



Scottish
Forestry
Coilltearachd
na h-Alba

Annual Report and Accounts 2020-21

SG/2021/282

Scottish Forestry is the Scottish Government agency responsible for forestry policy, support and regulation

S e Coilltearachd na h-Alba a' bhuidheann-ghnìomha aig Riaghaltas na h-Alba a tha an urra ri poileasaidh, taic agus riaghladh do choilltearachd



Scottish Government
Riaghaltas na h-Alba
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Performance Report



Overview

In this Performance Report, we present a review of the Agency's performance during 2020-21, against its priority themes. We highlight the key purpose and activities of the Agency, and the risks and challenges faced during the year.

Foreword by Chief Executive Officer

Welcome to the Annual Report and Accounts of Scottish Forestry for 2020/21.

This report covers the second year since Scottish Forestry became a Scottish Government executive agency, responsible for regulating and supporting Scotland's growing and vibrant forest sector and for developing forestry policy, advising Ministers.

The past twelve months have been extremely challenging as we continue to experience the effects of COVID-19. Since last March we have supported the forestry sector to work safely and effectively, to restart and to recover. I am extremely proud of how Scottish Forestry staff have adapted our own working practices and continued to deliver despite the disruptions and difficulties. To them I am extremely grateful.

With the Climate Change Conference of the Parties (COP26) taking place in Glasgow this year, 2021 is a key moment to showcase Scotland's forests and woodlands and the contributions they are making to tackling the current global emergency. Nearly 10 million tonnes of CO₂ are sequestered by our forests every year and, driven by the latest Climate Change Plan Update, we will be working with woodland owners around the country to increase new woodland creation to 18,000 hectares a year by 2024/25 – all this providing a boost to our economy, environment and helping to create healthier lifestyles for all.

Woodland creation has continued to be at the core of our priorities and I am delighted to announce that our teams helped support schemes that planted over 22 million trees in 2020-/21, with just over 10,600 hectares of new woodlands. We have supported all kinds of forestry, from the largest woodland creation scheme of this century – over 900 hectares of

Facal-toisich Ard-Oifigear

Fàilte do Aithisg Bhliadhnail agus Cunntasan Coilltearachd na h-Alba airson 2020/21.

Tha an aithisg seo a' buntainn ris an dàrna bliadhna bho stèidhicheadh Coilltearachd na h-Alba na bhuidheann gnìomha aig Riaghaltas na h-Alba, le uallach airson poileasaidh coilltearachd a leasachadh, comhairle a thoirt do Mhinistearan, agus airson a bhith a' riaghladh agus a' toirt taic do roinn bheothail fhàs-mhor choilltean na h-Alba.

Tha an dà mhìos dheug a dh'fhalbh air a bhith air leth dùbhlach is sinn a' fulang buaidh COVID-19. Bhon Mhàrt seo chaidh tha sinn air taic a thoirt don roinn coilltearachd a bhith ag obair gu sàbhailte agus gu h-èifeachdach, gus ath-thòiseachadh agus faighinn seachad air a' ghalar lèir-sgaoilte. Tha mi air leth moiteil à mar a tha luchd-obrach Coilltearachd na h-Alba air na cleachdaidhean obrach againn atharrachadh agus air cumail a' dol a dh'aindeoin gach ùpraid is duilgheadas. Tha mi air leth taingeil dhaibh.

Le Co-labhairt Atharrachadh Cliomaid nam Pàrtaidhean (COP26) a' tachairt ann an Glaschu am-bliadhna, tha 2021 na phrìomh àm gus coilltean na h-Alba agus na tha iad a' dèanamh gus dèiligeadh ris an èiginn chruinneil a th' ann an-dràsta a thaisbeanadh. Tha faisg air 10 millean tunna de CO₂ air a ghlacadh leis na coilltean againn gach bliadhna agus, air a stiùireadh le Ùrachadh a' Phlana Atharrachadh Cliomaid as ùire, bidh sinn ag obair le sealbhadairean choilltean air feadh na dùthcha gus cur choilltean ùra a chur am meud gu 18,000 heactair sa bhliadhna ro 2024/25 – tha seo uile a' toirt spionnadh don eaconamaidh, don àrainneachd againn agus a' cuideachadh le bhith a' cruthachadh dhòighean-beatha nas fhallaine do na h-uile.

Tha cur choilltean fhathast aig cridhe ar prìomhachasan agus tha mi air leth toilichte

native woodland in Sutherland – to the establishment of a few thousand trees on a croft in Shetland.

Forestry supports around 25,000 jobs and contributes £1 billion to the Scottish economy. As a growing industry, it is important to engage with young people and those looking to change career. This year we supported a Forestry Jobs summit, working in partnership with the private sector to take advantage of new employment and training grant schemes. We also doubled Scottish Forestry's annual intake of students by offering four new students practical training whilst they complete their studies, with a job at the end. Finally, we were delighted to welcome Dr Helen McKay OBE as the new Chief Forester for Scotland, promoting professional standards and the benefits of a career in the sector.

In June 2020, we published our first [Corporate Plan](#) for 2020-2023, setting out our plans to establish Scottish Forestry as a valued and confident agency, committed to sustainable forest management and broader economic, environmental, and social goals.

With the Forest Strategy for Scotland setting out a 50 year ambition we have big and exciting delivery challenges ahead. It is our role to ensure we meet the ambitious woodland expansion targets, to facilitate better management of our woodlands and also to ensure Scottish forests are more resilient, adaptable resources, which support our economy, environment, and our communities. With both the public and private sector in Scotland working together, we are well placed to keep delivering.

I'd like to thank everyone in the forestry, land management, and environmental community for their commitment and support of each other during this year and look forward to working with you in the future.

innse gun do chuidich na sgiobaidhean againn gus taic a thoirt do sgeamaichean a chuir còrr is 22 millean craobh ann an 2020-21 – beagan a bharrachd air 10,600 heactair de choilltean ùra. Tha sinn air taic a thoirt do gach seòrsa coilltearachd, bhon sgeama cruthachaidh coille as motha den linn seo – còrr air 900 heactair de choille dhùthchasach ann an Cataibh – gu stèidheachadh beagan mhiltean de chraobhan air croit ann an Sealtainn.

Bidh coilltearachd a' toirt taic do thimcheall air 25,000 cosnadh agus a' cur billean not ri eaconamaidh na h-Alba. Mar ghnìomhachas a tha a' fàs tha e cudromach gun tèid sinn an sàs le daoine òga agus iadsan a tha ag iarraidh dreuchd ùr. Am-bliadhna thug sinn taic do cho-labhairt Obraichean Coilltearachd, ag obair ann an com-pàirteachas leis an roinn phrìobhaidich gus sgeamaichean tabhartais cosnadh is trèanadh ùra a chur gu feum. Dhùblaich sinn cuideachd an àireamh bhliadhnail de dh'oileanaich Coilltearachd na h-Alba le bhith a' tabhann trèanadh practaigeach do cheathrar oileanach ùra fhad 's a chuireas iad crìoch air an cuid ionnsachaidh, le obair aig an deireadh. Mu dheireadh, bha sinn air leth toilichte fàilte a chur air an Dr Eilidh NicAoidh OBE mar Phrìomh Choillteir ùr na h-Alba, a' cur air adhart inbhean proifeasanta agus buannachdan dreuchd-beatha san roinn.

Am-bliadhna cuideachd dh'fhoillsich sinn a' chiad [Phlana Corporra](#) againn airson 2020-2023, a' mìneachadh ar planaichean gus Coilltearachd na h-Alba a stèidheachadh mar bhuidheann luachmhor agus misneachail, dealasach a thaobh riaghladh coille seasmhach agus amasan eaconamach, àrainneachdail is sòisealta nas fharsainghe.

Le Ro-innleachd Coilltean na h-Alba a' cur air bhonn àrd-amas 50 bliadhna tha dùbhlain mhòra is bhrosnachail againn ri choileanadh. Tha e na dhleastanas oirnn dèanamh cinnteach gu bheil sinn a' ruigsinn nan targaidean àrd-mhiannach againn airson leudachadh coille, gus riaghladh nas fheàrr a dhèanamh air na coilltean againn agus cuideachd gus dèanamh cinnteach gu bheil coilltean na h-Alba nan goireasan nas seasmhaiche agus nas sùbailte a bheir taic don eaconamaidh, don àrainneachd agus do ar coimhearsnachdan. Leis an roinn phoblach agus phrìobhaideach ann an Alba ag obair



Dr David Signorini
Chief Executive / Ard-Oifigear

Purpose & Activities of the Organisation

About Scottish Forestry - who we are, and what we do

Scottish Forestry (SF) was established as an executive agency of the Scottish Government on 1st April 2019, following full devolution of forestry to the Scottish Parliament on commencement of the [Forestry and Land Management \(Scotland\) Act 2018](#) (FLMSA).

We are responsible for the forestry policy, regulatory and support functions of the Scottish Government.

Our functions include coordinating some cross border arrangements for forestry where the Scottish Government (SG) takes the lead, as laid out in the Memorandum of Understanding on the Cross-Border provision of Forestry Functions and Research Delivery agreed with the Welsh and UK Governments. These cover management and development of the UK Forestry Standard and the Woodland Carbon Code as well as the provision of economic advice on forestry. In support of this formal role, we are also committed to maintaining positive and constructive engagement with forestry leads in the English and Welsh administrations.

còmhla, tha sinn ann an deagh shuidheachadh a bhith a' cumail oirnn a' coileanadh.

Bu mhath leam taing a thoirt don h-uile duine sa choimhearsnachd coilltearachd, riaghladh fearainn agus àrainneachd airson an dealais agus an taic dha chèile tron bhliadhna seo agus tha mi a' coimhead air adhart ri bhith ag obair còmhla ribh san àm ri teachd.

Greater policy alignment and a strong voice for forestry in government were two of the objectives in completing devolution to Scotland. To ensure that our policy functions are integral to wider Scottish Government policy-making, we have a 'close-in' relationship to other parts of the Scottish Government and with Ministers. Our policy officials work very closely with relevant colleagues elsewhere in the Scottish Government.

We regulate forestry activities, including those of Forestry and Land Scotland (FLS), with powers granted under the FLMSA and other secondary legislation, regulations and standards including:

- [The UK Forestry Standard \(UKFS\)](#)
- [The Felling \(Scotland\) Regulations 2019](#)
- [The Forestry \(Exemptions\) \(Scotland\) Regulations 2019](#)
- [Forestry \(Environmental Impact Assessment \(Scotland\) Regulation 2017](#)
- [Plant Health \(Forestry\) Order 2005](#)

Funding for our work

We receive our funding from the Scottish Government. Scottish Parliament approval is granted through the annual Budget Acts and through Budget Revisions, typically twice a year in the autumn (ABR) and the spring (SBR).

The main funding covers support for forestry and the rural economy, including grants paid to private woodland owners. During 2020-21 EU

funding was also received via the Scottish Government's Rural Payments and Inspections Directorate (SGRPID) to support grants under the Scottish Rural Development Programme.



Structure

We operated a management model of five functional teams:

- Standards, Evidence and Expertise;
- Policy;
- Operational Development;
- Operational Delivery, and
- Finance and Business Support.

An Executive Office supports the Chief Executive Officer (CEO) in corporate activities

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including developing and monitoring the [Corporate Plan](#) and communications.

Each function is led by a Head who reports to the CEO. The CEO is supported in discharging their governance responsibilities by the

- Strategic Advisory Group (SAG),
- Senior Executive Team (SET), and an
- Audit and Assurance Committee (AAC).

Further information on the SAG, SET, and AAC can be found in the Corporate Governance Report.

Key Risks and Challenges

The overarching risks and uncertainties facing our organisation relate to our ability as a new agency to deliver targets whilst balancing these requirements with the capacity, capabilities, and welfare of our workforce.

Additional challenges in 2020-21 related to the wider political and economic uncertainties associated with the preparation for, and impact of, EU Exit. Tree Health continues to be a long-term challenge.

Our approach to Risk Management is discussed within the Governance Statement, and the table below summarises an example of the key risks faced during 2020-21, the mitigating actions taken, and further actions planned.

Key Risks and Challenges

Ensuring staff capacity and capability is in place to meet the increased Woodland creation target of 18,000 Ha per year by 2024 while continuing to regulate and support other areas of work (such as Long Term Forest Plans).

Mitigation & Further Actions

Engaging with SG regarding increased funding to support programme costs, this has resulted in additional resource funding allocated of £600k for 21-22. The business planning exercise is being undertaken to identify how to use this extra resource, through a Programme approach. Teams will look at requirements and outcomes as part of annual business plan exercise. Two SET members are preparing a framework on future working arrangements in the Conservancies.

We will also continue to review the woodland planting targets, taking account of staffing and budgetary issues, the required rate, and scale of land-use change and associated behaviour change among land managers, and wider drivers including carbon markets and opportunities through low carbon/ green finance.

Ensuring full compliance with all records management legislation and best practice, and reducing the current reliance on paper records.

Any negative impact on forestry due to the implementation of the UK-EU Trade Cooperation Agreement and UK Internal Market Act leads to friction in international trade, that impacts on forestry e.g. movement of timber, timber products and plants (e.g. tree seedlings), implementation of the new cross border phyto-sanitary checks and associated costs and the subsidy rules that will replace the EU State Aids regime.

Potential cyber-attack and ongoing risk of (targeted) phishing emails which could cause significant system failures.

Implementation of the Data Audit Project has been mapped against the National Records of Scotland Records Management Plan and our data protection requirements, with details of each task, owners and those with responsibilities to take the tasks forward. Embed data protection element to Data Audit Project.

Work is being carried out by staff who are supported by the activities of the Data Protection Officer and the Information Governance Group.

The group will review the situation and consider options for bringing in external expertise and conducting additional training for staff.

Continually review the SF post EU Exit work programme and engage with SG and UK Government.

Work on future frameworks (e.g. Subsidy Control) to ensure issues are flagged and resources are most effectively deployed.

Work has been carried out with SG and FLS to support cyber security. Ongoing raising of staff awareness of how to be alert to phishing emails. Implementation of digital security systems. Link to other areas of work such as the Business Continuity Plan. System response to cybersecurity risk laid out in Disaster Recovery and Business Continuity document in place.

National Policy Context

Delivering within Scotland's National Performance Framework

We directly contribute to the outcomes based approach, set out in the SG's National Performance Framework. This means that our corporate objectives are aligned with this larger national framework, helping to demonstrate how we will help the delivery of its objectives.

The breadth of our work across rural and urban areas means that we contribute to many national outcomes.

