



Scottish  
Forestry  
Coilltearachd  
na h-Alba

# Annual Report and Accounts 2022-23

SG/2023/195

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  
gov.scot



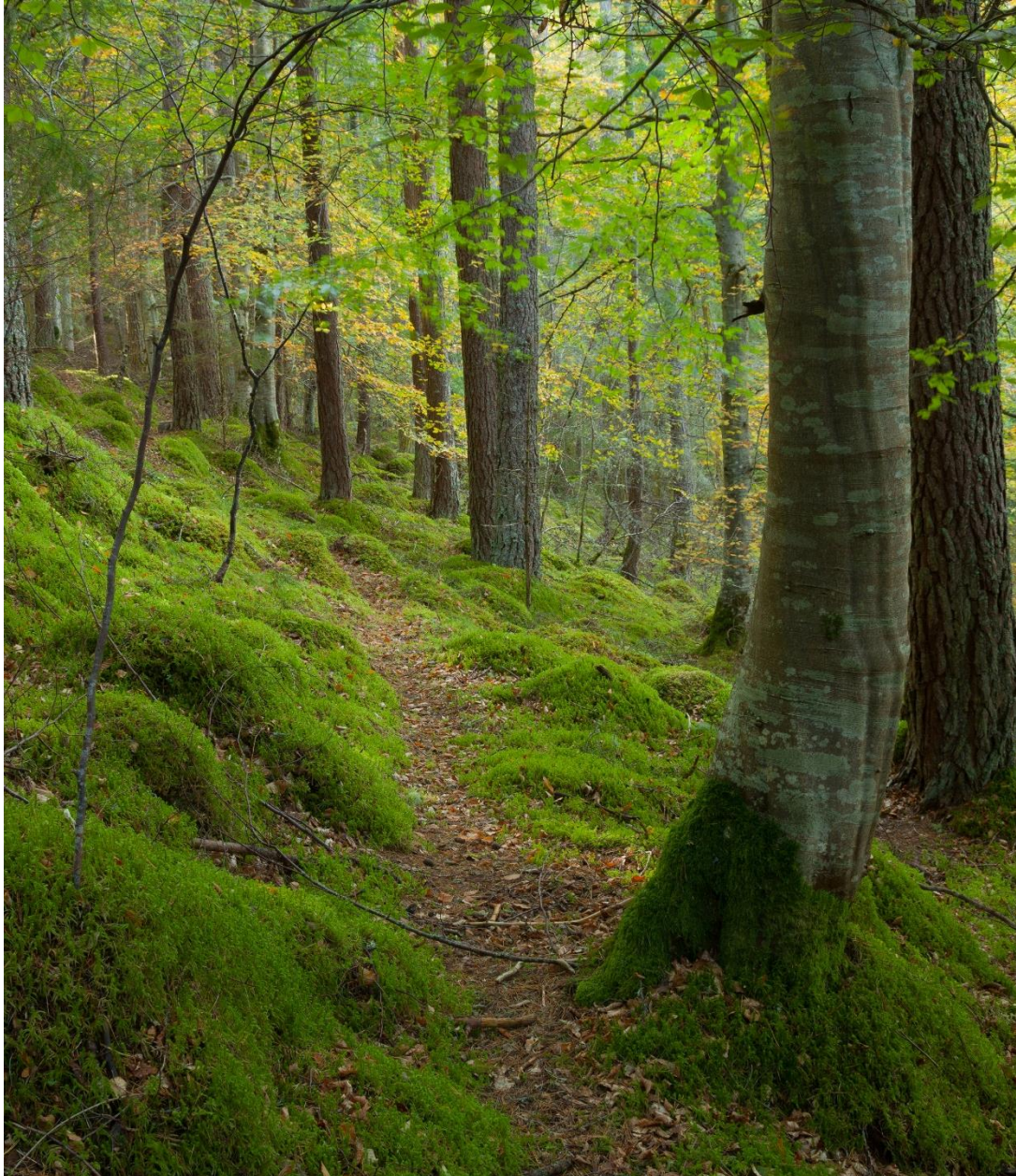
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# Performance Report



## Overview

In this Performance Report, we present a review of the Agency's performance during 2022-23, 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 Review and Accounts of Scottish Forestry for 2022-23.

This report marks our fourth anniversary as an organisation, and it is my first as Interim Chief Executive. I first want to take this opportunity to say a huge thank you to our dedicated colleagues across Scottish Forestry for their delivery of a range of ambitious work across a challenging year, only some of which we narrate in this year's review. Establishing and growing a new woodland body is an ambitious task and I am immensely proud of the capable and increasingly confident agency that Scottish Forestry has become and excited about the potential for the future.

Scottish Forestry is the Scottish Government Agency tasked with setting policy for our woodlands, regulating practice and operating a grant system to support forest creation. In doing so we work with a range of forest sector partners to ensure that Scotland grows and maintains vibrant and sustainable forests and woodlands now and in the future. Our work supports the environment, ambitious net zero targets, our diverse communities and the rural economy.

A significant area of our focus is supporting the creation of new woodland and helping Scotland to meet ambitious targets, as set out in the Scottish Government Climate Change Plan. Since the creation of Scottish Forestry in April 2019 we have made £179.1m of grant funding available to support the creation of over 47,600 hectares of new woodland. Official figures published in June 2023 show, 8,190 ha of new woodland was created in Scotland in 2022-23. This represents over 60% of the total UK new forest planting that year.

Whilst Scotland is performing way ahead of the rest of the UK our planting rates are not where we would like them to be. This is why we announced a delivery action plan to meet Scottish Ministers priorities of accelerating

woodland creation and ensuring Scotland meets key planting targets.

As part of this improvement activity to support the grant application process and the aspirations for woodland creation, over the past year, Scottish Forestry expanded in size by about 20%. A lot of work goes into onboarding new staff, so I'd like to thank everyone involved for supporting new faces to the Scottish Forestry family.

The ability of our woodlands to absorb carbon dioxide from the atmosphere is of ever-increasing importance. This year we introduced new measures to the Woodland Carbon Code to ensure it remains the gold standard for verifying carbon credits associated with woodland planting schemes.

In November 2022, a parliamentary debate was held on 'Forestry's contribution to Net Zero Scotland'. The Minister for Environment and Land Reform at the time, Màiri McAllan, opened the debate which covered the key role forests and woodlands play in reaching Net Zero and their contribution to Scotland's people, communities, economy and environment. The debate also announced our intention to launch a consultation on Future Grant Support for forestry, which we did in February 2023. The consultation seeks to gain stakeholder insights into what further enhancements could be made to ensure that the scheme can continue to evolve and deliver for climate, nature, people and the economy.

We are not alone in the mission to create additional new woodland and we are working with the public and private sectors to look at how we can work together to invest in skills, improve processes and increase capacity to get planting levels up the levels we want. This will be discussed further with industry leaders and land management bodies at a Forestry Summit, chaired by Rural Affairs Secretary Mairi Gougeon, later in 2023.



Tackling tree health threats and protect our tress also continues to be a key focus for us. This year our tree health team surveyed over one million hectares of forest as part of an effort to monitor the health of our woodlands. Over 40,000ha of Scotland's larch resource is still unaffected by the disease P. ramorum. This means our action plan is working. The efforts across the sector in tackling this disease is a credit to the range of organisations and professionals involved.

Scotland's forestry sector also plays an important role in our economy, generating over £1 billion each year and supporting around 25,000 jobs, including among demographic groups where jobs are particularly needed, such as in rural areas.

Ensuring we have a sound timber transport network is a key feature to ensure economic benefits continue. This year the Strategic Timber Transport Fund awarded over £7 million of funding to projects that have helped improve infrastructure across the country. These improvements ensure that both timber suppliers and local residents and businesses can safely share the rural road network.

Like many organisations we continue to change and improve. We are continuing to drive progress through our improvement programme and to support and develop our people. Post pandemic we are also continuing to explore new ways of working. We are mid-trial of a new appointment model for stakeholders seeking support and guidance from our Conservancy teams in order to provide more flexible and useful ways for our customers/stakeholders to engage with us.

Finally, over the past year we also paid tribute to the incredible work and sacrifices made by foresters during WW2 at the opening of the Commonwealth Foresters' Memorial in Pollok Country Park. The living memorial features a mix of 100 trees set in rings with plaques detailing the history of Commonwealth foresters.

Forestry has played a key role in our past, continues to in our present and will for our future. I want to thank all of our staff and stakeholders for enabling us to deliver these benefits to Scotland and look forward to seeing what we can achieve next.

Thank you.

# Facal-toisich bhon Àrd-Oifigear

Fàilte dhan Lèirmheas agus Cunntasan Bliadhnail aig Coilltearachd na h-Alba airson 2022-23.

Tha an aithisg seo a' comharrachadh na ceathramh ceann-bliadhna againn mar bhuidheann, agus seo a' chiad bhliadhna agam mar Cheannard Eadar-amail. Tha mi an toiseach airson an cothrom seo a ghabhail gus taing mhòr a thoirt do na co-obrachichean dìcheallach againn air feadh Coilltearachd na h-Alba airson a bhith a' libhrigeadh farsaingeachd de dh'obair àrd-amasach ann am bliadhna dhùbhlanach, air nach eil sinn ag aithris ach beagan ann an lèirmheas na bliadhna-sa. Is e obair àrd-amasach a th' ann a bhith a' stèidheachadh agus a' toirt fàs air buidheann coilltearachd ùr agus tha mi air leth pròiseil às a' bhuidheann chomasach seo Coilltearachd na h-Alba, a tha a' sìor fhàs misneachail agus tha mi air bhioran mu na dh'fhaodadh tachairt san àm ri teachd.

Is e Coilltearachd na h-Alba a' Bhuidheann aig Riaghaltas na h-Alba air a bheil e mar dhleastanas poileasaidh a shuidheachadh airson ar coilltean, a bhith a' riaghladh cleachdadh agus a' ruith siostam tabhartais gus taic a thoirt do chruthachadh coilltean. Ann a bhith a' dèanamh seo bidh sinn ag obair le farsaingeachd de chom-pàirtichean ann an roinn nan coilltean gus dèanamh cinnteach gum fàs Alba agus gun cùm i suas choilltean beòthail agus seasmhach aig an àm seo agus san àm ri teachd. Tha ar cuid obrach a' toirt taic dhan àrainneachd, do thargaidean àrd-amasach airson cothromachadh-carboin, do na coimhearsnachdan eadar-mheasgte againn agus dhan eaconamaidh dhùthchail.

Tha sinn a' cur fòcas sònraichte air a bhith a' cruthachadh coille ùr agus a bhith a' cuideachadh Alba gus targaidean àrd-amasach a choileanadh, mar a tha air am mìneachadh

ann am Plana Atharrachadh Gnàth-shìde Riaghaltas na h-Alba. Bho chaidh Coilltearachd na h-Alba a chruthachadh sa Ghiblean 2019 tha sinn air £179.1m de mhaoineachadh tabhartais a thoirt seachad gus còrr is 47,600 heactair de choille ùr a chruthachadh. Tha figearan oifigeil a chaidh fhoillseachadh san Ògmhios 2023 a' sealltainn gun deach 8,190 ha de choille ùr a chruthachadh ann an Alba ann an 2022-23. Seo còrr is 60% de phlanntachadh choilltean ùra san RA air fad air a' bhliadhna sin.

Ach ged a tha Alba a' coileanadh fada nas fheàrr na an còrr den RA, chan eil na h-ìrean cur chraobhan againn fhathast aig an ìre a dh'iarraim. Sin as adhbhar gun do dh'ainmich sinn plana gnìomh libhrigidh gus prìomhachasan Ministearan na h-Alba a choileanadh gus cruthachadh choilltean a luathachadh agus gus dèanamh cinnteach gu bheil Alba a' coileanadh prìomh thargaidean a thaobh cur chraobhan.

Mar phàirt den obair leasachaidh seo gus taic a chumail ri pròiseas tagraidh nan tabhartasan agus ris na miannan airson a bhith a' cruthachadh choilltean, leudaich Coilltearachd na h-Alba timcheall air 20% ann am meud thairis air a' bhliadhna sa chaidh. Nithear tòrr obrach gus luchd-obrach ùra a thoirt air bòrd, agus mar sin bu mhaith leam taing a thoirt dhan a h-uile duine a bha an sàs ann a bhith a' cumail taic ri luchd-obrach ùra ann an teaghlach Coilltearachd na h-Alba.

Tha comas nan coilltean againn gus carbon dà-ogsaid a ghabhail a-steach bhon àile a' sìor fhàs nas cudromaiche. Am-bliadhna chuir sinn ceumannan ùra ann an Còd-giulain na Coilltearachd gus dèanamh cinnteach gum bi e fhathast na shàr eisimpleir airson a bhith a' dearbhadh creideas carbon co-cheangailte ri sgeamaichean planntachaidh choilltean.

Chaidh deasbad pàrlamaideach a chumail anns an t-Samhain 2023 air 'Coilltearachd a' cur ri Alba le Cothromachadh-carbon'. Dh'fhosgail Ministear na h-Àrainneachd agus Ath-leasachadh Fearainn aig an àm, Màiri NicAilean, an deasbad a bha a' coimhead air a' phrìomh àite a th' aig coilltean ann a bhith a' ruighinn Cothromachadh-carbon agus na tha iad a' cur ri sluagh, coimhearsnachdan, eaconamaidh agus àrainneachd na h-Alba. Dh'ainmich an deasbad cuideachd ar rùn co-chomhairle a chur air bhog air Taic Tabhartasan san àm ri teachd airson coilltearachd, agus rinn sinn sin sa Ghearran 2023. Tha a' cho-chomhairle ag amas air

beachdan luchd-ùidh fhaighinn air dè na leasachaidhean eile a dh'fhaodar a dhèanamh gus dèanamh cinnteach gun lean an sgeama air adhart a' fàs agus a' libhrigeadh airson na gnàth-shìde, nàdar, daoine agus airson na h-eaconamaidh.

Chan ann dìreach againn a tha an rùn gus coilltean ùra a bharrachd a chruthachadh agus tha sinn ag obair leis na roinnean poblach is prìobhaideach gus coimhead air mar as urrainn dhuinn obrachadh còmhla gus tasgadh a dhèanamh ann an sgilean, pròiseasan a leasachadh agus comas àrdachadh gus ìrean planntachaidh àrdachadh suas do na h-ìrean a tha sinn ag iarraidh. Thèid seo a dheasbad barrachd le stiùirichean gnìomhachais agus buidhnean riaghladh fearainn aig Àrd-choinneamh Coilltearachd, aig am bi Rùnaire nan Cùisean Dùthchail Mairi Gougeon sa chathair, nas fhaide air adhart ann an 2023.

Tha a bhith a' dèiligeadh ri bagairtean slàinte chraobhan agus a' dìon nan craobhan fhathast na prìomh amas dhuinn. Am-bliadhna rinn sgioba slàinte nan craobhan againn sgrùdadh air còrr is millean heactair de choille mar phàirt de dh'oidhirp gus sùil a chumail air slàinte nan coilltean againn. Chan eil an galar P. ramorum fhathast air buaidh a thoirt air còrr is 40,000ha de stòras learaig na h-Alba. Tha seo a' ciallachadh gu bheil am plana gnìomh againn ag obair. Tha na h-oidhirpean air feadh na roinne gus dèiligeadh ris a' ghalair seo leis an fharsaingeachd de bhuidhnean agus phroifeiseantaich a bha an sàs ann airidh air moladh.

Tha àite cudromach aig roinn coilltearachd na h-Alba san eaconamaidh againn cuideachd, a' togail còrr is £1 billean gach bliadhna agus a' cumail taic ri mu 25,000 cosnadh, a' gabhail a-steach obair am measg bhuidhnean deamografach far a bheil feum sònraichte air obraichean, leithid ann an sgìrean dùthchail.

Tha e fìor chudromach dèanamh cinnteach gum bi lionra còmh-dhail fiodha làidir againn gus an lean na buannachdan eaconamach. Am-bliadhna thug Maoin Ro-innleachdail Còmh-dhail an Fhiodha seachad còrr is £7 millean de mhaoineachadh do phròiseactan a chuidich le bhith a' toirt piseach air bun-structair air feadh na dùthcha. Nì na leasachaidhean seo cinnteach gun urrainn do gach cuid solaraichean fiodha agus luchd-còmh-naidh agus gnìomhachasan ionadail an lionra rathaidean dùthchail a cleachdadh gu sàbhailte.

