



THE NATIONAL
FOREST

National Forest Company Annual Report and Accounts

For the year ended 31 March 2021

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National Forest Company
Annual Report and Accounts 2020-21
For the period 1 April 2020 to 31 March 2021

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of the Government Resources and Accounts Act 2000
(Audit of Non-profit-making Companies) Order 2009

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Chair's letter

This has been my first year as Chair of the National Forest Company (NFC) and one that I could never have anticipated. Climate change remains the number one priority, but the coronavirus pandemic has shown that in addressing this global challenge we must also tackle the loss of biodiversity, the decline in mental and physical wellbeing, and the ability of businesses to adapt to change.

Throughout the year, the National Forest has continued to demonstrate this approach – capturing carbon whilst also supporting wildlife or providing accessible greenspace for people whilst helping businesses to diversify. That's why I am so pleased to see that, despite the pandemic, our achievements have still been impressive. Whether it is more than 200 hectares of Forest habitat created; 82% of woodlands now in active management; 80% of new habitats providing public access for communities; or more than 60% of primary schools enjoying regular outdoor learning, the Forest is setting a high benchmark for others to follow.

I believe this demonstration role is now more important than ever as the country looks to make the right changes to policy, investment and decision making that can spark a green recovery. Tree planting is rightly taking centre stage with the government's new Trees Action Plan and Nature for Climate Fund, as well as intense international effort and scrutiny on carbon. Here, the National Forest is well placed to showcase both innovation

and best practice, with a model that can deliver multi-functional outcomes while ensuring value for money for the public purse.

I am also delighted to report that the NFC itself has weathered the storm of the pandemic well, exceeding fundraising expectations, working more closely with the National Forest Charitable Trust, and bringing in new expertise as we said goodbye to Chris Holmes and welcomed Anne Jenkins as a new Trustee on the Board. The strength of the organisation will be important to grasp the many opportunities as we steadily emerge from our extended lockdown.

As ever, our success is only as good as the success of all our partners – businesses, funders, communities, landowners and individuals – working hard to deliver for the National Forest. I would like to extend my particular thanks this year for all your effort and support. We, in turn, remain committed to leading our ambitious vision for the Forest, and I look forward to being able to see at least some of you in person among the trees in the year ahead.



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

Chief Executive's foreword

This has been the most challenging year for a generation; a year where we have all been touched by the coronavirus pandemic and found ourselves reflecting on what kind of future we are creating. I am proud that the National Forest presents a positive view of the future, for a greener, healthier and more sustainable planet. I am also proud that the Forest has played an important role to support people through the challenges, providing greenspace to exercise close to home, outdoor spaces to retreat to safely, and reconnection with the natural world to boost mental health. The impact of COVID-19 gives renewed hope that the National Forest is doing the right thing, and that our vision for the next 25 years is aligned to our post-COVID world.

I am also relieved that the National Forest Company has come through the last year with the staff safe and well, and the organisation demonstrating renewed strength. Despite a year of home working we have managed to adapt quickly to nearly double our turnover, expand the team, continue to meet our charitable objectives and support our partners through a difficult time. A few of the selected highlights below show the scale and impact of what has been achieved:

- Planting our milestone 9 millionth tree in a partnership with Shaun the Sheep from Aardman Animations, launched by the Forestry Minister.
- Securing an additional c£2m from Defra's Nature for Climate Fund for the first year of a five-year programme.
- More than doubling our Forest creation targets to meet our pledge to accelerate tree planting in the face of climate change.
- Acquiring additional land at the former Minorca colliery site near Measham to create a new woodland complex with public access.
- Kicking off the National Lottery Heritage funded Charnwood Forest Landscape Partnership Scheme.
- Creating a new Biodiversity Programme with Severn Trent to restore and enhance habitats and species across the Forest.
- Developing the COVID-19 Memorial Woodland initiative with the National Memorial Arboretum.
- Running a new Small Arts grant programme and delivering virtual Timber Festival programming during lockdown.

Inevitably, our work with schools, communities and volunteers struggled during restrictions, alongside those woodland and tourism businesses that were forced to close. However, with activities moving online, targeted support through grants, and a huge amount of goodwill, progress has still been made. On a personal note, I would like to pay tribute to the NFC Chair and Board who have supported me remotely during the year, and to the staff team for showing such determination and resilience in the face of hardship. My thanks also to all those partners who have given their time, energy and resources to contribute to our achievements. It is clear that whilst COVID-19 has been the immediate threat, climate change remains the most pressing issue of our time and only through such collaboration with partners will we be able to create that positive future.



John Everitt FRSA
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 environment, continuing to move forward with new forest creation and increasing the emphasis and investment in woodland management. It also includes a focus on a Forest society, 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 economy, developing the visitor, woodland and green 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, 25 Year Environment Plan 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 more than 9 million trees and the services that this provides for our natural capital including carbon sequestration, clean air and water, and protection of soils, as well as the protection and 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 for all our communities. 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 209,000 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 9.1 million visitors who enjoy the Forest as a destination each year; the 300,000 plus individuals who experience the National Forest through the website; the 16m people impacted by media and communications activity, 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, 32,495 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 2020-21, the NFC extended its volunteering activities through the Creating Working Woodlands project funded by Esmée Fairbairn Foundation, and further training for volunteers involved in the Timber Festival. Inevitably these activities were seriously impacted by the COVID-19 pandemic and volunteer sessions 2020-21 were reduced to 3,123, with an approximate value of £78k.

Equality, Diversity and Inclusion

Diversity and inclusion of our staff and volunteers, as well as ensuring that the National Forest attracts and engages with a diverse range of audiences and stakeholders is a key priority. During the year we introduced a new Equality, Diversity and Inclusion strategy with key priority actions to be taken forward by a small staff working group. Work will include ensuring that the Forest's vision, programme of work, projects and processes show due regard for diversity and inclusion and consider the impact of decisions on under-represented groups, including those having access to grants and support.

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, cultural 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. In 2020-21 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 60% of total costs.

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

Grants totalling £581,243 were awarded during 2020-21. Note 17 to the accounts provides an analysis and information on grant recipients. COVID-19 inevitably had an impact on the number of grants awarded this year, most notably on our Creating a Forest for Learning project; 10 grants totalling £10,748 supported schools to provide outdoor learning training for school staff and to enhance the outdoor learning environment within schools through woodlands. Despite COVID-19, a new Habitat Enhancement Grant was developed and run in 2020-21 with funding from Severn Trent Water. The 'Severn Trent Great Big Nature Boost' supports work on biodiversity restoration and enhancement across the Forest; 25 grants totalling £78,872 were awarded. A new Arts grants programme was also introduced this year to support arts groups and communities impacted by COVID-19. Six grants totalling £6,240 were awarded improving the cultural offer of the Forest.

The NFC works collaboratively with other charities in the pursuit of its objectives, including grants this year to Leicestershire & Rutland Wildlife Trust and Youth Hostel Association.

Strategic Report

Financial overview

An operating surplus of £2.001m was achieved in 2020-21 (2019-20: £0.679m) comprising £0.462m unrestricted and £1.540m relating to restricted projects. The unrestricted surplus resulted from over achievement of income generation targets and unavoidable COVID-19 related delays to expenditure which are now programmed for delivery in 2021-22.

Total income during 2020-21 was £5.614m (2019-20: £3.744m) of which £2.467m is grant in aid from Defra (2019-20: £2.531m) and £2.146m being the first year of the new Nature for Climate Fund programme also funded by Defra. The NFC continues to rely heavily on Defra funding and the importance of the forestry agenda gives confidence that both grant in aid and Nature for Climate Fund are likely to remain at broadly similar levels, pending the outcome of the Spending Review. The expected reductions in corporate sponsorship and donations income as a result of COVID-19 did not materialise, and unrestricted income of £0.533m was secured (2019-20: £0.517m).

Expenditure during 2020-21 was £3.478m of which unrestricted expenditure was £2.521m and restricted expenditure was £0.957m (2019-20: total expenditure £3.080m, unrestricted expenditure £2.379m and restricted expenditure £0.701m). 33% (2019-20: 22.8%) of the funds were spent on forest creation which, together with the restricted Nature for Climate funding, secured the headline target for new forest habitat whilst also helping to deliver associated targets.

Restricted project income was £2.587m in 2020-21 (2019-20: £0.681m), of which £2.146m is Nature for Climate Funds. These projects with their third-party funding make a significant contribution to the delivery of corporate priorities, and can also contribute to core cost recovery. Restricted funds reserves for 2020-21 have increased to £2.075m (2019-20: £0.536m) as a result of land acquisition of £1.816m through the Nature for Climate Fund and COVID-19 delays to programme expenditure, which will be spent in subsequent years.

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 £0.518m were awarded (2019-20: £0.535m). No grants were made to support land acquisitions in 2020-21.

£0.062m was transferred from unrestricted funds to restricted funds for the challenge walk, the 'National Forest Trek', and the 2020 National Forest 'Timber' Festival.

At the end of March 2021, the NFC reserves had increased from £6.833m to £8.834m.