Within the National Performance Framework, the primary National Outcomes that drive our organisation's work are:

- We value, enjoy, protect and enhance our environment;

- We have a globally competitive, entrepreneurial, inclusive and sustainable economy; and
- We are healthy and active.

National Performance Framework



Responding to the Global Climate Emergency

The Scottish Governments commitment to achieving net-zero greenhouse gas emissions by 2045 has continued to provide additional impetus to our work to increase woodland creation, and the greater use of wood in construction, to replace materials with a greater negative climate impact. Building on the significant success achieved in 2019-20 and by our predecessor, Forestry Commission Scotland, a significant focus of our work during the year was therefore continuing to help Scotland towards achieving significant increases in woodland creation for 2024-25 in line with SG targets.

Strategic Objectives

Given the policy context and strategic drivers described above, in the [Business Plan](#) we developed three Strategic Objectives.

1. Sustainable forest management is an integral part of public policy, particularly through leading and coordinating the delivery of Scotland's Forestry Strategy (SFS).

2. Develop our people and culture to improve performance and resilience, building a dynamic, flexible and modern workforce which serves the forestry sector and wider Scotland well.

3. We aim to become a more innovative, efficient and accessible organisation by delivering process improvements, and harnessing digital and technological solutions.

The following pages detail our Strategic Objectives during the year and highlight the actions we took to deliver on them. The risks mentioned above had an impact on the delivery of certain of these themes.

SO	Activity	Outcome
Take action to support the forestry sector to recover.		
1.1.1	Using our regulatory, support and funding powers, we will work with others to support delivery of the Forestry Sector Restart and Resilience Plan to ensure that the sector emerges stronger from this emergency.	Achieved
1.1.2	Approval of project support for 2020-21 applications that involve funding third party staffing	Achieved
1.1.3	Work with the Scottish Forest Industry and Timber Technology Leadership Group to deliver the outcomes of the Routes for Further Growth Strategy in partnership with the Enterprise Agencies.	Ongoing
Support delivery of Scotland's Forestry Strategy Implementation Plan.		
1.2.1	Work with stakeholders and delivery partners to prioritise the actions from the Implementation Plan that best support the forestry sector recover from the impacts of the coronavirus emergency.	Ongoing
1.2.2	Protect the long-term health of Scotland's trees, woods and forests to maintain their capacity to deliver a wide range of benefits for wellbeing and sustainable economic growth, through efficient and effective management of tree pests and diseases, coupled with longer term resilience building measures.	Ongoing
Develop and implement protocols for safe working at home, in the office and on site.		
2.1.1	In line with the most up to date Scottish Government guidance, work with staff and the trade unions to develop protocols for safe working at home, in the office and on site. We will prioritise activity which most enables sector recovery and delivers the Scottish Forestry's Strategy Implementation Plan.	Achieved
Create and maintain a skilled and competent workforce with the capacity to meet customers' needs and deliver organisational priorities.		
2.2.1	Reopen paused and pending vacancies	Achieved

2.2.2	Make posts more flexible, to be based anywhere to enable a greater use of skills across organisation; improved recruitment and promotion opportunities.	Ongoing
2.2.3	Review results of People Survey and ensure that planned activity addresses concerns raised	Achieved
2.2.4	Produce a Workforce Plan with a strategy to address on-going issues of staff retention and recruitment, succession planning, and enabling career progression opportunities.	Ongoing
2.2.5	Identify and implement flexible solutions to increase organisational capacity and develop key skills to allow SF to meet future customer needs and workload pressures	Achieved
2.2.6	Attract, recruit, develop and progress the staff needed to maintain organisational performance and customer service	Achieved
2.2.7	Review current training, learning and skills development within our organisation. Assess whether this is fit for purpose and identify areas of action.	Ongoing
2.2.8	Carry out a workforce profile of our organisation to establish how well our workforce reflects our organisation priorities. Seek opportunities for diversifying our workforce.	Ongoing
2.2.9	Review and update our policies and procedures on staff wellbeing, including health and safety, mental and physical health, and work/life balance.	Achieved
2.2.10	Representation - Maintain and develop the structures and channels in our organisation to ensure staff are effectively represented and have a voice	Achieved
2.2.11	Review and implement new HR policies, including staff engagement and our approach to leadership and management development	Ongoing
Deliver values based culture change across the organisation.		
2.3.1	Recruit a Chief Forester who will ensure that professional forestry expertise is at the heart of policy and practice in the public sector.	Achieved
2.3.2	Develop the unity and identity of our organisation through national and team based events, to take forward and embody our organisations values.	Achieved
Ensure effective policy engagement across Scottish public sector Use improved business processes to support excellent customer service.		
3.1.1	Ensure that forestry's interests are understood and reflected in wider Rural Economy policy as the sector transitions through restart and resilience	Ongoing
3.1.2	Address the risks posed to Scottish Forestry and the Forestry Sector by EU Exit	Achieved
3.1.3	Review the evidence base for forestry in Scotland, define evidence needs and work to establish shared programme of evidence-gathering activity.	Achieved
3.1.4	Develop, co-ordinate and support the delivery of the Forestry Strategy Implementation Plan.	Ongoing
3.1.5	Ensure positive, effective and efficient SG engagement in cross-border forestry arrangements.	Ongoing
3.1.6	Increase the profile of forestry in helping Scotland address the challenges of the global climate emergency.	Ongoing
3.1.7	Introduce a Forestry Loan Scheme focussed on helping smaller scale applicants with initial cash flow on approved schemes	Ongoing
Use improved business processes to support excellent customer service and use effective financial planning and management information to drive decision making, improve productivity and performance.		
3.2.1	Introduce new guidance for Local Planning Authorities to identify potential for larger new woodlands at a landscape scale	Ongoing
3.2.2	Introduce new templates and guidance which simplify the application process for low sensitivity small schemes without the requirement for specialist input	Ongoing
3.2.3	Maintain business resilience	Achieved

3.2.4	The processing and payment of grant claims, to customers who have already funded and completed work	Achieved
3.2.5	Organisational shift towards electronic transaction processing, authorisation and audit checking, which will allow for greater business continuity where invoices/transactions can be processed, authorised and checked from any location where network can be accessed.	Achieved
3.2.6	Work with FLS and others to ensure implementation of a new finance system	Ongoing
Use effective financial planning and management information to drive decision making, improve productivity and performance.		
3.3.1	Ensure effective Treasury Management	Achieved
3.3.2	Ensure budgetary/financial systems and processes facilitate financial sustainability and value for money	Achieved
3.3.3	All offices reconfigured to meet physical distancing requirements of Scottish Government Guidance. Staff will continue to be supported to work from home where necessary. Teams can function and work well together as teams, with motivated staff who feel connected.	Ongoing
Ensure that Scottish Forestry operates as a high performing public agency, and complies with the relevant corporate and statutory obligations.		
3.4.1	Review nationally based meetings, taking account of learning from lockdown and homeworking, to assess the potential to save organisational resources in terms of staff time and travel costs.	Ongoing
3.4.2	Organisational shift to Electronic and Data Management (eRDM) and other digital storage systems resulting in a more flexible, agile organisation better able to work with partners who are already digital. Development of information asset register and processes for staff to correctly store / manage documents. Solutions to be found for current paper based systems.	Ongoing
3.4.3	Ensure compliance with corporate responsibilities.	Ongoing
3.4.4	Processing of official correspondence, FOIs, PQs to agreed deadlines.	Achieved

Performance summary

In the year, we set out in our Business Plan three objectives with thirty-nine priorities. Of these priorities set in April 2020, nineteen were achieved and twenty are ongoing. Of the twenty that are ongoing, three have been delayed due to the ongoing pandemic, nine were due to take two years to complete and eight will cover multiple years due to ongoing commitment. There was no impact on SF for not achieving all of the priorities. More information is included on each of the objectives and priorities in the Performance Analysis section.

Resources to fund our activities predominately come from the SG. The total budget allocated to SF to run the service is through Fiscal Resource, for grant payments towards the planting target this came from Fiscal Capital

and for depreciation of assets; this comes from Non-cash budget. The total available for SF at the start of the year was a net figure of £47.5m. Following the autumn and spring Budget revisions this had increased to a net figure of £56.9m. The out-turn position is £44.2m a saving against the budget of £12.7m.

The planting target of 12,000ha was not achieved during 2020-21 where 10,600ha was recorded as being planted.

Further information can be found in the Financial Analysis section within the Performance Analysis and in the accounts and notes.

Performance Analysis



Within this section, we show how we have performed on each of our priority themes, our financial analysis and it includes our non-financial information

We published our Business Plan, in June 2020, which drew together our priorities and resourcing for 2020-21. It along with the Corporate Plan detailed how we planned to take forward the Scottish Government's priorities. The following sections set out how the Agency performed during 2020-21.

Of these thirty-nine priorities covering the three objectives, nineteen were achieved during the year and twenty were ongoing. Of the twenty that are ongoing, three have been delayed due to the ongoing pandemic, nine were due to take two years to complete and eight will cover multiple years due to ongoing commitment. There was no impact on SF for not achieving all of the priorities.

Performance during the Year

Through the work of our conservancies and technical forestry specialists, we deliver high quality services to those involved in the management and expansion of Scotland's woods and forests to meet the following targets. The key risks and challenges as stated on page seven above had an impact on the delivery of these strategic objectives.

The Key Performance Indicators referred to in our Business Plan were not developed during 2020-21, but these will be progressed in 2021-22 further information is shown in the Plans for 2021-22 in the Corporate Governance Report.

Strategic Objective 1

The objective ensures that sustainable forest management is an integral part of public policy, particularly through leading and co-ordinating the delivery of Scotland's Forest Strategy.

Under this objective, our priorities were to:

1.1 Take action to support the forestry sector to restart

1.1.1 Using our regulatory, support and funding powers, we will work with others to support delivery of the post Covid-19 Forestry Sector Recovery Plan to ensure that the sector is able to emerge stronger from this emergency. **Achieved**

The plan is being implemented in collaboration with the forestry sector and the Forestry Industry

Safety Accord (FISA) - relevant guidance continues to be updated as necessary. Focused support includes Scottish Forestry's contribution to the Scottish Government's green recovery by doubling its employment of assistant woodland officers. A Forestry Jobs Summit in December 2020 promoted the up take of the 'Young Person Guarantee' and 'Kickstart' programmes by the private forestry sector. Scottish Forestry has also engaged staff to discuss preferences and options for hybrid working once offices re-open, to understand opinions on more flexible working arrangements.

1.1.2 Approval of project support for 2020-21 applications that involve funding third party staffing. **Achieved**

Priority was given to the approval of Forestry Strategy Implementation Fund projects that contributed to the cost of third party staff. All relevant projects were approved.

1.1.3 Work with the Scottish Forest Industry and Timber Technology Leadership Group to deliver the outcomes of the Routes for Further Growth Strategy in partnership with the Enterprise Agencies. **Ongoing**

Ongoing support provided for various research programmes focused on improving the understanding of the timber properties of domestic timber, how that resource can be used for timber engineering and buildings, and also several PhDs (2 related to biorefining and 1 looking at genetic diversity). New research programme commissioned (and underway) looking at potential for domestic manufacture of wood fibre insulation.

1.2 Support delivery of Scotland's Forestry Strategy Implementation Plan.

1.2.1 Work with stakeholders and delivery partners to prioritise the actions from the Implementation Plan that best support the forestry sector. **Ongoing**

Priority actions included updating and implementing the forestry sector restart and resilience plan in collaboration with the sector and Forest Industry Safety Accord. Also supporting SG's green recovery through doubling the number of assistant woodland

officers, promoting the uptake of the 'Young Person Guarantee' and 'Kick-start' programmes by the private forestry sector to increase employment opportunities.

1.2.2 Protect the long-term health of Scotland's trees, woods and forests to maintain their capacity to deliver a wide range of benefits for wellbeing and sustainable economic growth, through efficient and effective management of tree pests and diseases, coupled with longer term resilience building measures. *Ongoing*

The global pandemic meant that Scottish Forestry's typical programme of helicopter-based tree-health surveillance was severely modified. However, we successfully completed a single survey across Scotland using alternative technologies, including fixed wing photography and the use of drones and satellite imagery. We are currently evaluating the benefits of this technology with a view to incorporating them, in some form, into future surveillance programmes.

We also have reviewed our biosecurity advice, updated our web pages, and simplified our guidance to the sector. Our aim is to integrate good biosecurity practice into all forest operations. The Tree Health Team are currently reviewing and updating all of our contingency plans, taking on board new research evidence and information on the likelihood of pest and disease incursion from outside of the UK. We work closely across the UK Plant Health Service to share intelligence and to agree on appropriate contingency actions.

Strategic Objective 2

This objective develops our people and culture to improve performance and resilience, building a dynamic, flexible and modern workforce which serves the forestry sector and wider Scotland well.

Under this objective, our priorities were to:

2.1 Develop and implement protocols for safe working at home, in the office and on site

2.1.1 In line with the most up to date Scottish Government guidance, work with

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staff and the trade unions to develop protocols for safe working at home, in the office and on site. We will prioritise activity which most enables sector recovery and delivers the SFS Implementation Plan. *Achieved*

We have worked with FISA to develop site safe working practices and the resilience group have developed and published protocols for working at home and in the office. These have been continually updated throughout the year as SG guidance has changed.

2.2 Create and maintain a skilled and competent workforce with the capacity to meet customers' needs and deliver organisational priorities

2.2.1 Reopen paused and pending vacancies. *Achieved*

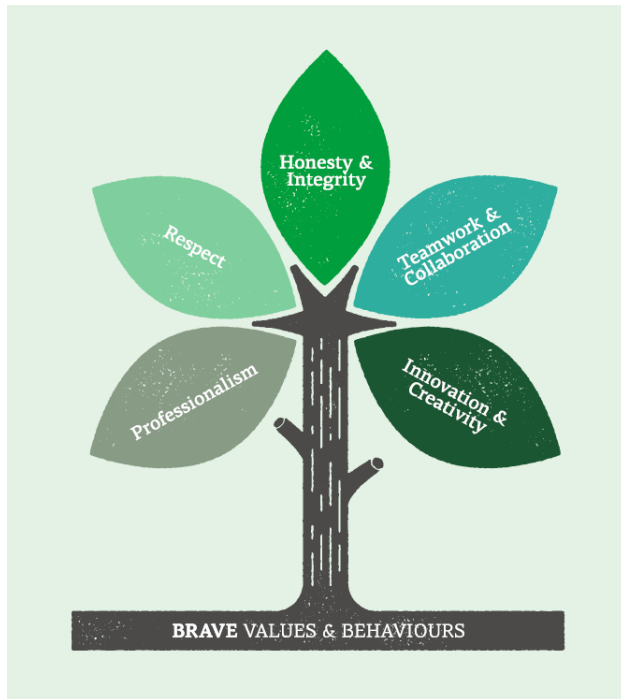
In June and July, work was undertaken behind the scenes to ensure that interviews could take place through video conferencing and new procedures were implemented. This allowed in August the recruitment process to recommence. As a result, twenty-five members of staff were successfully appointed up to the end of the year covering a variety of positions.

