



Scottish
Forestry
Coilltearachd
na h-Alba

Annual Report and Accounts 2021-22

SG/2022/203

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



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Performance Report



Overview

In this Performance Report, we present a review of the Agency's performance during 2021-22, 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 / Facal- toisich bhon Àrd-Oifigear

Welcome to the Annual Report and Accounts of Scottish Forestry for 2021/22.

It is now three years since Scottish Forestry (SF) became a Scottish Government (SG) executive agency, responsible for regulating and supporting Scotland's growing and vibrant forest sector, advising and supporting ministers, communities, landowners and the forestry industry.

This last year has been challenging but rewarding, with lots of positive progress for Scotland's forests.

Scotland has ambitious woodland creation targets. As the official statistics published in June 2022 show, in the 2021-22 period over 10,000 hectares of new woodlands were planted, representing around three-quarters of the target for the year. Whilst falling below the yearly target of 13,500 hectares, this is still a great achievement, representing a fourth consecutive year where over 10,000 hectares have been created, despite all the challenges of working through the Covid-19 pandemic and dealing with this year's winter storms. This has been accomplished by working closely with the forest industries, crofters, farmers and other landowners, both large and small.

A new [Implementation Plan](#) for the ten year Forestry Strategy was published in June. Delivery of the strategy is a shared endeavour and will involve action across the public, private, community and voluntary sectors. The next few years will build on the significant progress we have already made to expand and sustainably manage Scotland's forests and woodlands and to deliver the Government's wider forestry commitments.

Scotland's forests are an important part of the country's climate change ambitions, absorbing almost [14%](#) of Scotland's gross GHG emissions,

Fàilte gu Aithisg Bhliadhnail is Cunntasan aig Coilltearachd na h-Alba airson 2021/22.

Tha e a-nis trì bliadhna bho chaidh Coilltearachd na h-Alba a stèidheachadh mar bhuidheann- gnìomha fo Riaghaltas na h-Alba, le uallach airson a bhith a' riaghladh is a' cur taic ri roinn shoibheachail bheòthail coilltearachd na h-Alba, agus airson comhairle agus taic a thoirt do mhinistearan, coimhearsnachdan, uachdarain agus gnìomhachas na coilltearachd.

Tha a' bhliadhna a chaidh seachad air a bhith dùbhlach ach soirbheachail, le mòran adhartais do choilltean na h-Alba.

Tha amasan àrda is farsaing aig Alba a thaobh coilltean a chruthachadh. Mar a nochd am fiosrachadh oifigeil a dh'fhoillsicheadh anns an Ògmhios 2022, ann an 2021-22 chaidh còrr is 10,000 heactair de choilltean ùra a chur, sin mu thrì chairteal na h-amas bhliadhnail. Ged nach robh seo cho àrd ris an amas bhliadhnail de 13,500 heactair, 's e obair ionmholta a th' ann, a' comharrachadh an ceathramh bliadhna ann an sreath far an deach còrr is 10,000 heactair a chur, a dh'aindeoin na dùbhlain a bh' ann ag obair tro ghalair mòr-sgaoilte Covid-19 agus a' dèiligeadh ri na stoirmean geamhraidh am-bliadhna. Rinneadh seo le a bhith ag obair gu dlùth còmhla ri gnìomhachasan coilltearachd, croitearan, tuathanaich is luchd-seilbh eile, an dà chuid mòr is beag.

Chaidh Plana Buileachaidh ùr airson Ro-innleachd Coilltearachd 10 bliadhna fhoillseachadh sa Chèitean. 'S e oidhirp cho-roinnte a tha ann an libhrigeadh an ro-innleachd agus bidh obair na lùib thairis air na roinnean poblach, prìobhaideach, coimhearsnachd agus saor-thoileach. Togaidh na bliadhnaichean ri thighinn air an adhartas bhrioghmhor a rinn sinn mar-thà gus coilltean na h-Alba a leudachadh agus a stiùireadh gu seasmhach, agus amasan

and the importance of trees to tackling climate change was repeatedly highlighted when Scotland hosted the UN Climate Change Conference (COP26) in 2021.

