45,731	45,731
Timber Festival	–	108,500	108,500	–	71,500	71,500
Creating Working Woodlands project	–	–	–	–	312,330	312,330
National Forest Trek	–	20,000	20,000	–	–	–
Community Forest and Woodland Outreach project	–	23,576	23,576	–	–	–
Plant a Tree scheme	13,850	–	13,850	22,625	–	22,625
Other	7,930	10,000	17,930	9,871	9,000	18,871
<b>Total</b>	<b>21,780</b>	<b>650,733</b>	<b>672,513</b>	<b>32,496</b>	<b>844,971</b>	<b>877,467</b>

## Note 5

## Income from other trading activities

	Unrestricted	Restricted	Total 2019-20	Unrestricted	Restricted	Total 2018-19
	£	£	£	£	£	£
Other trading activities	9,276	–	9,276	–	–	–
Sponsorship	102,563	10,000	112,563	31,041	32,500	63,541
<b>Total</b>	<b>111,839</b>	<b>10,000</b>	<b>121,839</b>	<b>31,041</b>	<b>32,500</b>	<b>63,541</b>

## Note 6

## Cost of activities for raising funds

	Total 2019-20 £	Total 2018-19 £
Activities undertaken directly	458,364	429,007
Support costs	176,256	179,248
<b>Total</b>	<b>634,620</b>	<b>608,255</b>

## Note 7

## Analysis of expenditure on charitable activities

Activity or programme	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2019-20 £	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2018-19 £
Forest creation	185,888	294,802	222,795	703,485	579,140	466,684	167,863	1,213,687
Woodland management	188,826	140,720	119,602	449,148	177,979	161,033	152,365	491,377
Tourism and promotion	69,127	4,576	62,231	135,934	65,685	–	49,657	115,342
Community engagement	35,489	94,909	55,926	186,324	30,348	92,505	51,498	174,351
Black to Green project	–	–	–	–	268,176	–	88,572	356,748
National Forest Trek	50,577	–	17,019	67,596	–	–	–	–
Charnwood Forest Development project	96,743	–	80,319	177,062	79,315	–	76,255	155,570
Creating a Forest for Learning project	64,783	–	49,249	114,032	45,874	–	29,218	75,092
Timber Festival	350,536	–	63,404	413,940	255,839	–	32,642	288,481
Creating Working Woodlands project	73,275	–	66,473	139,748	9,688	–	11,632	21,320
Community Forest Woodland Outreach project	19,064	–	39,487	58,551	–	–	–	–
Bid Feasibility Study	–	–	–	–	13,118	–	5,578	18,696
<b>Total</b>	<b>1,134,308</b>	<b>535,007</b>	<b>776,505</b>	<b>2,445,820</b>	<b>1,525,162</b>	<b>720,222</b>	<b>665,280</b>	<b>2,910,664</b>



## Note 8

## Staff costs and pensions

## 8.1 Employees with earnings above £60,000

	2019-20	2018-19
£70,000 – £79,999	1	1
£60,000 – £69,999	1	1
	<u>2</u>	<u>2</u>

## 8.2 Staff salaries, social security and pensions

	Permanent contracts £	Other contracts £	2019-20 Total £	Permanent contracts £	Other contracts £	2018-19 Total £
Salaries	783,807	86,895	870,702	761,758	142,845	904,603
Social security costs	80,209	6,627	86,836	77,193	11,241	88,434
Pension costs	205,059	21,773	226,832	154,275	27,554	181,829
	<u>1,069,075</u>	<u>115,295</u>	<u>1,184,370</u>	<u>993,226</u>	<u>181,640</u>	<u>1,174,866</u>

2018-19 prior year comparative data has been re-stated to separately disclose permanent and other staff costs.

## 8.3 Average number of persons employed

	2019-20		2018-19	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	<u>25</u>	<u>22</u>	<u>27</u>	<u>24</u>