Coltach ri mòran bhuidhnean, tha sinn fhathast ag atharrachadh agus a' leasachadh. Tha sinn a' leantainn oirnn le bhith a' dèanamh adhartas tron phrògram leasachaidh againn agus le bhith a' toirt taic agus leasachadh do na daoine againn. Tha sinn cuideachd a' leantainn air adhart a' rannsachadh dhòighean-obrach ùra às dèidh a' ghalair lèir-sgaoilte. Tha sinn letheach slighe tro modal choinneamhan ùr do luchd-ùidh, a' tha a' sireadh taic agus stiùireadh bho na sgiobaidhean Glèidhteachais againn gus an urrainn dhan luchd-ùidh/custamairean com-pàirteachadh leinn ann an dòighean nas sùbailte agus nas fheumaile.

Mu dheireadh, thairis air a' bhliadhna a dh'fhalbh thug sinn moladh cuideachd dhan obair iongantach agus do na h-iobairtean mòra a rinn coilltearan aig àm an Dàrna Cogaidh le fosgladh Carragh-cuimhne Coilltearachd a' Cho-fhlaitheis ann am Pàirc Dùthchail Phollaig. Anns a' charragh-cuimhne beò tha measgachadh de 100 craobh suidhichte ann am fàinneachan le clàran le fiosrachadh air eachdraidh choilltearan a' Cho-fhlaitheis.

Bha àite cudromach aig coilltearachd san àm a dh'fhalbh, agus bidh àite nas cudromaiche buileach aice san latha an-diugh agus san àm ri teachd. Tha mi airson taing a thoirt dhan luchd-obrach agus dhan luchd-ùidh againn air fad airson a dhèanamh comasach dhuinn na buannachdan sin a libhrigeadh do dh'Alba agus tha mi a' dèanamh fiughair ri bhith a' faicinn nas urrainn dhuinn a choileanadh a-nis.

Tapadh leibh.



Paul Lowe  
Interim Chief Executive

## 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).

As a regulator, funder and policy advisor, our purpose at Scottish Forestry is the sustainable management and expansion of forests and woodlands to deliver more for Scotland. We do this by:



Providing policy input on forestry matters to Scottish Ministers and other parts of the public sector to ensure that sustainable forest management is an integral part of public policy.



Regulating the management of forests across Scotland, including the planting and felling of trees, and measures related to tree health



Administering grants and providing other support to land managers to achieve delivery of new planting targets.



Promoting and supporting sustainable forest management as set out in the [UK Forestry Standard \(UKFS\)](#) both in grant funded and existing forests and woodlands.



Providing evidence to support policy and practice through reviewing and commissioning research.



Working in partnership to develop and implement projects which help realise the wide range of benefits forestry delivers for Scotland.



Delivering cross-border forestry functions on behalf of the three nations of Great Britain

## Scottish Forestry Annual Reports and Accounts

### Structure

We operated a management model of four functional teams:

- Policy & Practice.
- Operational Services & Transformation.
- Operational Delivery, and
- Finance and Business Support.

An Executive Office supports the Chief Executive Officer (CEO) in corporate activities including developing and monitoring the [Corporate Plan](#) and communications.

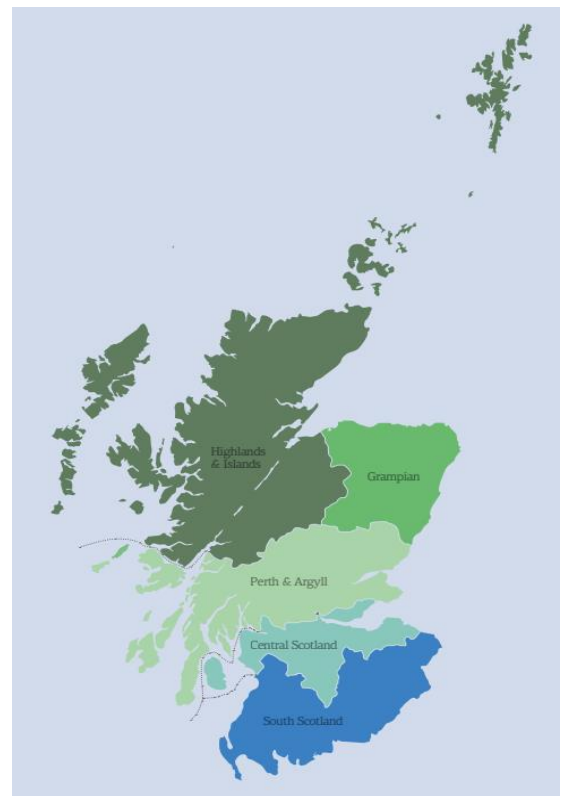
Each function is led by a Head who reports to the CEO. The CEO is supported in discharging their governance responsibilities by the

- 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.

### Conservancies

We operate a regional structure for the delivery of our work consisting of five conservancies who report to the Head of Operational Delivery and the national office located in Edinburgh.





### ***Funding for our work***

We receive our funding from SG. 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 2022-23 EU funding was also received via SG's Rural Payments and Inspections Directorate (SGRPID) to support grants under the Scottish Rural Development Programme.

## **Key Risks and Challenges**

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

The SAG have established procedures to manage risk and oversee the risk register. Our risk register is designed to identify and manage, rather than eliminate, the risk and our approach is discussed within the Governance Statement.

Additional challenges in 2022-23 related to the case management system, staff capacity, the Human Resources system and Tree Health continues to be a long-term challenge.

The table below summarises the key risks faced during 2022-23, the mitigating actions taken, and further actions planned.

Key Risks	Mitigation
Unable to Meet Woodland Creation Target	Mitigating actions are being implemented at present focused around staff training and development, system improvements and system changes. These are centred around building capacity, structural improvements and changing attitudes and behaviours. The operating model for the Conservancies has been changed to help support this.
Possibility of new Finance System and associated services not meeting requirements and not available before FLS service level agreement ends.	<p>A Project Manager has been appointed during October 22 and the Finance systems project formalised within the governance of the overall Transition Implementation Board.</p> <p>The scope of the Finance Systems project was widened to include options for systems provision beyond the SG Shared Services option. This was due to SG being unable to provide any certainty over onboarding scope and timings.</p> <p>Following the completion of an options appraisal in February we identified a shortlist of preferred suppliers and are now entering the procurement phase of our project plan.</p> <p>A transition agreement is currently in draft and in the process of being agreed with FLS to define roles, responsibilities and support as we move towards the March 2024 deadline for termination of the existing platform maintenance and management.</p> <p>Close liaison with key area leads and Project Managers has now been established as part of the Transition Implementation Programme. This has reduced the risk of working in silos and not considering the cross-cutting factors with other systems and functions.</p>

	SF is asking FLS to extend service provision to avoid falling down a crack if there is a delay and validating the efinancials cut off with FLS.
If a cyber-attack targeted at SF or any associated organisations is successful, then there is a significant likelihood of extensive downtime across most/all key systems and services, resulting in loss of personal and business data, and an inability to complete organisation remit, in financial, reputational and emotional impacts on the organisation and our staff too. Cyber-attacks are becoming increasingly frequent, successful and impactful. Ongoing risk of attack (e.g., by ransomware, targeted phishing emails, malware, denial of service attacks) can result in system failures that can take down entire organisations for months/years, and also result in significant data loss, publication of sensitive personal data.	<p>Ongoing raising of staff awareness of how to be alert to phishing emails. Inclusion in SG campaign to simulate and monitor phishing attacks via email. This greater awareness will be an important part of actioning a proportionate response. The first round of enhanced training in this area to take place in March 2023 at the Central conservancy, with online resources available to all SF staff. Since then the sessions have been delivered to groups of staff throughout the Agency</p> <p>Review of SF Cyber Resilience policies, procedures suggested (re: SEPA action plan). Offline copies of Business Continuity and Disaster Recovery plans relating to cyber-attacks, along with contacts lists. Link to other areas of work such as the Business Continuity Plan. Basic system by system assessment cybersecurity risk laid out in Disaster Recovery document. More resource required to action further: Building a suitable Business continuity plan for all scenarios, completing an action plan in full, Implementation of digital security processes and systems, completion of preparedness audits, implementation of Cyber Resilience Insurance (and associated procedures), Cyber-attack simulation run.</p> <p>A temporary shutdown by FLS Digital of some digital tools during the extended break over Christmas 2022 to minimize areas of risk.</p> <p>Discussions are underway with FLS initially around some of the shared tools. With the possible extension to other SF specific solutions in the future. This action is in response to the higher likelihood of cyber-attacks during the period and with reduction in staff to identify possible attacks.</p>
<b>Office move</b> - If insufficient resources/staff are allocated and planning on space design done in next few weeks, resulting in workspace in Saughton House not configured and completed by July 23, then SF's designated workspace will be unavailable, resulting staff working from temporary, alternative location in Saughton House or working from home causing disruption to their work based routines, affecting staff morale and wellbeing, as well as producing a negative perception of how change is handled.	<p>Establish formal project team and manager to ensure effective governance and controls are put in place. Agree design and needs for SF. Formalise roles and responsibilities and allocate budget to space planning and design.</p> <p>Consult with staff and TUS re preferred option and progress against key milestones.</p> <p>Support from SG Property space planning, and surveyor agreed. Staff will be able to work from other parts of Saughton House if SF space not available.</p>

## How we contribute to the National Performance Framework Outcomes

Scottish Forestry contributes directly to and supports a number of Scotland's National Performance Framework outcomes, in particular:



**Environment:** We value, enjoy, protect and enhance our environment.

This year, there was a focus on integrating our annual target of 15,000 hectares of woodland creation with other land use objectives. This includes working with partners on climate change and carbon sequestration, building this emphasis into forestry grant incentives. By encouraging the management of forests, which comply with the UK Forest Standard, we promoted enhanced environmental benefits from our forests and woodlands including increased biodiversity, flood management and species protection. In providing advice and guidance to the sector on tree health, biosecurity, and specific pests and diseases, we will be maintaining the long-term health of Scotland's trees, woods and forests.



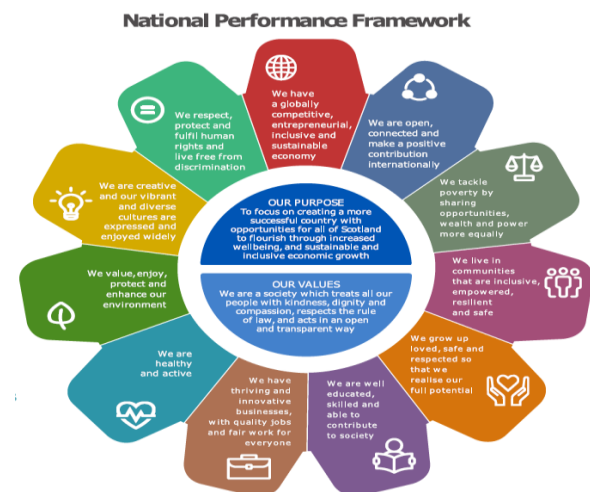
**Economy:** We have a globally competitive, entrepreneurial, inclusive and sustainable economy where Forestry is a vital sector in the rural economy and provides crucial supplies to the construction and biomass industries, whilst food, medicines and other critical supply chains rely on the provision of pallets and wood packaging materials, supplied by Scottish sawmills and processors. This year we built the evidence around the economic contribution of forestry to the rural economy and the potential to increase added value in the wood fibre supply chain. Delivery of the Strategic Timber Transport Fund continues the move towards the decarbonisation and future proofing of timber transport, and we began to explore ways to decarbonise the harvesting and processing sector. We encouraged young people and those changing career to enter the industry, both by increasing knowledge and awareness of forestry sector careers in key stakeholders and also through the delivery of targeted short courses tailored to specialist skills required by the sector such as timber haulage and forestry machine operators.



**Health:** We are healthy and active. We continued to work with and engage more people and communities in the creation, management and use of forests and

woodlands. Through our funding of the Community Woodlands Association over sixty community organisations across Scotland used their local woodlands to support local community objectives. We also encouraged a more diverse range of people to access and benefit from forests and woodlands, particularly those close to where they live and work. Through our engagement programme, we worked with a range of partners to deliver programmes involving people with protected characteristics, including Pride outside, woodland wheels and equal adventure.

We worked with partners to promote opportunities for woodland-based health and well-being activities such as the Branching Out Programme and the Women's Circle project and trained fifteen forest bathing leaders. We also continued to be a key partner in the Green Exercise partnership supporting the NHS greenspace demonstration programme and supported SG in reviewing and approving greenspace improvement projects on the NHS estate.



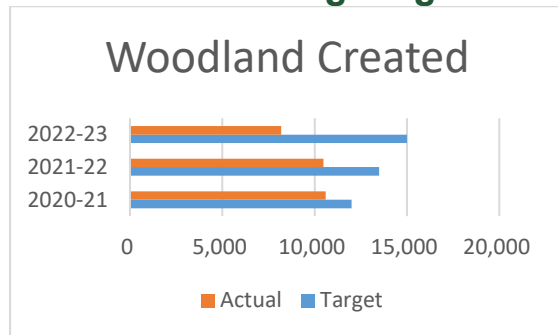
## Responding to the Global Climate Emergency

The Scottish Government's 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 2021-22 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



## Key Performance Indicators

### Woodland Planting Targets

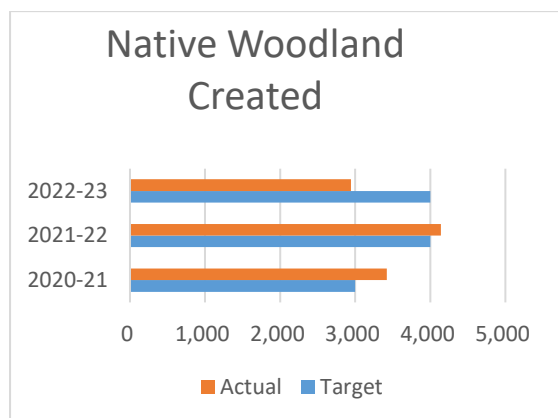


**How we define it:**

The total of the hectares claimed by the 16 May for all trees planted during the financial year in Scotland.

**Why is it important?**

SG have identified that carbon capture through tree planting is a cornerstone of its plans to reduce emissions to Net Zero by 2045.



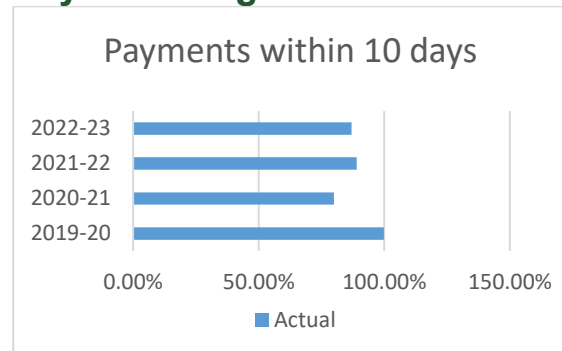
**How we define it:**

The total of the hectares claimed by the 16 May for native trees planted during the financial year in Scotland.

**Why is it important?**

Whilst creation of new native woodlands help carbon capture, they also ensure bio-diversity and shelter for wildlife in woodlands and forests throughout the country

### Payment Targets

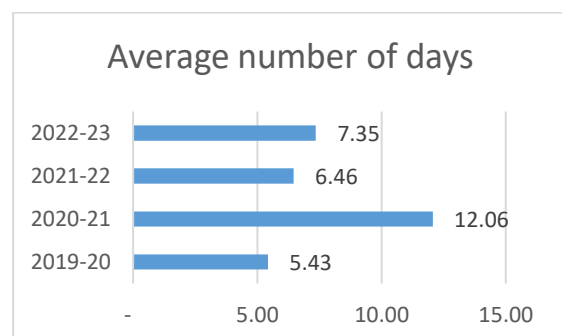


**How we define it:**

The number of invoices paid within ten working days divided by the total number of invoices paid.

**Why is it important?**

In addition, to adhering to the Scottish Government payment target, we ensure that our suppliers receive payment promptly to help their cashflows.



**How we define it:**

The average is calculated by totalling the number of days that it took to pay an invoice for all invoices dividing by the number of invoices.

**Why is it important?**

In addition, to adhering to the Scottish Government payment target, we ensure that our suppliers receive payment promptly to help their cashflows.

## Strategic Objectives

Given the policy context and strategic drivers described above, in the [Business Plan](#) we developed strategic objectives. The following page lists our high-level objectives during the year. More detailed information on our objectives and what we have done to achieve these are shown in the Performance Analysis.



**Strategic Objective 1** - Ensure that sustainable forest management is an integral part of public policy, particularly through leading and co-ordinating the delivery of

Scotland's Forestry Strategy.

Which includes objectives on:

- **Woodland creation:** Delivery of 15,000 HA woodland creation. Process grant applications, EIA, claims and inspections within charter times.

- **Deliver regulatory functions:**

Process Statutory Plant Health Notices, Forest Plans, Land Management Plans and Felling Permissions to statutory timescales. Respond to reports of unauthorised fellings.