World leaders gathered in Glasgow to commit to working collectively to halt and reverse forest loss and land degradation by 2030 - while delivering sustainable development and promoting an inclusive rural transformation. We worked with UK and Scottish Government and partner organisations to help highlight the critical role forests play in reversing the effects of climate change and nature loss.

Our woodlands were badly hit by Storm Arwen and other winter storms in 2021. The public and private forestry organisations worked well together to manage the recovery operation and demonstrated we are capable of adapting quickly. SF staff worked hard to fast track Felling Permissions and I am proud of the way they supported the industry. We also held sector meetings to develop a collaborative approach to timber marketing. Guidance was produced for small landowners to help them manage the aftermath of the storms and create more resilient woodlands for the future.

The response to the winter storms is just one example of what makes me proud of Scottish Forestry and the people who work here. As an agency, we have shown great resilience in our ability to adapt; to Covid, to climate change and to the future of forestry. As we now move forward, we will continue to review how we work and the services we deliver to ensure we meet the needs of our staff and the agency as well as the stakeholders we are here to support. To help with that, we will be recruiting around 35 new colleagues over the coming year. This will increase our staff complement by around 15%, responding to the increased ambitions and our role in delivering them.

All of the above makes me optimistic about the coming year – about the future of forestry in Scotland and about this organisation, which it is my privilege to lead. I'd like to extend a big well done and thank you to everyone in the forestry, land management, and environmental community for their commitment and support of each other during this year and look forward to working with you in the future.

nas fharsainghe an Riaghaltas a thaobh coilltearachd a choileanadh.

'S iad coilltean na h-Alba earrann chudromach de dh'amasan na dùthcha a thaobh atharrachadh na gnàth-shìde, agus iad a' slugadh faisg air 14% de sgaoilidhean cronail GHG iomlan na h-Alba, agus bhathas a' sìor chomharrachadh cho cudromach is a tha craobhan gus obair an aghaidh atharrachadh na gnàth-shìde nuair a bha Co-labhairt an UN air Atharrachadh na Gnàth-shìde (COP26) ann an Alba ann an 2021.

Chruinnich ceannardan an t-saoghail ann an Glaschu gus gealltainn obrachadh còmhla gus call choilltean is milleadh fearainn a stad agus a thilleadh ro 2030 – sin le bhith a' libhrigeadh leasachadh seasmhach agus a' brosnachadh cruth-atharrachadh dùthchail in-ghabhalach. Dh'obraich sinn còmhla ri Riaghaltas an RA, Riaghaltas na h-Alba agus buidhnean com-pàirteachaidh gus cur an cèill an dreuchd riatanach a tha aig coilltean gus cur an aghaidh atharrachadh na gnàth-shìde is call ann an nàdar.

Bhuail Stoirm Arwen is stoirmean geamhraidh eile ar coilltean gu cruaidh ann an 2021. Dh'obraich buidhnean coilltearachd poblach is prìobhaideach còmhla gu h-èifeachdach gus an iomairt càraidh a stiùireadh agus sheall iad gu bheil sinn comasach air dòighean-obrachaidh atharrachadh gu sgiobalta. Dh'obraich luchd-obrach Choilltearachd na h-Alba gu cruaidh gus Ceadan Leagail a chuir troimhe gu luath agus tha mi moiteil anns an dòigh a chuir iad taic ris a' ghnìomhachas. Bha coinneamhan roinneil againn cuideachd gus dòigh-obrach cho-obrachail a leasachadh a thaobh margaidheachd fiodha. Rinneadh stiùireadh dha uachdarain bheaga gus an cuideachadh le dèiligeadh ris na dh'fhàg na stoirmean às an dèidh agus gus coilltean nas seasmhaiche a chruthachadh airson an ama ri teachd.