Note 9  
Support Costs 2019-20

	Raising funds	Forest creation	Woodland management	Tourism and promotion		Community engagement		National Forest Trek		Charnwood Development project		Creating a Forest for Learning project		Timber Festival		Creating Working Woodlands project		Community Forest Woodland Outreach project		Grants administration		2019-20		2018-19		Basis of apportionment
				£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Staff costs	102,943	102,021	41,904	29,236	21,926	9,940	46,910	28,764	37,032	38,827	23,063	96,633	579,199	549,321	Headcount											
Governance costs	22,463	22,261	9,144	6,379	4,784	2,169	10,236	6,276	8,080	8,472	5,032	9,160	114,456	64,172	Headcount											
Premises costs	19,864	19,686	8,086	5,641	4,231	1,918	9,052	5,550	7,146	7,492	4,450	8,101	101,217	90,567	Headcount											
ICT & Telecoms	8,168	8,094	3,325	2,320	1,740	789	3,722	2,282	2,938	3,081	1,830	3,331	41,620	41,466	Headcount											
HR & Recruitment	2,537	2,514	1,033	720	540	245	1,156	709	912	957	568	1,034	12,925	20,245	Headcount											
Office costs	3,360	3,330	1,368	954	716	324	1,531	939	1,209	1,267	753	1,370	17,121	15,445	Headcount											
PR related	102	101	42	29	22	10	47	29	37	38	23	42	522	2,396	Headcount											
Travel	3,622	3,590	1,475	1,029	772	350	1,651	1,012	1,303	1,366	812	1,477	18,459	20,057	Headcount											
Training & Development	3,166	3,138	1,289	899	674	306	1,443	885	1,139	1,190	709	1,291	16,129	7,265	Headcount											
Depreciation	2,500	2,478	1,018	710	532	241	1,139	699	899	943	560	1,020	12,739	11,347	Headcount											
Amortisation	7,531	7,464	3,066	2,139	1,604	727	3,432	2,104	2,709	2,840	1,687	3,071	38,374	22,247	Headcount											
Grants administration	–	48,118	47,852	12,175	18,385	–	–	–	–	–	–	(126,530)	–	–	Staff time											
	176,256	222,795	119,602	62,231	55,926	17,019	80,319	49,249	63,404	66,473	39,487	–	952,761	844,528												

Note 9 (continued)  
Support Costs 2018-19

	Raising funds	Forest creation		Woodland management		Tourism and promotion		Community engagement		National Forest Trek		Charnwood Development project		Creating a Forest for Learning project		Timber Woodlands Festival project		Creating Working Woodlands project		Community Forest Woodland Outreach project administration		Grants		2019-20		2018-19		Basis of apportionment
		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
Staff costs	111,017	77,031	38,359	30,756	21,685	54,856	47,229	18,096	20,217	7,204	3,456	119,415	549,321	502,092	Headcount													
Governance costs	14,832	10,291	5,125	4,109	2,897	7,329	6,310	2,418	2,701	962	461	6,737	64,172	73,975	Headcount													
Premises costs	20,932	14,524	7,233	5,799	4,089	10,343	8,905	3,412	3,812	1,358	652	9,508	90,567	64,285	Headcount													
ICT & Telecoms	9,584	6,650	3,312	2,655	1,872	4,736	4,077	1,562	1,745	622	298	4,353	41,466	68,754	Headcount													
HR & Recruitment	4,679	3,247	1,617	1,296	914	2,312	1,990	763	852	304	146	2,125	20,245	5,269	Headcount													
Office costs	3,570	2,477	1,233	989	697	1,764	1,519	582	650	232	111	1,621	15,445	17,977	Headcount													
PR related	554	384	191	153	108	274	236	90	101	36	17	252	2,396	21,616	Headcount													
Travel	4,636	3,216	1,602	1,284	905	2,291	1,972	756	844	301	144	2,106	20,057	17,881	Headcount													
Training & Development	1,679	1,165	580	465	328	830	714	274	306	109	52	763	7,265	13,401	Headcount													
Depreciation	2,623	1,820	906	727	512	1,296	1,116	427	478	170	81	1,191	11,347	10,532	Headcount													
Amortisation	5,142	3,568	1,777	1,424	1,004	2,541	2,187	838	936	334	160	2,336	22,247	–	Headcount													
Grants administration	–	43,490	90,430	–	16,487	–	–	–	–	–	–	(150,407)	–	–	Staff time													
	179,248	167,863	152,365	49,657	51,498	88,572	76,255	29,218	32,642	11,632	5,578	–	844,528	795,782														

## Note 10

## Governance costs

	2019-20	2018-19
	£	£
Trustees' travel and expenses	5,698	7,236
Trustee meetings and meals external	862	437
Annual Report and Accounts production	2,168	1,673
Fees payable for the audit of the Annual Accounts	21,000	17,000
Internal audit fees	8,442	7,170
Bank charges	8,844	3,469
Legal fees	–	950
Trustee recruitment	33,556	–
Other sundry expenditure	97	237
Strategic costs <sup>(1)</sup>	33,791	26,000
	<b>114,458</b>	<b>64,172</b>