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://www.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 2020-21

Despite the difficulties experienced as a result of the pandemic in 2020-21, the NFC was still able to meet its core targets and outcomes for the Forest. With the first year of funding from the Nature for Climate Fund, the NFC successfully doubled its forest creation figures to 212ha (2019-20: 103ha), moving forest cover to just below 22% of the total land area. As with previous years, this was achieved through a combination of land acquisition, planning and grant schemes, including a large proportion of former opencast coal or landfill sites. Success with forest creation has also meant that targets for access were exceeded, delivering additional public benefit.

Alongside forest creation, our work to secure good management of woodlands was extended this year with grants, support and advice bringing 163ha of new woodlands into active management and securing 372ha of renewals. This has continued to extend the total figure for woodlands in active management to 82%, well in excess of the national average. The Habitat Enhancement Grant with Severn Trent meant that 43ha of priority wildlife habitats were restored or enhanced, helping to

improve connectivity across the Forest and support threatened species. Tree planting was inevitably below target as a result of COVID-19, but c178k trees were still planted, including the 9 millionth tree, significantly higher than the c125k average of previous years. Delays in tree planting will be addressed in the coming year with significant planting still planned on NFC and partner sites.

Our community work was challenged this year with the Creating a Forest for Learning project and new Forest Foxes pilot in conjunction with Leicester City Football Club Community Trust using online resources to engage schools. However, the momentum of the outdoor learning campaign meant that primary schools engaged in regular outdoor learning still increased to 61% (up from 53% in 2019-20). The commencement of the delivery phase of the Charnwood Forest Landscape Partnership Scheme supported by the National Lottery Heritage Fund, and the continued progress of the Creating Working Woodlands project to grow

volunteering and business activity in woodlands also helped to support communities and volunteers during lockdown. Despite the cancellation of key events including the new National Forest Trek in partnership with the Defence Medical Rehabilitation Centre Benevolent Fund and the National Memorial Arboretum, planning work has continued to test the route and postpone activity until 2021-22.

Work to support the tourism and woodland economy also increased this year, although both suffered considerably as a result of COVID-19. The Timber Festival was postponed as a live event but did continue with online programming and the successful Sounds of the Forest initiative, with planning undertaken to shift programming and ticket sales to the 2021 event. The woodland economy grants programme helped to accelerate woodland management by supporting small business growth in line with a low carbon economy.

Forest Environment

Targets	Progress
Forest Creation:	
Forest cover to reach 22%.	21.9% secured. Percentage based on 21.5% at beginning of year. Note that 0.1% = 50 hectares
200 – 250ha of forest creation.	Achieved. Total 212.5ha comprising 98.4ha Minorca complex. Grant schemes have delivered 15.52ha under Changing Landscape Scheme (CLS), 2.01ha under Freewoods and 19ha under Parklands. There is also 61.8ha from planning and we achieved 15.8ha of new creation through Countryside Stewardship.
280,000 trees planted.	Target not achieved as a result of COVID-19 delays. 178,105 trees planted in total. 26,940 trees planted on NFC sites, 17,015 planted through CLS, and 240 and 2,760 planted through the Parklands and Freewoods grant schemes, respectively. Third party planting through planning is estimated at 47,450 trees based on planting at 2,000 trees/ha, and 83,700 trees planted by Woodland Trust at Diamond Jubilee Wood.
Woodland Management:	
83% of woodlands in active management.	82% in active management through grants and support to landowners. This is up from 81% at the beginning of the year and includes 21.82ha from the habitat enhancement grants. Slightly down on target as a result of more grants spent on renewals this year.
400ha of woodlands brought or retained in active management.	Exceeded. 535ha achieved comprising 163ha of new area brought into active management and 372ha of renewals.

Forest Society

Targets	Progress
Access creation:	
80% of Forest sites created with public access.	Achieved. 80% public access maintained with access as part of schemes and acquisition.
80ha of new access created.	Exceeded. 117.9ha created in total. 98.4ha was created at the Minorca complex, with a further 15.52ha created under CLS and 4ha under planning. An additional 52ha of access is committed under planning schemes, but not included here as sites will not be accessible until they are completed. New planning sites where only access is Public Right Of Way have not been included in the total but represent a further 5.8ha of partial access.
Promoting outdoor activity:	
60% of National Forest primary schools regularly delivering outdoor learning.	Achieved. 61% schools having regular outdoor learning. Many schools pushed back their outdoor learning grants due to the pandemic but target still achieved.
10,500 sessions involved in Forest related volunteering each year.	3,123 delivered. There were no volunteers from Timber or Plant a Tree this year and severely reduced numbers elsewhere due to COVID-19 restrictions.

Forest Economy

Targets	Progress
Visitor economy:	
Increase visitor numbers to 8.95m pa.	9.1m visitors reported via independent Scarborough Tourism Economic Activity Monitor (STEAM) data based on 2020 assessment of 2019 figures (ie one year in arrears).
Visitor spend pa increased to £464m and tourism jobs increased to 5,474.	Visitor spend exceeded, ie £471.5m and tourism jobs slightly below target at 5,363 based on 2019 STEAM figures.
6,500 Timber Festival attendees (plus 3,500 customers).	2020 festival cancelled due to COVID-19. Online audience achieved through virtual programming.
Low carbon enterprise:	
100 National Forest businesses supported.	75 on brand businesses directly supported and indirect support provided to the wider business network. COVID-19 restrictions significantly impacted face to face and networking activities with events cancelled.

Securing resources, building the brand, governance and leadership

Targets	Progress
Securing resources:	
Increase unrestricted income for the NFC through sustainable resources to £392k.	£533k achieved. Target significantly exceeded with success of tree planting packages and corporate support
Generate £612k of restricted income.	£411k achieved. Delays in the draw down from restricted projects have been made up for in securing new restricted income, in particular for carbon storage.
Achieve a campaign return on investment (ROI) of 3:1.	ROI of 4:1 achieved with strong campaign performance, in particular for Dedicate a Tree product.
Building the brand:	
Increase National Forest website sessions to 270k.	340k achieved. Target exceeded with additional web hits from visitors during lockdown and success of media campaigns
Increase media profile: achieve 170 pieces of media content.	312 achieved. Target significantly exceeded despite COVID-19 with strong campaign and media profile
Governance and leadership:	
Board effectiveness: attain assurance based on Charity Governance Code.	Achieved. Assurance achieved through review of previous year's activity.

Income generation performance

Income generation for the year performed significantly better than expected as a result of the 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 £5.614m of which £4.613m was grant in aid from Defra. Income this year included the development of 12 new agreements with partners such as Stone Group and Welbeck Publishing, 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 for the Creating a Forest for Learning project; Defra/Natural England for the 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; Severn Trent for the new

Great Big Nature Boost programme, and woodland grants. Restricted funds were also received towards the National Forest Festival, 'Timber', including grants from Arts Council England and sponsorship from North West Leicestershire District Council and Octopus Energy.

Following last year's procurement exercise and approval from Defra and Treasury, new investment managers were appointed to help maximise income in line with our ethical investment policy. In December 2020, £0.500m of our financial reserves were invested in Cazenove's Charity Responsible Multi-Asset Fund; the aim being to achieve a net return of c4% per annum. The remaining reserves are held in instant access fixed-rate deposit accounts.

Plans for future periods

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

National Forest Environment

- Deliver ambitious Nature for Climate Fund targets to increase forest creation and tree planting using land acquisition, grants, planning and advice.

- Urban tree planting and green infrastructure work with partners, including mapping and assessment.
- Develop the COVID-19 Memorial Woodland initiative in partnership with the National Memorial Arboretum.
- Further increase active management of woodlands including measures to address pests and diseases.
- Further develop the biodiversity programme for woodland and non-woodland habitats.

National Forest Society

- Creation of new public access sites and linear trails across the Forest.
- Deliver the inaugural National Forest Trek challenge walking event along the National Forest Way.
- Continue 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, including through the Forest Foxes project.
- Further increase Community Management of Woodlands groups and volunteering, and a new community woodlands programme as part of the Queen's Green Canopy initiative.
- Increase activities to promote health and wellbeing through the national pilot programme for Green Social Prescribing.

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, including Forest Experience itineraries.
- Run the award winning Festival 'Timber' in July 2021 and a wider programme of arts and cultural activities.
- Take forward strategic masterplanning for the Heart of the Forest area.
- Develop a sustainable tourism accommodation design guide and investment programme to steer new visitor development in the National Forest.

- Invest in the woodland economy and business diversification, including research into the woodfuel economy.
- Undertake research on natural capital to support Local Nature Recovery Strategies.