2.2.2 Make posts more flexible, to be based anywhere to enable a greater use of skills across organisation; improved recruitment and promotion opportunities. *Ongoing*

As a result of staff working from home during the Covid-19 pandemic, work has commenced to review existing policies regarding flexible working and to assess how these can be improved and expanded in the coming months. Flexibility in location is more commonplace in job advertisements and offers of employment. Managers are actively considering what were considered 'National office' roles being based outside Edinburgh. As part of the new recruitment system, it will be raised as to whether we can monitor jobs by geography.

2.2.3 Review results of People Survey and ensure that planned activity addresses concerns raised. *Achieved*

The results of the People Survey were discussed in detail in December 2020. In terms of actions being taken on different issues. It was recognised that 2021 would also be challenging and there is a risk that staff will embark on 2021 already feeling tired and overwhelmed by ongoing work pressures. The evidence from the survey is that we should continue with an open, approachable, proactive style of leadership approach and build on our values-based work.



As such, we defined our values and behaviours, through The 'BRAVE' format, which was rolled out from March onwards. This clearly states the high standards we expect in our working environment, allowing our staff and customers to feel safe, valued, included and respected. It is a statement about not only how we treat others but also how we expect to be treated. By clearly stating our values and behaviours, we have a benchmark to identify behaviours that go against our values and enables staff to speak up.

Covid-19 has had a significant impact on staff members' physical and mental wellbeing, and the priority has been to create a supportive environment through regular communications on support and workshops available, enabling staff with schooling/caring responsibilities to

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reduce their working hours, and reinforcing the wellbeing message in the staff briefing/video.

A number of staff responded in the survey about Bullying and harassment and as such SET have taken immediate action including through mandatory "Engaging the Bystander" training. It is hoped that this will effectively address and reduce such instances but this will be monitored going forward including in the next staff survey.

Learning and Development scores will be addressed by action on the results of the Skills/Training Matrix, and providing more remote learning opportunities through iLearn. Individual Cost Centres have held sessions with their staff members to discuss in detail actions, which can be taken forward at a team level.

2.2.4 Produce a Workforce Plan with a strategy to address on-going issues of staff retention and recruitment, succession planning, and enabling career progression opportunities. *Ongoing*

A paper was presented to the Strategic Advisory Group in March 2021 outlining the future operating model for Conservancies. This is being taken forward as part of the business planning cycling 21-22. A Workforce Plan for the whole organisation has still to be developed. However, work has been done on background indicators and as part of the revised Improvement Programme, different areas will be taken forward such as a review of flexible working and enabling staff to develop the skills they need for their role.

2.2.5 Identify and implement flexible solutions to increase organisational capacity and develop key skills to allow SF to meet future customer needs and workload pressures. *Achieved*

Covid-19 has driven working from home, the use of Microsoft Teams and increasing the use of digital processes. In addition, other online services have been developed including iTrent (the new HR and Payroll system) and iLearn (our Learning Management system). iLearn has been used successfully to host organisation wide online learning during lockdown, such as Engaging the Bystander and Stretching from Home. A Skills matrix is now in place, which

maps the learning, skills, and training requirements at a team level.

2.2.6 Attract, recruit, develop, and progress the staff needed to maintain organisational performance and customer service. *Achieved*

A series of recruitment exercises have been undertaken throughout the year to recruit Assistant Woodland Officers and Woodland Officers. As a result, we appointed four Woodland Officers and five Assistant Woodland Officers; four of these were through the undergraduate recruitment process. In addition, we promoted two Assistant Woodland Officers to Woodland Officers.

The landing page on our website for potential new staff has been revised, which will provide potential applicants with more information about the types of roles SF offers. It provides information on what it is like to work for SF.

The on boarding of new staff has been improved with a welcome pack, training, and events. The events include an online induction session with speakers from across the organisation. This has allowed new staff to get a fuller picture of the organisation and to meet other staff in other areas of the business and the country. Especially in the current climate, this has brought the new staff into the SF family.

2.2.7 Review current training, learning, and skills development within our organisation. Assess whether this is fit for purpose and identify areas of action. *Ongoing*

A comprehensive skills matrix has been established, establishing what skills and competencies must be in place for each function across every team. Learning and training opportunities for each of these skills and competencies has been identified - for example, by producing information for the Induction; developing internal training materials, courses and workshops; providing internal buddying and mentoring opportunities; sourcing external training; and flagging relevant resources on the web. Monitoring a staff member's learning is being piloted through iLearn.

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2.2.8 Carry out a workforce profile of our organisation to establish how well our workforce reflects our organisation priorities. Seek opportunities for diversifying our workforce. *Ongoing*

In autumn 2020, staff were asked to revisit the Equality Data held in the Agency's HR Information System, iTrent. Equality monitoring reports have been prepared for inclusion in the Mainstreaming Equality Report, which was published in April 2021.

Equality, Diversity and Inclusion (EDI) is a standing item on the SET Agenda. An EDI Action Plan was prepared in autumn 2020; this is now being revised and updated to include outcomes from the Mainstreaming Report.

2.2.9 Review and update our policies and procedures on staff wellbeing, including health and safety, mental and physical health, and work/life balance. *Achieved*

Throughout the year, the SF Resilience Group worked with colleagues in the Health, Safety, and Wellbeing team to support wellbeing initiatives. The Wellbeing Adviser hosted Wellbeing Action Plan and Stress Risk Assessment sessions for SF Managers. Cost Centre and Line Managers were required to complete regular Working from Home reviews with their direct reports and to flag any issues or concerns. Through regular staff communications, the SET encouraged staff to take breaks from work and to balance home and work life.

2.2.10 Representation - Maintain and develop the structures and channels in our organisation to ensure staff are effectively represented and have a voice. *Achieved*

The Staff Council met three times during 20-21, to discuss strategic issues affecting the Agency. There is an annual Staff Survey facilitated by SG, where the results are reviewed and discussed at SET and Cost Centre Level. The latest survey had a 92% participation rate and resulted in a decision to implement "engaging the bystander" training to ensure that all staff challenge unacceptable behaviours when these are witnessed.

2.2.11 Review and implement new HR policies, including staff engagement and our approach to leadership and management development. *Ongoing*

The Senior Executive Team, Change and Policy team and the Senior HR Business Partner have continued to work closely with the People Policy team in the development and review of Policies and Procedures, initially with a focus on Probation, Performance Management and Development, Managing Performance. Staff from across the organisation have been represented in the workshops reviewing policies. A new Performance Management Policy and supporting documentation was agreed and was rolled out in July 2021. The Improvement Programme has compiled a list of L&D required by different staff groups. This document formed the basis of discussion by the Senior Executive Team in spring 2021. There is both Staff council and Trade Union representation on Resilience Group. There is a dedicated email address for staff to ask about Covid-19 related issues.

2.3 Create & Deliver values based culture change across the organisation

2.3.1 Recruit a Chief Forester who will ensure that professional forestry expertise is at the heart of policy and practice in the public sector. *Achieved*

Dr. Helen McKay was appointed as Chief Forester in August 20, and her three key work areas are: providing professional advice; acting as Head of Profession within the public sector; and promoting professional forestry for the sector as a whole.

2.3.2 Develop the unity and identity of our organisation through national and team based events, to take forward and embody our organisations values. *Achieved*

Throughout lockdown, colleagues have been providing one another support through different activities such as team events, virtual coffee mornings, drop in's, film club, quiz nights, team box of challenges/treats.

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The BRAVE format of our values has now been developed and will be rolled out from March onwards.

Strategic Objective 3

The objective sets out the aim to become a more innovative, efficient and accessible organisation by delivering process improvements, and harnessing digital and technological solutions.

Under this objective, our priorities were to:

3.1 Ensure effective policy engagement across Scottish public sector. Use improved business processes to support excellent customer service through:

3.1.1 Ensure that forestry's interests are understood and reflected in wider Rural Economy policy as the sector transitions through restart and resilience. *Ongoing*

Liaison continues with relevant SG teams, the Cabinet Secretary and forestry sector regarding the Covid-19 restart and resilience plan.

3.1.2 Address the risks posed to Scottish Forestry and the Forestry Sector by EU Exit. *Achieved*

An EU Exit Group was established within SF to scope the range of potential impacts, identify mitigating actions and co-ordinate the monitoring and reporting of progress. A risk-based approach was used to prioritise SF's actions and work with other SG teams and SG Legal Directorate e.g. plant health legislation. SF actions were delivered including liaison with counterparts in other UK governments. SF also collaborated closely with the forestry sector to better understand potential impacts and mitigating actions, such as with the Timber Packaging and Pallet Confederation and the work they carried out on managing the new arrangements for the movement of wood packing material.

3.1.3 Review the evidence base for forestry in Scotland, define evidence needs and work to establish shared programme of evidence-gathering activity. *Achieved*

A stocktake was carried out to review the evidence base developed as part of the last UK

Science and Innovation Strategy. The evidence needs for Scotland were then defined working across teams in SF and wider SG and external stakeholders. These were combined with the other UK countries and some high level Areas of Research Interest were developed for the new UK Science and Innovation Strategy. This Strategy was developed, drafted by the member of the Research Strategy Reference Group and has been published. The research questions gathered have also been used to define the content of the research programmes that will sit under the Science and Innovation Strategy, and to identify any gaps that could be commissioned via other providers.

3.1.4 Develop, co-ordinate and support the delivery of the Forestry Strategy Implementation Plan. Ongoing

The implementation plan was published in June 2020 and SF actions are being progressed ahead of the delivery deadline of 31 March 2022. Implementation Plan actions were prioritised for funding under the Forestry Strategy Implementation Fund. Due to the impact of Covid-19 on delivery partners capacity (e.g. furlough) some actions have been delayed. An internal review of actions will be carried out including discussions with external organisations regarding the deliverability of delayed actions.

3.1.5 Ensure positive, effective, and efficient SG engagement in cross-border forestry arrangements. Ongoing

SF are leading the delivery of three cross border forestry functions (UK Forest Strategy, forest economics, and Woodland Carbon Code). Good progress is being made with the delivery of annual work plans via on-going collaboration with other country counterparts. Input to functions led by other countries (e.g. research commissioning) have been delivered to support the delivery of the function and reflect Scotland's interests.

3.1.6 Increase the profile of forestry in helping Scotland address the challenges of the global climate emergency. Ongoing

Forestry has a prominent role in Scotland's Climate Change Plan, boosted by an additional

£100m of government support to increase woodland creation to 18,000 hectares a year by 2024-25. SF is working with land managers, investors, market intermediaries, and international standard-setters to promote the contribution of forestry in removing CO₂ emissions, including through mechanisms such as the Woodland Carbon Code. We have also commissioned new research to improve understanding of how different forest management strategies sequester CO₂.

3.1.7 Introduce a Forestry Loan Scheme focussed on helping smaller scale applicants with initial cash flow on approved schemes. Ongoing

The new Small Woodlands Loan Scheme was announced by Cabinet Secretary at the Scottish Crofting Federation event 16 March 2021, with applications now being received. Work is ongoing internally to include modifications to Casebook system to manage this process. The first phase for handling applications through to payments is operational and the remaining functionality will be implemented in October 2021.

3.2 Use improved business processes to support excellent customer service, and use effective financial planning and management information to drive decision-making, improve productivity and performance

3.2.1 Introduce new guidance for Local Planning Authorities to identify potential for larger new woodlands at a landscape scale. Ongoing

Work is currently underway with Scottish Borders Council and East Ayrshire Council. The current work is reliant on third party progress: a tender for writing the new guidance and a landscape capacity study are underway for the respective councils.

3.2.2 Introduce new templates and guidance, which simplify the application process for low sensitivity small schemes without the requirement for specialist input. Ongoing

The new guidance and small-scale operational plan were introduced in November 2020 and

were well received by the sector. A further deliverable has been identified in this work area: An online Woodland Creation Application platform that allows the production of maps and other application documents. This work is piggybacking on the Department for the Environment, Food and Rural Affairs' (DEFRA) Environmental Land Management scheme, which we contribute to financially, with the Woodland Trust as a delivery partner, to adapt this platform for use in Scotland. This project is hoped to be open to a limited number of users by September 2021 and open fully in at the start of 2022.

3.2.3 Maintain business resilience. Achieved

The Business Continuity Plan has been kept updated throughout the year, responding to the evolving situation. Lessons learned arising from lockdown have been identified, and improved ways of working taken forward to enable SF to maintain resilience in the future, such as increased flexible working, the roll out of Microsoft Teams and improvements to our staff communications.

3.2.4. The processing and payment of grant claims, to customers who have already funded and completed work. Achieved

We met the published SG 2020 Rural Payments Strategy Timetable for all forestry annual recurring grants and SF continues to process submitted capital claims for grant immediately upon receipt on an ongoing basis throughout the year.

3.2.5. Organisational shift towards electronic transaction processing, authorisation and audit checking, which will allow for greater business continuity where invoices / transactions can be processed, authorised and checked from any location where network can be accessed. Achieved

As a result of Covid-19, the Finance and Business Support team initiated new electronic working practices, which replaced processes, which were mostly manual. The new processes were developed taking full accountability and traceability. This change was rolled out to conservancies once guidance was prepared. A

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second phase of storing accounts payable invoices on the accounting system along with the approval has been successfully trialled by the Finance and Business Support team. This too has been subsequently rolled out to conservancies.

3.2.6. Work with FLS and others to ensure implementation of a new finance system. Ongoing

SF have created a small working group, which has worked with FLS in the scoping of a new finance system, which would be suitable for both organisations. At the same time SF are also in discussion with SG to ascertain how its finance system could be used by SF. It is hoped that this will provide SF with a range of options in choosing a new finance system in the next few years.

3.3. Use effective financial planning and management information to drive decision-making, improve productivity and performance.

3.3.1. Ensure effective Treasury Management. Achieved

The Finance and Business Support team have built on previous years' work in developing processes for successfully projecting cash balances and identifying when cash is required to be drawn down without impacting on our ability to make payments on time.

3.3.2. Ensure budgetary/financial systems and processes facilitate financial sustainability and value for money. Achieved

Over the last few years Finance & Business Services team have amended their working practices to ensure that the income and expenditure continues to reflect the most accurate position. One example is the team taking on more functions, which were previously carried out by third parties resulting in accurate data being input into the finance system in a shorter period of time and giving the team more oversight of the process.