'S e mar a choinnich sinn ri stoirmean a' gheamhraidh dìreach aon eisimpleir a tha gam dhèanamh moiteil à Coilltearachd na h-Alba agus an fheadhainn a tha ag obair an seo. Mar bhuidheann, sheall sinn neart mòr nar comas atharrachadh; mu choinneamh COVID, atharrachadh na gnàth-shìde agus na tha ro choilltearachd san àm ri teachd. Mar a tha sinn a-nis a' gluasad air adhart, leanaidh sinn oirnn a' sgrùdadh mar a tha sinn ag obair agus na seirbhisean a thathas a' toirt seachad airson freagairt air feumalachdan ar luchd-obrach agus na buidhne, a bharrachd air an luchd-ùidhe a tha sinn ann gus cuideachadh. Gus cuideachadh le



sin, bidh sinn a' fastadh mu 35 luchd-obrach ùra sa bhliadhna a tha romhainn. Le seo, fàsaidh ar n-àireamh de luchd-obrach mu 15%, rud a fhreagras air ar n-amasan leudaichte agus ar n-obair gus iad sin a thoirt seachad.


Tha a h-uile càil de sin gam dhèanamh-sa dòchasach mun bhliadhna a tha romhainn, mu na tha ro choilltearachd ann an Alba agus mun bhuidhinn seo, agus e na shochair dhomh a bhith os a cionn. Tha mi airson moladh agus taing mhòr a thoirt do gach neach anns na coimhearsnachdan coilltearachd, fearainn is àrainneachd airson an cuid dealais is taic do chàch a chèile sa bhliadhna seo agus tha mi a' coimhead air adhart ri bhith ag obair còmhla ribh san àm ri teachd.

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

Structure

We operated a management model of four functional teams:

- Policy & Practice;

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- 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.

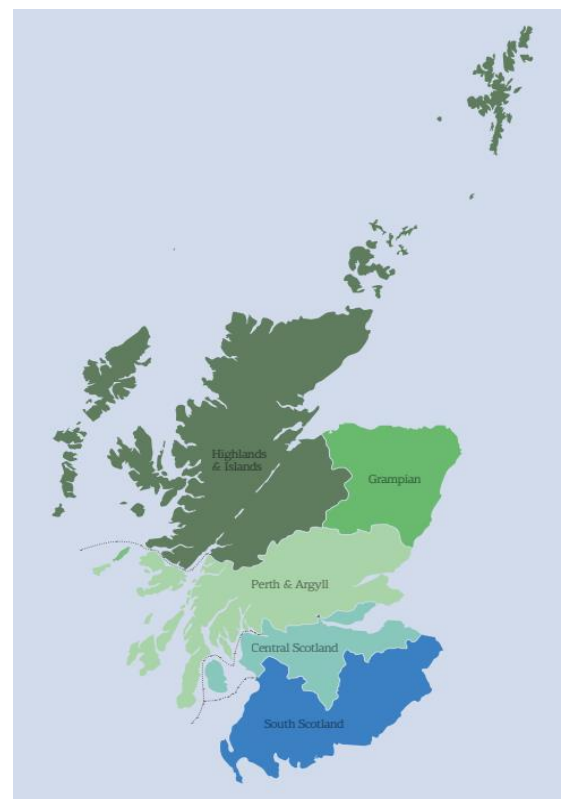
Each function is led by a Head who reports to the CEO. The CEO is supported in discharging their governance responsibilities by the

- 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 2021-22 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 2021-22 related to the wider political and economic uncertainties associated with the preparation for, and impact of, EU Exit. Tree Health continues to be a long-term challenge.

The table below summarises the key risks faced during 2021-22, the mitigating actions taken, and further actions planned.