Cross-cutting work

- Enhance communications work with increased content, social and digital marketing.
- Develop new income generation opportunities including a regular supporter product, carbon package and strategic corporate partnerships.
- Continue work on the potential merger with the National Forest Charitable Trust with due diligence, feasibility work and professional advice.
- Develop new brand guidelines and toolkit.
- 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 continue to be 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
Business continuity – working from home: staff wellbeing, IT, finance, systems. Office refurbishment for post COVID-19 working.	Laptops and mobiles set up for all staff, support provided for home office set up, remote access to secure network and video conferencing in place, ongoing training and support, increased communications for team and line managers, remote authorisation systems in place, remote reception function established. Office refurbishment and guidance planned for hot desking, video conferencing and additional meeting spaces.
Governance and oversight – awareness and communication of risk and continued engagement in business.	Regular communications with Chair and Board through briefings and video conferencing, working groups and committees continuing using video and teleconferencing, regular communication with Defra and NAO colleagues to assess and share risk.
Income risk – Loss of fundraising income and project funds.	Managing diverse fundraising programme and developing new income generation. Dialogue with project funders over timescales and security of funding.
Income risk – Reduction in Defra revenue grant and Nature for Climate Fund grant.	Discussion with Defra over security of capital and revenue funds and confirmation dates, demonstrating value for money and urgency of work. Regular dialogue with officials to stay close to COVID-19 response from Defra and impacts across government. Some delays to new staffing and programmes until funding position clearer, planning for reductions in expenditure.
Income risk – Events cancellation and postponement.	Assessing impact of Timber Festival cancellation and changes to other events, including walking festival and Trek. Early assessment of cancellation liabilities and partner discussions on Timber festival decision.
Cash flow/financial security – Cash balances reduced by capital spend and project funds (paid quarterly in arrears), reducing reserves and increasing financial exposure.	Draw on reserve funds being minimised for land acquisitions, Timber festival draw on reserves being minimised, Charnwood project cash flow forecasting underway to assess scale of likely impact.
Delivery of operational targets – Inability to meet targets, impacting on momentum, positioning and partnerships.	Assessment of risk to delivery of targets and reprofiling timescales. Regular communications with partners to continue discussions for key grants and work for forest creation and management for this winter, shifting activity where possible to more desk-based work, and some contract work delayed.
Reputation – Risk of inappropriate messaging, lack of empathy or support for communities and businesses/partners.	Messaging tailored to different partners and stakeholders to provide reassurance and offer support, reduced marketing or softening of messages for fundraising, regular communication with key partners and stakeholders to understand position, provision of information and advice where possible.

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.

Strategic risks	Mitigation
Inability to scale up Forest creation targets, meet Nature for Climate Fund commitments and take advantage of carbon/tree planting opportunities.	Partnership development with landowners for future acquisitions and schemes. Development of new grant schemes, incentives and initiatives. Mapping of opportunities and priority areas. Review of planning work at a strategic level. Development of carbon/tree planting products and land holding arrangements for the NFC within and outside the Forest. New staffing arrangements.
Income generation strategy for unrestricted income inadequate and does not meet targets.	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 25 Year Vision.
Marketing capacity and messaging inadequate and opportunities lost	Brand framework and toolkit development. Improvements to website content and structure. Development of marketing plan, marketing assets and events. Integration of work areas, training and development of team.
Loss of Defra support and backing of key partners.	Develop close relationship with Ministers and officials. Demonstrate NFC impact and value for money. Raise profile of NFC with MPs, peers and in media. Active engagement in Defra 25-year environment plan and England Tree Planting Programme. Secure high-profile projects with Defra (Education, Urban Trees, Health).

Board of Trustees

The Trustees of the NFC throughout 2020-21 were as follows:

Name	Date of appointment as Trustee	Role
Sir William Worsley ⁽¹⁾	1 April 2016	Chair, Board of Trustees, member of Remuneration Committee
Lord Duncan of Springbank	20 May 2020	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, 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 ⁽²⁾	1 April 2016	Chair, Development Working Group
Anne Jenkins	1 January 2021	Chair, Tourism, Recreation & Communities Working Group
Mike Kapur	1 April 2018	Chair, Audit & Risk Committee, member of Remuneration Committee
John Everitt ⁽³⁾	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 Duncan of Springbank was appointed as his successor as of 20 May 2020.

(2) Christopher Holmes tenure ended on 6 November 2020.

(3) 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.

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 2020-21 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 £5.614m (2019-20: £3.744m) of which £4.613m (2019-20: £2.531m) was grant in aid from Defra. Total expenditure was £3.478m (2019-20: £3.080m). After gains and losses on investments the net income was £2.028m (2019-20: £0.669m). Total reserves at the end of the financial year increased to £8.834m (2019-20: £6.833m) of which £2.075m comprised restricted funds (2019-20: £0.536m) and unrestricted funds £6.759m (2019-20: £6.297m).

Reserves

The reserves are held as a series of unrestricted or designated funds. 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 Financial Contingency Fund range be increased by £100k to £500k – £550k to ensure that the Policy remained appropriate to the needs of the Charity.

Fund	Target level/range
Unrestricted free reserves Working capital to manage cashflows	£400k
Financial Contingency Fund (FCF) Approximately four months' running costs to be used in the event of major cashflow problems	£500k – £550k
Land Acquisition, Management and Development Fund (LAMDF) To support land acquisition and site establishment costs	£400k – £500k
Enterprise and Investment Fund (EIF) To support innovation, enterprise, and commercial development, to secure long-term financial sustainability	£300k – £500k

As at 31 March 2021, £2.075m of total reserves held were restricted funds as per Note 18, which includes fixed assets of £1.613m, as per Note 20. 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 £3.488m.

During the coming year, the Trustees have agreed a one-off deficit budget and additional deliverables to meet charitable objectives delayed by COVID-19 in 2020-21 and to reduce the level of unrestricted reserves. This will include tree planting as part of carbon commitments and additional delivery under the Nature for Climate Fund. Taken together, the exceptional surplus in 2020-21 and one-off deficit budget for 2021-22 represent a modest cash surplus across the two financial years.

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 should land acquisition opportunities arise. Consideration will also 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 2021 shows that the NFC has reserves of £8.834m (2019-20: £6.833m).

Looking ahead, the annual grant from Defra, ie via both Grant in Aid and the Nature for Climate Fund is expected to continue to represent a high proportion of the NFC income. Based on the Government's high priority for tree planting, the expectation is that grant in aid funding for the next Comprehensive Spending Review period should remain at a similar base level to that allocated for 2020-21 (ie £2.4m). Defra has also allocated a further £2.4m to the NFC from the Nature for Climate Fund for 2021-22, and funds at the same level in principle for the following three years. 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 2021 totals £2.149m (£1.923m unrestricted, £0.226m 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.

To support the long term strategic development of the NFC and the National Forest, the Charity is discussing a potential merger with the National Forest Charitable Trust. The potential merger has been agreed in principle with Defra's commercial team. Due diligence work is being undertaken with professional advice, and risks are being mitigated to reduce the impact on the NFC's ability to continue as a going concern.

Whilst COVID-19 continues to have some financial impact on the Charity for 2021-22, with delays to outdoor activities and events, a reduction in fundraising performance is not anticipated and the overall 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 2020-21.

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 2020-21 was £24,000 (2019-20: £21,000). No non-audit work was conducted by the National Audit Office during 2020-21.

Internal audit

Mazars LLP,
58 The Ropewalk,
Nottingham NG1 5DW

The Board has appointed Mazars as internal auditors who report on a quarterly basis to the Audit and Risk Committee.

Bankers

The Co-operative Bank,
Miller Street,
Manchester M60 0AL

Investment Managers

Cazenove Capital,
1 London Wall Place,
London EC2Y 5AU

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 2020-21 (2019-20: 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 88% have been paid within this timescale (2019-20: 90%); 98% were paid within ten days (2019-20: 98%). 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 £10,586 was spent on research and development (2019-20: £17,336).

The main areas of activity were:

- New regular supporter income generation products;
- Environmental Land Management Scheme (ELMS) pilot research undertaken for Defra;
- 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.

Due to the disruptions in normal business activity caused by COVID-19 the report for 2020-21 does not reflect normal trends. With all staff having worked the majority of the year from home we are reporting reductions in emissions from electricity; and with meetings having been held virtually our travel emissions are very low.

Summary of key sustainability data

Summary of Greenhouse Gas Emissions tCO ₂	2020-21 tCO ₂	2019-20 tCO ₂	2018-19 tCO ₂	2017-18 tCO ₂
Building Energy Consumption (Scope 2)	7.97	12.06	11.50	12.40
Official Business Travel (Scope 3)	0.80	5.22	8.43	8.99
Total emissions	8.77	17.28	19.93	21.39
Average number of staff (FTE)	26	22	24	21
Total energy emissions per head (FTE)	0.33	0.78	0.83	1.01

Energy consumption data

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

Building Energy Consumption (Scope 2)	Unit	2020-21	2019-20	2018-19	2017-18
Total emissions	tCO₂	7.97	12.06	11.50	12.40
Building energy consumption per head (FTE)	tCO ₂	0.31	0.55	0.48	0.59
Building energy consumption	kw/h	37,534	56,787	54,233	58,396
Energy consumption per head (FTE)	kw/h	1,444	2,581	2,260	2,781
Total energy expenditure	£	8,152	10,561	8,779	9,868
Expenditure per head (FTE)	£	314	484	366	470
Average number of staff (FTE)		26	22	24	21

Travelling

COVID-19 drastically reduced travel emissions in 2020-21 with all staff working from home, meetings have been held virtually and only essential business travel undertaken, mainly relating to inspections of management and planting works across the Forest. We anticipate that most staff will continue to work flexibly and to use video conferencing as much as possible which will continue to reduce emissions from commuting and official business travel.