3.3.3. All offices reconfigured to meet physical distancing requirements of Scottish

Government Guidance. Staff will continue to be supported to work from home where necessary. Teams can function and work well together as teams, with motivated staff who feel connected. Ongoing

In line with SG guidance, most staff have not returned to the office in 20-21. A Pulse Survey of staff in May 2020 highlighted a range of issues staff were experiencing working from home, and in response to these issues: guidance on working from home was issued to all staff. Staff were asked to complete a working from home checklist and have a wellbeing conversation with their manager. Processes were also put into place to help colleagues purchase relevant equipment that they required to carry out their work within their home environment. Arrangements were made to provide safe access to offices where necessary. Training on managing teams remotely was made available on iLearn. Microsoft Teams was rolled out with accompanying learning resources to all staff, which allows for better communication between colleagues and teams. Taking into account the requirements of our staff including home schooling, flexible working was put into place. There was a focus on providing support, advice, and proactive/reactive communications.

3.4. Ensure that Scottish Forestry operates as a high performing public agency, and complies with the relevant corporate and statutory obligations.

3.4.1. Review nationally based meetings, taking account of learning from lockdown and homeworking, to assess the potential to save organisational resources in terms of staff time and travel costs. Ongoing

A Blended Working Survey took place in July 2020, seeking to capture some of the learning and experiences of staff from lockdown. Staff felt some tasks could not be undertaken remotely, such as referencing paper files for legacy cases; collecting pool car keys or equipment for inspections, visits, surveys etc.; and printing off large maps and other documents. There were other 'people' based areas of work which many felt were better done face to face such as inducting a new member of staff; complex casework discussions, particularly those with a spatial dimension; and

sensitive team discussions or disciplinary procedures. Some staff also felt that certain tasks – exchanging views and giving advice, collaborating on a document or project, or providing training - could be more easily or quickly be done in person. This feedback is being used to assess which meetings and activities need to take place face to face and in an office base in the future.

3.4.2. Organisational shift to Electronic Record and Document Management (eRDM) and other digital storage systems resulting in a more flexible, agile organisation better able to work with partners who are already digital. Development of information asset register and processes for staff to correctly store / manage documents. Solutions to be found for current paper based systems. Ongoing

Considerable progress has been made in this area, following on from the preparation and submission of our Records Management Plan in October 2020. Some elements of this have been completed in 20-21, such as the allocation of management responsibilities and the publication of a Records Management Policy. An Information Governance Group has been established, with relevant members of staff from across the organisation ensuring they have an overview of areas such as records management, data protection, management of information, Freedom of Information requests (FOI) and Environmental Information Regulation requests, information and digital security and incident reporting and investigation. The group are collaborating on a data audit, working together on tasks such as business classification development and implementation (including the use of eRDM and establishing processes for paper documents), retention and destruction schedules, and archiving / transfer arrangements. There has been an investment in staff skills, with training being organised for key staff in records management and data protection.

3.4.3. Ensure compliance with corporate responsibilities. Ongoing

Our corporate responsibilities have been comprehensively mapped out with an accompanying timetable of reporting tasks, and

our progress is regularly updated. In 2020-21, we published our first Corporate Plan, produced our second annual Business Plan and associated Team Plans; drafted our Corporate Parenting Plan; put into place a plan for our Sustainable Reporting duties; laid out a plan to undertake a Data Protection audit; and continued to support and develop our governance structures.

3.4.4. Processing of official correspondence, FOIs, Parliamentary Questions to agreed deadlines. *Achieved*

SF since becoming an agency have been using the Micase system developed and introduced by SG for recording and managing all Freedom of Information requests, Ministerial and general correspondence and complaints. The system

records actions, allocation to case officer and generates deadlines in line with statutory requirements and SG policy and produces performance metrics. Parliamentary Questions are recorded on the Scottish Government's Parliamentary Questions tracker system. The Scottish Government have agreed a target of 95% of request and review responses issued on time, with the Scottish Information Commissioner for FOI responses: During 20-21, we achieved 98%.

Financial Analysis Financial Position

During the year, our budget can be subject to revision and adjustment via Scottish Government's ABR and SBR. The table below shows the movement in our budget and comparison with the outturn for 2020-21.

	Original Budget	ABR adjust	SBR adjust	Total Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000
Income - EU	(26,900)	0	0	(26,900)	(14,044)	12,856
Income - Other	(60)	0	(178)	(238)	(963)	(725)
Staff	8,648	0	266	8,914	8,727	(187)
Other Admin Costs	4,462	0	48	4,510	3,406	(1,104)
Programme Costs						
- Forestry Grants	53,800	1,500	0	55,300	31,673	(23,627)
- Other	4,527	6,000	4,744	15,271	15,383	112
Financial Transactions	3,000	0	(3000)	0	0	0
Total	47,477	7,500	1,880	56,857	44,182	(12,675)

The budget was funded by SG through:

Fiscal Resource	£27.607m
Fiscal Capital	£28.727m
Non-cash	£0.523m

	£56.857m

During the year, additional budget was given to SF in the ABR for timber transport projects £6m, with £5m being transferred from Transport Scotland and £1m awarded as part of the SG budget reprioritisation. As part of the SG's Agricultural Transformation Fund, we received £1.5m.

At the SBR, we received £4.9m for the cross border provision of forestry services & research delivery along with £17k for non-cash movements. At the same time due to Covid-19 the proposed advances given to small businesses for woodland scheme was delayed resulting in the Financial Transactions budget of £3m being returned to SG.

This brought the budgeted net operating expenditure to £56.857m whilst the outturn and final position was £44.182m an underspend of £12.68m.

Statement of Comprehensive Net Expenditure (SoCNE) Income

Income is predominately from the co-financing of Forestry Grants and Rural Priorities schemes by the European Union (EU). This amount will vary dependent on the value of the Forestry Grants Schemes (FGS) and Rural Priorities (RP) paid and the co-financing rate agreed between Scottish Government and EU.

During 2021, EU income received was £12.856m less than had been budgeted. This was as a result of two factors, improved functionality and reporting in our Casebook grant recording system in February 2021 which produces our grant accrual.

Secondly, certain landowners were not able to plant the agreed hectares of trees by the 31 March due to a variety of reasons including Covid-19, frozen ground during the planting season, which resulted in their contracts being varied into 2021-22. Other Income was greater than budget by £0.725m.

Staff Costs

Staff costs were £8.73m (19-20: £8.3m); this includes all costs relating to employing our 191 staff and agency staff during the year (19-20: 191).

Other Administrative Costs

The costs were £3.4m (19-20: £3.7m), which consisted of all overheads including shared service costs, this reduced from the previous years due to savings as a result of Covid-19, particularly reduced use of office space & related costs, but also due to the release of bad debt provision no longer required, see Note 8.

Programme Costs

Programme Costs of £47m (19-20: £66.6m) covers our payments for Forestry Grant schemes £31.67m (19-20: £52.3m), Timber Transport £8.2m (19-20: £6.9m) and other forestry development programmes including Cross Border costs £7.18m (19-20: £7.44m).

To facilitate increased planting to 12,000ha additional funding was received in the budget to bring the budget to £55.3m. The actual schemes funded resulted in a spend of £31.67m, which was £23.63m under spend against budget.

There are a number of factors which led to this underspend in programme costs. In prior years, we prepared our year end grants accrual on the best information available via Casebook at that point in time. In 2020-21, we have worked with the Casebook supplier to improve the functionality available to us, including improved data and reporting. This gave us better reporting in producing our year end accrual. The other factors being the frozen ground during the middle of the planting season, Covid-19 and the EU Exit.

The other programme Costs resulted in an over spend of £0.1m due to additional expenditure within the Timber Transport projects.

This gives a net expenditure of £44.182m (19-20: £53.6m).

Statement of Financial Position

The Statement of Financial Position currently shows SF as having net liabilities of £3.104m (19-20: £3.155m). As a Scottish Government Agency we receive, our funding through the Scottish Government, therefore there is no risk to the organisation as a going concern (Note 1).

Significant balances within the Statement of Financial Position can be analysed as follows -

Trade and other receivables were £13.85m (19-20: £22.3m), which is predominately as a result of income that will be received in 2021-22, or to the co-financing elements of the 2020-21 Forestry Grant schemes that have not been paid as at 31 March 2021.

Trade and other payables were £48.9m (19-20: 50.7m); this is predominately as a result of an accrual for 2020-21 Forestry Grants that have not been paid as at the 31 March 2021 and an accrual for 21-22 funding from SG draw down in 20-21.

Cash balances were £31.8m (19-20: £25.2m), which are predominately for the payment of 20-21 Woodland Creation grants which will be paid in early 2021-22.

Environmental Matters

Whilst SF assists through grants to plant trees to reduce carbon throughout the country, we are also committed to reducing the environmental

impact of our own business activities, and in line with the Public Bodies Duties as set out in the Climate Change (Scotland) Act 2009, have published an Environmental Policy. Our Annual [Sustainability Reports](#) are on our website.

Social Matters

SF has established policies and procedures to address a wide variety of areas covering human rights, in particular anti-corruption and anti-bribery, modern slavery, equality diversity and inclusion, and Whistleblowing.

SF is committed to ensuring a high standard of conduct in all that it does, with a duty to identify and remedy any area of malpractice. This is achieved through encouraging a culture of openness, where employees feel confident to raise concerns about potential wrongdoing.

Staff are required at all times to act with honesty and integrity, adhering to the Civil Service Code and safeguard the public resources for which they are responsible. They are also encouraged to raise concerns about improprieties in the conduct of SF's business whether in matters of financial regulatory or other malpractices including fraud, and bribery.

Employees can report any suspected wrongdoing through their own line management or via a Nominated Officer. They can also approach the Nominated Officer in our sister agency, Forestry and Land Scotland if they would feel safer doing so.

All Whistleblowing cases are investigated thoroughly, to ensure lessons learnt and recommendations are embedded into how we operate as an organisation. No cases were reported under the Whistleblowing Policy in this financial year.

Anti-Bribery and Anti-Corruption

During induction, new employees are signposted to our policies on Discipline, Gifts & Hospitality, and Whistleblowing.

Modern Slavery

Our Modern Slavery – Slavery and Human Trafficking Statement expresses the organisation's zero tolerance to slavery and human trafficking and its commitment to

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ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business.

Staffing

All potential new employees, regardless of contract status are required to go through our recruitment process, which includes essential checks on the right to live and work in the UK. We have worked to ensure that our staff understand what modern slavery and human trafficking is, and that they are alert to the key warning signs as they go about their work engaging with suppliers and delivery partners.

Procurement

We are committed to working with our suppliers to ensure that slavery and human trafficking risks are identified and managed proactively. We have worked to deliver procurement policies and procedures that ensure our suppliers comply with the requirements of modern slavery legislation.

Grants

We are committed to working with our grant recipients to ensure that slavery and human trafficking risks are identified and managed proactively. We have reviewed our conditions of grant to ensure that grant recipients comply with the requirements of modern slavery legislation. Our full statement can be read on our [website](#).

Health and Safety

Policy

It is the policy of SF to comply with the law in ensuring the health and safety of all its employees, and to provide appropriately for the health and safety of others, including contractors, visitors, and neighbours.

Strategic leadership on health and safety within the wider forestry industry continues to be delivered through the Forest Industry Safety Accord. The Accord sets out the commitment that each organisation, and the sector at large, can make to raise the standard of health and safety in their place of work. SF is a signatory to the Accord.

Activity

We have played a leading role in publishing sector guidance for COVID-19 in consultation

with industry stakeholders and trade bodies. We have also developed and issued internal guidance for staff on COVID-19. SF has identified a number of priorities to enhance the health, safety, and wellbeing culture. This has included a continued focus on the mental and physical wellbeing of staff, with a range of support being made available including guidance, webinars, and external resources.

Reportable Accidents and Incidents

There were no Reporting of Injuries Diseases Dangerous Occurrence Regulations (RIDDOR) reportable incidents (over seven days and specific reportable injuries) during the year (19-20: 1). In addition, there was one RIDDOR report relating to occupational illnesses (Lyme or similar tick-borne disease) submitted to HSE (19-20: 0).

Covid-19

Like most organisations throughout the country, we moved on the 23 March 2020 to home working for the majority of staff in line with SG Guidance. To assist staff in this extraordinary pandemic the core hours restriction was removed.

During the year, the Resilience Group monitored the emerging issues along the challenges on how we could move back to the offices in due course.

In 2020, we moved to Microsoft Teams, which has allowed for better communication and meetings between individuals, teams and third parties including SG & FLS.

The meetings of the SET, SAG, and AAC have continued during this period but these have been carried out initially through telephone conference but now they have also progressed to Microsoft Teams.

We implemented safe working protocols at the outset of the pandemic for home and on-site workings and we also worked with [FISA](#) to develop site safe working practices. These protocols have been continually updated throughout the year as SG guidance has changed. This has allowed our Woodland Officers and Tree Health staff to carry out site visits including inspections.

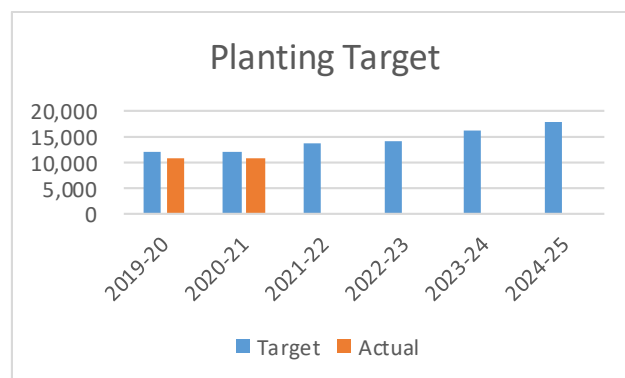
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The costs directly related to Covid-19 during the year were £24k, which was offset by savings in a variety of costs including travel and subsistence.

Due to Covid-19, certain practices and processes have been amended for the betterment of the organisation, in particularly the move to electronic storage of documents and paperless invoicing, which will remain going forward.

Planting Target

As part of SG's commitment to zero carbon, our targets have increased from the original target last year of 10,000 ha to 12,000 ha. This revised target remained the same this year and has increased to 13,500 ha in 21-22, and will increase in future years 24-25 where the target will be 18,000 ha.



During the year, we have given more grants to nurseries to ensure that there are sufficient saplings to enable future targets to be achieved.

However, due to Covid-19, EU Exit, and the weather the 20-21 years planting target was not achieved falling 1,400 ha short.