<sup>(1)</sup> Strategic costs represent 33% of the Chief Executive's employment costs (2018-19: 27%)

**Note 11**  
**Intangible Assets**

	Asset under construction	Website	Total
	£	£	£
<b>Cost or valuation</b>			
At 1 April 2019	–	114,411	114,411
Additions during the year	–	2,847	2,847
Transfer during the year	–	–	–
At 31 March 2020	–	117,258	117,258
<b>Amortisation</b>			
At 1 April 2019	–	22,247	22,247
Charges in the period:	–	38,374	38,374
At 31 March 2020	–	60,621	60,621
<b>Net Book Value 31 March 2020</b>	<b>–</b>	<b>56,637</b>	<b>56,637</b>
<b>Cost or valuation</b>			
At 1 April 2018	48,084	–	48,084
Additions during the year	25,185	41,142	66,327
Transfer during the year	(73,269)	73,269	–
At 31 March 2019	–	114,411	114,411
<b>Amortisation</b>			
At 1 April 2018	–	–	–
Charges in the period:	–	22,247	22,247
At 31 March 2019	–	22,247	22,247
<b>Net Book Value 31 March 2019</b>	<b>–</b>	<b>92,164</b>	<b>92,164</b>

Amortisation on the website is charged to the SoFA through raising funds £7,531 and expenditure on charitable activities £30,843 as per Note 9.

## Note 12

## Tangible Assets

	Land £	Buildings £	Furniture and Fittings £	Information Technology £	Total £
<b>Cost or valuation</b>					
At 1 April 2019	3,282,049	–	154,073	100,800	3,536,922
Additions during the year	534,373	–	3,883	20,913	559,169
Disposals/transfers during the year	–	–	–	–	–
Impairment	(76,872)	–	–	–	(76,872)
Reversal of prior years' impairment	11,500	–	–	–	11,500
Revaluation (loss)/gain to Revaluation Reserve	–	–	–	–	–
Investment property transfer	–	–	–	–	–
At 31 March 2020	<u>3,751,050</u>	<u>–</u>	<u>157,956</u>	<u>121,713</u>	<u>4,030,719</u>
<b>Depreciation</b>					
At 1 April 2019	–	–	146,815	66,259	213,074
Charges in the period:					
Depreciation	–	–	1,845	10,894	12,739
Revaluation	–	–	–	–	–
Depreciation charged on disposals	–	–	–	–	–
Investment property transfer	–	–	–	–	–
At 31 March 2020	<u>–</u>	<u>–</u>	<u>148,660</u>	<u>77,153</u>	<u>225,813</u>
<b>Net Book Value 31 March 2020</b>	<u>3,751,050</u>	<u>–</u>	<u>9,296</u>	<u>44,560</u>	<u>3,804,906</u>
<b>Cost or valuation</b>					
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>
<b>Depreciation</b>					
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>
<b>Net Book Value 31 March 2019</b>	<u>3,282,049</u>	<u>–</u>	<u>7,258</u>	<u>34,541</u>	<u>3,323,848</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 £3,591,367 (2018-19: £3,094,867).

An annual valuation of NFC land and buildings as at 28 February 2020 is undertaken by an independent Chartered Surveyor and this is updated at 31 March to reflect any changes in valuation. 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**

	£
<b>At 1 April 2019</b>	
Investment property	475,000
Revaluation of investment property	5,000
<b>At 31 March 2020</b>	<b><u>480,000</u></b>
<b>Valuation</b>	
<b>At 1 April 2018</b>	
Investment property	363,122
Revaluation of investment property	111,878
<b>At 31 March 2019</b>	<b><u>475,000</u></b>

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.

An annual valuation of NFC land and buildings as at 28 February 2020 is undertaken by an independent Chartered Surveyor and this is updated at 31 March to reflect any changes in valuation. Changes in the value of land or buildings arising from revaluation or impairment are therefore reflected.