Official Business Travel (Scope 3)	Unit	2020-21	2019-20	2018-19	2017-18
Total emissions	tCO₂	0.8	5.22	8.43	8.99
Staff mileage (inc Chief Executive)	miles	3,030	15,027	22,478	22,951
Average number of staff (FTE)		26	22	24	21
Staff mileage per head	miles	117	683	937	1,093
Staff Air travel	miles	—	—	—	—
Trustees' mileage	miles	—	3,590	6,232	7,674
Total miles travelled	miles	3,030	18,617	28,710	30,625
Total Business travel costs	£	1,800	24,107	22,381	20,488

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.

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.

Tree guards

Within the National Forest we have planted over 9 million trees. To help protect the trees from browsing mammals, we have usually planted the trees within fenced areas. We have on occasions had to use tree guards and these have varied in size and type, from plastic to biodegradable guards. Our plastic tree guard recycling scheme, introduced

in 2017, is now embedded in our woodland management practices. Guards are recycled in the UK and are used to make recycled products, such as benches. The next step for 2021-22 is not using any plastic guards for tree planting on our estate, and by 2023-24 to have removed plastic guards completely from our grant offers.

Sustainable biomass chip

We continue to support 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 that also provides habitat for wildlife, areas for access and recreation, and supports the local economy. A recent report commissioned by the National Forest Company (NFC) on the impact of firewood shows that the greatest carbon benefits are offered by local supply chains where timber is harvested, processed, delivered, and consumed within the National Forest. There is a significant positive carbon balance in the National Forest in terms of carbon sequestered each year in growing woodlands against carbon released by burning firewood.

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 23 November 2021 and signed on their behalf by:



Lord Duncan of Springbank PhD FGS

Chair of the Board of Trustees
23 November 2021



John Everitt FRSA

Chief Executive/Accounting Officer/Trustee
23 November 2021

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
23 November 2021



John Everitt FRSA

Chief Executive/Accounting Officer/Trustee
23 November 2021

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.

All Trustees provide declarations of interest and these are recorded in a Register of Interests which is available on the National Forest Company website nationalforest.org/about/who-we-are

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 2020-21 was as follows:

Sir William Worsley (Chair)
 Lord Duncan of Springbank (Chair)
 Tony Ballance
 Jack Buckner
 Alison Field
 Paddy Harrop
 Chris Holmes
 Anne Jenkins
 Mike Kapur

In March 2019, at the end of his first term of three years, Sir William Worsley (Chair) gave notice that his tenure would end in May 2020.

Trustee, Chris Holmes, retired on 6 November 2020, having served two terms of three years and one additional year owing to exceptional circumstances, ie to provide the Board with continuity whilst a new Chair was sought and allow the incoming Chair to be involved in the subsequent Trustee appointment.

The new Chair, Lord Duncan of Springbank, was duly appointed on 20 May 2020 with Anne Jenkins being appointed as a Trustee on 1 January 2021.

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 (including a COVID-19 resilience plan) and opportunities. A finance report, declarations of interest and a Timber Festival update are also standing items. Minutes from sub-committees of the Board and working groups are also included within papers sent to Trustees.

During 2020-21 the Board considered a range of matters including:

- consideration of the Corporate Plan 2020-23;
- 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;
- agreeing a revised Financial Reserves Policy;
- consideration of Value for Money Indicators;
- agreeing a revised Investment Policy Statement, whilst noting its relationship with NFC's Ethical Policy;
- judging applications to the 2020 round of the Changing Landscapes Scheme;
- considering the Annual Income Generation Campaign Plan and performance;
- agreeing a Statement of Intent in relation to Equality, Diversity and Inclusion;
- agreeing the scope of the Timber Festival Review and oversight of consideration of holding the 2021 event;
- the approach being taken to develop a Governance Handbook, incorporating a Scheme of Delegation;
- the approach being taken to develop the National Forest brand framework;
- potential merger of the National Forest Company with the National Forest Charitable Trust;
- oversight of the delivery of Defra's Nature for Climate Fund programme (NFCF);
- creation of a COVID-19 Memorial Woodland in partnership with the National Memorial Arboretum;
- considering Trustee succession and recruitment and induction programme;
- agreeing a Safeguarding Policy;
- agreeing a Tree Species Policy;
- the approach being taken to the Heart of the Forest Masterplan;
- agreeing the NFC's Governance and Succession Planning;

- considering the NFC's response to the Glover Review of Designated Landscapes;
- consideration of the income generation Product Development Strategy;
- Reviewing the annual Safety, Health and Wellbeing (SHaW) report and agreeing the updated SHaW Policy, together with adopting a COVID-19 Safe Working 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.

In 2020-21 a light touch review was undertaken which 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'. There continues to be consensus amongst Trustees, and between staff and Trustees, on areas of strength, compliance and weakness. A year of working remotely due to COVID-19, has not impacted on the way the organisation operates and there continues to be good alignment between the executive and non-executive. The review also assessed the quality of reports and papers to the Board which were considered to be of a good standard, enabling the Board to make effective decisions.

There has been continued progress on areas of weakness addressed including:

- development and implementation of a range of outcomes measurement within the overall work on metrics;
- continued progress on a comprehensive Governance Handbook document;
- agreement of an Equality, Diversity and Inclusion statement and programme of activity;

- continued improvement in the engagement of stakeholders in the Forest through a brand development activity programme.

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, investments, 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 25.

Review of Effectiveness of Working Groups

With the arrival of the new Chair and changes in Trustees during 2020-21, the membership and remit of Committees and Working Groups have been considered by the Board, and minor changes made. In line with good practice, 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 Trustee representation 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 2020-21. Its work included consideration of the financial statements for 2019-20 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 2020-21; 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; fulfilling its responsibilities in respect of risk management (see below) and oversight of investments and performance of the appointed fund manager.

During the year, the Committee sought assurances from management that recommendations from the prior year's audit were being implemented. These centred around making improvements to the process, inputs, judgements and documentation particularly around asset impairments to support conclusions.

Other business conducted by ARC during the year included:

- review of strategic and standing risks, together with the adoption of a resilience plan focusing specifically on risks associated with COVID-19;
- consideration of an amended Reserves Policy in advance of the Board;
- consideration of a draft Safeguarding Policy in advance of the Board;
- consideration of draft Equality, Diversity and Inclusion Statement in advance of the Board
- consideration of a draft programme of internal audit work for 2020-21;

- consideration of a draft Investment Policy and Statement in advance of the Board;
- review of the NFC's VAT arrangements; and
- review of the Safety, Health and Wellbeing policy and annual report to the Board.

During the year ARC conducted its annual review of its effectiveness, utilising the National Audit Office's checklist, based on HM Treasury's Audit Committee Handbook. The conclusion was that the Committee continues to operate effectively and there were no areas of concern.

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 2020-21 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;
- progressing a carbon storage model for the NFC;
- development of a Firewood Accreditation scheme;
- overseeing NFC's landholdings and acquisitions;
- introduction of a Tree Species Policy;
- successful application to the Severn Trent Biodiversity Outcome Delivery Incentive (c£1m);
- introduction of a public benefit mapping index and prioritisation for the Forest;
- piloting an Environmental Land Management scheme (ELMs) test and trial;

- developing the Leicestershire Tree Charter initiated by Leicestershire County Council; and
- leading delivery of Defra's Nature for Climate Fund (NFCF) programme.

Development Working Group

The Development Working Group met five times during the year with meetings being attended by two Trustees for the majority of those and latterly the designated chair only. 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 2020-21 the Group's work included:

- development and monitoring of the income generation campaign;
- oversight of the projects and product development pipeline including development of a regular supporter product;
- 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);
- introduction of a Trademark Policy and Partner Engagement Policy;
- oversight of the development of the Brand Framework; 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 quarterly and is attended by two Trustees, one of whom acts as chair. The primary role of the Group is to provide strategic overview and support across the tourism, recreation and community development functions. In 2020-21, the Group's work included:

- leading on the Corporate Forest Experiences and Sustainable Tourism Accommodation Guide projects;
- development of a green social prescribing project (GreenSPring) with partners from across Derbyshire;
- oversight of a pilot National Forest Arts and Culture grant 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 and the Charnwood Landscape Partnership scheme.

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

Board & Committee [Number of meetings in 2020/21]	Main Board [4]	Audit & Risk Committee [4]	Remuneration Committee [1]	Land & Forestry Working Group [3]	Development Working Group [5]	Tourism, Recreation & Communities Working Group [3]
Trustee	Attendance					
Sir William Worsley ⁽¹⁾	1/1*		1/1			
Lord Duncan of Springbank ⁽²⁾	3/3*					
John Everitt**	4/4					
Tony Ballance	4/4	4/4	1/1*			
Jack Buckner ⁽³⁾	4/4				5/5*	3/3*
Alison Field	4/4			3/3		
Paddy Harrop	4/4	4/4		3/3*		
Anne Jenkins ⁽⁴⁾	1/1					
Chris Holmes ⁽⁵⁾	3/3				4/4*	
Mike Kapur	4/4	4/4*	1/1			

* Denotes Chair.