- **Promote Sustainable Forest Management:** UK Forestry Standard consult on revised Standard and practice guides.

Hold events for agents to raise awareness of UKFS and improve due diligence. Highlight importance of community consultation and delivery of additional assets.

- **Climate emergency and biodiversity crisis:**

National stakeholder engagement. Further develop policy on carbon, resilience and adaption. Improve native woodland extent and condition and natural regeneration. Plan for wildfire resilience. Review evidence of drought. Development and implementation of policies to increase carbon sequestration. Work on Woodland Carbon Capture Investment Programme. Further develop policy on carbon, resilience and adaption, and community engagement, as well as Woodland Carbon Code.

- **Environment/Biodiversity:** Commission work on biodiversity related topics, including peaty soils, nitrogen in forestry ecosystems, and flood management. Gather new evidence on carbon balance of different woodland creation and management strategies. Work

with partners on different projects including biodiversity benefit, water protection, flood mitigation, raptors and nesting birds.

- **Enhance the Forestry Grant Scheme:**

Improve community engagement, value for money and reversing biodiversity decline by improving support for tree planting around rivers and streams. Post SRDP grant support for forestry.

- **Implementing ongoing updates and improvements to Forestry Grant Scheme:**

Better align with Woodland Carbon Code, to address inflationary pressures, introducing WC maintenance capital items, uprating agroforestry option, succession process, end of year reporting process, financial risk assessment and standard security process, variations process, SAF processing, appeals, recoveries process guidance, improvements required in response to recent FGS audits.

- **Work across SG:** Integrate forests and

woodlands with other land use objectives. Work on National Planning Framework Land Use Strategy. Investment in Natural Capital Programme. Policy developments on deer, biodiversity and post EU environmental equivalents. Biodiversity Strategy and Implementation Plan – include new evidence-based targets on native woodlands. Input to new Agricultural bill Input to relevant legislative programmes.

- **Scotland's Forestry Strategy:** Develop Implementation Plan 2022-25. Parliamentary progress report.

- **Raise Awareness of forestry:** Partnership Working through ministerial engagements. Promote woodland creation business objectives through our external and stakeholder's channels. Continue connecting with key stakeholders and new audiences using effective key messaging through social media channels and website (redevelopment).

- **Community engagement:** Use partnership working to better connect with communities, diverse groups and key influential stakeholders. Promote woodland-based health activities, including Branching Out. Investigate links between health and wellbeing and proximity to Woods In And Around Towns. Improve information on public access to woodlands. Support education through the Outdoor Woodland Scotland groups. Progress forests

and woodland as setting for lifelong learning and play. Improve community consultation and identify community wealth building opportunities. Support local initiatives and community projects. Review Scottish Forestry funding for community activities, and support community groups to source funding. Work with partners/stakeholders to deliver landscape scale projects.

**- Economics and Business Development:**

Increase understanding of contribution to sustainable and inclusive economic growth. Ensure predictable wood fibre availability. Increase knowledge and awareness of forestry sector careers. Assess timber supplies to enable continued growth of construction and biomass. Decarbonisation and future proofing of timber transport and timber harvesting. Deliver £7M Strategic Timber Transport Fund. Commission studies on economic value of woodlands for flood alleviation; impact of investments in forestry on employment, and evidence to boost investment in woodland creation.

**- Tree Health:** Assess and review emerging pests and diseases threats. React to any new disease threats. Integrate climate change modelling. Identify high risk pathways. Develop management approaches. Develop low carbon techniques to map disease outbreaks and stress in trees. Maintain long term tree health through effective surveillance, contingency planning, and management of pests and diseases. Review contingency plans. Provide advice and guidance on tree health, biosecurity, specific pests and diseases. Focus on ash dieback. Ensure regulation and border control in place for control of tree pests and diseases, aligning with UK government.

**- Compliance and Enforcement Procedures:**

Revise and update UKFS compliance procedures. Develop a register on enforcement action (tied to UKFS Compliance Register), including case studies. Revise and update approach to unauthorised felling. Regulations procedures and guidance, including developing new regulatory processes introduced by the FLM (powers of entry, step in powers, felling directions). Update procedures and guidance for staff on Habitat Regulations Appraisal process.



**Strategic Objective 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.

Which includes objectives on:

**- Implementation of Conservancy operating model:**

Move from a beat to a geographic structure. Fill outstanding vacancies. Engage with and support staff and provide training and mentoring. Develop the teams, and plan, allocate and review work progress.

**- Target Operating Model:**

Finalise and implement TOM Develop associated Improvement and Delivery programme/plan to implement this. Set up revised governance arrangements.

**- Induction pack:** Provide clear structure and improve on prioritisation of induction training and activities to guide and support new staff.

**- Learning, training and staff development:**

Across the organisation, identify roles, projects and tasks which contribute to staff progression and skill base and record/review using i-Trent. Conservancies to run various training options on topics such as UKFS compliant, woodland creation standards and tree health issues, and support team members to develop specialist skills in different areas of sustainable forest management. Topical training led by Subject Matter Experts, such as forest planning, procurement and data protection, to be offered across organisation. Support in the use of digital tools will be provided as Office 365 is rolled out. Continue roll out of Engaging the Bystander to new staff. Increase access to formal training and qualifications. Increase business resilience and staff capacity through knowledge/job sharing, guidance and instructions to cover leave/absence.

**- Leadership Development:**

Sessions to be run to improve organisational effectiveness, covering areas such as risk management, health, safety and wellbeing, and data protection. Training in management will be provided from performance management, management for hybrid working and addressing bullying and harassment. There will be workshops on current policy issues, such as the Biodiversity Strategy.



Development Programme for Assistant Woodland Officers /Woodland Officers: Two-year professional learning package to give these staff the necessary skills, knowledge and experience, at high and consistent standard.

### - Workload management and programming:

**- Future Working:** Develop approach to hybrid working, tying this to clear improvement outcomes. Trial activity-based hybrid model. Review office requirements, such as desk layout, meeting spaces, use of pool cars etc. Undertake trial of 'appointment only' model at Conservancies. Scope learning, development and training requirements to meet hybrid working needs. Joint work to understand support and wellbeing needs of staff. At individual Conservancy/Team level, maintain our culture, values and cohesion through regular face to face events and meetings, as well as regular communications.

### - Corporate communications and content:

Use strategy, plans, staff survey and feedback to create cross-channel plan reflecting needs of the business and staff. Website modernisation project to meet stakeholder and business needs, reflects the scope of our work and improves user experience. Review and evolve internal channels and content including staff briefing and saltire. Continue to build 'content bank' to bring our work to life. Work with teams to develop comms for key topics/discussions. External focus: future grant support, implementation plan delivery, woodland creation target, our role in Net Zero, tackling biodiversity crisis. Internal focus: staff development, future working and sustainability, recruitment, TOM and improvement programme. Lead on Brand. Implement our Gaelic Language Plan. Undertake a publications review. Deliver external stakeholder mapping exercise. Create standard briefings and top line messages for correspondence/PQs. Work with others to make information/lines available on our position on key staff and policy issues and FAQs/standard communications on key themes for communities and stakeholders

**- Equalities, Diversity and Inclusion (EDI) and Values:** Implement EDI Action Plan. Conservancies are working to create positive, supportive culture positive, and enhancing wellbeing through team meetings and events. Conservancies reinforcing our values through discussion. Conservancies tackling inappropriate behaviours from customers.

Conservancies addressing workloads through mentoring, improved work programming and training. Organisation wide: communication activities to ensure ensuring all our people have a voice and visibility through our communications. Make documents, communications and templates more accessible. Promote EDI through the tone and brand of our communications / visuals / photography. Promote diverse jobs available at SF. Publish articles on SF for wide range of community members, stakeholders and potential recruits. Finance and Business Support Team: introduce a Team charter based on our Values. Executive Office tracking EDI representation across governance structures.



### Strategic Objective 3 –

Become a more innovative, efficient and accessible organisation by delivering process improvements, and harnessing digital and technological solutions.

Which includes objectives on:

### - Case Management Process Improvements:

Continue prioritised set of projects on case types that improve efficiency and management information. Initial focus on unauthorised felling and SPHNs; followed by initial work to improve Long Term Forest Plans, the Public Register and EIAs. Options around remote sensing compliance monitoring will be considered.

**- Digital Tools:** Improve and expand use of digital collaboration and design tools, supported by user education schedule. Work on Digital Signatures which meet legal compliance as well business needs. Digital Telephony Review and Replacement. Support positive roll out of Office 365. Ensure recent technical developments eg tablets and new casebook types incorporated into regular working practices.

**- Management information:** Across the organisation, sources of management information will be set up and /or improved to enable a data driven approach across our planning, delivery and reporting, internally and externally. Monitor, track and report volume of work and workloads to prioritise staff time. Balance ongoing work on felling permissions, management plans, illegal felling investigations, site surveys, inspections and restock surveys. Manage pipelines of

complex/large scale woodland creation schemes. Broaden collection of EDI data. Explore new technology to enhance data and management areas for Policy areas, such as Tree Health. Develop and implement reporting capability for WC target, forest plans, felling and unauthorised felling. Improve budget/finance management information.

- **Service Level Agreement:** Create new improved Service Level Agreement with Forestry and Land Scotland. Set up transition plan/project/governance to decouple Finance, HR and aspects of L&D services by March 2024.

- **Corporate Responsibilities and Compliance:** Continue our journey towards the agency's maturity in meeting and gaining value from our corporate and statutory responsibilities. Focus on creating/reviewing structures for good information governance, accountability and assurance. Take action on areas of compliance previously deprioritised: corporate parenting, Modern Slavery and Open Data. Continue improvements on our organisational accountability, governance and transparency. Embed Risk Management,

review Business Continuity Plans and update Framework Document. Review our organisational approach to MiCase system. Review complaints handling.

- **Corporate Planning:** Prepare the Corporate Plan 23-26. Continue to improve Team Planning. Evolve Business Planning & Budget Monitoring processes.

- **Financial Systems:** Identify and procure new finance system for implementation by 2024 or establish a suitable contingency until this can be achieved. Revise and reinstate Finance Support Visits and commence reviews to strengthen assurance processes in 2022-23. Promote and help introduce increased levels of staff self-sufficiency and knowledge of Finance & Business Support, through improved guidance and structure, presentation and usability of webpages on Saltire. Review and update Forestry Strategy Implementation Fund (FSIF) guidance, establish budget/finance roles & responsibilities, re-establish project audits to deliver process improvements. Identify and establish Direct Purchasing Authority operating model for procurement in SF.

## Performance summary

During the year, we set out in our Business Plan three strategic objectives covering sixty-three priorities. Of these priorities, thirty-three were achieved, six were not achieved and twenty-four are ongoing. For the priorities shown as not achieved or ongoing these will be continued in 2023-24. 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.

	Priority		
	One	Two	Three
Achieved	20	07	06
Not Achieved	03	00	03
Ongoing	10	06	08
Total	33	13	17

Resources to fund our activities 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 £90.9m (21-22: £83.7m). This increase from the previous year was a result of additional funding for the increased planting targets. Following the autumn and spring Budget revisions, this had reduced to a net figure of £84.4m. The out-turn position (including Financial Transactions) is £60.4m an underspend of £24m.

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 strategic objectives, our financial analysis and it includes our non-financial information.**



We published our Business Plan, in October 2022, which drew together our priorities and resourcing for 2022-23. 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 2022-23.

	<p><b>Strategic Objective 1</b> - Ensure that sustainable forest management is an integral part of public policy, particularly through leading and co-ordinating the delivery of Scotland's Forestry Strategy.</p>
<p><b>Woodland creation</b> - Delivery of 15,000 HA woodland creation</p> <p>Delivery of 4,000 HA native woodland creation</p> <p>Process grant applications, EIA, claims and inspections within charter times</p>	<p><b>Not achieved:</b> – Only 8,190ha of woodland creation were planted due to reduced forestry sector and SF staff capacity and experience being evidenced over the last two years leading to reduced levels of woodland creation being approved for planting in 2022. In addition, around 25% of nearly 11,000ha of approved projects have been delayed due to a range of factors including operational issues, forestry contractor availability, ownership changes and inflationary pressures - all leading to projects being postponed.</p> <p><b>Not Achieved:</b> - During the year 2,945 ha of native woodland were planted which was below the Bute House Agreement target.</p> <p><b>Ongoing:</b> – During 2022, 670 grant applications were submitted with a value of £43.9m and covering 10,500 ha of woodland creation. During 2022, 683 grant applications were approved with a value of £37.5m and covering 8,437 hectares of woodland creation. FGS claims with a 2022 claim year, with a value of £45.6m were submitted and processed.</p>
<p><b>Deliver regulatory functions.</b> Process Statutory Plant Health Notices,</p> <p>Forest Plans, Land Management Plans</p> <p>Felling Permissions to statutory timescales.</p> <p>Respond to reports of unauthorised fellings.</p>	<p><b>Achieved:</b> -: 95% of Statutory plant health notices were issued to the landowners, with the remaining 5% being delayed due to identification of the landowner. The process is being reviewed to ensure that identification of landowner can be achieved in a shorter period of time.</p> <p><b>Ongoing:</b> - Key work tasks but there are no statutory timescales in which to respond to these and, currently, we have no reliable Management Information to provide data.</p> <p><b>Ongoing:</b> - Key work tasks but there are no statutory timescales in which to respond to these. Although we do have a customer charter which states we will issue a felling permission within three months of receiving a complete application, there is not a set report that would enable us to demonstrate that applications have been meeting charter times. At present there isn't a set report that would enable us to respond to this request for management information, but we can provide basic data on the number of Felling permissions approved and the volume of timber: In 2022/23 we approved 1098 felling permissions covering 12,947 ha for a volume of approx. 3m cubic metres of timber.</p> <p><b>Ongoing:</b> - Key work tasks but there are no statutory timescales in which to respond to these. This has been,</p>

	<p>until recently, an entirely manual process and so we have struggled to get MI for reporting purposes. However, work to respond to a recent Parliamentary Question stated that we issued twelve restocking directions for unauthorised felling in the last year.</p>
<p><b>Promote Sustainable Forest Management</b> - Forestry Standard consult on revised Standard and practice guides. Hold events for agents to raise awareness of UKFS and improve due diligence. Highlight importance of community consultation and delivery of additional assets.</p>	<p><b>On-going:</b> - The review of the UK Forestry Standard is approaching its final phase following a second stakeholder consultation on the draft content that closed on 8 December 2022. The responses to the consultation are being considered by the four countries as they work to finalise the content for the next edition of the Standard. In collaboration with the Institute of Chartered Foresters an event titled “Support woodland creation in Scotland – a joint working agreement with Statutory Authorities” was held in February 2023 and attended by 240 participants.</p>
<p><b>Climate emergency and biodiversity crisis</b> - National stakeholder engagement.</p> <p>Further develop policy on carbon, resilience and adaption.</p> <p>Improve native woodland extent and condition and natural regeneration.</p> <p>Plan for wildfire resilience.</p> <p>Review evidence of drought.</p> <p>Development and implementation of policies to increase carbon sequestration.</p>	<p><b>Achieved:</b> - A framing paper was developed, and a National Stakeholder group meeting was held on building resilience. A workshop was held on the results of the carbon project looking at carbon sequestration across woodland types.</p> <p><b>Achieved:</b> - We launched the <a href="#">Climate Change Hub</a>, a joint venture by the four UK nations to bring together information and practical guidance about protecting our UK woodlands and forests from the impacts and risks due to the changing climate through adaptive practice. In addition, we commenced development on a Resilience Implementation Plan and a workshop planned on species and provenance choice.</p> <p><b>Not achieved:</b> - We did not meet the Bute House agreement for native woodland creation in 22-23, and this will be discussed as part of the Forest Summit that will take place in 23-24.</p> <p><b>Achieved:</b> - SF representation on Scottish Wildfire Forum and publication of the <a href="#">Information Note: Forest Planning to Minimise Wildfire Risk in Scotland</a>.</p> <p><b>Achieved:</b> - A review was commissioned through Climate exchange and delivered by Forest Research: <a href="#">Drought risk in Scottish forests</a>. Further work will be developed as part of the on-going work on the Resilience Implementation Plan.</p> <p><b>Achieved:</b> - Version 2.2 of the Woodland Carbon Code was published in April 2023, the main change being to the way which additionality is assessed, maintaining integrity in the carbon market as it grows. During 2022-23, an additional three hundred eighty-two projects across the UK were added to the registry. These projects represent almost 11,000 hectares of new woodlands predicted to sequester 4.2 million tonnes of CO<sub>2</sub> over their lifetime. Another eighty-five projects were validated, representing 1.7 million tonnes of carbon sequestration.</p>