## Note 14

## Debtors

	31 March 2020	31 March 2019
	£	£
<b>Amounts falling due within one year:</b>		
VAT	6,964	4,409
Prepayments	51,098	26,145
Accrued Income:		
– Creating Working Woodlands project	208,220	208,220
– Black to Green project – HLF funding	–	105,477
– Creating a Forest for Learning project <sup>(1)</sup>	193,815	–
– Charnwood Development project – NLHF funding	–	53,283
– Timber Festival	33,500	–
– Other	34,769	14,225
Debtors:		
– Trade debtors	48,766	43,750
– Other debtors	19,893	18,771
	<u>597,025</u>	<u>474,280</u>
<b>Amount falling due after more than one year:</b>		
Accrued income	–	8,514
Other debtors	25,672	8,342
	<u>25,672</u>	<u>16,856</u>
<b>Total debtors</b>	<u>622,697</u>	<u>491,136</u>

<sup>(1)</sup> Creating a Forest for Learning project accrued income includes the unrealised exchange gain on foreign currency.



## Note 15

## Cash at bank and in hand

	31 March 2020 £	31 March 2019 £
Balance at 1 April	1,900,141	2,057,249
Net (decrease)/increase in cash and cash equivalent balances	126,078	(157,108)
Balance at 31 March	<u>2,026,219</u>	<u>1,900,141</u>

The following balances at 31 March 2020:

Commercial banks and cash in hand	2,026,105	1,888,149
Government Banking Service	114	11,992
	<u>2,026,219</u>	<u>1,900,141</u>

## Note 16

## Creditors

	31 March 2020 £	31 March 2019 £
Amounts falling due within one year:		
Trade creditors	22,788	14,967
Accruals	122,715	85,382
Deferred income <sup>(1)</sup>	11,983	28,151
	<u>157,486</u>	<u>128,500</u>

<sup>(1)</sup> Deferred income relates to specified outputs delivered in 2020-21.

## Analysis of movement of deferred income

	Other £	Community Forest Woodland Outreach project £	Charnwood Development 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
31 March 2020 Released	–	–	–	(28,151)	(28,151)
31 March 2020 Deferred <sup>(2)</sup>	3,650	8,333	–	–	11,983
<b>Total</b>	<u>3,650</u>	<u>8,333</u>	<u>–</u>	<u>–</u>	<u>11,983</u>

<sup>(2)</sup> Deferred income 'other' 2020 relates to sponsorship contracts split over two financial years.

## 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 benefitting the personal circumstances of the individuals.

	Grants to Institutions £	Grants to Landowners £	Support Costs £	2019-20 £	Grants to Institutions £	Grants to Landowners £	Support Costs £	2018-19 £
Forest creation, access and nature conservation	142,711	152,091	48,118	342,920	205,850	260,834	43,490	510,174
Woodland Management	47,317	93,403	47,852	188,572	73,627	87,406	90,430	251,463
Community engagement	94,909	–	18,385	113,294	92,505	–	16,487	108,992
Tourism and promotion	4,576	–	12,175	16,751	–	–	–	–
<b>Total</b>	<b>289,513</b>	<b>245,494</b>	<b>126,530</b>	<b>661,537</b>	<b>371,982</b>	<b>348,240</b>	<b>150,407</b>	<b>870,629</b>

During the 2019-20 financial year, the NFC awarded grants to the following:

Institution and/or Landowner	2019-20 £	2018-19 £
South Derbyshire District Council	41,375	41,530
Leicestershire County Council	25,917	76,924
National Trust	–	108,427
Staffordshire Wildlife Trust	43,571	–
Shuttlewood Clarke Foundation	29,431	–
Grants to other institutions	149,219	145,099
Grants to landowners/Individuals	245,494	348,242
<b>Total Grants paid</b>	<b>535,007</b>	<b>720,222</b>