To aid the planting for future years, we have introduced in 2021-22 a new woodland loan scheme aimed at supporting small-scale woodland creation projects. Further information can be found out within the Corporate Governance Report.



Dr David Signorini
Accountable Officer

03 September 2021

Accountability Report



The purpose of the accountability section of the annual report is to meet key accountability requirements as required by the Government Financial Reporting Manual. It outlines Scottish Forestry's accountability arrangements and best practice with corporate governance norms and codes.

Corporate Governance Report

The Corporate Governance report explains the composition and governance structure of Scottish Forestry and how that supports the achievement of our priority themes.

Directors' Report

The Chief Executive is the Accountable Officer for the Agency, appointed by the Permanent Secretary to the Scottish Government. He is supported by a Senior Executive Team comprising of four Heads of Service.

Relationship with Scottish Government and the wider Rural Affairs network

Ministers who had responsibility for SF for the reporting the year were:

- Fergus Ewing MSP (Cabinet Secretary for the Rural Economy and Connectivity);
- Roseanna Cunningham MSP (Cabinet Secretary for the Environment, Climate Change, and Land Reform) and
- Mairi Gougeon (MSP Minister for Rural Affairs and the Natural Environment) until December 2020 and thereafter Ben Macpherson.

Mr Ewing had the lead for forestry, but the work that we do also contributes to that of other Cabinet Secretaries.

The Scottish Government's Director of Environment and Forestry, Bridget Campbell, was responsible for policy on environment including biodiversity, forestry, circular economy, waste and environmental strategy and governance and principles.

Chair and Chief Executive

The chair of the Audit and Assurance Committee (AAC) during the year was Non-Executive Phil Taylor, and Dr. David Signorini was the Chief Executive and Accountable Officer.

The Accountable Officer is supported by an AAC, the Senior Executive Team (SET), and a Strategic Advisory Group (SAG)

The composition of the various governance forums, their structure, and activities are set out in full within the Governance Statement.

Directors and Non-Executive Members Interests

The Chief Executive, Heads of Service, and Non-Executive Members' register of interests are recorded and shown on our [website](#)

The current year's register of interests completed by each of them as at 31 March also confirmed that no conflict of interest arose in the exercise of their duties.

Auditors

Mark Taylor, Audit Director, Audit Scotland is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Scottish Forestry. No fees were charged for other services.

Personal Data Related Incidents

There have been two data breaches during 20-21. Neither of these involved any risk to the individuals involved, and did not require to be reported to the Information Commissioners Office (ICO). The learning from these incidents have been used to improve our data protection systems. Further information is shown within the Governance Statement.

Other Disclosures

Supplier Payment Policy

SF complies with the payment policy directed in the UK Government's Prompt Payment Policy and Scottish Public Finance Manual (SPFM). Unless otherwise stated in the contract, we aim to pay within the Scottish Government's tighter target of ten working days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later.

An analysis of invoice payments, including those made by Electronic Procurement Card for the financial year indicates our average number of days is 12.06 days (19-20: 5.43) days and that 80% (19-20: 99.79%) were paid within the Scottish Government's ten-day target.

The decrease in the targets is primarily due to Covid-19 with new procedures being implemented to move away from the paper invoices from suppliers to electronic invoices plus the internal change in process of approving and processing of these invoices.

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

Finances

The Accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19 (4) of the Public Finance and Accountability (Scotland) Act 2000, which is reproduced at page sixty four.

Statement of Accountable Officer's Responsibilities

Under the Public Finance and Accountability (Scotland) Act 2000, SF is required to prepare, for each financial year, resource accounts detailing the resources acquired, held, or disposed of during the year and the use of resources by SF during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SF, and of its net resource outturn, application of resources, changes in taxpayers' equity, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Scottish Ministers, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced, and understandable and take personal

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responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer for the Scottish Administration has designated the Head of SF as Accountable Officer.

As the Accountable Officer, I am personally answerable to the Scottish Parliament for the propriety and regularity of Scottish Forestry's activities and for the economical, efficient, and effective use of all associated resources.

As far as the Accountable Officer is aware, there is no relevant audit information of which the SF's auditors are unaware. The Accountable Officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the SF's auditors are aware of that information.

Governance Statement Scope of Responsibility

As Accountable Officer, I have responsibility for ensuring that SF's business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively, in accordance with the responsibilities assigned to me in the Scottish Public Finance Manual.

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

I believe that SF fully complies with the principles of the Scottish Public Finance Manual.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which SF is directed, controlled, and led. It

enables SF to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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

The governance framework has been in place for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts, and accords with Scottish Public Finance Manual Guidance.

The Governance Framework

SF operates as part of the Scottish Government, responsible for advising Forestry Ministers within Scottish Government on forestry policy and its implementation across Scotland. Scottish Ministers decide the policy and financial framework within which SF operates and are accountable to the Scottish Parliament for all matters.

Strategic Advisory Group (SAG)

The SAG comprises all function heads and three non-executive advisers. The SAG's role is to support and provide advice to the CEO to help them reach robust and well-informed decisions.

During the year, they met on four occasions and discussed a wide range of topics. Minutes of these meetings can be found on our [website](#).

Members who served during the year and their attendance is summarised below

Phil Taylor	4 of 4
Non-Executive	
James Stuart	4 of 4
Non-Executive	

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Eleanor Ryan	4 of 4
Non-Executive	
Dr David Signorini	4 of 4
Chair & Chief Executive	
Brendan Callaghan	4 of 4
Head of Operational Delivery	
John Dougan	4 of 4
Head of Operational Development	
Ian Donaldson	0 of 0
Head of Policy (Until 31 May 2020)	
Ross MacHardie	4 of 4
Head of Finance and Business Support	
Alan Hampson	4 of 4
Head of Standards Evidence & Expertise	
Jonathan Taylor	4 of 4
Head of Executive Office	
Helen McKay	3 of 3
Chief Forester for Scotland	

Senior Executive Team (SET)

The Senior Executive Team, which comprises the heads of the five functions, leads Scottish Forestry and oversees the day-to-day management and direction of the agency.

SET deliver against agreed programmes of work, and provide information, advice, and guidance to the CEO on key corporate matters and decisions.

During the year, they met on eight occasions, discussing a wide range of issues. Minutes of these meetings can be found on our [website](#).

The members and their attendance during the year were:

Dr David Signorini	8 of 8
Chair & Chief Executive	
Brendan Callaghan	8 of 8
Head of Operational Delivery	
John Dougan	8 of 8
Head of Operational Development	
Ian Donaldson	0 of 2
Head of Policy (until 31 May 2020)	
Ross MacHardie	7 of 8
Head of Finance and Business Support	
Alan Hampson	7 of 8
Head of Standards Evidence & Expertise	
Jonathan Taylor	6 of 8
Head of Executive Office	

Audit and Assurance Committee (AAC)

The AAC comprises the non-executive advisers. The AAC provides advice and constructive challenge to the CEO, in particular in relation to their responsibilities for issues of risk management, governance, and associated assurance to support year-end accountability and reporting. The Head of Finance and Business Support attends the AAC.

The AAC operates in accordance with the principles contained in the Scottish Government's Audit Committee Handbook, and met three times during the year. Minutes of these meetings can be found on our [website](#).

The members and their attendance during the year were:

Phil Taylor	3 of 3
Chair & Non-Executive	
James Stuart	3 of 3
Non-Executive	
Eleanor Ryan	3 of 3
Non-Executive	

During the year a 360⁰ effectiveness review was undertaken which identified that the AAC members was carrying out their roles effectively.

Risk Management

During the year, work has been undertaken to further understand the processes and culture of handling risk across the organisation and identify options to address this. As a result, the SAG agreed to:

- Make it clear how to escalate issues and risks:
- Senior level communications on risk management:
- Commit to embedding risk management:

The Corporate risk register continues to reflect organisational risks. Risks are identified at a strategic level and assigned a score based on the risk appetite statement. Project and Cost Centre risks are captured in local risk registers.

During the year, the Covid-19 pandemic has had a large impact on our operations with the majority of our staff working from home in the initial stages. As the year progressed more staff, particularly woodland officers and tree health staff were able to carry out their day to day work

with new safety protocols. For the remainder of the staff working from home has become the new norm. As such, we were aware of the risks including isolation, poor mental wellbeing, reduction of shared knowledge and equipment and as a result have undertaken various actions to combat this. This has meant that staff have received equipment that they require for their job and we have encouraged staff to partake in various workshops covering stress, working from home and mental wellbeing. We have also encouraged both formal and informal meetings to limit any member of staff feeling of isolation. This risk remains on our risk register and is reviewed by SET.

Personal Data Related Incidents

There were two data breaches during the year, neither of which were required to be reported to the ICO.

The first related to the accidental sharing of seven landowners email addresses with an RSPB colleague. This was immediately rectified and the email was confirmed as being deleted by the RSPB staff member. The second incident highlighted that there was no privacy notice in place for the public consultation element of our grant application process. The learning from this incident in particular is being used to improve our data protection systems, and to ensure we have all the necessary privacy notices in place.

Principles of Corporate Governance

Corporate governance is the system by which organisations are directed and controlled and is concerned with the structures and processes for decision-making and accountability. All public bodies must have a group, which is responsible for:

- giving leadership and strategic direction
- defining control mechanisms to safeguard public resources
- supervising the overall management of the body's activities
- reporting on stewardship and performance

Within Scottish Forestry, that group is the SET, which adheres closely to robust principles of Corporate Governance, as follows.

Accountability

The SET ensures that the Scottish Public Finance Manual is applied, with appropriate arrangements in place to ensure that the public funds they are accountable for are properly safeguarded and used economically, efficiently and effectively.

Delegated Authority

I, as Chief Executive and Accountable Officer, formally delegate financial management responsibilities to each function head for the propriety, regularity, and good financial management of expenditure within their area.

Financial Management

SET reviews financial performance monthly as well as ensuring the timely production of the Annual Report and Accounts, in compliance with the UK Government's Financial Reporting Manual (FReM). Monthly financial reports are considered by SET.

Our budgets are set in the context of the Scottish Government's annual budget process, and forecast expenditure. In addition to internal financial management reporting, we are continuously monitored by the Scottish Government Finance Directorate.

Review of Effectiveness

I, as the Accountable Officer, have responsibility for reviewing the effectiveness of the system of internal control. This is informed by the work of Internal Audit, the managers within the Agency, the AAC and the external auditors in their reports.

Assurance is provided by the function heads annual statements of assurance covering their areas of responsibility. The Director of Business Services of FLS also provides an annual statement of assurance covering the shared services provided by FLS

In addition, we ensure that all staff are aware of our policy on Standards & Conduct which ensures adherence to the requirements of the Civil Service Code for conflicts of interest. Where potential conflicts exist the member of staff or non-executive must declare this and they

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will not be involved in any decision making in that organisation. For senior members of staff the register of interests is kept up to date with each member being asked at every meeting of SAG, AAC and SET if there are new interests to declare or if there are any conflicts of interest with the matters under discussion. Through the National Fraud Initiative we also check for any potential conflicts; none were identified in the current year.

In relation to the risks referred to in last year's Annual Report, the Health & Safety policy is still being updated and will be completed in 21-22, the staff capacity remains a risk as shown below,

These statements highlighted several risks; firstly due to Covid-19 restrictions some inexperienced staff during their training have taken on front line tasks which has resulted in increased errors being identified and corrected resulting in increased workloads for all staff. This highlighted the areas where training and desk instructions needed improving, the revised guidance and training has reduced the error rate.

Secondly, in relation to insufficient skilled staff capacity, predominately resulting from the increased workloads brought about by the Forestry Grant Scheme wider scheme management responsibilities. During the year we promoted assistant woodland officers into woodland officers positions ensuring a career progression exists and employed more additional assistant woodland officers. We will continue to work to retain our current skilled staff and bring in additional staff resource. This risk will continue over the next few years as we increase our staffing to achieve the increased targets set by SG as part of their Net Zero commitments.

Thirdly, due to Covid-19 arrangements and increased workloads this has had an impact on staff wellbeing. We will continue to identify and make available support in this area as well as monitoring staff feedback.

Lastly, whilst certain Casebook reports have improved especially around the calculation of the year-end accruals, there are more management reports that require to be developed and written for our grants

system. Work will commence during 2021-22 to improve the reporting.

These statements and assurances provide me with assurance on the standard of governance and control within their area of responsibility. I also receive assurances from my management team through their regular submission of reports / presentations to SET, and SAG, which were chaired by myself and through my line management responsibilities.

Our internal audit is provided by the SG Directorate of Internal Audit and Assurance and they submit regular reports to the AAC on the adequacy and effectiveness of the organisation's system of internal control, together with any recommendations for improvement. Follow up work is carried out to confirm the effective implementation of recommendations agreed as a result of the audits.

In their role as external auditors, Audit Scotland assess the extent to which it can place reliance on the individual reviews undertaken by Internal Audit to inform their opinion on the financial statements, depending on their direct relevance to their work on the statements.

Audit Scotland prepared an annual report in August 2020 as part of their review of the 2019-20 Annual Report and Accounts, where they identified six areas for improvement. They included grant system reporting where several reports have been written which resulted in more accurate accrual figure in this year's accounts, Medium to Long Term planning will be incorporated in the next Strategic Plan, and the impact of Covid-19 on internal controls, all processes have been reviewed to ensure that internal controls remain in place and will be reviewed on an ongoing basis. The other areas of improvement have been addressed, or actions have been put in place to address these.

Internal Audit Reports

Audit Area & Scope Outcome

During 2020-21, two assurance reviews and two advisory reviews were undertaken plus the follow up work from 2019-20 audits.

The Forestry Grant Scheme audit was given a Reasonable Assurance opinion, with three recommendations, two medium and one low. The recommendations were to identify and implement a system for recording and monitoring recoveries (medium). Also the process for recording grant increases should be reviewed (medium). Lastly, the document retention particularly for contract variations should be strengthened to ensure an audit trail.

The Corporate Governance audit was given a Reasonable Assurance with two medium and one low recommendation. These were that SF should review the terms of reference to ensure they follow a consistent format (medium), that risk be included as a standing agenda item at appropriate committees (medium) and ensure that all documentation and guidance is subject to regular review (low).

For the advisory reviews, we asked Internal Audit to review our amended process and controls due to Covid-19 for the Forestry Grant Scheme. Whilst they provided us with some improvements, they provided comfort to us that the controls that we put in place were appropriate.

The Woodland Creation Grant Loan Scheme is a new process for ourselves and as such at the early stages, we asked Internal Audit to review. They found that at the early stage of the process that the controls and processes were appropriate and satisfactory and recommended that the incorporation of the advisory points would be beneficial.