Key Risks	Mitigation
Meeting Woodland Creation Target If we continue to lose experienced staff through resignations/promotions and carry significant numbers of vacancies, then claims / schemes will not be approved as quickly as possible, impacting on our capacity to regulate and support other areas of work and may result in us being unable to meeting increasing Woodland Creation (WC) targets	Three mitigating actions are being implemented at present. 1. It has been ascertained that the busy conservancies are needing assistance to attain more approvals, the Woodland Creation Technical Officers, will be redeployed to them to focus on and provide support enabling the conservancies them to move through to approvals. 2. Conservancies are actively engaging with the sector, to get them planting as soon they can - the longer the planting season the better. 3. Future Operating Model for Conservancies Change the Conservancy Operating Model from Beats to Geographical Areas. This will enable SF to increase staffing, technical and support within the Conservancies to deliver woodland creation targets. The changes proposed will offer opportunities for career development and progression for existing staff.
Finance System and associated services The shared Finance system and related applications that SF & Forestry and Land Scotland (FLS) use are being replaced by FLS, but it has been decided that SF will not be involved in the new Management information project that will replace it. As such there is a risk that SF will not have a Finance System or any of the related services for automation of Finance tasks, etc.	There is a Shared Services Programme being run by SG that we are looking at joining which will cover many of the core needs in this area. As we move to any new system provider we will have to ensure that all of our key requirements are covered by any new service - both the functional requirements (in Finance, data, integrations with other systems, MI) and the non-functional requirements (performance, security, policy adherence) will need to be validated before any new system decision can be made. We will need external resource (or will need to reallocate internal resource from other commitments) in order to cover this. Any areas that are incompatible may require changes to policy in order for the new system to meet SF needs.
Cybersecurity If a cyber attack targeted at SF or any associated organisations	Ongoing raising of staff awareness of how to be alert to phishing emails.

<p>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 in inability to complete organisation remit, in financial, reputational and emotional impacts on the organisation and our staff too.</p>	<p>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 - training will follow.</p> <p>Review of SF Cyber Resilience policies, procedures</p>
<p>Potential shortfalls in EU replacement funding for Woodland Grants</p> <p>As a result of EU Exit and the subsequent discussions between SG and the UK Government on EU replacement funding, there is a risk of reduced funding in future years, making the achievement of planting targets set out in the Climate Change Plan unachievable.</p>	<p>Continue to feed into spending review process and budget commissions highlighting budget requirements and impacts of funding shortfalls.</p> <p>Escalation of current allocation and shortfall has been made to senior officials and Minister.</p> <p>Liaise with SGRPID colleagues on possible use of remaining co-financing funds carried over from prior years to reduce funding gap.</p> <p>Continue to develop and strengthen mid to long term financial planning in order to qualify bids for increased funding through updates, briefings and future spending review exercises.</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 13,500 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 training 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

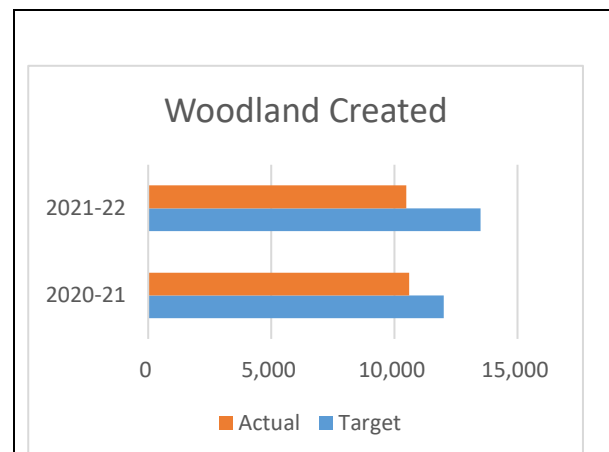
The Scottish Government's commitment to achieving net-zero greenhouse gas emissions by 2045 has continued to provide additional impetus to our work to increase woodland creation, and the greater use of wood in construction, to replace materials with a greater negative climate impact. Building on the significant success achieved in 2020-21 and by our predecessor, Forestry Commission Scotland, a significant focus of our work during the year was therefore continuing to help Scotland towards achieving significant increases in woodland creation for 2024-25 in line with SG targets.