<p>Further develop policy on carbon, resilience and adaption, and community engagement, as well as Woodland Carbon Code.</p>	<p><b>Achieved:</b> - strengthened protection in <a href="#">National Planning Framework (NPF4)</a> (enacted on 13 February 2023), for ancient woods. In addition, version 2.2 of the Woodland Carbon Code was finalised in March 2023 and published the following month, the main change being the way which additionality is assessed, maintaining integrity in the carbon market as it grows. During 2022-23, an additional 382 projects across the UK were added to the registry. These projects represent almost 11,000 hectares of new woodlands predicted to sequester 4.2 million tonnes of CO<sub>2</sub> over their lifetime. Another 85 projects were validated, representing 1.7 million tonnes of carbon sequestration.</p>
<p><b>Environment/Biodiversity</b> - Commission work on biodiversity related topics, including peaty soils, nitrogen in forestry ecosystems, and flood management.</p> <p>Gather new evidence on carbon balance of different woodland creation and management strategies.</p> <p>Work with partners on different projects including biodiversity benefit, water protection, flood mitigation, raptors and nesting birds.</p>	<p><b>Achieved:</b> - Active engagement across SG on development of policies and plans such as the Scottish Biodiversity Strategy. Work to develop the evidence base on peaty soils, and nitrogen has commenced. In addition, <a href="#">practice guidance</a> on flood management has been published.</p> <p><b>Achieved:</b> - We commissioned and released a comprehensive study by Forest Research – the first of its kind in the UK, into the contribution of different types of woodlands to removing CO<sub>2</sub> from the atmosphere. We also held a stakeholder workshop to consider the implications of the study for the future design and management of the woodland estate.</p> <p><b>Achieved:</b> - Continue to work on updating and creating new guidance to inform woodland creation and forest management operations for sensitive species. We contributed to the <a href="#">Forest Plastics Working Groups</a> guidance document. We launched and published a new joint working agreement between SF and their statutory consultees to provide a coordinated and efficient approach to achieving the Scottish Government's ambitions for forestry. SF had representation on the <a href="#">Wild Salmon Strategy Implementation Plan</a> Delivery Group to input in relation to riparian woodlands and minimising thermal stress within the water environment. We also continue to work with partners across more than fifteen projects and working groups, including NatureScot, Transport Scotland, SEPA, and environmental non-governmental organisations to deliver efforts to improve biodiversity and habitats for Scotland's important species and control herbivores and INNS.</p> <p><b>Ongoing:</b> - representation on SG private water supplies (PWS) working group and working alongside partners to develop PWS guidance, with ambition to publish the guidance this year. In addition, collaboration is underway with Forest Research on developing UKFS Riparian practice guide with a view to publication in 2023.</p>



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<p><b>Raise Awareness of forestry</b> - Partnership Working through ministerial engagements. Promote woodland creation business objectives through our external and stakeholder's channels. Continue connecting with key stakeholders and new audiences using effective key messaging through social media channels and website (redevelopment).</p>	<p><b>Achieved:</b> - The Minister (Mairi McAllan) undertook numerous visits/meetings/announcements throughout the year which have promoted positive messages of forestry with stakeholders, communities and the public, which have delivered against Scottish Government priorities. Social media channels continue to grow, and a new Instagram account launched to connect with new audiences. Website development project underway with comprehensive external and internal stakeholder engagement undertaken and insight gathered during discovery phase.</p>
<p><b>Community engagement</b> - Use partnership working to better connect with communities, diverse groups and key influential stakeholders. Promote woodland-based health activities, including Branching Out. Investigate links between health and wellbeing and proximity to Woods In And Around Towns. Improve information on public access to woodlands. Support education through the Outdoor Woodland Scotland groups. Progress forests and woodland as setting for lifelong learning and play. Improve community consultation and identify community wealth building opportunities. Support local initiatives and community projects. Review Scottish Forestry funding for community activities, and support community groups to source funding. Work with partners/stakeholders to deliver landscape scale projects.</p>	<p><b>Achieved:</b> - The engagement programme has continued to deliver specific activities alongside larger events aimed at supporting and encouraging more diverse groups to access woodlands and forests. These have included Pride outside and woodland wheels and events to celebrate international Peace Day and UN International day of the Forests. The Branching Out programme also continued to be delivered throughout mainland Scotland.</p> <p>The first regional hub was established in Dumfries and Galloway and they successfully secured externally funding for group delivery and recruitment of a regional co-ordinator. This approach will be developed in other regions with the aim of building a national network of regional hubs to support Branching out delivery.</p> <p>Scottish Forestry has been accepted as a full member onto the National Access Forum and continues to engage with the forum leading on any forestry access related issues. To help ensure that there is meaningful collaboration and community engagement in decisions about land, we are working to improve the opportunities for communities to be involved in the development of forestry plans and proposals. This includes through the development of guidance for communities on community engagement and consultation processes during the development and assessment of forestry plans and proposals.</p> <p>We will be increasing our funding support for Community Woodlands Association to continue providing support and advice to Scotland's community woodland organisations and refreshed the Community Fund for 2023/24. We are also initiated work with partners to develop a framework for increasing forestry's contribution to the delivery of local community benefits and community wealth building.</p>
<p><b>Economics and Business Development</b> - Increase understanding of contribution to sustainable and inclusive economic growth.</p> <p>Increase knowledge and awareness of forestry sector careers.</p>	<p><b>Achieved:</b> - We continue to support initiatives to increase the use of domestic timber in construction such as funding architecture awards, the materials library, supporting a PhD on wood fibre insulation and the Wood For Good campaign.</p> <p><b>Achieved:</b> - We have supported a new Women in Forestry Initiative that provides support for forestry</p>

<p>Ensure predictable wood fibre availability and assess timber supplies to enable continued growth of construction and biomass. Decarbonisation and future proofing of timber transport and timber harvesting.</p> <p>Deliver £7M Strategic Timber Transport Fund.</p> <p>Commission studies on economic value of woodlands for flood alleviation; impact of investments in forestry on employment, and evidence to boost investment in woodland creation.</p>	<p>skills training for women. We have worked with schools and Lantra to increase awareness of forestry careers through My World of Work and Developing the Young Workforce. We are working with Confor to explore the establishment of the technical training hub.</p> <p><b>Achieved:</b> - Scottish Forestry has worked with the private sector and Forest Research in the publication of the new Production Forecast for softwoods. We are also co-funding a supply and demand report with Confor that will use the new production forecasts and match them to predicted demand.</p> <p><b>Achieved:</b> - We delivered the Strategic Timber Transport Fund, including setting up a new contract to deliver the <a href="#">TimberLink</a> service. We support modal shift projects such floating piers to reduce the impact on fragile local roads.</p> <p><b>Achieved:</b> - We managed and released a new study on the employment impacts of investing in different parts of the forestry sector which has strengthened the evidence base on the benefits of woodland creation. We also commissioned and released a ground-breaking study from Forest Research on the economic value of the forest estate in alleviating flood risk.</p>
<p><b>Tree Health</b> - Assess and review emerging pests and diseases threats. React to any new disease threats. Integrate climate change modelling. Identify high risk pathways. Develop management approaches. Develop low carbon techniques to map disease outbreaks and stress in trees. Maintain long term tree health through effective surveillance, contingency planning, and management of pests and diseases. Review contingency plans. Provide advice and guidance on tree health, biosecurity, specific pests and diseases. Focus on ash dieback. Ensure regulation and border control in place for control of tree pests and diseases, aligning with UK government.</p>	<p><b>Achieved:</b> - Through continued surveying through the aerial survey programme and follow up site visits to check symptoms identified or were reported by other routes. This led to three hundred notices to remove infected trees.</p>
<p><b>Compliance and Enforcement Procedures</b> - Revise and update UKFS compliance procedures. Develop a register on enforcement action (tied to UKFS Compliance Register), including case studies.</p> <p>Revise and update approach to unauthorised felling. Regulations procedures and guidance, including developing new regulatory processes introduced by the Forestry and Land Management Scotland Act (powers of entry, step in powers, felling directions).</p> <p>Update procedures and guidance for staff on Habitat Regulations Appraisal process.</p>	<p><b>Ongoing:</b> – the UKFS Compliance Procedure has been reviewed and changes will be put to SET shortly. A register cannot be created due to regulatory constraints and legal advice.</p> <p><b>Ongoing:</b> – felling/unauthorised felling procedures and guidance – due to resource shortages this work is ongoing with regards to current practice and new powers from 2019.</p> <p><b>Ongoing:</b> – Habitat Regulations Appraisal – guidance is currently being updated</p>

	<p><b>Strategic Objective 2</b> – 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.</p>
<p><b>Implementation of Conservancy operating model</b> - Move from a beat to a geographic structure. Fill outstanding vacancies. Engage with and support staff and provide training and mentoring. Develop the teams, and plan, allocate and review work progress.</p>	<p><b>Ongoing:</b> - New geographic structure implemented. Outstanding vacancies have been filled; however, this has resulted in new vacancies arising due to staff promotion or posts being covered as a development opportunity. New WOOD programme commenced in May 2023. Learning and Skills Development staff are developing Management and Leadership Development programmes to be implemented throughout 2023.</p>
<p><b>Target Operating Model</b> - Finalise and implement TOM Develop associated Improvement and Delivery programme/plan to implement this. Set up revised governance arrangements</p>	<p><b>Achieved:</b> - The Target Operating Model approved by SET and new Improvement Programme set up to help implement it with revised governance set up (Board, Steering Group and working groups where relevant)</p>
<p><b>Induction pack</b> - Provide clear structure and improve on prioritisation of induction training and activities to guide and support new staff.</p>	<p><b>Achieved:</b> - The Induction materials have been undated, reviewed and made available to all new starts.</p>
<p><b>Learning, training and staff development</b> - Across the organisation, identify roles, projects and tasks which contribute to staff progression and skill base and record/review using i-Trent. Conservancies to run various training options on topics such as UKFS compliant, woodland creation standards and tree health issues, and support team members to develop specialist skills in different areas of sustainable forest management. Topical training led by Subject Matter Experts, such as forest planning, procurement and data protection, to be offered across organisation. Support in the use of digital tools will be provided as Office 365 is rolled out. Continue roll out of Engaging the Bystander to new staff. Increase access to formal training and qualifications. Increase business resilience and staff capacity through knowledge/job sharing, guidance and instructions to cover leave/absence.</p>	<p><b>Ongoing:</b> - An abridged version of the WOODS programme, for Woodland and Assistant Woodland Officers was implemented at the end of 2022 and early 2023. The full WOODS programme was in the final stages of preparation at the year end but was completed and launched in May 2023. Capacity is being sought from Subject Matter Experts within the organisation to support the development and delivery of the programme.</p> <p>The i-Trent Personal Performance and Development module was launched in 2022, with staff recording their objectives and development needs in the system. The reporting function in i-Trent has not met expectations in relation to recording development needs therefore the Learning and Skills Development Manager is meeting with Cost Centre Managers to follow up on identified Learning and Skills Development needs.</p> <p>Engaging the Bystander sessions have been offered to all new staff with two sessions being delivered at the end of 2022 and early 2023.</p>
<p><b>Leadership Development</b> - Sessions to be run to improve organisational effectiveness, covering areas such as risk management, health, safety and wellbeing, and data protection. Training in management will be provided from performance management, management for hybrid working and addressing bullying and harassment. There will be workshops on current policy issues, such as the Biodiversity Strategy. Development Programme for Assistant Woodland Officers /Woodland Officers: Two-year professional learning package to give these staff the necessary skills, knowledge and experience, at high and consistent standard.</p>	<p><b>Ongoing:</b> - A Management Development programme is being offered to line managers in collaboration with West Lothian college. A Leadership programme is under development with a view to modules commencing in 2023. The WOODS programme was launched in May 2023.</p> <p>Guidance has been made available to managers and staff regarding hybrid working. A review of the pilot Activity Based model of hybrid working is underway.</p>



<p><b>Future Working:</b> Develop approach to hybrid working, tying this to clear improvement outcomes. Trial activity-based hybrid model. Review office requirements, such as desk layout, meeting spaces, use of pool cars etc. Undertake trial of 'appointment only' model at Conservancies. Scope learning, development and training requirements to meet hybrid working needs. Joint work to understand support and wellbeing needs of staff. At individual Conservancy/Team level, maintain our culture, values and cohesion through regular face to face events and meetings, as well as regular communications</p>	<p><b>Achieved:</b> - The Future Working project initial phase has been completed. A trial activity-based hybrid model was rolled out to the organisation through the year, which was warmly taken up by the staff. Guidance has been issued to all staff on expected behaviours in the activity-based hybrid model and activities are undertaken to establish impact and adoption, linked to benefit realisation. In phase two a final report will include recommendations on addressing team cohesion, culture and maintaining connections as well as a recommendation on a longer-term working model.</p> <p>Work was undertaken to review office requirements which resulted in an estate strategy being developed with the report being completed in March and published in April which included principles and guidance on office requirements and workspace design as well as sustainability and wellbeing considerations.</p> <p>The 'people offer' workstream includes policy and training recommendations, which were completed during the year with some of the recommendations already been addressed.</p>
<p><b>Corporate communications and content:</b> Use strategy, plans, staff survey and feedback to create cross-channel plan reflecting needs of the business and staff. Website modernisation project to meet stakeholder and business needs, reflects the scope of our work and improves user experience. Review and evolve internal channels and content including staff briefing and saltire. Continue to build 'content bank' to bring our work to life. Work with teams to develop comms for key topics/discussions. External focus: future grant support, implementation plan delivery, woodland creation target, our role in Net Zero, tackling biodiversity crisis. Internal focus: staff development, future working and sustainability, recruitment, TOM and improvement programme. Lead on Brand. Implement our Gaelic Language Plan. Undertake a publications review. Deliver external stakeholder mapping exercise. Create standard briefings and top line messages for correspondence/PQs. Work with others to make information/lines available on our position on key staff and policy issues and FAQs/standard communications on key themes for communities and stakeholders</p>	<p><b>Achieved:</b> - Continued to evolve internal communications and engagement channels, creating more two-way engagement moments to allow staff the chance to hear direct from and engage with leadership, to have multiple ways to share opinion. This includes migrating staff newsletter from pdf to SharePoint to improve accessibility, design and interactive opportunities; updated format for leadership meetings with a focus on core themes for discussion or training; as well as regular staff updates with set time for staff Q&amp;As. Strategy has proved successful with high levels of engagement and rich feedback gathered.</p> <p><b>Achieved:</b> - To inform and engage staff developed internal comms campaigns on priority areas including Future Working, Recruitment, Wellbeing, Forestry Grant Support and Woodland Creation. Hundreds of new images added to content bank to help tell our story.</p> <p><b>Ongoing:</b> - Work on modernisation of website began with recruitment of digital agency, internal and external stakeholder insight to help understand customer need and user experience before embarking on development stage. Gathered in-depth insight from over five hundred key external stakeholders and over 75% of staff, helping identify top tasks for the website.</p> <p><b>Ongoing:</b> - First iteration of the SF Gaelic Language Plan in final stages of approval with Bòrd na Gàidhlig.</p> <p><b>Achieved:</b> - A rolling brief has been developed ensuring our position on key policy issues and key themes is available to staff when responding to external stakeholder enquiries. The brief is being</p>

	actively used by staff with positive feedback on its usefulness.
<p><b>Equalities, Diversity and Inclusion (EDI) and Values:</b> Implement EDI Action Plan. Conservancies are working to create positive, supportive culture positive, and enhancing wellbeing through team meetings and events. Conservancies reinforcing our values through discussion. Conservancies tackling inappropriate behaviours from customers. Conservancies addressing workloads through mentoring, improved work programming and training. Organisation wide: communication activities to ensure ensuring all our people have a voice and visibility through our communications. Make documents, communications and templates more accessible. Promote EDI through the tone and brand of our communications / visuals / photography. Promote diverse jobs available at SF. Publish articles on SF for wide range of community members, stakeholders and potential recruits. Finance and Business Support Team: introduce a Team charter based on our Values. Executive Office tracking EDI representation across governance structures</p>	<p><b>Ongoing:</b> - The Equality, Diversity and Inclusion Action Plan has been implemented with a number of activities ongoing. The <a href="#">Employee Passport scheme</a> has been rolled out across the Agency. This affords staff to have a conversation with their manager regarding caring responsibilities or matters regarding their health with a view to agreeing how they can be supported.</p> <p>Extensive activities around Menopause Awareness have been rolled out including the training of Menopause Champions.</p> <p>The Agency has published its <a href="#">Equality Mainstreaming Report 2021-2023</a> on 31 March 2023. The report highlights where improvements have been made, and where the Agency needs to take further action</p>
 <p><b>Strategic Objective 3</b> – Become a more innovative, efficient and accessible organisation by delivering process improvements, and harnessing digital and technological solutions.</p>	
<p><b>Case Management Process Improvements:</b> Continue prioritised set of projects on case types that improve efficiency and management information. Initial focus on unauthorised felling and Statutory Plant Health Notices followed by initial work to improve Long Term Forest Plans, the Public Register and Environmental Impact Assessments. Options around remote sensing compliance monitoring will be considered.</p>	<p><b>Ongoing:</b> - Unauthorised Felling largely implemented with Statutory Plant Health Notices build ongoing. Earth Observation use case paper produced following work on clearfelling, which has led to improvements in monitoring and windblow detection, with potential to use it for woodland creation investigated with Forest Research. Discovery work completed to support longer term project covering Long Term Forest Plans, Environmental Impact Assessments and Public Register.</p>
<p><b>Digital Tools:</b> Improve and expand use of digital collaboration and design tools, supported by user education schedule. Work on Digital Signatures which meet legal compliance as well business needs. Digital Telephony Review and Replacement. Support positive roll out of Office 365. Ensure recent technical developments eg tablets and new casebook types incorporated into regular working practices.</p>	<p><b>Ongoing:</b> - The Digital Skill sessions kicked off early 2023, with more sessions already scheduled to run over the summer months. These are overview sessions which will inform on the wider programme of events that will run over the next 12-18 months.</p> <p>Some preliminary discussions have taken place around wet signatures with SG Legal, however, work to move towards a digitalised solution will be placed on hold and begin September 2023. This due to current review of Conservancy activities and the essential planned projects and activities taking place until August 2023. i.e., Microsoft 365 migration, Teams Telephony, Edinburgh Office Relocation, Service Level Agreement Transition.</p> <p>Digital telephony requirements have been documented and are to be fully agreed with SET and SG during spring/summer. There have been some delays on the</p>