Within the 2019-20 audits, there were six recommendations outstanding with the three high risks being implemented by us in 2020-21 and three (two low and one medium) are ongoing.

The Head of Internal Audit for SG has prepared an annual assurance report, which includes an overall assessment of the adequacy and effectiveness of risk management, control, and governance. The overall opinion is that the internal controls continue to provide reasonable assurance.

On the basis of these assurances, I can confirm that sound systems of governance, risk

management and internal control, consistent with the requirements of the Scottish Public Finance Manual, have operated for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Plans for 2021-22

As part of our ongoing review process after becoming a new agency, we have identified specific processes and policy documents that require to be updated during the year.

To further improve our management information and presentation of the Annual Report & Accounts we identified key performance indicators for a variety of our objectives which was due to be ready in time for 2020-21. As a result of Covid-19 and a change priorities this was not achieved further work is required in 2021-22 to ensure these are in place during the year.

The data audit project on our information governance is in place with the recommendations being implemented during the year.

During the year, we will be reviewing our Modern Slavery statement to ensure it is still up to date and relevant.

As a result of our Equalities, Inclusivity & Diversity Plan, the resultant actions will be implemented throughout the year.

Our Resilience Team priorities were changed in May 2021 to look at the move back to offices in a safe and secure fashion. Due to the success, of home working for a substantial proportion of staff they will also look at the options for more working from home going forward.

In addition, as the Scottish Government agency with responsibility for forestry policy we will continue to work with others across the public sector to ensure that the economic, social, and environmental value of trees and woodlands is understood and reflected as appropriate across wider policies.

Over the coming year we will commission further research related to building the resilience of forests, such as into the impacts of pest and diseases in a changing climate.

The work that has been carried out over the last two years will be used to extend support for woodland creation through advice and analysis to facilitate new woodland planting, and will assess the feasibility of further investment opportunities, including consultation with relevant stakeholders.

In March, we launched a [small woodland loan](#) scheme aimed at supporting small-scale woodland creation projects. Under the Small Woodlands Loan Scheme, half of the upfront costs associated with planting a new woodland, including buying trees, ground preparation or fencing, can now be paid in advance by Scottish Forestry. The aim is to remove any cash flow barriers that crofters, farmers, or any other small woodland owner might have when considering tree planting. The new loan works alongside the existing main Forestry Grant Scheme and is aimed at woodland creation projects up to twenty hectares in size.

In April 2021 Brendan Callaghan, Head of Operation Delivery, took up post as the interim CEO of Environmental Standards Scotland. In June, John Dougan, Head of Operational Development, took up post at Forestry & Land Scotland. Whilst Brendan and John are continuing their leadership of environment and forestry in Scotland in their new roles, Doug Howieson has taken up post as interim Head of Operational Delivery and the new Head of Operational Development will take up their post in October 2021.

As a result of the Scottish Parliament elections and the subsequent cabinet appointments, we now report to [Mairi McAllan, Minister for Environment, Biodiversity, and Land Reform](#). She is supporting both Michael Mathieson, Cabinet Secretary for Net Zero, Energy and Transport and Mairi Gougeon, who is the new Rural Affairs Cabinet Secretary.

Ms McAllan was previously a special adviser looking after environment, climate change, land reform, and renewable energy policy. She is fully aware of our work and we have worked with her in her previous role.

Working with a new Minister with a foot in both the Net Zero and Rural Affairs portfolios reflects

how crosscutting and important forestry is. We are in a strong place, already delivering across multiple portfolios, and helping to drive sustainable economic growth, enhance Scotland's biodiversity and increase the positive contribution of urban woodland's for Scotland's towns, cities and communities. This can be seen in the work we are doing with SG COP26 leads to ensure that forestry is represented and are exploring specific projects to highlight the role of forests and timber in tackling climate change and supporting efforts to move to net zero.

Remuneration and Staff Report



This shows our remuneration policy for senior management, and reports on how that policy has been implemented, and sets out the amounts awarded to senior management. There is also information on staffing policies, structures, and composition, along with details on staff numbers and costs.

Remuneration policy

Fees for non-executives are determined in accordance with guidelines prescribed by the Scottish Government. More information can be found at the Scottish Government [website](#).

Senior Members of staff receive annual salaries paid in accordance with the standard Scottish Forestry Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System. Their increase in salary, if awarded, is based on their manager's assessment of their performance.

Employment contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the [Civil Service Commission](#) can be found on their website.

Non-executives are generally appointed for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation. Details of the letters of appointment for the non-executives who served during the year are:

	Date of Letter	Unexpired term at 31 March
Phil Taylor	01/03/19	12 months
James Stuart	01/03/19	12 months
Eleanor Ryan	23/02/21	12 months
Helen McKay	01/08/20	28 months

Fees

The non-executives are entitled to receive fees for regular attendance at these meetings. Other than the fees there are no other benefits paid to or for them. Non-executives' expenses incurred in attending these meetings are also reimbursed. The fees during the year were:

	2020-21 £000	2019-20 £000
Phil Taylor	5-10	5-10
James Stuart	5-10	5-10
Eleanor Ryan	5-10	0-5
Helen McKay *	15-20	N/A

* Helen McKay's figures for 2020-21 relate to the eight months from 1 August 2020 she was in post, the full years equivalent for the fee would have been within the band £20-25k.

This is in line with core Scottish Government remuneration of non-executives.

Salary and pension entitlements - Audited

The salary and pension entitlements of the civil servants, who are employees of SF, and are members of the SF Executive Team for the year, were as follows:

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		Salary £000	Benefits in kind to nearest £100	Pension Benefits ¹ £000	Total Remuneration £000
Dr David Signorini ²	2020-21	80-85	0	75	155-160
Chief Executive	2019-20	20-25 ⁷	0	6	30-35
Brendan Callaghan	2020-21	70-75	15,300	65	150-155
Head of Operational Delivery	2019-20	65-70	18,300	34	120-125
John Dougan	2020-21	65-70	0	60	125-130
Head of Operational Development	2019-20	60-65	0	37	100-105
Ian Donaldson ³	2020-21	10-15	0	8	15-20
Head of Policy	2019-20	60-65	0	(6)	55-60
Ross MacHardie	2020-21	50-55	0	21	75-80
Head of Finance and Business Support	2019-20	50-55	0	21	75-80
Jonathan Taylor	2020-21	50-55	0	37	85-90
Head of Executive Office	2019-20	N/A	N/A	N/A	N/A
Alan Hampson ⁴	2020-21	70-75	0	61	130-135
Head of Standards Evidence & Expertise	2019-20	10-15	0	8	20-25
Jo O'Hara ⁵	2020-21	N/A	N/A	N/A	N/A
Chief Executive	2019-20	60-65	0	19	80-85
Jim Dewar ⁶	2020-21	N/A	N/A	N/A	N/A
Head of Policy	2019-20	5-10	0	2	5-10

²Dr David Signorini's figures for 2019-20 relate to the period 20 December 2019 to 31 March 2020 when he was Chief Executive, the full year equivalent for the salary would have been within the band £80k-85k⁷.

³Ian Donaldson left on 31 May and his figures for 2020-21 relate to the two months he was in post, the full years equivalent for the salary would have been within the band £65-70k.

⁴Alan Hampson's figures for 2019-20 relate to the two months from 1 February he was in post, the full year equivalent for the salary would have been within the band £70k-75k.

⁵Jo O'Hara's figures for 2019-20 relate to the nine month period until 31 December 2019 when she was Chief Executive, the full year equivalent for the salary would have been within the band £70k-75k.

¹The 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.

⁷ The Chief Executive received back pay relating to 2019-20 during 2020-21, as a result whilst the cost is shown in the current year's salary costs, his salary has been amended in the comparison figures.

⁶ Jim Dewar's figures for 2019-20 relate to April 2019 when he was in post during the hand over to Ian Donaldson, the full time equivalent for the salary would have been within the band £65k-70k.

No bonuses were paid during the year and the total remuneration includes gross salary; overtime; and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the SF and thus recorded in these accounts. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The total employment costs for the year ended and the number of staff employed as at 31 March 2021 was as follows:

	Others	Permanently employed staff	Total	19-20 Total
	£000	£000	£000	£000
Salaries	301	6,166	6,467	6,257
Social security costs	0	646	646	593
Other pension costs	0	1,641	1,641	1,506
Total costs	301	8,453	8,754	8,356
Less: recoveries for secondments	0	(27)	(27)	(64)
Total net costs	301	8,426	8,727	8,292

			No.
Directly employed	0	191	191
Other	0	0	8
Total	0	191	191

The cost shown within Others relates to agency staff and was incurred during the year but there were no agency members of staff at the 31 March 2021.

The principle Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha”

Transactions with committee and board members

An interest free loan in the form of an advance of salary for house purchase may be given to employees. The following members of the Executive Team had an outstanding loan during the year:

	Balance at 1 April £000	31 March £000	Maximum balance during the year £000
Brendan Callaghan	15	12	15

Whilst Brendan Callaghan will be seconded during the year, repayments will continue during that period.

– are unfunded multi-employer defined benefit schemes but SF is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 [March 2016](#).

For 2020-21, employers' contributions of £1,600k (19-20: £1,482k) were payable to the PCSPS, at one of three rates in the range 26.6%

to 30.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the reporting year, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £30k (19-20: £28k) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,196 (19-20: £357) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2021 were £2,744 (19-20: £4,035). Contributions prepaid at that date were nil (19-20: nil).

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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned

pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is 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 accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

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

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.

Pension Benefits – Audited

	Accrued pension at pension age at 31 March 2021 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2021 £000	CETV at 31 March 2020 £000	Real increase in CETV £000
Dr David Signorini	40-45	2.5-5	657	570	55
Brendan Callaghan	35-40	2.5-5	572	503	48
John Dougan	25-30 Plus a lump sum of 55-60	2.5-5 Plus a lump sum of 2.5-5	487	427	42
Ian Donaldson	25-30 Plus a lump sum of 70-75	0-2.5 Plus a lump sum of 5-7.5	565	509	40
Ross Machardie	10-15	0-2.5	159	139	10
Jonathan Taylor	15-20 Plus a lump sum of 25-30	0-2.5 Plus a lump sum of 0-2.5	234	203	22
Alan Hampson	25-30 Plus a lump sum of 70-75	2.5-5 Plus a lump sum of 2.5-5	609	534	53

Highest paid Director and median salary cost disclosure - Audited

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 workforce.

The banded remuneration of the highest paid senior executive member in the financial year was £80-85k (19-20: £80-85k[^]). This was 2.34 (19-20: 2.53[^]) times the median remuneration of the workforce, which was £35,331 (19-20: £32,576[^]). The decrease in the ratio is as a result of a move to recruit staff to achieve the SG targets who are paid at a rate higher than the previous year's median salary. In addition, as a large proportion of our staff are new to their positions they are entitled to annual incremental increase in their salary. This has increased the median salary by approximately £3k and therefore a reduction in the ratio.

During the year, no employee received remuneration in excess of the highest paid senior executive. Remuneration ranged from £19k to £83k (19-20: £12k to £81k[^]). Remuneration paid to all staff during the financial year was £6.467m (19-20: £6.257m).

[^]The Chief Executive received back pay relating to 2019-20 during 2020-21; as a result, whilst the cost is shown in the current year's salary costs, his salary has been amended in the comparison figures.

Number of Senior Civil Servants

Band	2020-21	2019-20
1	1	1

Benefits in kind

These are provided under the following schemes:

- Advances of salary for house purchase (see Note 8);
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/health equipment, including bicycles;
- Car provision for employees' scheme; and
- Purchase of Childcare Voucher scheme.

Each scheme is subject to conditions and financial limits.

Compensation for loss of office – Audited

During the year, no staff received any exit or ill health retirement packages.

Core Values

Over the last two years we have worked on our core values as an organisation talking to and listening to our staff of what the core values should be. As a result in March 2021 we launched these “BRAVE” values and behaviours.

- Be Professional;
- Respect Others;
- Act with Integrity and Honesty;
- Value Teamwork and Collaboration;
- Encourage Innovation and Creativity.

Our values and behaviours define who we are and the high standards we expect in our working environment. This allows our staff and customers to feel safe, valued, included and respected. They are a statement not only about how we treat others but how we expect to be treated.

Staff Turnover

During the year thirty members of staff (15.7%), left the organisation for a variety of reasons (19-20: 29 – 15.2%)

Consultancy

During the year, no expenditure was spent on consultancy.

Policy

SF is committed to the development of all of our employees. Our People Team, which also

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encompasses Equality and Diversity, Health, Safety & Wellbeing and L&D, continues to support and develop our manager and employee capability.

Activity during 2020-2021 has included:

- Creation and publication of a full suite of Covid-19 related guidance covering all aspects of HR, Health, Safety & Wellbeing to assist compliance with Scottish Government restrictions; enabling safe operational activity where permitted and supporting staff mental health and wellbeing during the pandemic;
- Essential training courses adapted to accommodate a blended approach to ensure staff can retain certifications and continue to work safely during the pandemic;
- Extensive Covid-19 compliance checks completed with suitable risk assessments in place and Covid-19 controls in place; and
- Delivery of a programme of wellbeing support to staff across the agency using a range of interventions, events and communication channels.

Sickness absence data

We continue to pro-actively manage staff sickness absences, with an average number of working days lost per person of 6.4 days (19-20: 11.1 days). The figures include all absences for COVID-19. The decrease in the number of days will be partly due to our continued home working for a large number of staff.

Activity during 2021-2022 will include-

- publication of an Equality and Diversity action plan which will be reviewed regularly by the SET, to support mainstreaming of equality, diversity and inclusion across SF;
- Implementation of new, simplified approaches to performance management, probation and performance improvement;
- Implementation of a new recruitment system;
- Review and development of new policies around bullying and harassment and dispute resolution;
- Development of our leaders and managers through delivery of programmes and

workshops; talent management and workforce planning;

- Maximising and promote our benefits package, while continuing to work to reduce our gender pay gap
- Our Equality Mainstreaming report was published in April with a refreshed set of outcomes;
- Reaching out to under-represented groups, so they view SF as a progressive organisation they would want to be part of; and
- Whilst working within Scottish Government's pay policy, we will maximise our reward package, expand our offering of employee benefits, and continue to reduce our gender pay gap.

Equality, Diversity and Inclusion

Promoting and supporting diversity in the workplace is an important aspect of good people management – it is about valuing everyone in the organisation as an individual.

Our aim is to have an inclusive, diverse sector and workforce, representative of the communities of Scotland and we want to be an exemplar for equality across the forestry sector. We will continue to improve diversity and inclusivity in our organisation and facilitate and promote the fair work agenda across the wider sector.