COP26

As part of COP26 UN Climate Summit held in Glasgow in November 2021, we worked with UK and SG and partner organisations to help highlight the critical role forests play in reversing the effects of climate change and nature loss

We were involved in various projects including Zero Carbon Timber House, Nature Based Solutions and Tree Health displays and talks, as well as the [Glasgow Children's Woodland](#), which involved 1,200 primary school children covering all 151 primary schools of Glasgow help rewild a 13ha site with oak trees that the children had grown from seed. We supported Ministers welcoming the Glasgow Declaration on Forests and Land Use. We also ran a successful internal communications campaign to engage and inform our staff.

Key Performance Indicators

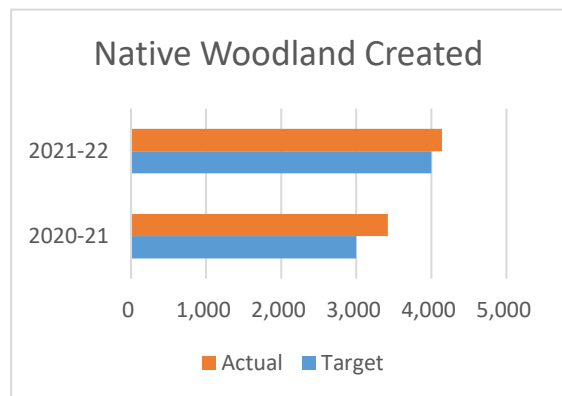


How we define it:

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

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
- Ensure forests and woodlands are sustainably managed
- Improved evidence base to inform development of policy, practice, and, implementation.
- Increase the adaptability and resilience of forests and woodlands
- Increase the contribution of forests and woodlands to Scotland's sustainable and inclusive economic growth
- Publish the second forestry strategy implementation plan (2022-2025)
- Increase the use of Scotland's forest and woodlands resources to enable more people to improve their health, wellbeing and life chances
- Raise awareness and profile of forestry through our communications



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:

- Conservancies to move to a new target-operating model, which will ensure better

customer service, achieve compliance and enable SF to meet our woodland creation targets

- Flexible and safe working
- Attracting, recruiting and retaining staff from different backgrounds, particularly providing opportunities for young people
- Create and maintain a skilled and competent workforce with the capacity to meet customers' needs and deliver organisational priorities
- Use meaningful engagement and effective internal communications



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:

- Improve our business processes to provide excellent customer service
- Ensure SF operates as a high performing public agency, and complies with the relevant corporate and statutory obligations.
- Using effective financial planning and management information to drive decision-making, improve productivity and performance.