	<p>service offering from SG for deployment, these dates are to still to be confirmed.</p> <p>Microsoft 365 Migration from on premise exchange to Azure Active Directory, including the migration of emails to cloud scheduled for the 28 August 2023.</p> <p><b>Achieved:</b> - The Office 365 was fully rolled out to all SF staff during November 2022 – January 2023.</p> <p>Two new case types have been deployed, Unauthorised felling (April 22), and Woodland creation pre-application (May 22)</p> <p>Training for both case types has taken place and incorporated into training and working practices.</p> <p>Improvements to existing case types have been delivered through ongoing development.</p>
<p><b>Management information:</b> Across the organisation, sources of management information will be set up and /or improved to enable a data driven approach across our planning, delivery and reporting, internally and externally. Monitor, track and report volume of work and workloads to prioritise staff time. Balance ongoing work on felling permissions, management plans, illegal felling investigations, site surveys, inspections and restock surveys. Manage pipelines of complex/large scale woodland creation schemes. Broaden collection of future Equality Diversity Inclusion data. Explore new technology to enhance data and management areas for Policy areas, such as Tree Health. Develop and implement reporting capability for WC target, forest plans, felling and unauthorised felling. Improve budget/finance management information.</p>	<p><b>Ongoing:</b> - For other processes currently being potentially digitised into Casebook (such as long-term Forest Plans), Management Information requirements are being gathered as an early and integral part of the project</p> <p>A prioritised pipeline of business-as-usual Management Information / Reporting established with Operational Delivery colleagues which will deliver Management Information improvements on Felling permissions, Woodland Creation Pre-Application, Unauthorised Felling, Woodland creation (with existing reports being refined to include targets) and Workload monitoring reports.</p> <p>Creation of a monthly Management Information pack for SET which tracks key information on staffing, finance, corporate performance, woodland creation/operational delivery as well as key areas of policy and practice. Iterative improvements made over the year including introduction of trend analysis as well as probing robustness of data.</p>
<p><b>Service Level Agreement:</b> Create new improved Service Level Agreement with Forestry and Land Scotland. Set up transition plan/project/governance to decouple Finance, HR and aspects of L&amp;D services by March 2024</p>	<p><b>Achieved:</b> - New Service Level Agreement with FLS agreed with transition agreement with FLS, new project plans and governance in place.</p>
<p><b>Corporate Responsibilities and Compliance:</b> Continue our journey towards the agency's maturity in meeting and gaining value from our corporate and statutory responsibilities.</p> <p>Focus on creating/reviewing structures for good information governance, accountability and assurance. Continue improvements on our organisational accountability, governance and transparency.</p>	<p><b>Ongoing:</b> - We have developed key processes around core functions and responsibilities, for example, around risk management, information governance, data protection and our annual Business and Team Plans. We still have to address some areas, such as corporate parenting and modern slavery.</p> <p><b>Ongoing:</b> – With the Information Governance Manager now in post review of our governance structures undertaken. Scheme of Delegation being developed. Maintain overview of progress and risk</p>

<p>Take action on areas of compliance previously deprioritised: corporate parenting, Modern Slavery and Open Data.</p> <p>Embed Risk Management,</p> <p>Review Business Continuity Plans</p> <p>Update Framework Document.</p> <p>Review our organisational approach to MiCase system and Review complaints handling.</p>	<p>associated with all our Corporate Responsibilities. Clearer privacy notices in place.</p> <p><b>Not Achieved:</b> - Action taken on Open Data by discussing our current procedures at Information Governance Group. Additional action required in other areas.</p> <p><b>Ongoing:</b> - Strategic Risk Register updated quarterly and reflects SG approach. Risk Appetite Statement updated. Continue to participate in the quarterly SG Risk Management Champion Network. SG Risk Management Training at different levels is now available on iLearn.</p> <p><b>Achieved:</b> - Business Continuity Plans reviewed</p> <p><b>Achieved:</b> - The Framework Document has been updated, and we are awaiting Public Bodies Support Unit and Ministerial Approval.</p> <p><b>Ongoing:</b> - The review of our MiCase System begun with initial correspondence review. This scrutinises our current approach to using MiCase; and the main topics arising from correspondence and complaints.</p>
<p><b>Corporate Planning</b> - Prepare the Corporate Plan 23-26. Continue to improve Team Planning. Evolve Business Planning &amp; Budget Monitoring processes.</p>	<p><b>Ongoing:</b> - The preparation for our Corporate Plan 23-26 is underway and has been underpinned by comprehensive staff engagement – the new Corporate Plan was due to be published in the summer of 2023 but due to a new Chief Executive and a renewed focus on woodland creation, it is being redrafted.</p>
<p><b>Financial Systems</b></p> <p>Identify and procure new finance system for implementation by 2024 or establish a suitable contingency until this can be achieved.</p> <p>Revise and reinstate Finance Support Visits and commence reviews to strengthen assurance processes in 2022-23.</p> <p>Promote and help introduce increased levels of staff self-sufficiency and knowledge of Finance &amp; Business Support, through improved guidance and structure, presentation and usability of webpages on Saltire.</p> <p>Review and update Forestry Strategy Implementation Fund (FSIF) guidance, establish budget/finance roles &amp; responsibilities, re-establish project audits to deliver process improvements.</p> <p>Identify and establish Direct Purchasing Authority operating model for procurement in SF.</p>	<p><b>Achieved</b> – the new finance system has been identified and further work is required before appointing the supplier.</p> <p><b>Ongoing</b> – The proposed new support visits has been approved by the AAC in principle but further discussions with Internal Audit are required before being implemented.</p> <p><b>Achieved</b> – guidance on a variety of tasks have been revised or written to assist staff. The guidance was highlighted to all staff through the May 2023 staff newsletter.</p> <p><b>Not achieved:</b> – this objective has now been pushed back to 2023/24 in order to also incorporate more recent updates such as State subsidy controls.</p> <p><b>Not achieved:</b> - the overall procurement structure in SF is currently being reviewed which will impact on the required model for Direct Purchasing Authority</p>

## 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 2022-23.

	Original Budget	ABR adjust	SBR adjust	Total Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000
Income – co-financing	(3,200)	(5,000)	(797)	(8,997)	(9,055)	(58)
Income - Other	(60)	0	0	(60)	(543)	(483)
Staff & Admin Costs	22,623	(329)	0	22,294	22,600	306
Programme Costs						
- Forestry Grants	68,500	0	(5,000)	63,500	40,964	(22,536)
- Timber Transport	2,000	5,000	0	7,000	6,367	(633)
	89,863	(329)	(5,797)	83,737	60,333	(23,404)
Financial Transactions	1,000	0	(368)	632	249	(383)
Revaluation	0	0	0	0	11	11
<b>Total</b>	<b>90,863</b>	<b>(329)</b>	<b>(6,165)</b>	<b>84,369</b>	<b>60,593</b>	<b>(23,776)</b>

The final budget was funded by SG through:

Fiscal Resource	£34.3m
Fiscal Capital	£48.7m
Non-cash	£0.8m
Financial Transactions	£0.6m
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	£84.4m

During the year, the initial budget of £90.9m was amended. In the ABR additional budget was given to SF for:

- timber transport projects £5.0m from Transport Scotland.
- Resulting from discussions with RPID £5m of co-financing income was identified and included in the budget.
- savings were identified within Administration costs of £0.4m were taken

At the SBR, the adjustments were:

- a reduction in the Capital Grants of £5m due to a projected shortfall in the planting target.
- additional increase in co-financing income of £0.8m
- resulting from estimates on the uptake of the Small Woodland Land Scheme (SWLS) £0.4m was released from our budget.

This brought the budgeted net operating expenditure to £84.4m whilst the outturn and final position was £60.4m an under spend of £24m.

## Statement of Comprehensive Net Expenditure (SoCNE)

**Income** is predominately from the co-financing of Forestry Grants and Rural Priorities schemes agreed before 1 January 2021. This amount will vary dependent on the value of the Forestry Grants Schemes (FGS) and Rural Priorities (RP) paid.

**Income** (Note 5) During 2022-23, co-financing income received was £9.1m which is line with the final budgeted, whilst other income totalled £0.5m compared to a budget of £60k. The increase in income was predominately as a result of recharges of expenditure to other organisations mainly Forestry England and Welsh Government.

**Staff Costs** (Note 2) were £10.9m (21-22: £8.9m); this includes all costs relating to employing our staff and agency staff during the year.

**Other Administrative Costs** (Note 3) The costs were £4.7m (21-22: £3.6m), which consisted of all overheads including shared service costs. As a result of a new service level agreement being agreed with FLS the costs for the service have increased. In addition, due to SF leaving Silvan House there are potentially dilapidation costs that have been provided for.

**Programme Costs** (Note 4) of £54.6m (21-22: £59.6m) this covers our payments for Forestry Grant schemes £45.2m (21-22: £45.7m), Timber Transport

£6.4m (21-22: £6.6m) and other forestry development programmes including Cross Border costs £7m (21-22: £7.2m).

To facilitate increased planting to 15,000ha additional funding was received in the budget to bring the budget to £68.5m, as a result of early information we identified an underspend of £5m during SBR. The actual schemes funded resulted in a spend of £45.2m, which was £18.3m under spend against budget. As mentioned earlier in this section this is due delayed due to a range of factors including operational issues, forestry contractor availability, ownership changes and inflationary pressures - all leading to projects being postponed.

### Financial Transactions

The financial transactions budget was awarded to SF to pay for the SWLS. Whilst this is the second year of the scheme uptake has been higher, but it was identified earlier in the year that the full amount would not be required which resulted in £368k being reduced from our budget during ABR. Net expenditure of £249k was incurred during the year, which resulted in an under spend of £383k.

#### Revaluation

The Dingwall building was revalued at the year-end which resulted in a cost of £11k.

This gives a net expenditure of £63.9m (21-22: £57.1m).

### Statement of Financial Position

The Statement of Financial Position currently shows SF as having net liabilities of £2.9m (21-22: £3.1m). As a Scottish Government Agency we receive, our funding through the Scottish Government as liabilities fall due, 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 -

**Non-Current Assets** are £1.9m (21-22: £68k) the increase is due to the implementation of IFRS 16 and the revaluation of our premises at Dingwall.

**Trade and other receivables** were £16.8m (21-22: £6.6m), which is predominately as a result of income that will be received in 2023-24, for the co-financing elements of the 2022-23 Forestry Grant schemes that have not been paid as at 31 March 2023, as well as funding from SG that was not drawn down in 22-23.

**Trade and other payables** were £30.9m (21-22: £54.5m); this is predominately as a result of an accrual for 2022-23 Forestry Grants that have not been paid as at the 31 March 2023.

**Cash balances** are £9.3m (21-22: £44.8m), as a result in policy, SF have not drawn down the full amount it believed to be required to pay for all of the 22-23 expenditure that is accrued.

### 2023-24 and beyond

Whilst the 2023-24 funding for SG has been agreed this allows sufficient funding to be able to achieve the planting targets as part of SG's Net Zero work but will also ensure there is money for other schemes such as tree health, timber transport and cross border. It is key that we ensure that we work with SG to ensure that there is sufficient resource and capital budget allocated to us, so that we can achieve the planting targets and carry out the other work that is in the Forest Strategy.

## 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.

## Whistleblowing

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 (21-22: 0).

## Anti-Bribery and Anti-Corruption

Our policies clearly set out our commitment not to tolerate bribery or corruption in any form. 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 our commitment to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of its business.

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.

## 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.

## 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

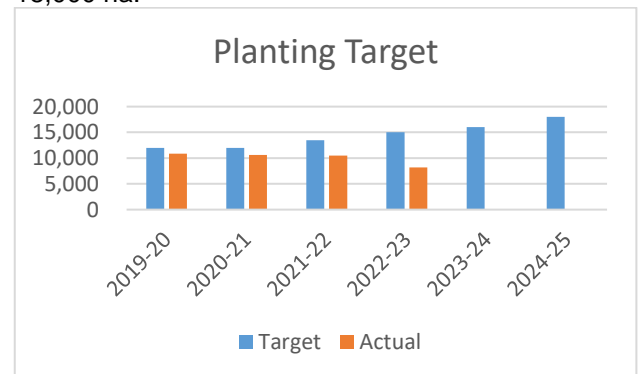
We have furthered our focus on employee wellbeing this year. This has included wellbeing and inclusion workshops, a review of mental health first aid provision, menopause guidance and menopause champion training, and the introduction of the Able Futures wellbeing resource. In addition, we have been implementing a new lone working safety system.

## 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 (21-22: 0). In addition, there were no RIDDOR report relating to occupational illnesses (Lyme or similar tick-borne disease) submitted to HSE (21-22: 1).

## Planting Target

As part of SG's commitment to net zero carbon, our planning targets have increased from the original target of 10,000 ha to 15,000 ha. The target will increase in future years 24-25 where the target will be 18,000 ha.



However, due to a range of factors including operational issues, forestry contractor availability, ownership changes and inflationary pressures - all leading to projects being postponed the 22-23 years planting target was not achieved.

We are working together with partners to ensure there are sufficient resources, a sufficiently trained workforce and landowner engagement. The scale of the challenge should not be underestimated. While much has been achieved in a short space of time, there is a risk to delivery of the planting target and sustaining activity longer term.



## **Sector Capacity**

Domestic availability of seeds and saplings is a risk to meeting the tree planting targets. To mitigate the risk, we are working with the nursery and seeds supply sector to encourage further development to increase sector capacity.

### ***Small Woodland Loan Scheme***

To aid the planting for future years and assist crofters, farmers, or any other small woodland owner considering tree planting, we introduced in 2021-22 a [small woodland loan](#) scheme aimed at supporting small-scale woodland creation projects.

Under the scheme, a maximum of 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 so assisting cash flow.

In the second year of the scheme, we have had fourteen applicants (21-22: 14) which are progressing through the process accounting for at least 483Ha, (21-22: 147Ha) with twenty applications progressing (21-22: 5) to a loan payment. During the year we have had five repayments of the loans, three for loans issued in 2021-22 and two for loans issued in 2022-23 (21-22: 0).

We anticipate that in the subsequent years of the scheme more applicants will be received.

## **Forests and the environment**

Scotland's rich and diverse forests and woodlands are important natural assets, they absorb substantial amounts of carbon, helping to mitigate climate change and provide homes to a host of wildlife. Their continuing health and improvement is vital to the country's future, not least because of their role in protecting and enhancing natural capital. To ensure the country benefits we help deliver greater environmental benefits we do this through Tree Health and Sustainable Forest Management amongst other things.

### **Tree Health**

By ensuring Scotland's forests and woodlands are healthy, we add value to Scotland's economic potential. Landowners, and numerous businesses in the wood supply chain benefit from healthy forests through the production of greater volume, higher timber quality and greater return for the timber sold. This links to the Scottish Forestry Strategy priority of 'Improving efficiency and productivity and developing markets.' By implementing International Standards for Phytosanitary measures, we are able to facilitate timber movement and provide assurance on pest free status to ensure high value markets are open for Scotland's timber.