## Note 18

## Summary of fund movements 2019-20

	As at 1 April 2019 £	Income £	Expenditure £	Revaluation £	Foreign Currency gain £	Transfers <sup>(1)</sup> £	As at 31 March 2020 £
<b>Unrestricted</b>							
General Fund	3,943,761	3,063,565	(2,379,364)	–	–	(270,319)	4,357,643
Financial Contingency Fund <sup>(4)</sup>	450,000	–	–	–	–	–	450,000
Land Acquisition, Management and Development Fund <sup>(5)</sup>	450,000	–	–	–	–	–	450,000
Enterprise and Investment Fund <sup>(6)</sup>	390,056	–	–	–	–	109,944	500,000
Investment Property	475,000	–	–	5,000	–	–	480,000
Revaluation Reserve	59,750	–	–	–	–	–	59,750
<b>Total Unrestricted</b>	<b>5,768,567</b>	<b>3,063,565</b>	<b>(2,379,364)</b>	<b>5,000</b>	<b>–</b>	<b>(160,375)</b>	<b>6,297,393</b>
<b>Restricted</b>							
Other restricted funds <sup>(2)</sup>	7,962	61,727	(49,411)	–	–	–	20,278
Creating a Forest for Learning project	19,718	331,926	(67,425)	–	10,325	–	294,544
Timber Festival <sup>(3)</sup>	47,147	118,500	(306,532)	–	–	140,885	–
Creating Working Woodlands	299,648	–	(85,252)	–	–	–	214,396
Charnwood Development project	10,747	105,004	(110,441)	–	–	–	5,310
National Forest Trek	–	20,000	(39,490)	–	–	19,490	–
Community Forest Woodland Outreach project	–	23,576	(22,524)	–	–	–	1,052
Rolls-Royce	–	20,000	(20,000)	–	–	–	–
<b>Total Restricted</b>	<b>385,222</b>	<b>680,733</b>	<b>(701,075)</b>	<b>–</b>	<b>10,325</b>	<b>160,375</b>	<b>535,580</b>
<b>Total Reserves</b>	<b>6,153,789</b>	<b>3,744,298</b>	<b>(3,080,439)</b>	<b>5,000</b>	<b>10,325</b>	<b>–</b>	<b>6,832,973</b>

<sup>(1)</sup> Transfer from unrestricted (General and Enterprise and Investment Fund) to restricted funds are match funding contributions National Forest Trek £19,490 and support for the 2019 and 2020 Timber festival £140,885.

<sup>(2)</sup> Other restricted funds include Woodland Trust, Section 106, Heart of the Forest Masterplan. The balance of £20,278 relates to Woodland Trust £3,300, Heart of the Forest Masterplan £10,000 and Section 106 £6,978 income carried forward.

<sup>(3)</sup> Timber Festival transfer £140,885 at the 31 March 2020 is £134,247 for the 2019 and £6,639 for the 2020 Timber Festival.

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

<sup>(5)</sup> Land Acquisition, Management and Development Fund (LAMDF) - available to support land acquisition and initial site establishment costs.

<sup>(6)</sup> Enterprise and Investment Fund (EIF) - available to support innovation, enterprise and long-term financial sustainability which was replenished by £250,829 in the year to increase the reserve threshold to £500,000.

## Note 18 (continued)

## Summary of fund movements 2018-19

	As at 1 April 2018 £	Income £	Expenditure £	Revaluation £	Transfers <sup>(1)</sup> £	As at 31 March 2019 £
<b>Unrestricted</b>						
General Fund	4,045,430	2,698,018	(2,362,762)	–	(436,925)	3,943,761
Financial Contingency Fund <sup>(4)</sup>	450,000	–	–	–	–	450,000
Land Acquisition, Management and Development Fund <sup>(5)</sup>	450,000	–	–	–	–	450,000
Enterprise and Investment Fund <sup>(6)</sup>	500,000	–	–	–	(109,944)	390,056
Investment Property	–	–	–	111,878	363,122	475,000
Revaluation Reserve	70,350	–	–	(10,600)	–	59,750
<b>Total Unrestricted</b>	<b>5,515,780</b>	<b>2,698,018</b>	<b>(2,362,762)</b>	<b>101,278</b>	<b>(183,747)</b>	<b>5,768,567</b>
<b>Restricted</b>						
Other restricted funds <sup>(2)</sup>	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 <sup>(3)</sup>	63,750	104,000	(230,547)	–	109,944	47,147
Creating Working Woodlands project	–	312,330	(12,682)	–	–	299,648
Charnwood Development project	–	116,482	(105,735)	–	–	10,747
Community Engagement	–	15,000	(15,000)	–	–	–
<b>Total Restricted</b>	<b>465,161</b>	<b>892,471</b>	<b>(1,156,157)</b>	<b>–</b>	<b>183,747</b>	<b>385,222</b>
<b>Total Reserves</b>	<b>5,980,941</b>	<b>3,590,489</b>	<b>(3,518,919)</b>	<b>101,278</b>	<b>–</b>	<b>6,153,789</b>

(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 2020	Unrestricted	Restricted	Total 31 March 2019
	£	£	£	£	£	£
General Fund	6,237,643	535,580	6,773,223	5,708,817	385,222	6,094,039
Revaluation Reserve	59,750	–	59,750	59,750	–	59,750
<b>Total Unrestricted</b>	<b>6,297,393</b>	<b>535,580</b>	<b>6,832,973</b>	<b>5,768,567</b>	<b>385,222</b>	<b>6,153,789</b>