Performance summary

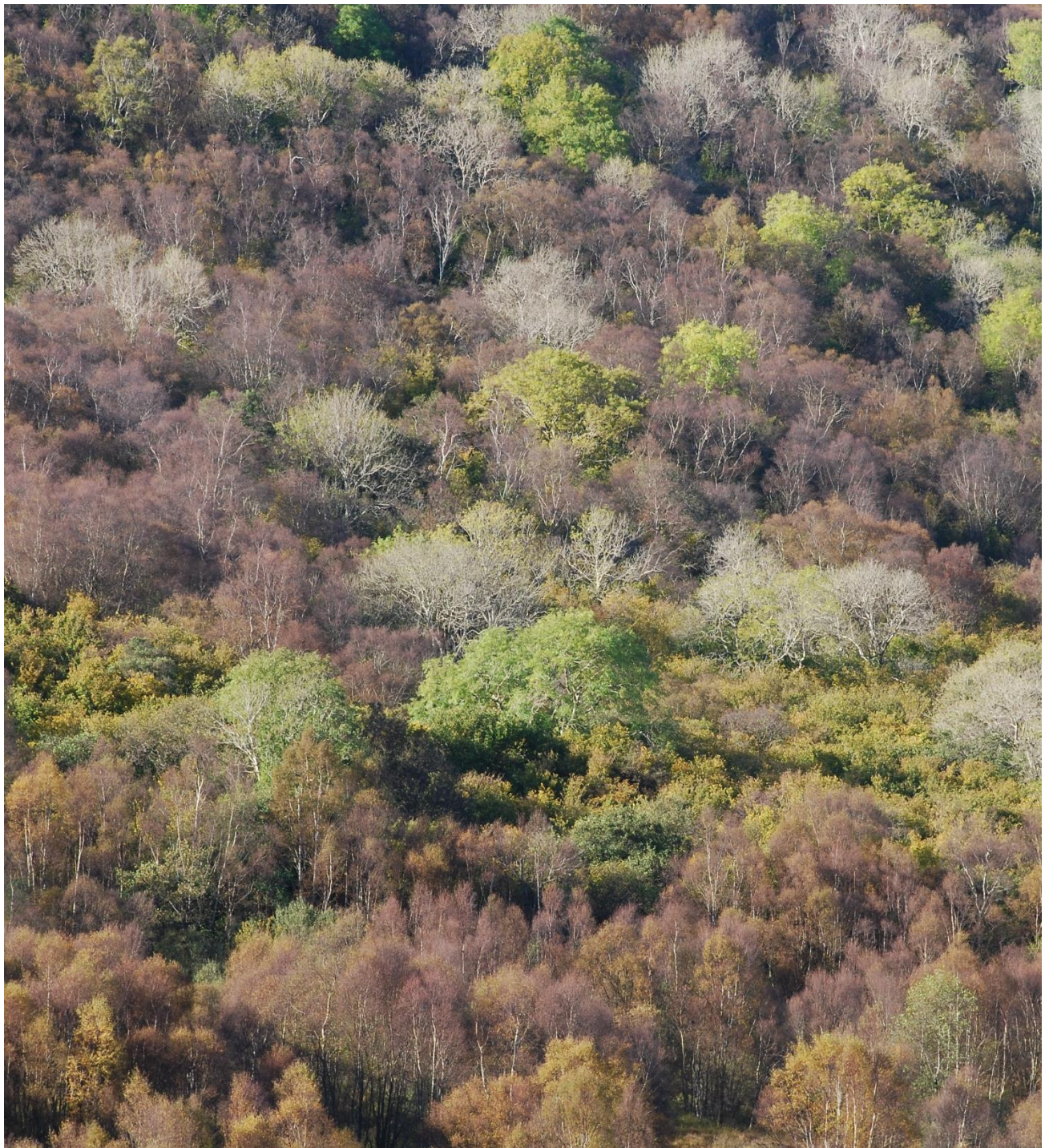
During the year, we set out in our Business Plan three strategic objectives covering seventeen objectives with forty-eight priorities. Of these priorities, twenty were achieved, three were not achieved and twenty five are ongoing. For the priorities shown as not achieved or ongoing will be continued in 2022-23. 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.

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

	Priority		
	One	Two	Three
Achieved	12	5	3
Not Achieved	3	0	0
Ongoing	6	7	12
Total	21	12	15

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 £83.73m (20-21: £47.48m). This increase from the previous year was a result of a loss of co-financing income (£26.9m) and additional £8m funding for the increased planting targets. Following the autumn and spring Budget revisions, this had reduced to a net figure of £78.3m. The out-turn position (including Financial Transactions) is £57.1m an underspend of £21.1m.

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 2021, which drew together our priorities and resourcing for 2021-22. 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 2021-22.



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.

Woodland Creation

- Delivery of 13,500 Ha of woodland creation.

Not achieved – Due to the influence of storms Arwen, Malik and Corrie, the diversion of resources earlier in the year to take advantage of good timber prices, affecting planning for the planting season, the availability of labour resources, particularly from Europe and the succession delays in some larger schemes that have taken longer to resolve together, has meant that we have only achieved 10,480ha.

- Meet the increased annual native woodland creation target of 4,000 hectares

Achieved - During the year 4,360ha of native woodland were planted which surpassed the Bute House Agreement target.

- Monitor sustainable expansion and management of woodlands through use of Earth Observation techniques.