Forests which succumb to pests and disease can cause a detrimental effect on Scotland's landscape. Early detection and fast control of infected crops can minimise the impact on the landscape, which is a vital component of Scotland's tourist industry. In 2022 this included conducting aerial surveys over 1.4m Ha of forestry and over 1,400 follow up ground surveys leading to just under 300 notices to remove infected trees. This links to the Scottish Forestry Strategy priority of "Enhancing the environmental benefits provided by forests and woodlands". We help achieve this by surveillance to identify pest and disease outbreaks and delivering policy to help control spread.

Diseased trees can create a safety concern, in particular in areas of high public access but also to property and our road, rail and power networks. We work closely with the forestry sector to reduce the associated risk through appropriate mitigation measures. Guides have been published to help landowners including road operators to identify and prioritise ash trees suffering from ash dieback. This links to the Scottish Forestry Strategy priority of 'Ensuring forests and woodlands are sustainably managed'.

If forests and woodlands suffer damage or destruction from pests and disease, they will not reach their maximum potential in terms of carbon storage and climate change mitigation. They will also suffer from environmental and ecological losses. This can occur in both native and non-native plantations. Scotland has a challenging woodland creation target. One of the aims of the tree health team is to minimise the loss of woodland cover caused by pests and disease. This is achieved through the promotion and regulation of good biosecurity practices. This links to the Scottish Forestry Strategy's long-term framework for the expansion and sustainable management of Scotland's forests and woodland.

Scotland's Forestry Strategy Implementation plan 2022 -2025 gives a specific focus under the Forestry Strategy Priority "Increasing the adaptability and resilience of forests and woodlands" to "Develop Scottish Forestry's Tree Health Service in response to emerging threats and improved understanding of specific pests and diseases, including exploring the feasibility of new technology to enhance monitoring". We work hard with our Plant Health colleagues to identify and mitigate for emerging threats in this country and to try and prevent those that have not yet arrived.

### **Sustainable Forest Management**

The Sustainable Forest Management team's work is varied but includes in conjunction with colleagues

provides advice and guidance to further the agenda of sustainable forest management. They have launched the Climate Change Hub, a joint venture by the four UK nations to bring together information and practical guidance about protecting our UK woodlands and forests from the impacts and risks due to the changing climate through adaptive practice. They hosted the National Stakeholder Group to discuss what resilient woodlands and forests look like in a resilient landscape.

The team completed our annual report for the current Scottish Climate Change Action Plan as well as the forest industry return to address the priorities of the Climate Change Risk Assessment, to support the creation of the third Scottish Climate Change Action Plan, including the estimated cost of achieving the forestry sectors targets to achieve net zero.

The team provided support to SG planning team during the refinement and publication of the National Planning Framework (NPF) 4 (enacted on 13 February 2023), which underpins the Bute House agreement commitments to woodland expansion, restoration and protection. This resulted in a strengthening of the protection of woodlands, ancient woods in particular, by clarifying the government's requirement for robust assessment for all development proposals that may affect trees and woodland.

They have participated in co-design workshops developing the NatureScot led nature crisis programmes and COP15 commitments, including Nature Networks and [30x30](#). While the design of these initiatives is still ongoing, they continue to work with NatureScot to ensure connectivity with key questions posed by ministers and our colleagues as part of delivery of other policy objectives.

The team are in the process of updating the wildlife and forestry operations guidance notes with Forest Research. It is expected that five notes will be published during this reporting period with the next set of six already queued up for the next financial year.

Policy advisors from the team also sit on various working groups which has and will deliver guidance on specific topics such as raptors and forestry, plastics, wildfire, waders and forestry creation, deer management.

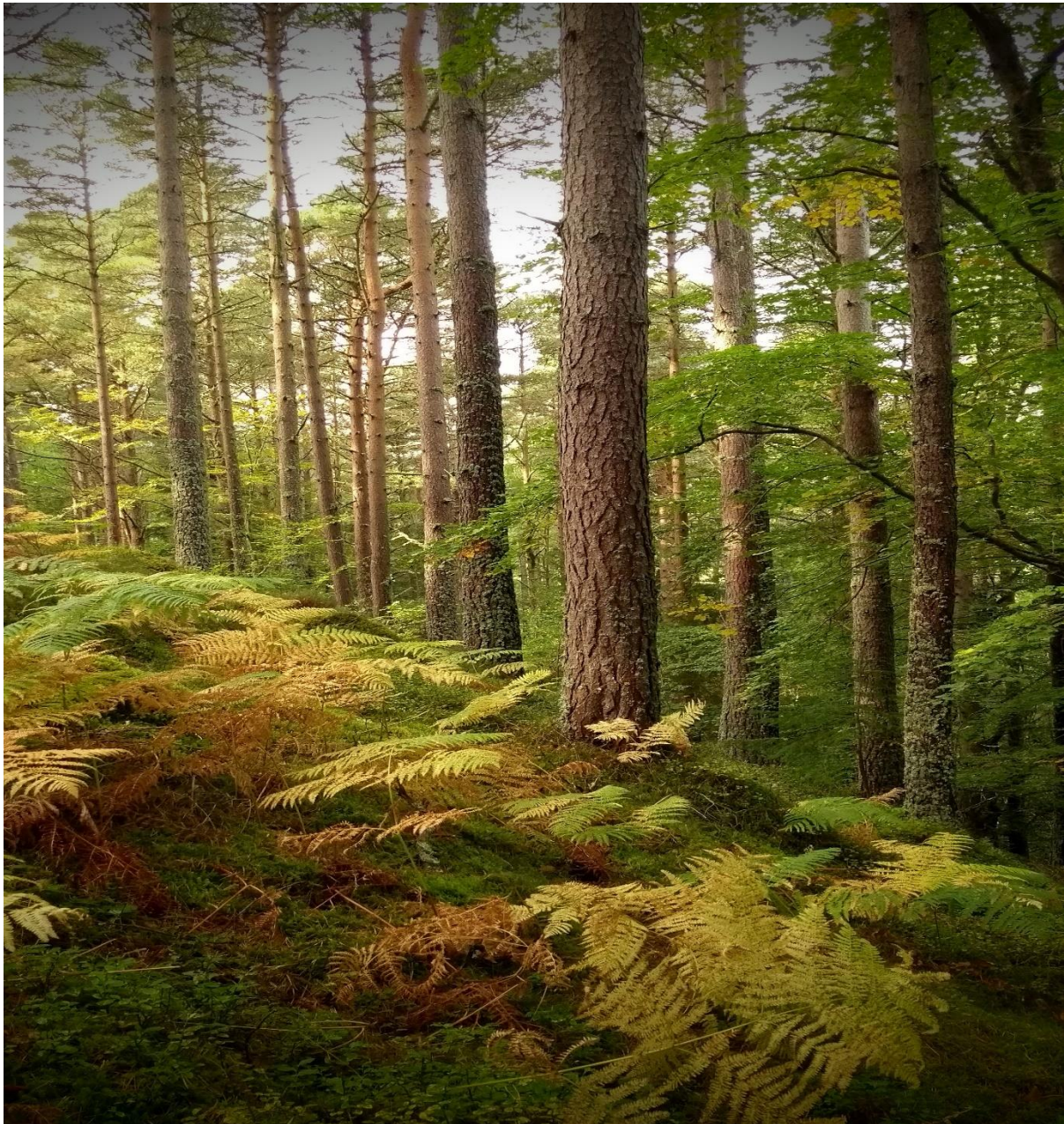
*Paul Lowe*

Paul Lowe  
Accountable Officer

05 September 2023



# 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 and engagement on forestry and SF for the reporting the year were:

- Michael Matheson MSP (Cabinet Secretary for New Zero, Energy, and Transport, until 29 March 2023)
- Mairi Gougeon MSP (Cabinet Secretary for Rural Affairs and Islands)
- Mairi McAllan MSP (Minister for Environment and Land Reform) until 29 March 2023 and
- Lorna Slater MSP (Minister for Green Skills, Circular Economy & Biodiversity)

From 29 March 2023 we were moved from the Net Zero portfolio to the Rural Affairs, Land Reform and Islands portfolio and our Minister going forward will be [Mairi Gougeon MSP](#) (Cabinet Secretary for Rural Affairs, Land Reform and Islands) from 29 March 2023.

Other Scottish Ministers that have close engagement on forestry matters include Lorna Slater MSP (Minister for Green Skills, Circular Economy & Biodiversity)

The Scottish Government's Director of Environment and Forestry, [Kevin Quinlan](#), is responsible for policy on environment including biodiversity, forestry, circular economy, waste & environmental strategy. In addition, [Roy Brannen](#) is the Director General for Net Zero.

### Chair and Chief Executive

The chair of the 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 SET, and SAG.

Dr. David Signorini was the Accountable Officer until 22 May 2023, when he was seconded, and Paul Lowe was appointed as interim Accountable Officer on 3 July 2023 and will sign the accounts.

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

Grant Thornton UK LLP 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 six data breaches during 22-23 (21-22: nine). None 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 (ePC) for the financial year indicates our average number of days is 7.35 days (21-22: 6.46 days) and that 87% (21-22: 89%) were paid within the Scottish Government's ten-day target.

During the year as a result of moving away from Covid-19 restrictions including more travel for staff the number of invoices processed has increased by 40% which resulted in a slight decline on the payment performance.



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 69.

## **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 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 2023 and up to the date of signing 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.

### SAG

The SAG comprises all function heads, the Chief Forester and four 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](#).

### 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 seven occasions, discussing a wide range of issues. Minutes of these meetings can be found on our [website](#).

### 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 SG's Audit Committee Handbook and met three times during the year. Minutes of these meetings can be found on our [website](#). During the year, the Chair initiated a 360° effectiveness review of the committee and its members via the SG Handbook checklist on AAC effectiveness, seeking views from each of the non-executives but also Management, Internal Audit and External Audit.

<b>Committee Attendance in 2022-23 was:</b>	SET 10 Scheduled	SAG 4 Scheduled	AAC 3 Scheduled
<b>Phil Taylor</b> Non-Executive		3 of 4	3 of 3
<b>James Stuart</b> Non-Executive		2 of 4	1 of 3
<b>Eleanor Ryan</b> Non-Executive		4 of 4	3 of 3
<b>Richard Morris</b> Non-Executive		3 of 4	3 of 3
<b>Helen McKay</b> Chief Forester for Scotland		4 of 4	
<b>Dr David Signorini</b> Chief Executive	10 of 10	4 of 4	
<b>Brendan Callaghan</b> (from 2 July 2022) Head of Operational Delivery	8 of 10	3 of 4	
<b>Ross MacHardie</b> Head of Finance and Business Support	6 of 10	2 of 4	
<b>Alan Hampson</b> Head of Policy and Practice	10 of 10	4 of 4	
<b>Jonathan Taylor</b> Head of Executive Office	10 of 10	4 of 4	
<b>Zahid Deen</b> Head of Operational Services & Transformation	10 of 10	3 of 4	
<b>Past Members</b>			
<b>Doug Howieson</b> (until 29 July 2022) Head of Operational Delivery	2 of 2	1 of 1	

### Non-Attendance

Attendance was once again high in 22-23. However, members are sometimes unable to attend in certain meetings due to other commitments. In this situation, they communicate their responses to the matters for consideration via the relevant Chair.

### Risk Management

The Strategic Risk Register follows the recommended Scottish Government format.

#### How we manage risk

Individuals identify risks across the organisation by considering what could stop us achieving our strategic, operational or compliance objectives.

Risk owners assess the risk's likelihood and impact taking into account mitigating control activities, identifying where additional activities may be needed to bring the risk within our risk appetite.

#### Corporate Risks

Our corporate risks are identified and managed in the same way as other risks and are owned by at least one member of the SET and are subject to a review at SET at least once a year, before a review by SAG.

The Corporate risk register continues to reflect organisational risks. Whilst the Project and Cost Centre risks are captured in local risk registers.

#### Emerging Risks

As a result of the EU exit grants approved after 31 December 2020 are not eligible for co-financing. Whilst SG assigned additional funding to cover the co-financing shortfall in 22-23 and 23-24, there still remains a shortfall in funding if we were to make the planting target. With pressure on the SG's resource and capital budget there is the possibility that we will not be full funded in the future years and as a result will not be able to achieve the planting targets set for us by SG. To minimise the potential of underfunding we are continuing to engage with SG.

### Personal Data Related Incidents

There were six data breaches during the year, none of which were required to be reported to the ICO.

In five cases, the incidents were disclosed in error, and one was a technical/procedural failure. Each of the five cases the incidents disclosed in error were by shared services staff and this led to an investigation being carried out by their Data Protection Officer. The technical/procedural failure was by one of our data processors and led to an immediate amendment to their systems and an investigation.

### 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 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.

There were no issues identified as significant.

In addition, as I commenced my interim role on 3 July 2023 I sought and received various assurances from my predecessor.

In relation to the risks referred to in last year's Annual Report, there were two issues.

The first related to the improvements required in casebook and non-casebook processes, we have during the year, employed more staff within the Operational Delivery team who have worked on improving the processes. Whilst we have not streamlined all of the processes, we are working on them.

The second related to the business continuity plan which due to misunderstandings wasn't fully achieved. SET during the year improved the communication and training to try and ensure that this does not happen again.

In this year's statement of assurances, the following points were highlighted: -

As we are now aligned with SG, we are now expected that staff receive a level of training (via ILearn) in line with their role. We will be unable to meet their target of each person in SF receiving the appropriate level of training by end May but hope to achieve this by November 2023.

In addition, within the conservancies they mention that they are carrying significant risks in terms of experience and capacity to continue to deliver the woodland creation programme and wider work areas. Within one conservancy they have lost nine Woodland officers in the last five years, and these are generally replaced by less experienced officers who require a great deal of support and training. This places additional stress on the senior operations and

operations managers as well as woodland officer colleagues. Due to their inexperience, there is also the danger of increased stress levels for the new Woodland Officers.

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.

The predecessor auditors, Audit Scotland prepared an annual report in September 2022 as part of their review of the 2021-22 Annual Report and Accounts, where they identified four areas for improvement. They included improvements to the reporting of the casebook grant system, which has taken place during 22-23. The Management of budget and outturn as a result of the large underspend in 2021-22, through better casebook reports we have been improved on our budget monitoring, but further work is required due to the issues regarding planting this year. Longer term financial strategy, through the regular budget reviews for the next five years for Scottish Government we have improved our longer-term strategy, but further work is required to improve the planning. Performance Management with measurable outcomes required to be developed, during the year we have worked on these and have implemented several. In the next few years more SMART outcomes will be measured to give senior management a better understanding of performance.

### Internal Audit Reports

#### Audit Area & Scope Outcome

During 2022-23, one advisory review and five assurance reviews were undertaken plus the follow up work from 2021-22 audits. The assurance reviews covered:

	High	Medium	Low
Forestry Grant Scheme	3	1	0
Strategic Timber Transport Fund	4	3	0
Certificate of Assurance	0	3	0
Data Protection	2	3	0
Key Performance Indicator	3	1	0



### **Forestry Grant Scheme**

The audit was given a **Reasonable Assurance** opinion, with four recommendations, three high one medium. The recommendations included, identify and implement a formal recoveries process (High), develop a unified method of processing succession contracts (High), should build capability in the reporting process (High) and update guidance as a result of processing errors (Medium)

### **Strategic Timber Transport Fund (STTF)**

The audit was given a **Limited Assurance** with four high and three medium recommendations. These were to introduce appropriate governance structures for closure of STTF and TimberLink contracts (High), introduce regular internal financial and operational reporting (High), review guidance to ensure its fit for purpose (High), ensure all aspects of STTF process are fully documented (High). In addition, lessons learned at the closure of each STTF round to be introduced (Medium), implement appropriate governance for small projects (Medium), and implement regular progress meetings (Medium).

### **Certificate of Assurance (COA)**

The audit was given a **Reasonable Assurance** with three medium recommendations. Which consisted of reviewing and updating the COA, evidence the scrutiny and challenge of the completed COA's, and support staff through training and guidance in completion.

### **Data Protection**

A **Reasonable Assurance** was given with two high and three medium recommendations. The recommendations included ensuring DPIA's have been completed for all processes involving personal data (high), confirm with SG that the register can be used instead of the incident reporting tool (high), ensure data on mandatory training is received (medium), implement regular returns to NRS including nil returns (medium), and review the RMP to ensure areas of further development are identified (medium).

### **Key Performance Indicator (KPI)**

A **Limited Assurance** was given with three high and one medium recommendation. These included, agree and document a KPI policy which includes guidance (High), ensure that the targets are measurable and can be validated (High), document management Information / KPI reporting may overlap and who is going to monitor the achievement (High) and all measurement criteria are collectively reported (Medium).

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 2023 and up to the date of approval of the annual report and accounts.

### **Emerging Issues 2023**

Towards the end of the financial year some issues emerged and were identified as requiring further action by senior managers in SF.