Forestry has traditionally been seen as a male profession, and the workforce of Scottish Forestry and particularly across the wider sector continues to some degree to reflect that. However, in the last two years we have made huge strides in attracting women into Woodland Officer roles, for example, around half of our Woodland Officers are female. We have achieved this through changes to job adverts, use of positive action statements, diverse imagery, and promoting flexible working.

We will build on these improvements, continuing to break stereotypes around gender specific roles. However, we recognise that we have more work to do, particularly around our gender pay gap and a lack of women in senior positions across the organisation.

We have embarked on the roll out of Engaging the Bystander training to all staff in Scottish

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Forestry, which challenges biases, inappropriate behaviours and bullying. The training provides practical tools for tackling these cultural issues as well as raising awareness of the impact behaviours can have on a colleague. We hope this work will continue to develop into 2021-22 and beyond as we build a more inclusive working environment for all.

We will also work with partners including Equate Scotland, Skills Development Scotland, and Developing the Young Workforce to promote the opportunities that a career in forestry can deliver for young people. Since transitioning into SF, we have continued to work with partners in education such as Scotland's Rural College and the University of Highlands and Islands to support the development of the next generation of foresters and land managers. We have taken initial positive steps towards this, supporting a Forestry Jobs summit, working in partnership with the private sector to take advantage of new employment and training grant schemes. We have also doubled Scottish Forestry's annual intake of students by offering four new students practical training whilst they complete their studies, with a job at the end.

We continue to engage with under-represented groups in our local communities through our engagement programme, promoting forestry and ensuring that people from all backgrounds can enjoy the benefits and opportunities that our woods and forests provide. Much of our social forestry programmes have been paused due to the Covid-19 pandemic but we will continue this work in 2021-22, when it is safe to do so.

At 31st March 2021, the split of staff by gender was:

	Male	Female	Total
Director	1	0	1
Senior Manager	17	1	18
Employee	76	96	172
Agency worker	0	0	0
Total	<u>94</u>	<u>97</u>	<u>191</u>
2019-20	<u>97</u>	<u>94</u>	<u>191</u>

Equality monitoring takes place to ensure that all employees continue to be treated fairly in relation to training, performance

management and discipline and grievances. The results of the monitoring exercises are reported every two years, alongside our progress towards our Equality Outcomes, within our Equality Mainstreaming Report. Scottish Forestry's first Equality Mainstreaming report 2019-2021 was published on our website on 30 April 2021. Our next progress report will be published no later than 30 April 2023.

Learning & Development (L&D)

Over the last year, we have delivered Engaging the Bystander Training to all staff across the agency to help increase self-awareness, address behaviours and support an inclusive culture;

L&D has continued development and rollout of functionality for our HR and Learning Management systems.

Health & Safety

Information about Health & Safety is shown within the Performance Analysis.

Employment of disabled persons

We recognise our commitment and our positive attitude towards our disabled applicants and staff.

In doing so, we offer interviews to all disabled applicants and staff who meet the minimum criteria for any post; reminding line managers of their management responsibilities; helping staff balance their work and their disability; and offering advice and training to staff and managers about issues related to disability.

Employee consultation and trade union relationship

We continue to build a strong and supportive relationship with our Trade Union partners, Forestry Trade Unions Scotland. We have worked closely together to support our staff over the course of the Covid-19 pandemic. In the coming year we will establish a new Partnership Agreement committing to building trust, collaborating and working together to make SF a great place to work.

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We will all be guided by the [Fair Work Framework](#), which sets out the ambition that, by 2025, people in Scotland will have a world-leading working life, where fair work drives success, wellbeing, and prosperity for individuals, businesses, organisations, and society.

Fair work is work that offers effective voice, opportunity, security, fulfilment, and respect. Over the next two years, we will implement key actions to embed Fair Work across Scottish Forestry and align to the Scottish Government's Fair Work Agreement.

Trade Union Facility Time

Statistical information about Trade Union consultation and relationships can also be found on our [website](#) as per UK Government guidance.

Trade Union Statistics		20-21	19-20
Number of employees who were relevant TU officials during the year		7	3
FTE of relevant TU officials		7	3
The number of employees who were relevant TU officials during the year as a percentage of their working hours spent on facility time	0%	7	1
	1-50%	0	2
	51-99%	0	0
	100%	0	0
Percentage of the total pay bill spent on facility time		0.04	0.03
Time spent on trade union activities as a percentage of total paid facility time hours		100%	100%

Parliamentary Accountability and Audit Report

The following Parliamentary Accountability section summarises all of the key accountability documents for the Agency for the year and shows the audit report from our external auditors.

Regularity of Expenditure

The expenditure and income in the financial statements, were incurred or applied in accordance with all applicable enactments, and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and the funding given by SG for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Fees and Charges

We do not raise any significant income through fees and charges.

Remote Contingent Liabilities

The Government Finance Reporting Manual (FRM) states, that where information about contingent liabilities, is not required to be disclosed, because the likelihood of a transfer of economic benefits is considered too remote, they should be disclosed separately for parliamentary reporting and accountability purposes.

We do not currently have any remote contingent liabilities.

Losses and Special Payments

There was no losses or special payments that exceeded £250,000. Full details are identified within Note 18 of the Financial Statements.

Gifts

There were none.



Dr David Signorini
Accountable Officer

03 September 2021

Independent Auditor's Report

Independent auditor's report to Scottish Forestry, the Auditor General for Scotland and the Scottish Parliament.

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Forestry for the year ended 31 March 2021 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 17 June 2019. The period of total uninterrupted appointment is two years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. 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 basis of accounting

I have concluded that the 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 body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and

- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 statutory other information,

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I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or

- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Mark Taylor CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

03 September 2021

Financial Statements



Statement of Comprehensive Net Expenditure

for the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Administration Costs:			
Staff Costs	2	8,727	8,292
Other administration costs	3	3,406	3,728
Operating income	5	(67)	(94)
Programme Costs:			
Programme costs	4	47,056	66,550
EU receipts	5	(14,044)	(24,325)
Other income	5	(896)	(548)
Net Operating Expenditure		44,182	53,603
Other Comprehensive Net Expenditure			
Transfer of assets and liabilities by absorption from FCS to SF		0	3,213
Net (gain)/loss on revaluation of property, plant and equipment	6	0	(1)
Comprehensive Net Expenditure For The Year		44,182	56,815

The Notes to the accounts are contained in pages 53 to 63 inclusive.

Statement of Financial Position

as at 31 March 2021

	Note	2020-21 £000	2019-20 £000
Non-current assets:			
Property, plant and equipment	6	85	113
Trade and other receivables	8	32	39
Total non-current assets		<u>117</u>	<u>152</u>
Current assets:			
Trade and other receivables	8	13,819	22,272
Cash and cash equivalents	9	31,822	25,166
Total current assets		<u>45,641</u>	<u>47,438</u>
Total assets		45,758	47,590
Current liabilities:			
Trade and other payables	10	(48,862)	(50,745)
Total current liabilities		<u>(48,862)</u>	<u>(50,745)</u>
Total assets less current liabilities		<u>(3,104)</u>	<u>(3,155)</u>
Taxpayers' Equity:			
General Fund		(3,119)	(3,170)
Revaluation Reserve		15	15
Total Taxpayers' Equity		<u>(3,104)</u>	<u>(3,155)</u>

The Notes to the accounts are contained in pages 53 to 63 inclusive.

The Accountable Officer authorised these financial statements for issue on 3 September 2021.



Dr David Signorini
Accountable Officer

03 September 2021

Statement of Cash Flows

for the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating expenditure	SCNE	(44,182)	(53,603)
Transfer by absorption from FCS to SF		0	(3,213)
Adjustment for non-cash transactions	12	79	81
Non-cash inter-country transfers		0	(27)
(Increase)/decrease in trade and other receivables		8,461	(22,311)
Increase/(decrease) in trade and other payables		(14,009)	50,745
Net cash outflow from operating activities		(49,651)	(28,328)
Cash flows from investing activities			
Transfer of assets by absorption		0	(209)
Transfer of accumulated depreciation by absorption	6	0	76
Purchase of property, plant and equipment	6	0	(10)
Net cash outflow from investing activities		0	(143)
Cash flows from financing activities			
From the Scottish Government		56,307	53,637
Financing		56,307	53,637
Net Increase / (decrease) in cash and cash equivalents in the period		6,656	25,166
Cash and cash equivalents at the beginning of the period		25,166	0
Cash and cash equivalents at the end of the period		31,822	25,166

The notes to the accounts are contained in pages 53 to 63 inclusive

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

	Note	2020-2021			2019-2020		
		General Fund £000	Reval Reserve £000	Total £000	General Fund £000	Reval Reserve £000	Total £000
Balance at 1 April		(3,170)	15	(3,155)	0	0	0
Transfer by absorption from FCS to SF		0	0	0	(3,229)	16	(3,213)
		<u>(3,170)</u>	<u>15</u>	<u>(3,155)</u>	<u>(3,229)</u>	<u>16</u>	<u>(3,213)</u>
Changes in taxpayers' equity							
Net operating expenditure for the year	SCNE	(44,182)	0	(44,182)	(53,602)	0	(53,602)
Realised revaluation surplus					1	(1)	0
Auditors Remuneration	12	51	0	51	50	0	50
Inter Country Transfers		0	0	0	(27)	0	(27)
Total Recognised Income & Expense		<u>(44,131)</u>	<u>0</u>	<u>(44,131)</u>	<u>(53,578)</u>	<u>(1)</u>	<u>(53,579)</u>
Funding from SG		56,307	0	56,307	53,637	0	53,637
Movement of Balance with SG	10	<u>(12,125)</u>	<u>0</u>	<u>(12,125)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 31 March		<u>(3,119)</u>	<u>15</u>	<u>(3,104)</u>	<u>(3,170)</u>	<u>15</u>	<u>(3,155)</u>

The Notes to the accounts are contained in pages 53 to 63 inclusive.

Notes to the Financial Statements

NOTE 1 – Basis of Accounts

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2020-21 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by Scottish Ministers.

The Accountable Officer and the Strategic Advisory Group have considered the Resource Budget for 2020-21 and 2021-22, and have no reason to believe that future funding approved annually by the Scottish Government will not be made. They consider that SF has adequate resources to continue in operational existence for the foreseeable future, the accounts are therefore prepared on a going concern basis.

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

Statement of Accounting Policies

Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of SF for the purpose of giving a true and fair view has been selected. The particular policies selected by SF are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

New or amended accounting standards that are considered relevant and their anticipated impact on the accounts are as follows:

IFRS 16 – Leases

As a result of Covid-19, this standard will become effective for the Public Sector from 1 April 2022, a year later than previously planned.

It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed.

IFRS 16 will have an impact in financial reporting terms due to the interest costs and depreciation exceeding the lease costs in the earlier years. It is estimated that there will be an additional cost to the accounts in the early years of leases of approximately £6k based on £577k of leases.

IFRS 17 – Insurance Contracts

This standard is effective from 1 January 2022 and will supersede IFRS 4. The standard establishes the principal for the recognition measurement presentation and disclosure of insurance contracts to give users a basis to assess the effect of insurance contracts have on the entity's financial position, financial performance and cash flow. It is not expected to have any impact on financial reporting as SF predominately self-insure but this will be assessed when further guidance is forthcoming from HM Treasury.

a. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events, and forecasts of future events and actions. Where appropriate, the relevant notes to the accounts provide further detail on estimation techniques.

b. Administrative and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running SF, together with associated operating income, and programme costs.

c. Employee benefits

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), full details of which can be found within the Remuneration and Staff Report.

Although the PCSPS is an unfunded defined benefit schemes in accordance with explicit requirements in the FReM, Scottish Forestry account for the schemes as if they were defined contribution plans. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the government actuary at four-yearly intervals.

Other employee benefits

Following IAS 19 - Employee Benefits, requires us to recognise a liability and an expense for untaken holiday days and flexi balances as at 31 March. As such, an accrual for time earned but not taken has been calculated, based on

- the flexi balance for all staff in the flexi pay scheme; and
- a sample of employees for holiday pay.

d. Revenue recognition

SF is not a trading organisation. Income primarily comprises of EU / Government grants co-financing towards forestry options under Rural Development Contracts – Rural Priorities set up under the Scottish Rural Development Plan (SRDP) (2007-2013) and also for the new Forestry Grant Scheme under the plan SRDP 2014-2020. These schemes are recognised at their fair value when there is reasonable assurance that the grant will be received and SF have complied with all attached conditions and are credited to the Statement of Comprehensive Net Expenditure.

If grants are recovered because of a failure by the applicant to fulfil the terms of the grant scheme contract, the co-financing previously claimed is refunded to the EU/Government.

Where income has been recognised but cash has not been received, a receivable for the corresponding amount is shown in the Statement of Financial Position

e. European funding (EU)

SGRPID administers all grant payments and up to 31 December 2020, claimed EU co-financing only for grants claimed for forestry options under Rural Development Contracts – Rural Priorities set up under the Scottish Rural Development Plan (2007-2013) and also for the new Forestry Grant Scheme under the plan SRDP 2014-2020. Thereafter SGRPID will recover the co-financing from Department for Environment Food & Rural Affairs (DEFRA).

If grants are recovered because of a failure by the applicant to fulfil the terms of the grant scheme contract, the co-financing previously claimed is refunded to DEFRA.

f. Value Added Tax (VAT)

Within the Statement of Comprehensive Net Expenditure, income is shown net of VAT and expenditure is either shown net of VAT where we can recover VAT through the HM Revenue & Customs (HMRC) Contracted Out Services scheme or gross when VAT is irrecoverable.

Any VAT due to or from HMRC at the year-end is included in our accounts as a receivable or payable in the Statement of Financial Position.

g. Grants payable

Grants payable or paid to individuals and bodies by SF in accordance with its statutory powers and duties are recorded as expenditure in the period that the underlying event or activity, giving rise to the grant occurs. Where necessary, obligations in respect of grant awards are recognised as liabilities.

Where grants have been recognised and the work has been undertaken, but have not been paid, a payable for the corresponding amount is shown in the Statement of Financial Position as a liability.

h. Leases

Leases where most of the risks and rewards of ownership of the asset remain with the lessor are

classified as operating leases. Operating lease payments are recognised in the Statement of Comprehensive Net Expenditure on a straight-line basis over the lease term. The benefit of any lease incentive is recognised as a reduction in rental expense on a straight-line basis over the life of the lease.

i. Property, plant and equipment land & buildings

Land and buildings including leasehold improvements are shown at fair value less accumulated depreciation within the Statement of Financial Position. The threshold for capitalisation of buildings is £10,000.