Achieved - Successful delivery of identification of clearfell using satellite imagery. Six monthly updates now provided by Forest Research. Further work is ongoing to explore additional opportunities for monitoring woodland, e.g. potential for identification of woodland creation and restocking.

- Work with Scottish Land Commission and the forestry sector to develop a more structured approach to consultation with stakeholders over woodland creation proposals that can help strengthen that component of the UKFS.

Ongoing - Initial conversations have been held with the Scottish Land Commission and Confederation of Forest Industries. Further action will be set out in the Forestry Strategy Implementation Plan 2022-2025

- Integrate annual target with other land use objectives for expansion of forests and woodlands by linking with partners working on climate change and carbon sequestration, building this emphasis into forestry grant incentives.

Achieved - using and reviewing the application of Woodland Expansion Advisory Group guidance.

Ensure forests and woodlands are sustainably managed

- Promote Sustainable Forest Management and support development of Long Term Forest Plans, which are compliant with UK Forest Standards. Work with partners to deliver enhanced environmental benefits from our forests and woodlands, such as increased biodiversity, flood management and species protection. Lead review of UK Forest Standards and update. Facilitate national conversation over resilience and adaption of Scotland's woods and forests and develop concept of 'The Right Tree in The Right Place'.

Achieved - Scottish Forestry continues to promote, review and approve forest plans that meet the requirements of the UKFS.

Improved evidence base to inform development of policy, practice, and, implementation

- Ensure the policy and regulatory framework which underpins the delivery of Scotland's Forestry Strategy and contribute to SG outcomes is more coherent, visible and up to date on hot topics such as Net Zero and EU Exit.

Ongoing - Work is on-going and includes initial discussions with the Scottish Land Commission and the Confederation of Forest Industries regarding community engagement. Forest Research is finalising a major report on the carbon sequestration impacts of planting different types of woodland. Scottish Forestry has worked with the other UK countries to finalise a UKFS Adaptation Practice Guide that will inform the policy development process in Scotland.

- Proactively review and further develop policy on carbon, resilience and adaption, and community engagement through working with relevant SG Teams, Public Body Partners and wider stakeholders.

Achieved - We continue to commission research through Forest Research and a wide range of other research bodies to build evidence on the impacts of woodlands on the economy, communities and the environment, including impacts in different carbon pools (soils, trees, and wood products).

- Ensure policy developments on deer, biodiversity and post-EU environmental equivalents are progressed in partnership with forestry interests through engagement with relevant SG Teams.

Ongoing - Worked closely with Nature Scot and SG policy teams on developing the approach to delivering the SG response to the Deer Working Group report.

- Ensure Scotland's research needs are met by working with partners, and by commissioning research in different areas such as tree planting in peaty soils, flood management and carbon balance.

Achieved - *The first year of the new programmes under the Science and Innovation Strategy has been completed. Work has also been commissioned external to the core programme on topics such as carbon sequestration and flood mitigation. Further work has been commissioned as part of the ongoing science and innovation strategy, and via separate projects such as on quantifying the pest risk and risk to new and emerging species.*

Increase the adaptability and resilience of forests and woodlands

- Maintain long-term health of Scotland's trees, woods and forests. Effective surveillance, contingency planning, and management of pests and diseases together with measures to build resilience through creation and adaption of woodland. Identify emerging pest and disease threats and high risk pathways. Provide advice and guidance to the sector on tree health, biosecurity, and, specific pests and diseases. Gather evidence on drought.

Achieved - *80% of Scotland's 1.5 million hectares of Forestry, woodland and trees surveyed during SF's aerial survey programme, which required 1,277 site visits to be completed checking symptoms detected from the air or reported by other routes. This led to 292 sites where control or management actions were required to be implemented*

Increase the contribution of forests and woodlands to Scotland's sustainable and inclusive economic growth

- Promote continued growth in the use of and value-added to Scottish timber through supporting research and the sector to increase the volume of Scottish timber used in construction and biofuels.