### **Planting target & subsequent underspend**

The final figure for new planting achieved fell below our final quarter forecasts and resulted in a larger budget underspend than expected. This target measures whole system activity, including the SF grant award process and subsequent planting activity conducted by the applicant. Management have already taken steps to address these issues and have commenced workshops to identify and prioritise actions which reduce future risk and help facilitate improved levels of new planting. A forestry summit has also been planned for 2023-24 which is referenced in the following section.

### **Corporate resilience and resourcing**

It has been recognised by SF management that additional resilience particularly within certain Corporate areas is required. Management are taking actions to address this by reviewing structures and using a combination of additional short term and permanent resources to address existing backlogs as well as reviewing structures and processes in the longer term.

### **Plans for 2023-24**

#### **Silvan House**

The lease on our Edinburgh Office at Silvan House which we shared with FLS, SG, SEPA and Nature Scot, expired in August 2023. After consultation with SG, we have reviewed the lease and our options as part of the Estates strategy and our current working model. As a result, after fifty years of forestry at Silvan House we have moved to smaller offices at Saughton House.

#### **Finance System**

We currently share the old Forestry Commission Finance and Expenses system which is run by FLS as part of a shared services agreement. FLS have decided to look for a new system of their own and as a result we are in the process of identifying and then implementing a new financial system by the 1 April 2024.

### Human Resources and Payroll Systems

We currently receive as part of the current shared services with FLS, Human Resources and Payroll services. FLS have notified us that they wish to end the shared services for these systems. Therefore we are currently looking for a new system(s) to replace the FLS system and implement it during 2024.

For both of these projects any system or additional staff cost incurred going forward it is anticipated will be offset by the savings in the current costs we pay for the shared services.

### Atlantic Rainforest

We took over the policy lead on the Atlantic Rainforest from Nature Division on the 1 April 2023. Since then, we have recruited a Rainforest Action Co-ordinator who will be working on a strategic approach to rainforest restoration in close collaboration with a broad range of stakeholders.

### Timber Transport

Whilst the level of funding we have received from Transport Scotland in 2023-24 has fallen by £2m we still intend to support the maintenance of country roads used by timber lorries and through TimberLINK we will continue the transport of timber by sea. In addition, we are assisting in a three year trial of [fully electric HGVs](#). With two vehicles started their trials during 2023.

### Planting Target

Ministers have approved a new Scottish Forestry delivery action plan to support woodland creation which includes Scottish Forestry investing up to £1 million from our current budget in a skills development programme for staff as [announced](#) by Rural Affairs Secretary Mairi Gougeon.

In addition we have planned a [forestry summit](#) to discuss woodland creation which will be chaired by the Rural Affairs Secretary, in the hope of increasing planting levels,

### Chief Executive

Due to changes within SG the Director of Environment and Forestry Kevin Quinlan has moved to workfull time on the implementation of the Deposit Return Scheme and as such they have offered the interim Director of Environment and Forestry post to our Chief Executive David Signorini. The post is due to run from 22 May 2023 to 31 March 2024. During this period Paul Lowe will be the interim Chief Executive and Accountable Officer.

*Paul Lowe*

Paul Lowe  
Accountable Officer

05 September 2023

## 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

Scottish Forestry's Chief Executive is a member of the Senior Civil Service. The remuneration of Senior Civil Servants is determined by [UK Government Senior Salaries Review Body](#) (SSRB), as delegated to the Scottish Government under Senior Civil Service pay arrangements. The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the UK Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior civil service pay bands, the range of percentage increases to base salary and range of non-consolidated performance payments.

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 and Chief Forester are generally appointed for a fixed term of four 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	03/03/22	12 months
James Stuart	03/03/22	12 months
Eleanor Ryan	02/03/22	36 months
Richard Morris	02/03/22	37 months
Helen McKay	01/08/20	3 months

### Fees - Audited

The non-executives and Chief Forester 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:

	2022-23 £000	2021-22 £000
Phil Taylor	5-10	5-10
James Stuart	5-10	5-10
Eleanor Ryan	5-10	5-10
Richard Morris	5-10	N/A
Helen McKay	20-25	20-25

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

### Transactions with committee and board members

An interest free loan in the form of an advance of salary for house purchase can 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	9	6	9

## Remuneration (including 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 below. 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.

		Salary £000	Benefits in kind to nearest £100	Pension Benefits <sup>1</sup> £000	Total Remuneration £000
<b>Dr David Signorini<sup>2</sup></b>	<b>2022-23</b>	<b>85-90</b>	<b>0</b>	<b>0</b>	<b>85-90</b>
Chief Executive	2021-22	85-90	0	31	115-120
<b>Brendan Callaghan<sup>3</sup></b>	<b>2022-23</b>	<b>55-60</b>	<b>9,300</b>	<b>0</b>	<b>65-70</b>
Head of Operational Delivery	2021-22	0-5	12,300	1	15-20
<b>Alan Hampson</b>	<b>2022-23</b>	<b>75-80</b>	<b>0</b>	<b>0</b>	<b>75-80</b>
Head of Policy & Practice	2021-22	70-75	0	25	95-100
<b>Zahid Deen<sup>4</sup></b>	<b>2022-23</b>	<b>70-75</b>	<b>0</b>	<b>28</b>	<b>95-100</b>
Head of Operational Services & Transformation	2021-22	30-35	0	12	40-45
<b>Ross MacHardie</b>	<b>2022-23</b>	<b>60-65</b>	<b>0</b>	<b>24</b>	<b>85-90</b>
Head of Finance and Business Support	2021-22	55-60	0	26	80-85
<b>Jonathan Taylor<sup>5</sup></b>	<b>2022-23</b>	<b>45-50</b>	<b>0</b>	<b>9</b>	<b>55-60</b>
Head of Executive Office	2021-22	50-55	0	25	75-80
<b>Doug Howieson<sup>6</sup></b>	<b>2022-23</b>	<b>20-25</b>	<b>0</b>	<b>0</b>	<b>20-25</b>
Head of Operational Delivery	2021-22	55-60	0	79	130-135

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

<sup>2</sup> David Signorini carried out work for SG during 21-22 and was paid an additional £0-5k as a result, the FTE would have otherwise been £80k-85k

<sup>3</sup> Brendan Callaghan returned on 2 July 2022 to his role as Head of Operational Delivery from his seconded position with Environmental Standards Scotland which he had been with since 15 April 2021, the full year equivalent for the salary would have been within the band £75k-80k (21-22: £70k-75k)

<sup>4</sup> Zahid Deen started on 11 October 2021 his salary in 2021-22 covers the period to 31 March 2022, the full time equivalent for his salary would have been within the band £65k-£70k.

<sup>5</sup> Jonathan Taylor's post is a 0.9 FTE (21-22: 0.9), also during the year he had some unpaid leave otherwise his salary would have been between £55k-£60k

<sup>6</sup> Doug Howieson was seconded to the position of Head of Operational Delivery for the period 1 June 2021 to 29 July 2022 and the salary above relates to the period in the promoted post only. The full year equivalent for his salary would have been within the band £65k-70k (21-22: £65-70k).



## Payroll Costs – Audited

The total employment costs for the year ended and the number of staff employed as at 31 March 2023 was as follows:

	Others	Permanently employed staff	Total	21-22 No.
Directly employed	3	221	<b>224</b>	195
Average Full Time Equivalent during the year	2.75	199.24	<b>201.99</b>	N/A

The average FTE was not recorded in 2021-22, so no corresponding data available.

	Others	Permanently employed staff.	Total	21-22 Total
	£000	£000	£000	£000
Salaries	301	7,646	<b>7,947</b>	6,580
Social security costs	0	847	<b>847</b>	692
Other pension costs	0	2,060	<b>2,060</b>	1,764
Total costs	301	10,553	<b>10,854</b>	9,036
Less: recoveries for secondments	0	0	<b>0</b>	(111)
Total net costs	301	10,553	<b>10,854</b>	8,925

The cost shown within Others relates to agency staff that was incurred during the year.

### 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: 3 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, 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).

### Pension Contributions

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.)

The principle Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “Alpha” – are unfunded multi-employer defined benefit schemes, but we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 [March 2016](#).

For 2022-23, employers' contributions of £2.01m (21-22: £1.756m) 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 £13k (21-22: £18k) 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 £404 (21-22: £655) 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 2023 were £1,726 (21-22: £1,921). Contributions prepaid at that date were nil (21-22: nil).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

### **Cash Equivalent Transfer Values**

This 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 pension benefits, they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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 is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due

to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

## Pension Benefits – Audited

	Accrued pension at pension age at 31 March 2023 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV 31 March 2023 £000	CETV 31 March 2022 £000	Real increase in CETV £000
Dr David Signorini	45-50	0	775	715	(26)
Brendan Callaghan	40-45	0	682	649	(27)
Zahid Deen	0-5	0-2.5	28	8	14
Ross Machardie	15-20	0-2.5	205	179	12
Jonathan Taylor	20-25 Plus a lump sum of 30-35	0-2.5 Plus a lump sum of 0	292	261	0
Alan Hampson	30-35 Plus a lump sum of 70-75	0 Plus a lump sum of 0	711	663	(22)
Doug Howieson	35-40	0	692	689	(36)

## 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 £85-90k (21-22: £85-90k) based on the increase in the mid-points of the salary bands as per the FrEM this would equate an increase of 0% from last year.

During 2021-22 the Chief Executive was seconded to Scottish Government for a period of three months during which he was paid at a higher salary. Their salary otherwise would have fallen into the £80-85k. On the basis of the lower salary the median salary would have been 2.66 times, with the 75<sup>th</sup> percentile being 2.09 times and the 25<sup>th</sup> percentile being 3.14 times.

The average salary movement for staff during the year excluding the Chief Executive as per the FrEM guidance was an increase of 5.1%. This was primarily as a result of the incremental increase for all staff that started in the last two years as they move up to the top of the pay band plus the annual pay increase.

	22-23	21-22 Based on £85-90k
Median Salary	£38,214	£31,062
Median	2.23	2.82
75 <sup>th</sup> Percentile	1.96 £43,423	2.21 £39,522
25 <sup>th</sup> Percentile	2.88 £29,575	3.33 £26,295

The reduction in the ratio is as a result of three factors. Firstly, staff which have started in the last few years will have received an incremental pay increase. Secondly the pay award for staff was again aimed at reducing the pay gap with pay bands 1 to 3 receiving a lower percentage increase than the majority of staff. Lastly, we have employed more staff over the year, which have been at higher than the average salaries.

During the year, no employee received remuneration in excess of the highest paid senior executive. Remuneration ranged from £21k to £86k (21-22: £20k to £85k). Remuneration paid to all staff during the financial year was £7.6m (21-22: £6.6m).

SF believes that the median pay ratio reflects the pay rewards and progression policy for employees as a whole.

### Off-payroll arrangements

There were no off-payroll arrangements during 2022-23 (21-22: 0)

### Number of Senior Civil Servants

Band	2022-23	2021-22
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.

No staff received an exit package during the year.

### Core Values

After talking to and listening to our staff of what the core values should be. We launched in March 2021 these "BRAVE" values and behaviours.

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

These are reflected in our new staff induction, learning and development activities and how we engage with each other. Further Engaging the Bystander sessions were offered to our new staff in 2022 and 2023. The development of our Management and Leadership courses reference our values and behaviours and will equip senior staff with the skills and confidence required to address instances where behaviours fall short.

### Staff Turnover

During the year twenty-one members of staff (10%), left the organisation with four members of staff retiring, two finishing their fixed term contract, and fifteen resigned (21-22: 30 – 15.4%)

### Consultancy

During the year, no expenditure was spent on consultancy.

### Policy

We are committed to supporting the development and career aspirations of all our staff.

Activity during 2022-2023 has included, continued development and rollout of functionality for our HR and Learning Management systems, the establishment of a Trade Union office in conjunction with FLS, a new special leave policy been developed and rolled out for the new financial year and we have implemented the Employee Passport.

Activity during 2023-2024 will include -

- A new more streamlined approach to the development and implementation HR Policies and Procedures,
- Review and development of new policies around bullying and harassment and dispute resolution,
- Converting our existing Health, Safety and Wellbeing (HS&W) guidance into Standing Operating Procedures.
- Continuing to develop effective working relationship with our FTUS colleagues through regular informal meetings and Staff Council meetings, 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.

### Sickness absence data

We continue to pro-actively manage staff sickness absences, with an average number of working days lost per person of 8.2 days (21-22: 7.4 days). The figures include all absences. The increase in the number of days is partly due to our continued move away from home working for a large number of staff.

### Equality, Diversity and Inclusion

We are continuing to promote and support diversity in the workplace.

In 2022-2023 we have launched the Employee Passport. This enables and encourages staff to speak to their manager if they have any circumstances which would mean they would benefit from workplace adjustments. The passport supports open and honest discussions between staff and their managers. Adjustments implemented can follow the employee as they progress their career or change job roles within the Agency. The primary aim is to ensure that employees are supported and enabled to do their



best whilst recognising out of work commitments or health conditions.

We have also trained Menopause Champions to support and provide advice to staff and managers in relation to managing menopause symptoms.

Forestry has traditionally been seen as a male-dominated profession, and the workforce of SF and particularly across the wider sector continues to some degree to reflect that. However, in the last few 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 are continuing to offer Engaging the Bystander training to all new staff in Scottish Forestry. The purpose of these sessions is to provide staff with the confidence and tools to challenge inappropriate behaviours should they occur, and to ensure we create an inclusive and welcoming workplace.

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 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.

At 31<sup>st</sup> March 2023, the split of staff including Agency staff by gender was:

	Male	Female	Total
Director	1	0	1
Senior Manager	19	1	20
Employee	84	116	200
Agency worker	2	1	3
<b>Total</b>	<b>106</b>	<b>118</b>	<b>224</b>
<b>2021-22</b>	<b>93</b>	<b>102</b>	<b>195</b>

We continue to celebrate and encourage women to pursue careers in Forestry as demonstrated in the

Skills Development Scotland [article](#) entitled "Scots women urged to branch into forestry careers". As of 31 March 2023 53% of our employees are female.

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 have been reported in our Mainstreaming and Equalities Outcomes Report which was published on 31 March 2023.

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

We have renewed our commitment to the Disability Confidence Scheme. 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.

As at 31 March 2023, of our 221 staff the breakdown is: -

No Disability	193
Disability	14
Prefer not to say	14

### Learning & Development (L&D)

We have invested in the development of Learning and Skills Development through the establishment and appointment of a Learning and Skills Development Manager and a Learning and Skills Development Co-ordinator. The purpose of these roles is to ensure that we have the capacity to develop the skills and learning opportunities the Agency requires.

SET agreed our Learning and Skills Development Strategy which details our commitment to supporting the ongoing development of staff at all levels across the organisation.

The team have worked closely with colleagues in Forestry Development and Operational Development to develop a two-year programme to support the development of our Assistant Woodland and Woodland Officers.

Our induction programme has been refreshed and renewed to ensure that it is more welcoming and supportive of our new colleagues.

We are also developing a Management and Leadership development programme which will be rolled out throughout 2023.

## 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 encourage engagement with FTUS colleagues in relation to policy development, people management, all aspects of change, and recruitment. We continue to have Staff Council meetings three to four times per year to support open communication.

We will 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	22-23	21-22
Number of employees who were relevant TU officials during the year	5	2
FTE of relevant TU officials	5	2

The number of employees who were relevant TU officials during the year as a percentage of their working hours spent on facility time	0%	3	2
	1-50%	2	0
	51-99%	0	0
	100%	0	0
Percentage of the total pay bill spent on facility time		0.11%	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 (FRoM) 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

During the year we contributed to a gift with CONFOR for a retirement present to the chair of the Timber Transport Forum. The Chair had been in his voluntary unpaid post for eighteen years.

*Paul Lowe*

Paul Lowe  
Accountable Officer

05 September 2023

## 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

We have audited the financial statements in the annual report and accounts of Scottish Forestry for the year ended 31 March 2023 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 and Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern basis of accounting

We 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 we have performed, we 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.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

#### Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our 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 there is an intention to discontinue the body's operations.

### **Auditor's responsibilities for the audit of the financial statements**

Our 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 our 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 decisions of users taken on the basis of these financial statements.