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

(1) Sir William Worsley stood down as Chair of the National Forest Company partway through the year, ie 19 May 2020, thus chairing one meeting

(2) Lord Duncan of Springbank became Chair of the National Forest Company partway through the year, ie 20 May 2020, thus chairing three meetings

(3) Jack Buckner was appointed Chair of Development Working Group partway through the year, thus chairing one meeting

(5) Anne Jenkins was appointed partway through the year, ie 1 January 2021

(6) Chris Holmes stood down on 6 November 2020, partway through the year, thus chairing four meetings

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 produce the National Forest brand framework and draft brand toolkit to further define the vision.

The 2020-23 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 2020-21 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 funding 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. The Nature for Climate Fund and England Trees Action Plan developed in 2020-21 provide dedicated resources and greater policy direction to this agenda, and the NFC is represented on strategic and operational groups to contribute to the delivery of targets. These strategic initiatives 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 2020-21, as approved by the Audit & Risk Committee, contained a balance of compliance and advisory work:

- key financial controls;
- income generation and fundraising;
- business development and land acquisitions; and
- governance and business continuity planning.

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 14 recommendations were brought forward to follow up. All recommendations had either been implemented or in progress, apart from two which were advisory recommendations and will be completed in 2021-22.

The work undertaken and conclusions drawn informed the opinion expressed in the Annual Internal Audit Report for 2020-21 that the NFC 'has adequate, effective and reliable risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of 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 2020-21 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. During the extended period of home working during 2020-21, staff were more frequently reminded of the importance of security of information. All staff are engaged in work to further develop and embed protocols and good practice on the 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. A safeguarding policy was also introduced in 2020-21. Regular inspections are carried out at the NFC sites throughout the year.

Staff absence due to sickness equated to an average of 1 day per employee during the year (2019-20: 1.4 days). All absences were minor in nature and none related to mental ill health or stress; two members of staff had COVID-19 related short periods of absence.

Whistleblowing

The NFC has a Whistleblowing Policy and procedure with which all staff are familiar. There were no instances of whistleblowing in 2020-21, as was the case in 2019-20. 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 2020-21 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 continued to feature 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 2021, nine complaints were received (compared with two in 2019-20). The complaints related to queries regarding public access on sites during lockdown and 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 FRSA

Chief Executive/Accounting Officer

23 November 2021

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 25.

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 £11 relating to John Everitt in his role as Trustee. No expenses were paid to the remaining seven Trustees as meetings were all held virtually.

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 Principal 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) ¹		Total (£'000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
John Everitt	75 – 80	70 – 75	5 – 10	5 – 10	0	0	30	27	110 – 115	100 – 105

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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below.) 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 defined contribution (money purchase) pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on 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.

¹ 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 partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) the employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). 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 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 31/3/21	Real increase in pension and related lump sum at pension age	CETV at 31/3/21	CETV at 31/3/20	Real increase in CETV
	£000	£000	£000	£000	£000
John Everitt	10 – 15	0 – 2.5	133	106	18

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: <i>(this information is subject to audit)</i>	2020-21 Full time equivalent (FTE)		2019-20 Full time equivalent (FTE)	
	Headcount		Headcount	
Staff (including Chief Executive)	29	26	25	22

During 2020-21, all staff were employed on a permanent basis, apart from 4.37 FTE, comprising 3.4 FTE on fixed term contracts and 0.97 FTE via secondment and agency staff.

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 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:

	2020	2019
£80,000 – £89,999	1	0
£70,000 – £79,999	1	1
£60,000 – £69,999	—	1
	<u>2</u>	<u>2</u>

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

There were no exit payments in year.

All staff are members of the PCSPS.

Sickness absence

Staff absence due to sickness equated to an average of 0.87 days per employee during the year (2019-20: 1.44 days).

Gender diversity

The gender split of Trustees and staff employed as at 31 March 2021 was as follows:

	Male	Female	Total
Trustees	5	2	7
Staff, including the Chief Executive	11	21	32
Total	<u>16</u>	<u>23</u>	<u>39</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 a 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, together with COVID-19 updates, 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.

COVID-19 did not impact on staff engagement or productivity and during the year we held a series of 'virtual' 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 2021 of the Chief Executive, who is the highest and only paid director in the NFC, was in the range of £80,000 – £85,000 (2020: £75,000 – £80,000). This was 2.28 times (2020: 2.28) the median remuneration of the workforce of £36,200 (2020: £34,034).

Remuneration of the workforce ranged from £25k to £85k (2019-20: £25k to £80k).

In 2020-21, no employees received remuneration in excess of the highest paid Director, as was the case in 2019-20.

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 FRSA

Chief Executive/Accounting Officer
23 November 2021

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 2021 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 2021 and of its net income for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Forest Company in accordance with the ethical requirements that are

relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Forest Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the of the Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. The Trustees and the Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed,

I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the parts of the Remuneration Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- 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;
- Strategic and Directors' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Forest Company and its environment obtained in the course of the audit, I have not identified material misstatements in the Strategic Report or the Directors' Annual Report.

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

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

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees are responsible for:

- the preparation of the financial statements in accordance with the applicable financial

reporting framework and for being satisfied that they give a true and fair view;

- such internal controls as management determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the National Forest Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the entity or to cease operations, or has 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 and International Standards on Auditing (ISAs) (UK).

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Forest Company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with

the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the National Forest Company's controls relating to the provisions of the UK Companies Act, UK Charities Act and Managing Public Money.

- discussing among the engagement team and involving relevant external specialists, including on land and buildings valuations, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals and the valuation of land and buildings; and
- obtaining an understanding of National Forest Company's framework of authority as well as other legal and regulatory frameworks that the National Forest Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Forest Company. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, employment and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board of Trustees; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

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.

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.

Gareth Davies
Comptroller and Auditor General
 National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London
 SW1W 9SP

24 November 2021

National Forest Company

Combined Statement of Financial Activities and Income and Expenditure Account for the year ended 31 March 2021

	Note	Unrestricted funds £	Restricted funds £	2020-21 Total funds £	Unrestricted funds £	Restricted funds £	2019-20 Total funds £
Income from:							
Grant in aid	2	2,467,457	—	2,467,457	2,530,725	—	2,530,725
Nature for climate fund	2	—	2,146,007	2,146,007	—	—	—
Donations	3	460,700	20,000	480,700	383,463	20,000	403,463
Charitable activities	4	2,284	410,735	413,019	21,780	650,733	672,513
Other trading activities	5	70,430	10,000	80,430	111,839	10,000	121,839
Investments		26,806	—	26,806	15,758	—	15,758
Total		3,027,677	2,586,742	5,614,419	3,063,565	680,733	3,744,298
Expenditure on:							
Raising funds	6	(762,686)	(10,000)	(772,686)	(634,620)	—	(634,620)
Charitable activities	7	(1,758,183)	(947,425)	(2,705,608)	(1,744,744)	(701,075)	(2,445,819)
Total		(2,520,869)	(957,425)	(3,478,294)	(2,379,364)	(701,075)	(3,080,439)
Net gains/(losses) on investments	13	(223)	(107,403)	(107,626)	5,000	—	5,000
Net income/(expenditure)		506,585	1,521,914	2,028,499	689,201	(20,342)	668,859
Transfers between funds	18	(62,416)	62,416	—	(160,375)	160,375	—
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	12	17,500	—	17,500	—	—	—
Gains/(loss) on Foreign Currency	14	—	(44,520)	(44,520)	—	10,325	10,325
Net movement in funds		461,669	1,539,810	2,001,479	528,826	150,358	679,184
Reconciliation of funds:							
Total funds brought forward	18	6,297,393	535,580	6,832,973	5,768,567	385,222	6,153,789
Total funds carried forward	18	6,759,062	2,075,390	8,834,452	6,297,393	535,580	6,832,973

National Forest Company

Balance Sheet

as at 31 March 2021

	Note	As at 31 March 2021 £	As at 31 March 2020 £
Fixed assets:			
Intangible assets	11	17,551	56,637
Tangible assets	12	2,441,373	3,804,906
Investment property	13	3,506,850	480,000
Investment	13	505,015	—
Total fixed assets		6,470,789	4,341,543
Current assets:			
Debtors	14	548,658	622,697
Cash at bank and in hand	15	2,149,010	2,026,219
Total current assets		2,697,668	2,648,916
Liabilities:			
Creditors: Amounts falling due within one year	16	(334,005)	(157,486)
Net current assets		2,363,663	2,491,430
Total net assets		8,834,452	6,832,973
The funds of the Charity:			
Unrestricted funds	18	6,681,812	6,237,643
Restricted income funds	18	2,075,390	535,580
Revaluation Reserve	18	77,250	59,750
		8,834,452	6,832,973

The Notes on pages 40 to 61 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 23 November 2021 and signed on its behalf by:



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



John Everitt FRSA
Chief Executive/Accounting Officer

National Forest Company

Statement of Cash Flows

for the twelve months ended 31 March 2021

	Note	2020-21 £	2019-20 £	
Cash flows from operating activities				
Net cash provided by operating activities		2,643,097	662,011	
Cash flow from investing activities				
Interest and rent from investment	SoFA	26,806	15,758	
Purchase of property, plant and equipment	12	(2,002,591)	(559,169)	
Purchase of investments	13	(500,001)	—	
Purchase of Intangible asset	11	—	(2,847)	
Net cash provided by (used in) investing activities		(2,475,786)	(546,258)	
Change in cash and cash equivalents in the reporting period		167,311	115,753	
Cash and cash equivalents at 1 April		2,026,219	1,900,141	
Change in cash and cash equivalents due to exchange rate movements	SoFA	(44,520)	10,325	
Cash and cash equivalents at 31 March	15	2,149,010	2,026,219	
a) Reconciliation of net income/(expenditure) to net cash flow from operating activities				
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	SoFA	2,028,499	668,859	
Adjustments for:				
Impairment charges	12	250,493	76,872	
Reversal of prior years' impairment charges	12	(24,000)	(11,500)	
Depreciation	12	17,641	12,739	
Amortisation	11	39,086	38,374	
(Gains)/losses on investments	13	107,626	(5,000)	
Decrease/(Increase) in debtors	14	74,039	(131,561)	
Increase (Decrease) in creditors	16	176,519	28,986	
Interest and rent from investment	SoFA	(26,806)	(15,758)	
Net cash provided by (used in) operating activities		2,643,097	662,011	
b) Analysis of cash and cash equivalents				
Cash at bank and in hand	15	2,149,010	2,026,219	
Cash and cash equivalents at 31 March		2,149,010	2,026,219	
c) Analysis of changes in net debt				
	At start of Year £	Cash-flows £	Non-cash changes £	At end of year £
Cash	2,026,219	122,791	—	2,149,010
Cash equivalents (investment)	—	500,001	5,014	505,015
Borrowings	—	—	—	—
Total	2,026,219	622,792	5,014	2,654,025

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 and Reporting by Charities. In addition, these financial statements also meet the accounting and disclosure requirements of the Companies Act 2006 and the 2020-21 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, given the Government's high priority for tree planting, the expectation that Defra's grant in aid funding for the next Comprehensive Spending Review period should remain at a similar base level to the 2020-21 allocation. Defra has also allocated a further £2.45m per year to the NFC from the Nature for Climate Fund for the next four years, after commencing in 2020-21. In addition, the new brand toolkit and income generation strategy are 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).

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 to be utilised in contributing to the delivery of departmental objectives, does not stipulate how any specific element of the grant should be spent.

Nature for Climate Fund grant is treated as restricted income and therefore recognised as per SoRP para 4.34 which covers performance-related grants where the income is conditional on delivering certain levels or volumes of a service or supply of goods and contractual payments from Government or public authorities and other parties which fund the provision of particular goods or services.

This has been presented as a separate line in the Sofa due to the materiality of the income as per the SoRP para 4.13.

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. Grant income entitlement is recognised when the NFC has met any performance or other deliverable criteria for recognition and the monetary value can be measured reliably. Where the grant is received in advance of recognition it is deferred and included in creditors until entitlement occurs. If entitlement occurs before the income has been received it is accrued to debtors.

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). 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.

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 (34%) and support costs (66%) following the introduction of a timesheet recording system.

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

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

1.8 Tangible fixed assets

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provisions 10.33 to 10.36. An annual valuation is undertaken by an independent Chartered Surveyor in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2021 by Fisher German, Chartered Surveyors. 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. 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 2020-21 £47k (2019-20: £22k) of costs were incurred to continue the redevelopment of the website, of which all was expensed to the SoFA.

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 2021 by the Audit & Risk Committee (ARC), it was agreed the finite life of the website to be three years, until Autumn 2021. The website has been amortised from when it went live in September 2018, with the expense being charged to the SoFA.

1.10 Investments

The NFC has adopted an accounting policy of revaluing the land and buildings it owns as per SoRP provision 10.48. An annual valuation is undertaken by an independent Chartered Surveyor

in accordance with the RICS Valuation Standards (the 'Red Book'). Valuations were undertaken of NFC land and buildings as at 31 March 2021. 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.

In the 2020-21 financial year, an additional seven properties with a NBV of £2,431,850 have been part re-classified to investments due to mixed land use and having Farm Business Tenancies in place.

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 2020-21 the gain on the Investment property was £20,000 (2019-20: £5,000).

The Cazenove Charity Responsible Multi-Asset Fund investment of £500,001 is measured at fair value and any gains or losses arising from the revaluation are charged to the SoFA. In 2020-21 the gain was £5,014. The return generated from the investment is extracted to income and not re-invested into the fund.

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. Cash equivalents include £505,015 invested with Cazenove Charity Responsible Multi-Asset Fund.

1.13 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.

1.14 Financial Instruments

The NFC 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.

The NFC investment of £500,001 with Cazenove's Charity responsible Multi-Asset Fund is a financial instrument with the measurement and accounting basis being fair value. The fair value as determined by the fund managers as at 31 March 2021 is £505,015.

1.15 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).

1.16 Staff costs and pensions

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

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

Note 2 Grant in aid

Grant in aid of £2,467,457 was received from Defra in 2020-2021 (2019-20: £2,530,725).

Grant in aid accounts for 44% 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.

Nature for Climate Fund grant of £2,146,007 was received from Defra in 2020-21 (2019-20: nil). This facilitates funding of new planting within the National Forest.

Nature for Climate Funds accounts for 38% of total NFC income.

Note 3

Income from Donations

	Unrestricted £	Restricted £	Total 2020-21 £	Unrestricted £	Restricted £	Total 2019-20 £
Donations	175,328	—	175,328	84,887	—	84,887
Dedicate a Grove	33,027	—	33,027	45,064	—	45,064
Dedicate a Tree	252,345	—	252,345	253,512	—	253,512
Rolls Royce	—	20,000	20,000	—	20,000	20,000
Total	460,700	20,000	480,700	383,463	20,000	403,463

Note 4

Income from charitable activities

	Unrestricted £	Restricted £	Total 2020-21 £	Unrestricted £	Restricted £	Total 2019-20 £
Woodland creation grants	—	11,854	11,854	—	15,752	15,752
Section 106 agreements	—	4,032	4,032	—	17,975	17,975
Tourism and promotion programme	—	18,000	18,000	—	18,000	18,000
Charnwood Landscape Partnership Scheme	—	125,552	125,552	—	105,004	105,004
Creating a Forest for Learning project	—	—	—	—	331,926	331,926
Timber Festival	—	67,500	67,500	—	108,500	108,500
National Forest Trek	—	21,460	21,460	—	20,000	20,000
Community Forest Woodland Outreach project	—	36,171	36,171	—	23,576	23,576
Severn Trent – Great Big Nature Boost	—	126,166	126,166	—	—	—
Plant a Tree scheme	2,070	—	2,070	13,850	—	13,850
Other	214	—	214	7,930	10,000	17,930
Total	2,284	410,735	413,019	21,780	650,733	672,513

Note 5

Income from other trading activities

	Unrestricted £	Restricted £	Total 2020-21 £	Unrestricted £	Restricted £	Total 2019-20 £
Other trading activities	23,394	—	23,394	9,276	—	9,276
Sponsorship	47,036	10,000	57,036	102,563	10,000	112,563
Total	70,430	10,000	80,430	111,839	10,000	121,839

Note 6

Cost of activities for raising funds

	Total 2020-21 £	Total 2019-20 £
Activities undertaken directly	548,337	458,364
Support costs	224,349	176,256
	772,686	634,620

Note 7
Analysis of expenditure on charitable activities

Activity or programme	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2020-21 £	Activities undertaken directly £	Grant funding of activities £	Support Costs £	Total 2019-20 £
Forest Creation	513,074	350,607	272,019	1,135,700	185,887	294,802	222,795	703,484
Woodland Management	177,050	167,276	87,412	431,738	188,826	140,720	119,602	449,148
Tourism and Promotion	55,341	56,400	65,148	176,889	69,127	4,576	62,231	135,934
Community Engagement	102,483	6,960	56,220	165,663	35,489	94,909	55,926	186,324
National Forest Trek	33,921	—	11,318	45,239	50,577	—	17,019	67,596
Charnwood Landscape Partnership Scheme	68,405	—	85,287	153,692	96,743	—	80,319	177,062
Creating a Forest for Learning project	37,500	—	35,482	72,982	64,783	—	49,249	114,032
Timber Festival	146,475	—	53,613	200,088	350,536	—	63,404	413,940
Creating Working Woodlands project	70,870	—	58,721	129,591	73,275	—	66,473	139,748
Community Forest Woodland Outreach project	29,513	—	39,035	68,548	19,064	—	39,487	58,551
Severn Trent – great Big Nature Boost	104,166	—	21,312	125,478	—	—	—	—
Total	1,338,798	581,243	785,567	2,705,608	1,134,307	535,007	776,505	2,445,819

Note 8

Staff costs and pensions

8.1 Employees with earnings above £60,000

	2020-21	2019-20
£80,000 – £89,999	1	—
£70,000 – £79,999	1	1
£60,000 – £69,999	—	1
	<u>2</u>	<u>2</u>

8.2 Staff salaries, social security and pensions

	Permanent contracts £	Other contracts £	2020-21 Total £	Permanent contracts £	Other contracts £	2019-20 Total £
Salaries	887,155	177,913	1,065,068	783,807	86,895	870,702
Social security costs	68,359	13,360	106,874	80,209	6,627	86,836
Pension costs	250,145	38,515	263,505	205,059	21,773	226,832
	<u>1,205,659</u>	<u>229,788</u>	<u>1,435,447</u>	<u>1,069,075</u>	<u>115,295</u>	<u>1,184,370</u>

8.3 Average number of persons employed

	2020-21		2019-20	
	Headcount	Full time equivalent	Headcount	Full time equivalent
Staff (including Chief Executive)	<u>29</u>	<u>26</u>	<u>25</u>	<u>22</u>

The full time equivalent of employees includes 3.4 FTE fixed term staff and .97 FTE agency and seconded staff.