## Note 20

## Analysis of funds

	Unrestricted	Restricted	Total 31 March 2020	Unrestricted	Restricted	Total 31 March 2019
	£	£	£	£	£	£
<b>Reserve balances at 31 March are represented by:</b>						
Intangible assets	56,637	–	56,637	92,164	–	92,164
Fixed assets	3,804,906	–	3,804,906	3,323,848	–	3,323,848
Investment property	480,000	–	480,000	475,000	–	475,000
Current assets	2,113,336	535,580	2,648,916	1,977,904	413,373	2,391,277
Creditors	(157,486)	–	(157,486)	(100,349)	(28,151)	(128,500)
<b>Total Unrestricted</b>	<b>6,297,393</b>	<b>535,580</b>	<b>6,832,973</b>	<b>5,768,567</b>	<b>385,222</b>	<b>6,153,789</b>

## 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 2020 £	31 March 2019 £
<b>Obligations under operating leases comprise:</b>		
Buildings, office accommodation lease		
Not later than one year	47,743	34,500
Later than one year and within five years	95,485	145,763
Later than five years	–	–
	<b>143,228</b>	<b>180,263</b>

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

Capital Commitments

At the 31 March 2020 there was a financial contractual commitment in relation to the acquisition of land, Minorca East phase ii. The amount payable within one year is £300,000.

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 2020 £	31 March 2019 £
Not later than one year	100,499	82,972
Later than one year and not later than five years	194,013	276,025
Later than five years	34,876	59,974
	<b>329,388</b>	<b>418,971</b>

## 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. Grant Support of £86,503 (2018-19: £89,790) was 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 the 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. In October 2017 an interest free car loan of £7,000 was made to John Everitt under the terms of the scheme for car loans to employees. The balance of the loan as at 31 March 2020 is £1,167 (2018-19: £3,500). As the loan was below the HMRC threshold of £10,000 no taxable benefit in kind arose.

During the year, Trustee Tony Ballance, appointed on 1 April 2016, was an Executive Director of Severn Trent Water plc. In 2019-20 the NFC paid £311 (2018-19: nil) to Severn Trent Water for water charges relating to Hanging Hill Farm.

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 Board for the Royal Forestry Society's Quarterly Journal. The NFC paid £500 (2018-19: £250) to the ICF for recruitment advertisements and £75 (2018-19: nil) to Forestry Journal for subscription membership and £7,805 (2018-19: £1,685) to the Royal Forestry Society comprising £7,615 for a grant towards maintenance of Battram Wood and £190 in respect of the NFC's membership subscription.

Trustee Jack Buckner, appointed on 1 April 2016, is the Chief Executive Officer and Director of British

Swimming. The NFC paid British Swimming £69 (2018-19: nil) in respect of providing lunch for a meeting.

Trustee Mike Kapur, appointed on 1 April 2018, is Pro Chancellor Leicester De Montfort University and Chair of Leicester City Football Club Trust. The NFC received £15,000 (2018-19: nil) from the De Montfort University for a tree dedication project supporting the NFC. The NFC paid £4,079 (2018-19: nil) to Leicester City Football Club Trust for reimbursement of staff costs as part of the Community Forest Woodland Outreach project.

Trustee Paddy Harrop, appointed 1 April 2018, is Forest Management Director Central England, Forestry England. The NFC appointed a secondeed from the Forestry England with effect from 2 March 2020 until 1 March 2021. The NFC paid £4,190 (2018-19: nil) to Forestry England for the secondeed costs for March 2020.

During the year, no trustee or related parties has undertaken any material transactions with the Company other than those disclosed in the remuneration report.

#### Other related parties:

The NFC has dealings with the Department for Environment, Food and Rural Affairs and some of its sponsored bodies. The NFC receives grant in aid from Defra. During the year, the NFC received £2,530,725 (2018-19: £2,530,725).

The NFC received £12,914 from Rural Payments Agency (2018-19: £16,512) for woodland grants.

The NFC received £31,909 (2018-19: nil) from Natural England for the Community Forest Woodland Outreach project. Due to COVID-19 £8,333 has been deferred to 2020-21 owing to the cancellation of the launch event.

The NFC paid £4,190 (2018-19: nil) to Forestry England for employee secondment costs.

The NFC 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 events after the reporting period date.

There have been two non-adjusting events after the reporting period date; the postponement of the National Forest Trek and Timber Festival public event due to COVID-19. As per Note 18 the financial impact and contribution required from reserves is National Forest Trek £19,490 and Timber Festival £6,639.

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.









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