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

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body; identifying which laws and regulations are significant in the context of the body;
- inquiring of the Accountable Officer and management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer and management concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on 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 our 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Reporting on regularity of expenditure and income**

#### **Opinion on regularity**

In our 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 our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are 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 parts of the Remuneration and Staff Report**

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

## **Other information**

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we 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 our 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 we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

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

### **Use of our 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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Angela Pieri*

Angela Pieri, (for and on behalf of Grant Thornton UK LLP)  
110 Queen Street  
Glasgow  
G1 3BX

Date: 05 September 2023



# Financial Statements





## Statement of Comprehensive Net Expenditure

for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Administration costs</b>			
Staff costs	2	10,854	8,925
Other administration costs	3	4,739	3,621
Operating income	5	(70)	(58)
<b>Programme costs</b>			
Programme costs	4	54,587	59,556
Co-financing Receipts	5	(9,055)	(13,859)
Other income	5	(473)	(1,044)
<b>Net Operating Expenditure</b>		<u>60,582</u>	<u>57,141</u>
<b>Net loss / (gain) on revaluation of property</b>		11	0
<b>Comprehensive net expenditure for the year</b>		<u>60,593</u>	<u>57,141</u>

The notes to the accounts are contained in pages 60 to 68 inclusive.

## Statement of Financial Position

as at 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Non-current assets</b>			
Property, plant and equipment	6	152	58
Rights of use assets	6	1,769	0
Trade and other receivables	8	6	10
<b>Total non-current assets</b>		<u>1,927</u>	<u>68</u>
<b>Current assets</b>			
Trade and other receivables	8	16,799	6,625
Cash and cash equivalents	9	9,309	44,760
<b>Total current assets</b>		<u>26,108</u>	<u>51,385</u>
<b>Total assets</b>		28,035	51,453
<b>Current liabilities</b>			
Trade and other payables	10	(29,504)	(54,506)
<b>Total current liabilities</b>		<u>(29,504)</u>	<u>(54,506)</u>
<b>Non-Current Liabilities</b>			
Lease Creditor greater than one year	10	(1,425)	0
<b>Total assets less current liabilities</b>		<u>(2,894)</u>	<u>(3,053)</u>
<b>Taxpayers' equity</b>			
General fund		(3,015)	(3,068)
Revaluation reserve		121	15
<b>Total taxpayers' equity</b>		<u>(2,894)</u>	<u>(3,053)</u>

The notes to the accounts are contained in pages 60 to 68 inclusive.

The accountable officer authorised these financial statements for issue on 05 September 2023

*Paul Lowe*

Paul Lowe  
Accountable Officer

05 September 2023

## Statement of Cash Flows

for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Cash flows from operating activities			
Net operating expenditure	SCNE	(60,593)	(57,141)
Adjustment for non-cash transactions	12	555	79
(Increase) / decrease in trade and other receivables		(10,170)	7,216
(Decrease) / increase in trade and other payables		(23,576)	1,463
Net cash outflow from operating activities		(93,784)	(48,383)
Cash flows from investing activities			
Purchase of property and motor vehicles		(2,260)	0
Cash flows from financing activities			
From the Scottish Government		60,593	61,321
Net increase / (decrease) in cash and cash equivalents in the period		(35,451)	12,938
Cash and cash equivalents at the beginning of the period		44,760	31,822
Cash and cash equivalents at the end of the period		9,309	44,760

The notes to the accounts are contained in pages 60 to 68 inclusive.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2023

	Note	General Fund £000	2022-23 Reval. Reserve £000	Total £000	General Fund £000	2021-22 Reval. Reserve £000	Total £000
Balance at 1 April		(3,068)	15	(3,053)	(3,119)	15	(3,104)
Change in taxpayers' equity							
Net operating expenditure for the year	SCNE	(60,582)	0	(60,582)	(57,141)	0	(57,141)
Net (loss)/gain on revaluation		(11)	0	(11)	0	0	0
Revaluation surplus		0	121	121	0	0	0
Release of revaluation reserve		0	(15)	(15)	0	0	0
Auditors' remuneration	12	53	0	53	52	0	52
Total recognised income and expense		(60,540)	106	(60,434)	(57,089)	0	(57,089)
Funding from SG		30,000	0	30,000	61,321	0	61,321
Movement of Balance with SG	10	30,593	0	30,593	(4,181)	0	(4,181)
Balance at 31 March		<u>(3,015)</u>	<u>121</u>	<u>(2,894)</u>	<u>(3,068)</u>	<u>15</u>	<u>(3,053)</u>

The notes to the accounts are contained in pages 60 to 68 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 2022-23 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 2022-23 and 2023-24 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 accrual's basis under the historical cost convention, modified to account for the revaluation of property. 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 17 – Insurance Contracts

This standard is effective from 1 January 2023 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

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. During the year no material critical accounting judgements were made.

#### b. Key sources of estimation uncertainty

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. During the year no material estimations or assumptions were made.

#### c. 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.

#### d. 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
- the holiday balance for all staff.

**e. 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 DEFRA. 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.

**f. Co-financing**

SGRPID administers all grant payments for grants claimed for forestry options under Rural Development Contracts – Rural Priorities set up under the Scottish Rural Development Plan (SRDP) (2007-2013) and for the new Forestry Grant Scheme under the plan SRDP 2014-2020 and for contracts agreed prior to 1 January 2021, claim 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.

**g. 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.

**h. Grants payable**

Grants payable are 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, shown as Resource or Capital expenditure based on the type of grant. 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.

**i. Leases**

As a result of IFRS 16 the policy for operating leases has changed this year. If the leases are immaterial or the length of the lease is less than a year, it will expensed through the SoCNE.

For all other leases we will calculate these as per IFRS 16 showing a lease creditor and a leased asset, expensing the cost through the SoCNE as lease interest and depreciation. Where leases are ongoing with no end date, we will assume a ten-year lease.

When calculating the lease if no interest is specified in the lease document, we will assume the lease figure as shown in the appropriate PES paper issued by HM Treasury

**j. 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 2023. Buildings are restated in the mid-year between full revaluations using indices from Treasury.

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 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.

#### k. Cash and cash equivalents

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

#### l. 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.

#### m. 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.

#### n. Trade and other payables

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

#### o. 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.

#### p. 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.

#### q. Small Woodland Loan Scheme

All payments made under the scheme will be expensed when the loan is paid, and a debtor

also created. Once the work has been completed and a claim form submitted and approved, the payment will be made to the claimant less the loan payment. At that point the debtor will be credited.

#### **Note 2 – Staff Costs**

Expenditure of £10.85m was incurred during the year (2021-22: £8.93m). 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.

	Note	22-23 £000	21-22 £000
Shared central services		2,007	1,852
Other administration expenditure		2,270	1,614
		<u>4,277</u>	<u>3,466</u>
Non-cash costs			
Auditors' remuneration - audit work	12	53	52
Depreciation	12	492	27
Debtors' bad debt provided for		6	96
Debtors' bad debt provision written back		(89)	(20)
Total non-staff administration costs		<u>4,739</u>	<u>3,621</u>

#### **Note 4 - Programme Costs**

The programme costs in year can be analysed as follows:

	22-23 £000	21-22 £000
Support for forestry and the rural economy, including grants paid to private woodland owners		
- Resource Grants	18,235	17,976
- Capital Grants	22,978	27,807
Forestry Development Programmes	6,908	7,146
Timber Transport Fund	6,367	6,573
Other programme costs	99	54
Total	<u>54,587</u>	<u>59,556</u>

#### **Note 5 – Income**

	22-23 £000	21-22 £000
Operating Income	70	58
Administrative income	<u>70</u>	<u>58</u>
Planting grant co-financing	9,055	13,859
Other Income	473	1,044
Programme Income	<u>9,528</u>	<u>14,903</u>
Total	<u>9,598</u>	<u>14,961</u>



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### Note 6 – Fixed Assets

	2022-23					2021-22				
	Own Assets		Rights of Use			Own Assets		Rights of Use		
	Buildings	Equipment	Buildings	Motor Vehicles	Total	Buildings	Equipment	Buildings	Motor Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Valuation</b>										
At 1 April	179	10	0	0	189	179	10	0	0	189
Additions IFRS 16	0	0	1,932	327	2,259	0	0	0	0	0
Additions	0	0	0	0	0	0	0	0	0	0
Revaluation	(31)	0	0	0	(31)	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0	0
At 31 March	148	10	1,932	327	2,417	179	10	0	0	189
<b>Depreciation</b>										
At 1 April	127	4	0	0	131	102	2	0	0	104
Provided during year	0	2	400	90	492	25	2	0	0	27
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluation	(127)	0	0	0	(127)	0	0	0		0
At 31 March	0	6	400	90	496	127	4	0	0	131
<b>Net Book Value</b>										
At 31 March	148	4	1,532	237	1,921	52	6	0	0	58
At 1 April	52	6	0	0	58	77	8	0	0	85
<b>Asset Financing</b>										
Owned	148	4	0	0	152	52	6	0	0	58
IFRS 16 Leases	0	0	1,532	237	1,769	0	0	0	0	0
Total	148	4	1,532	237	1,921	52	6	0	0	58

At the 31 March 2023, the building at Dingwall was revalued by the Valuation Office Agency, based on Existing Use Value, under RICS guidance. Depreciation of £491k (21-22: £27k) is included in other administration costs in the Statement of Comprehensive Net Expenditure. The increase in value is due to IFRS 16

#### Note 7 - Financial Instruments

Scottish Forestry's resource requirements are met from Scottish Government via the annual grant-in-aid provision and from other income generated from activities. We have no power to borrow funds and all of our funds are held in a current account within the Government framework.

Other than financial assets and liabilities which are generated by day-to-day operational activities, we hold no financial instruments. Because of the nature of our activities and the way in which we are financed, we are not exposed to the degree of financial risk faced by business entities.

#### Liquidity risk

The Scottish Government makes provision for the use of resources by SF, for revenue and capital purposes, in the 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. We are 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 and therefore there is limited exposure to interest rate risk.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. We are exposed to credit risk from our operating activities (primarily for trade and other receivables) but the level of risk is not deemed significant. Credit risk related to trade and

other receivables is managed through established procedures relating to the monitoring and follow up of outstanding balances.

#### Fair values

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values: Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. There is no difference between the book value and fair value for the cash and cash equivalents shown in Note 9.

#### Financial Instruments

	22-23	21-22
Financial Assets	£000	£000
<b>at amortised cost</b>		Restated
Trade & other receivables	16,612	6,403
Cash & equivalents	9,309	44,760
<b>Total</b>	<b>25,921</b>	<b>51,163</b>
<b>Financial Liabilities</b>		
<b>at amortised cost</b>		
Trade & other payables excluding statutory liabilities	30,733	36,756

#### NOTE 8 - Trade and Other Receivables

##### 8(a) Analysis by type

	22-23	21-22
	£000	£000
Current		
Trade receivables	589	448
Less: provision	(14)	(96)
Trade receivables	575	352
VAT	340	139
House purchase loans to employees	4	4
Accrued Income	326	524
Co-financing accrued income	1,256	5,510
Accrued funding from SG	14,287	0
Prepayments	5	94
Other receivables	6	2

Less: provision for  
impairment of other  
receivables

	0	0
	<u>16,799</u>	<u>6,625</u>

Non-current

House purchase  
loans to employees

	6	10
Total receivables	<u>16,805</u>	<u>6,635</u>

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 2023, of the £589k trade receivables, £357k relating to grant overpayment or SWLS of which £13k was fully provided for. The remainder of the debt related to customers for whom there is no recent history of default exists. The ageing analysis of these trade receivables is as follows:

	22-23	21-22
	£000	£000
0-30 days	287	364
31-60 days	0	45
61-90 days	28	19
91+ days	274	20
Total	<u>589</u>	<u>448</u>

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

	22-23	21-22
	£000	£000
At 1 April	96	20
Utilised in year	0	(20)
Addition	7	96
Released in year	(89)	0
At 31 March	<u>14</u>	<u>96</u>

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

	22-23	21-22
	£000	£000
Current		
Scottish Government	15,566	5,511
Other central Government	734	948
Local Authorities	0	59

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Total Intra Government	16,300	6,518
External bodies	499	107
	<u>16,799</u>	<u>6,625</u>

Non – Current

External bodies	6	10
	<u>16,805</u>	<u>6,635</u>

#### Note 9 – Cash and Cash Equivalents

	22-23	21-22
	£000	£000
At 1 April	44,760	31,822
Change in cash balance	(35,451)	12,938
At 31 March	<u>9,309</u>	<u>44,760</u>

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

	22-23	21-22
	£000	£000
Trade Payables	768	7,894
Other Payables	477	470
Accruals	1,956	1,909
Accruals - Grants	25,958	27,927
IFRS 16 Lease Creditor	345	0
Accrued Funding from SG	0	16,306
At 31 March	<u>29,504</u>	<u>54,506</u>
Non – Current		
Lease Creditors	1,425	0
	<u>30,929</u>	<u>54,506</u>

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.

As the planting season is in the latter part of the financial year the majority of claims are only submitted in March 2023 for which the required checks and inspections are undertaken after the year-end, resulting in a large accrual.

##### 10(b) Intra-Government Balances

	22-23	21-22
	£000	£000
Scottish Government	27,186	49,059
Other central Government	208	2,487
Local Authorities	94	1,535
Total Intra Government	<u>27,488</u>	<u>53,081</u>
External bodies	2,016	1,425
	<u>29,504</u>	<u>54,506</u>

Non – Current

Other central Government	312	0
External bodies	1,113	0
	<u>30,929</u>	<u>54,506</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.

No provisions for liabilities and charges were provided for in 2022-23 or in the prior year.

#### NOTE 12 - Note to the Statement of Cash Flows

	22-23 £000	21-22 £000
Depreciation	491	27
Revaluation written off	11	0
Notional audit fees	53	52
	<u>556</u>	<u>79</u>

The increase in the depreciation value is as a result of IFRS 16.

#### NOTE 13 - Capital Commitments

There were no contracted capital commitments at the year-end (21-22: £0).

#### NOTE 14 - Commitments under Leases

Operating leases under (IFRS 16) - Total future minimum lease payments under operating leases are given in the table below:

	22-23 £000	21-22 £000
<b>Buildings</b>		
Expiry within one year	319	560
Expiry after one year but not more than five years	350	382
Expiry thereafter	121	178
	<u>790</u>	<u>1,120</u>
<b>Motor Vehicles</b>		
Expiry within one year	100	0
Expiry after one year but not more than five years	236	0
Expiry thereafter	0	0
	<u>336</u>	<u>0</u>

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#### Lease interest

During the year, as a result of IFRS 16 we incurred the following amount of lease interest which was expensed in the SOCNE.

	22-23 £000	21-22 £000
Buildings	16	0
Motor Vehicles	1	0
	<u>17</u>	<u>0</u>

As shown in Note 10 the lease creditor is £1,770k (21-22: £0), of which £71k (21-22: £0) relates to interest as calculated as per Note 1 using the rates in the appropriate PES.

Interest	Buildings £000	Motor Vehicles £000
Due within		
1 year	13	1
2 – 5 years	38	4
6+ years	15	0
	<u>66</u>	<u>5</u>

Due to the value of the rights of use assets and the interest rate used, the effect of IFRS 16 has had a minimal impact on the SoCNE. This may change in future years with the increase in interest rates.

Further information with regard to the Rights of Use assets including depreciation, additions and carrying value can be found in Note 6.

There were no commitments under finance leases for the year ending 31 March 2023 (21-22: £0).

#### 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, SF was committed under the signed Rural Priorities - Rural Development Contracts for the payment of future grants amounting to £9.2m (21-22: £11.6m).

#### **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, SF was committed under signed Forestry Grant Scheme contracts for the payment of future grants amounting to £74.8m (21-22: £77.3m).

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

	22-23 £000	21-22 £000
Not later than one year	38,402	39,432
Later than one year	45,632	49,511
	<u>84,034</u>	<u>88,943</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, and the Welsh Government.

17(a) Key management transactions There were several related party transactions during the year. The Scottish Forestry Trust received £22k for research where Helen McKay is a Trustee. Loch Lomond and Trossachs Countryside Trust where Richard Morris' wife is a director received £5k for small scale tree planting projects. In previous years payments for Forestry Grant Scheme were made to Old Caberston Forest of which Brendan Callaghan is a part owner of a fifty-three-hectare area of forest land in Scotland, as per the contract the payments finished in 2021-22. Therefore, transactions of Nil (21-22: £11k) were made during the year.

Expenditure	22-23 £000	21-22 £000
Research	22	0
Forestry initiatives grants	5	0
Funding & forestry grant payments	0	11
	<u>27</u>	<u>11</u>

Balances at 31 March	2023	2022
Loch Lomond	0	0
Scottish Forestry Trust	0	0
Old Caberston	0	0

#### **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 loss of a mobile phone and minor damage to several vehicles.

	22-23	21-22
Number	10	5
£000	6	32

#### **NOTE 19 - Events Occurring After the Reporting Period**

There were no significant events occurring after the year-end, which materially impacted upon the 2022-23 annual report and accounts.

#### **NOTE 20 – Segmental Reporting**

Under IFRS 8 Scottish Forestry does not have any segments.

## Accounts Direction