Note 9 (continued)
Support costs 2019-20

	Raising Funds	Forest creation	Forest	Woodland Management	Tourism and Promotion	Community Engagement	National Forest Development		Creating a Forest for Learning		Creating Working Woodlands Project		Community Forest Outreach project	Grants administration	2019-20	2018-19	Basis of
							Trek	Chamwood project	Forest Learning project	Timber Festival	Woodlands Project	Forest administration					
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 10

Governance costs

	2020-21 £	2019-20 £
Trustees' travel and expenses	11	5,698
Trustee meetings and meals external	—	862
Annual Report and Accounts production	2,558	2,168
Fees payable for the audit of the Annual Accounts	24,000	21,000
Internal audit fees	11,566	8,442
Bank charges	9,187	8,844
Trustee recruitment	—	33,556
Other sundry expenditure	200	97
Strategic costs ⁽¹⁾	32,465	33,791
	<u>79,987</u>	<u>114,458</u>

(1) Strategic costs represent 34% of the Chief Executive's employment costs (2019-20: 33%)

Note 11
Intangible Assets

	Website £	Total £
Cost or valuation		
At 1 April 2020	117,258	117,258
Additions during the year	—	—
Transfer during the year	—	—
	<u>117,258</u>	<u>117,258</u>
At 31 March 2021	117,258	117,258
Amortisation		
At 1 April 2020	60,621	60,621
Charges in the period:	39,086	39,086
	<u>99,707</u>	<u>99,707</u>
At 31 March 2021	99,707	99,707
Net Book Value 31 March 2021	<u>17,551</u>	<u>17,551</u>
Cost or valuation		
At 1 April 2019	114,411	114,411
Additions during the year	2,847	2,847
Transfer during the year	—	—
	<u>117,258</u>	<u>117,258</u>
At 31 March 2020	117,258	117,258
Amortisation		
At 1 April 2019	22,247	22,247
Charges in the period:	38,374	38,374
	<u>60,621</u>	<u>60,621</u>
At 31 March 2020	60,621	60,621
Net Book Value 31 March 2020	<u>56,637</u>	<u>56,637</u>

Note 12

Tangible Assets

	Land £	Furniture & Fittings £	Information Technology £	Total £
Cost or valuation				
At 1 April 2020	3,751,050	157,956	121,713	4,030,719
Additions during the year	1,274,943	3,347	16,661	1,294,951
Disposals/transfers during the year	—	—	—	—
Impairment	(250,493)	—	—	(250,493)
Reversal of prior years' impairment	24,000	—	—	24,000
Revaluation (loss)/gain to Revaluation Reserve	17,500	—	—	17,500
Investment property transfer	(2,431,850)	—	—	(2,431,850)
At 31 March 2021	<u>2,385,150</u>	<u>161,303</u>	<u>138,374</u>	<u>2,684,827</u>
Depreciation				
At 1 April 2020	—	148,660	77,153	225,813
Charges in the period:				
Depreciation	—	2,462	15,179	17,641
Revaluation	—	—	—	—
Depreciation charged on disposals	—	—	—	—
Investment property transfer	—	—	—	—
At 31 March 2021	<u>—</u>	<u>151,122</u>	<u>92,332</u>	<u>243,454</u>
Net Book Value 31 March 2021	<u>2,385,150</u>	<u>10,181</u>	<u>46,042</u>	<u>2,441,373</u>
Cost or valuation				
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>157,956</u>	<u>121,713</u>	<u>4,030,719</u>
Depreciation				
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>148,660</u>	<u>77,153</u>	<u>225,813</u>
Net Book Value 31 March 2020	<u>3,751,050</u>	<u>9,296</u>	<u>44,560</u>	<u>3,804,906</u>

Land with mixed use have now been part reclassified to investment property (note 13).

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 £1,854,017 (2019-20: £3,591,367).

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

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

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

Note 13

Investments

	Property £	Land £	Cazenove Investment Fund £	Total £
Cost or valuation				
At 1 April 2020	480,000	—	—	480,000
Additions during the year	—	707,640	500,001	1,207,641
Disposals/transfers during the year		2,431,850	—	2,431,850
Revaluation (loss)/gain	20,000	(132,640)	5,014	(107,626)
At 31 March 2021	<u>500,000</u>	<u>3,006,850</u>	<u>505,015</u>	<u>4,011,865</u>
Cost or valuation				
At 1 April 2019	475,000	—	—	475,000
Revaluation (loss)/gain	5,000	—	—	5,000
At 31 March 2020	<u>480,000</u>	<u>—</u>	<u>—</u>	<u>480,000</u>

Investment property includes nine properties that are commercially let. One property was previously capitalised as a tangible fixed asset and re-classified to investments with a NBV of £363,122 in financial year 2018-19.

In the 2020-21 financial year, an additional seven properties with a NBV £2,431,850 have been part re-classified to investments due to mixed land use and having Farm Business Tenancies in place. The properties are included as at 31 March 2021 as per the valuation undertaken by an independent Chartered Surveyor.

In the 20-21 financial year £500,001 was invested in Cazenove Charity Responsible Multi-Asset Fund, generating a return of £2,964. The income was extracted to our reserves, rather than re-invested into the fund. Fair value measurement of the fund by the investment managers as at 31 March resulted in a gain of £5,014. This has been reflected as a cash equivalent due to it being a highly liquid investment.

Note 14

Debtors

	31 March 2021 £	31 March 2020 £
Amounts falling due within one year:		
VAT	10,926	6,964
Prepayments	42,552	51,098
Accrued Income:		
Creating Working Woodlands project	104,110	208,220
Creating a Forest for Learning project	149,295	193,815
Charnwood project NLHF funding	26,267	—
Timber Festival	33,750	33,500
Community Forest Woodland Outreach project	14,710	—
Other	55,256	34,769
Debtors:		
Trade debtors	86,120	48,766
Other debtors	16,162	19,893
	<u>539,148</u>	<u>597,025</u>
Amount falling due after more than one year:		
Accrued income	—	—
Other debtors	9,510	25,672
	<u>9,510</u>	<u>25,672</u>
Total debtors	<u>548,658</u>	<u>622,697</u>

Note 15

Cash at bank and in hand

	31 March 2021 £	31 March 2020 £
Balance at 1 April:	2,026,219	1,900,141
Net increase/(decrease) in cash and cash equivalent balances	122,791	126,078
Balance at 31 March	<u>2,149,010</u>	<u>2,026,219</u>

The following balances at 31 March 2021:

Commercial banks and cash in hand	2,144,303	2,026,105
Government Banking Service	4,707	114
	<u>2,149,010</u>	<u>2,026,219</u>

Note 16

Creditors

	31 March 2021 £	31 March 2020 £
Amounts falling due within one year:		
Trade creditors	76,424	22,788
Other Creditors	3,300	—
Accruals	140,276	122,715
Deferred income ⁽¹⁾	114,005	11,983
	<u>334,005</u>	<u>157,486</u>

(1) Deferred income relates to specified outputs delivered in 2021-22

Analysis of movement of deferred income

	Other	Carbon project	Community Forest Woodland Outreach project £	Charnwood Landscape Partnership Scheme £	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	3,650	—	8,333	—	—	11,983
31 March 2021 Released	(3,650)	—	—	—	—	(3,650)
31 March 2021 Deferred ⁽²⁾	5,672	100,000	—	—	—	105,672
Total	<u>5,672</u>	<u>100,000</u>	<u>8,333</u>	<u>—</u>	<u>—</u>	<u>114,005</u>

(2) Deferred income 'Other' 2021 relates to sponsorship contracts £5,672 split over two financial years and Carbon project income £100,000 deferred to 21-22

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 £	2020-21 £	Grants to Institutions £	Grants to Landowners £	Support Costs £	2019-20 £
Forest creation, access and nature conservation	117,760	232,847	48,794	399,401	142,711	152,091	48,118	342,920
Woodland management	40,090	127,186	36,519	203,795	47,317	93,403	47,852	188,572
Community engagement	56,400	—	23,815	80,216	94,909	—	18,385	113,294
Tourism and promotion	6,960	—	19,601	26,561	4,576	—	12,175	16,751
Total	221,210	360,033	128,729	709,972	289,513	245,494	126,530	661,537

During the 2020-21 financial year, the NFC awarded grants to the following:

Institution and/or Landowner	2020-21 £	2019-20 £
South Derbyshire District Council	32,500	41,375
Leicestershire County Council	17,335	25,917
Staffordshire Wildlife Trust	—	43,571
Shuttlewood Clarke Foundation	17,157	29,431
Duchy of Lancaster	105,961	—
Trustees of Burton Property Group	29,176	—
Grants to other institutions	19,080	149,219
Grants to landowners/Individuals	360,034	245,494
Total Grants paid	581,243	535,007