A policy of revaluation has been adopted in respect of property assets owned by SF for its own use. Buildings are held at fair value and are professionally valued five yearly in accordance, with the valuation standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition and use, with the last valuation taking place on the 31 March 2018. The previous policy of an index linked revaluation of buildings and plant and equipment in the intervening years between the five yearly revaluations has been discontinued. It was decided that the index linked revalued figures had a negligible change to the value of the assets.

Fixtures & fittings and information technology

Fixture & Fittings and Information technology are shown at fair value less accumulated depreciation in the Statement of Financial Position. The normal threshold for capitalisation of assets is £2,000 per item.

Revaluation reserve

Increases in the carrying amount arising on revaluation of property, are credited to the revaluation reserve in taxpayers' equity. Decreases arising from fluctuations in market conditions are first charged directly to revaluation reserve to offset any previous increases for the same asset. Amounts in excess of previous increases are expensed to the Statement of Comprehensive Net Expenditure. Decreases arising from other factors are expensed directly to the Statement of Comprehensive Net Expenditure. When revalued property is sold, the amounts included

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in the revaluation reserve are transferred to the general fund.

Depreciation

Land is not depreciated. Depreciation is provided on all other assets at rates calculated to write off the valuation, less estimated residual values, of each asset evenly over its expected useful life as follows:-

- **Freehold buildings** over sixty years
- **Leasehold improvements & buildings held under a finance lease** over the shorter of fifty years or the unexpired term of the lease
- **Fixture & fittings and information technology** over four to twenty years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Statement of Financial Position.

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

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of the item can be measured reliably.

The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

j. Cash and cash equivalents

Cash and cash equivalents represents cash in hand, and cash held with the Government Banking Service, which are shown within the Statement of Financial Position.

k. Financial Instruments

SF does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, cash, and cash equivalents and payables.

l. Trade and other receivables

These are recognised at fair value less any impairment for any amounts assessed as irrecoverable within the Statement of Financial Position. An impairment of debt for irrecoverable amounts is made where there is evidence that the SF will be unable to collect an amount due in accordance with agreed terms. Trade and other receivable are recognised at fair value.

m. Trade and other payables

Trade payables are stated at their nominal value. The carrying amount of trade payables is deemed to be an approximation for fair value.

n. Provisions

Provisions are recognised when SF has a present obligation (legal or constructive) as a

result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the Statement of Comprehensive Net Expenditure net of any reimbursement.

o. Contingent liabilities

SF discloses contingent liabilities in accordance with IAS 37. It also discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to the Scottish Government in accordance with the requirements of the SPFM

Where the time value of money is material, contingent liabilities are required to be disclosed under IAS 37 are stated at discounted amounts. Amounts reported to the Scottish Government are separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Scottish Government.

Note 2 – Staff Costs

Expenditure of £8.73m was incurred during the year (2019-20: £8.292m). Full information about staff costs is shown in the Remuneration Report.

Note 3 - Other Administration Costs

Administration expenditure includes the cost of shared central service provided to SF. The shared central services are defined as those where a single provider is considered the best solution, in terms of practicality, cost or the needs of stakeholders through service level agreements. The areas of work are Information services; Human resources, including Learning and Development and accounting systems.

		20-21	19-20
	Note	£000	£000
Shared central services		1,811	1,947
Other administration expenditure		1,754	1,700
		3,565	3,647
Non-cash costs			
Auditors remuneration - audit work	12	51	50
Depreciation	12	28	31
Debtors bad debt provision written back		(238)	0
Total non-staff administration costs		3,406	3,728

Note 4 - Programme Costs

The programme costs in year can be analysed as follows:

	20-21	19-20
	£000	£000
Support for forestry and the rural economy, including grants paid to private woodland owners	17,629	27,913
Grants paid to private woodland owners from EU receipts	14,044	24,325
Forestry Development Programmes	7,147	7,315
Timber Transport Fund	8,203	6,872
Other programme costs	33	125
Total	<u>47,056</u>	<u>66,550</u>

Note 5 – Income

	20-21	19-20
	£000	£000
Operating Income	67	94
Administrative income	<u>67</u>	<u>94</u>
Planting grant co-financing from EU	14,044	24,325
Other Income	896	548
Programme Income	<u>14,940</u>	<u>24,873</u>
Total Income	<u>15,007</u>	<u>24,967</u>

Note 6 – Property and Equipment

	20-21			19-20		
	Buildings	Equipment	Total	Buildings	Equipment	Total
	£000	£000	£000	£000	£000	£000
Valuation :						
At 1 April	179	14	193	0	0	0
Transfer by absorption	0	0	0	179	30	209
Additions	0	0	0	0	10	10
Disposals	0	(4)	(4)	0	(27)	(27)
Write-offs / impairments	0	0	0	0	0	0
Revaluation	0	0	0	0	1	1
At 31 March	179	10	189	179	14	193
Depreciation :						
At 1 April	76	4	80	0	0	0
Transfer by absorption	0	0	0	51	25	76
Provided during year	26	2	28	25	6	31
Disposals	0	(4)	(4)	0	(27)	(27)
Write-offs / impairments	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
At 31 March	102	2	104	76	4	80
Net Book Value :						
At 31 March	77	8	85	103	10	113
At 1 April	103	10	113	0	0	0
Asset financing:						
Owned at 31 March	77	8	85	103	10	113

As at 31 March 2018, the building was revalued by the Valuation Office Agency, based on Open Market Value, Existing Use Value, and Depreciated Replacement Cost Value or discounted cash flows as appropriate under RICS guidance.

Depreciation of £28k is included in other administration costs in the Statement of Comprehensive Net Expenditure.

Note 7 - Financial Instruments

	20-21	19-20
	£000	£000
Trade & other receivables	13,832	22,285
Cash & equivalents	31,822	25,166
Total	45,654	47,451
Liabilities		
Trade & other payables excluding statutory liabilities	36,734	50,706

7(b) Exposure to risk

SF's activities expose it to a variety of financial risks.

Credit risk - The possibility that other parties might fail to pay amounts due. Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

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

Liquidity risk - the possibility that the SF might not have funds available to meet its commitments to make payments

Each financial year, the Scottish Government makes provision for the use of resources by SF for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. SF is not therefore exposed to significant liquidity risks.

Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates and stock market movements.

SF has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing SF in undertaking its activities.

i) Cash flow and fair value interest rate risk

SF has no significant interest bearing assets or liabilities and as such, income and expenditure cash flows are substantially independent of market interest rates.

ii) Foreign Currency Risk

SF does not generally undertake transactions in foreign currency; therefore, its exposure to foreign currency risk is minimal.

Due to the way in which government departments are financed, SF is not exposed to the degree of financial risk faced by business entities.

7(c) Capital risk management

SF's objectives when managing its capital structure are to maintain its ability to continue to provide benefits for stakeholders and to maintain an optimal capital structure to safeguard Taxpayers' Equity.

7(d) Fair Value Estimation

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

NOTE 8 - Trade and Other Receivables

8(a) Analysis by type

	20-21 £000	19-20 £000
Current		
Trade receivables	395	150
Less: provision	0	(7)
Trade receivables	395	143
VAT	317	357
House purchase loans to employees	7	8
Accrued Income	263	146
EU funding accrued income	12,812	21,590
Prepayments	20	26
Other receivables	25	253
Less: provision for impairment of other receivables	(20)	(251)
	13,819	22,272
Non-current		
House purchase loans to employees	32	39
Total receivables	13,851	22,312

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

House purchase loans are unsecured, interest free and typically repayable over ten years, with an optional two-year deferral period.

As of 31 March 2021, trade receivables of £223k were fully performing and not past due or impaired and provided for. At the same date, trade receivables of £172k were past due but not impaired, which relates to two customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	20-21	19-20
	£000	£000
0-30 days	223	136
31-60 days	0	7
61-90 days	172	7
Total	395	150

As at the 31 March 2021, Other Receivables of £5k were being paid as per agreement and therefore not impaired. At the same date £20k were past due and were fully impaired.

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

	Trade	Other	Total
1 April 2019	0	0	0
Transfer by absorption	7	251	258
31 March 2020	7	251	258
Utilised in year		(40)	(40)
Released in year	(7)	(191)	(198)
31 March 2021	0	20	20

The other classes within trade and other receivables do not contain any impairments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. SF does not hold any collateral as security. The carrying amounts of trade and other receivables are denominated in GBP Sterling.

8(b) Intra-Government Balances

	Current	Non – Current	Total
	£000	£000	£000
20-21			
Scottish Government	12,834	0	12,834
Other central Government	911	0	911
Total Intra Government	13,745	0	13,745
External bodies	74	32	106
	13,819	32	13,851

	Current	Non – Current	Total
	£000	£000	£000
19-20			
Scottish Government	21,741	0	21,741
Other central Government	495	0	495
Total Intra Government	22,236	0	22,236
External bodies	36	39	75
	22,272	39	22,311

Note 9 – Cash and Cash Equivalents

	20-21	19-20
	£000	£000
Balance at 1 Apr	25,166	0
Transfer by absorption	0	28,447
Net change in cash balances	6,656	(3,281)
Balance at 31 Mar	31,822	25,166

The balance above is held within Government Banking Service, and relate to amounts issued from the Scottish Government for supply but not spent by the year-end.

NOTE 10 - Trade and Other Payables
10(a) Analysis by type

	20-21	19-20
	£000	£000
Current		
Trade payables	1,620	1,211
Other payables	302	436
Other taxation and social	0	32
Accruals	836	442
Grant Accruals	33,979	48,624
Accrued funding from SG	12,125	0
Total	<u>48,862</u>	<u>50,745</u>

There were no non-current payables at 31 March 2021.

The carrying amounts of trade and other liabilities are a reasonable approximation of their fair value, and these carrying amounts are denominated in GBP Sterling.

Due to improvements in our Casebook system, which has allowed for better reporting during the year, we are able to provide a more detailed and accurate Grants Accrual figure than in previous years. The calculation is based on the value of the claims for 2019-20 and 2020-21 that have been submitted less the amount paid during the year. As the planting season is in the latter part of the financial year the majority of claims are only submitted in March 2021 for which the required checks and inspections are undertaken after the year-end, resulting in a large accrual.

10(b) Intra-Government Balances

	20-21	19-20
	£000	£000
Scottish Government	47,090	48,470
Central Government		
Bodies	333	488
Local Authorities	347	227
Total Intra Government	47,770	49,185
External bodies	1,092	1,560
Total	<u>48,862</u>	<u>50,745</u>

NOTE 11 - Provisions for Liabilities and Charges

Provisions for liabilities and charges are accounted for in accordance with IAS37.

Where applicable SF will meet any additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. SF will provide for this in full when the early retirement programme becomes binding on the agency by establishing a provision for the estimated payments.

	Early Departure	
	20-21	19-20
	£000	£000
1 April	0	0
Transfer by absorption	0	5
Utilised in year	0	(5)
31 March	<u>0</u>	<u>0</u>

NOTE 12 - Note to the Statement of Cash Flows

	20 - 21	19 - 20
	£000	£000
Depreciation	28	31
Notional audit fees	51	50
	<u>79</u>	<u>81</u>

NOTE 13 - Capital Commitments

There were no contracted capital commitments at the year-end.

NOTE 14 - Commitments under Leases
Operating leases

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

	20-21 £000	19-20 £000
Buildings		
Expiry within one year	577	548
Expiry after one year but not more than five years	406	1,970
Expiry thereafter	194	230
Total	1,177	2,748

There were no commitments under finance leases for the year ending 31 March 2021.

NOTE 15 - Other Financial Commitments

Financial commitments exist for on-going forestry grant contracts under two grant schemes:

Rural Priorities under the Scottish Rural Development Plan 2007-2013.

From 2007-2013, forestry grants for woodland creation, restocking and grants to support existing woodlands were approved under the Rural Priorities Scheme.

A planting grant was paid for woodland creation followed by four annual maintenance payments. Additional Farmland Premium was also paid where the trees had been planted on agricultural land.

Where trees were felled and then restocked, applicants could claim a single instalment-restocking grant. Grants for existing woodlands were paid under Woodland Improvement Grant and Sustainable Management of Forests.

At 31st March 2021, SF was committed under the signed Rural Priorities - Rural Development Contracts for the payment of future grants amounting to £14.188m (19-20: £16.951m).

Forestry Grant Scheme under the Scottish Rural Development Plan 2014-2020.

From 2014 forestry grants for woodland creation, restructuring regeneration and grants to support existing woodlands and rural businesses were approved under the Forestry Grant Scheme.

For woodland creation contracts, there is an initial planting payment and an annual maintenance payment for five years. There is also a range of capital grants available for operations such as fencing and tree protection.

Restructuring Regeneration provides support for where trees were felled and then restocked. Two grant rates are available depending on the level of species diversity being delivered.

Grants for existing woodlands were paid under Woodland Improvement Grant and Sustainable Management of Forests. Support was also available for rural businesses under Harvesting and Processing, Forest Infrastructure, Tree Health and Forestry Co-operation.

At 31st March 2021, SF was committed under signed Forestry Grant Scheme contracts for the payment of future grants amounting to £79.875m (19-20: £72.362m).

Summary

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

	20-21 £000	19-20 £000
Not later than one year	41,074	38,522
Later than one year	52,989	50,791
	<u>94,063</u>	<u>89,313</u>

NOTE 16 - Contingent Liabilities Disclosed Under IAS 37

There are no contingent liabilities.

NOTE 17 - Related Party Transactions

SF has had various material transactions with government departments and other central government bodies. The main entities within

government with which the SF has had dealings are Scottish Government and its Agencies, including FLS, as well as Forest Research, Forestry England, the Welsh Government, and HM Revenue and Customs.

17(a) Key management transactions

The following transactions were carried out with related parties of SF:

Brendan Callaghan, Head of Operational Delivery, is a part owner of Old Caberston Forest a fifty-three hectare area of forestland in Scotland. Transactions of £11k (19-20: £11k) were made during the year.

	20-21	19-20
Funding & forestry grant payments	11	11
	<u>11</u>	<u>11</u>

17(b) Key management compensation

Refer to the Remuneration & Staff Report for further details of remuneration of the SAG and the SET.

17(c) Loans to related parties

No loans have been made to related parties during the year.

NOTE 18 – Losses and Special Payments

Included within Losses is the cost of a debt written off and damage to two vehicles.

	20-21	19-20
Number	3	5
£000	41	2

NOTE 19 - Events Occurring After the Reporting Period

There were no significant events occurring after the year-end, which materially impacted upon the 2020-21 annual report and accounts.

Accounts Direction



Scottish Government
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Scottish Forestry

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2020, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 19 February 2020