Note 18 Summary of fund movements 2020-21

	As at 1 April 2020	Income	Expenditure	Revaluation	Foreign Currency gain/(loss)	Transfers ⁽¹⁾	As at 31 March 2021
	£	£	£	£	£	£	£
Unrestricted							
General Fund	4,357,643	3,027,677	(2,520,869)	—	—	(1,376,167)	3,488,284
Financial Contingency Fund ⁽⁴⁾	450,000	—	—	—	—	—	450,000
Land Acquisition, Management and Development Fund ⁽⁵⁾	450,000	—	—	—	—	—	450,000
Enterprise and Investment Fund ⁽⁶⁾	500,000	—	—	—	—	—	500,000
Investments ⁽⁷⁾	480,000	—	—	(223)	—	1,313,751	1,793,528
Revaluation Reserve	59,750	—	—	17,500	—	—	77,250
Total Unrestricted	6,297,393	3,027,677	(2,520,869)	17,277	—	(62,416)	6,759,062
Restricted							
Nature for climate funds	—	2,146,007	(382,454)	(107,403)	—	—	1,656,150
Other restricted funds ⁽²⁾	20,278	33,886	(39,854)	—	—	—	14,310
Creating a Forest for Learning project	294,544	—	(53,687)	—	(44,520)	—	196,337
Timber Festival ⁽³⁾	—	77,500	(110,868)	—	—	59,934	26,566
Creating Working Woodlands project	214,396	—	(82,846)	—	—	—	131,550
Charnwood Landscape Partnership Scheme	5,310	125,552	(82,906)	—	—	—	47,956
National Forest Trek	—	21,460	(23,942)	—	—	2,482	—
Community Forest Woodland Outreach project	1,052	36,171	(34,702)	—	—	—	2,521
Rolls Royce	—	20,000	(20,000)	—	—	—	—
Severn Trent – Great Big Nature Boost	—	126,166	(126,166)	—	—	—	—
Total Restricted	535,580	2,586,742	(957,425)	(107,403)	(44,520)	62,416	2,075,390
Total Reserves	6,832,973	5,614,419	(3,478,294)	(90,126)	(44,520)	—	8,834,452

(1) Transfer from unrestricted (General and Enterprise and Investment Fund) to restricted funds are match funding contributions National Forest Trek £2,482 and support for the 2020 Timber festival £59,934.

(2) Other restricted funds relates to Section 106 income carried forward.

(3) Timber Festival transfer £59,934 at the 31 March 2021 is for the 2020 Timber Festival, with the balance of £26,566 for the 2021 Timber Festival.

(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.

(7) Investments – Land transfer as per note 13 is £2,431,850 of which £1,313,751 is unrestricted and the balance £1,118,099 restricted as part of Nature for climate funds reserve £1,656,150.

Note 18 – continued
Summary of fund movements 2019-20

	As at 1 April 2019	Income	Expenditure	Revaluation	Foreign Currency gain/(loss)	Transfers ⁽¹⁾	As at 31 March 2020
	£	£	£	£	£	£	£
Unrestricted							
General Fund	3,945,761	3,063,565	(2,379,364)	—	—	(270,319)	4,357,643
Financial Contingency Fund ⁽⁴⁾	450,000	—	—	—	—	—	450,000
Land Acquisition, Management and Development Fund ⁽⁵⁾	450,000	—	—	—	—	—	450,000
Enterprise and Investment Fund ⁽⁶⁾	390,056	—	—	—	—	109,944	500,000
Investment Property	475,000	—	—	5,000	—	—	480,000
Revaluation Reserve	59,750	—	—	—	—	—	59,750
Total Unrestricted	5,768,567	3,063,565	(2,379,364)	5,000	—	(160,375)	6,297,393
Restricted							
Other restricted funds ⁽²⁾	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 ⁽³⁾	47,147	118,500	(306,532)	—	—	140,885	—
Creating Working Woodlands project	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)	—	—	—	—
Total Restricted	385,222	680,733	(701,075)	—	10,325	160,375	535,580
Total Reserves	6,153,789	3,744,298	(3,080,439)	5,000	10,325	—	6,832,973

- (1) 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.
- (2) Other restricted funds include Woodland Trust, Section 106, Heart of the Forest Masterplan. The balance of £20,278 relates to Woodland Trust £3,500, Heart of the Forest Masterplan £10,000 and Section 106 £6,978 income carried forward.
- (3) Timber Festival transfer £140,885 at the 31 March 2020 is £134,247 for the 2019 and £6,639 for the 2020 Timber Festival.
- (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, which was replenished £250,829 in the year to increase the reserve threshold to £500,000.

Note 19

Analysis of net assets between funds

	Unrestricted £	Restricted £	Total 31 March 2021 £	Unrestricted £	Restricted £	Total 31 March 2020 £
General Fund	6,681,812	2,075,390	8,757,202	6,237,643	535,580	6,773,223
Revaluation Reserve	77,250	—	77,250	59,750	—	59,750
Net assets	6,759,062	2,075,390	8,834,452	6,297,393	535,580	6,832,973

Note 20

Analysis of funds

	Unrestricted £	Restricted £	Total 31 March 2021 £	Unrestricted £	Restricted £	Total 31 March 2020 £
Reserve balances at 31 March are represented by:						
Intangible assets	17,551	—	17,551	56,637	—	56,637
Fixed assets	2,412,416	28,957	2,441,373	3,804,906	—	3,804,906
Investments	2,428,169	1,583,696	4,011,865	480,000	—	480,000
Current assets	2,234,931	462,737	2,697,668	2,113,336	535,580	2,648,916
Creditors	(334,005)	—	(334,005)	(157,486)	—	(157,486)
Total reserves	6,759,062	2,075,390	8,834,452	6,297,393	535,580	6,832,973

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 2021 £	31 March 2020 £
Obligations under operating leases comprise:		
Buildings, office accommodation lease		
Not later than one year	48,081	47,743
Later than one year and within five years	48,081	95,485
Later than five years	—	—
	96,162	143,228

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.

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

	31 March 2021	31 March 2020
	£	£
Recognition under operating leases comprise:		
Farmhouse and Farm Business Tenancies (FBT) leases		
Not later than one year	25,951	16,269
Later than one year and within five years	194	5,200
Later than five years	—	—
	<u>26,145</u>	<u>21,469</u>

The above recognition relates to the lease of National Forest Company owned assets.

Hanging Hill Farm is an assured shorthold tenancy which commenced on 2 January 2019 and will expire on 2 December 2021.

FBT are short term grazing and grassland tenancies on various sites.

Note 22

Other financial commitments

Forest creation schemes

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

	31 March 2021	31 March 2020
	£	£
Not later than one year	37,702	100,499
Later than one year and not later than five years	263,232	194,013
Later than five years	18,469	34,876
	<u>319,403</u>	<u>329,388</u>

Note 23**Financial Instruments**

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

The NFC investment of £500,001 with Cazenove's Charity responsible Multi-Asset Fund is a financial instrument with the measurement and accounting basis being fair value. The fair value being determined by the fund managers as at 31 March 2021 is £505,015.

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 £63,455 (2019-20: £86,503) was received for the Charnwood Forest Landscape Partnership Scheme project; John Everitt declared an interest and was not party to the decision to award the funds.

Chair, Lord Duncan of Springbank, appointed on 20 May 2020 is Chair of the Confederation of Forest Industries UK. The NFC paid £314 (2019-20: nil) for membership subscription.

Trustee, Alison Field, appointed on 1 April 2018, is a Council Member of the Institute of Chartered Foresters (ICF). The NFC paid £450 (2019-20: £500) to the ICF related to staff accreditation.

Trustee, Mike Kapur, appointed on 1 April 2018, is Pro Chancellor De Montfort University Leicester, Chair of Leicester City Football Club Trust and member of Council of the University of Leicester. The NFC received £525 (2019-20: nil) from the University of Leicester for consultancy services re impact (social and economy) arising from the former HLF Charnwood Roots project. The NFC received nil (2019-20: £15,000) from De Montfort University Leicester. The NFC paid nil (2019-20: £4,079) to Leicester City Football Club Trust.

Trustee, Paddy Harrop, appointed 1 April 2018, is Forest Management Director Central England, Forestry England. The NFC appointed a secondee from Forestry England with effect from 2 March 2020 until 1 March 2021. The NFC paid £46,596

(2019-20: £4,190) to Forestry England for the secondee costs for April 2020 – March 2021.

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

Other related parties:

The NFC has dealings with the Department for Environment, Food and Rural Affairs (Defra) and some of its sponsored bodies. The NFC receives Grant in Aid (GiA) from Defra. During the year, the NFC received £2,467,457 (2019-20: £2,530,725) GiA and £2,146,007 (2019-20: nil) via the Nature for Climate Fund.

The NFC received £26,507 from Rural Payments Agency (2019-20: £12,914) for woodland grants.

The NFC received £36,171 (2019-20: £31,909) from Natural England for the Community Forest Woodland Outreach project.

The NFC paid £46,596 (2019-20: £4,190) 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.

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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