Achieved - *We supported a project with Edinburgh Napier and other Edinburgh Universities looking at the feasibility of wood fibre insulation using domestic wood fibre. This work has provided the scope for a further PhD that will explore species suitability and move this area to the pre-commercial stage. SF worked with the Scottish Government to produce the "Wood Fuel Usage" statistics that enable the forestry sector to see the proportion of the total fibre produced in GB that is used as biomass in Scotland.*

- Regular communications with the forestry sector and stakeholders through the Customer Reps Group (CRG) and National Stakeholder Forum to tease out evidence as to where further added value can be achieved in order to help the sector recover. This can include Harvesting and Processing grants which for example, can help the nursery sector to make working conditions COVID-compliant more quickly thereby boosting transplant availability to support woodland creation targets.

Achieved - *CRG group meetings now developed to include two sub-groups around technical measures in the grants scheme and trees on farms.*

- Work across the Scottish Government to ensure that the replacement for the Common Agricultural Policy ring-fences funds for tree planting, orchard creation, and woodland regeneration, as well as support for the development of rural businesses linked with forestry.

Ongoing – *We have established a Future Grant Support for Forestry Working Group to develop our approach following the EU exit. We are working with relevant Directorates and is part of various workstreams establishing post Common Agricultural Policy (CAP) funding options which will have a bearing on the delivery of future grant support for forestry. We are ensuring forestry objectives are an integral part of any future system of support for land managers, and are collaborating on issues such as improved deer management and woodland biodiversity, net zero and building trees into the farming model.*

Further deliver, develop and promote the Woodland Carbon Code

- Build evidence of economic impact of forestry and provide forest economics advice. Ensure increase of wood fibre availability. Secure timber supplies to enable continued growth of timber use in construction and biomass, supporting research and the sector to increase the volume of Scottish timber used in construction.

Achieved – *We are promoting the Woodland Carbon Code through a wide range of media, and have taken major steps to strengthen the Code in order to maintain its integrity and trust as the carbon market evolves rapidly. Awareness of the Code is at high levels across the land-use sector and beyond.*

- Deliver the Strategic Timber Transport Fund, moving towards total decarbonisation and future proofing of timber transport and timber harvesting.

Achieved - *In 21-22, the Strategic Timber Transport Fund delivered on co-financing thirty one public road improvement projects across nine rural local authorities. In addition, preparatory project funding was allocated to help develop potential timber by rail projects at Rannoch and Altnabreac and a planned trial of zero-emission HGVs. Support was given to the Timber Transport Forum to produce a document on the carbon footprint of the road haulage of timber and a vision statement for the decarbonisation of the sector. The Fund also continued to support the Timberlink shipping service which helped take over 90,000 tonnes of timber (over 3300 lorry loads) off the roads between Argyll and Ayrshire.*

Publish the second forestry strategy implementation plan (2022-2025)

- Engage stakeholders in the development of the next implementation plan setting out key actions to deliver the Strategy's objectives and priorities for action.

Ongoing - A draft implementation plan 2022-2025 has been developed with the involvement and inputs from the National Forestry Stakeholder Group and other key delivery partners. The plan will set out the significant actions that the Scottish Government and its partners will deliver in support of the Forestry Strategy. A final plan was published in 29 June 2022.

Increase the use of Scotland's forest and woodlands resources to enable more people to improve their health, wellbeing and life chances

- Consult on ways to increase easily accessible, sustainably managed woodlands, including native woodlands, in urban or peri-urban areas, as part of a just transition.

Not achieved - An action to deliver this will be included in the Forestry Strategy Implementation Plan 2022-2025

- Engage more people and communities in the creation, management and use of forests and woodlands. Encourage a more diverse range of people to value and use forests and woodlands, particularly those close to where they live and work.

Ongoing - Delivery continues under the Woods In and Around Towns initiative, Engagement Programme and through the work of the Community Woodlands Association funded by Scottish Forestry. CWA supported over sixty community groups across Scotland to realise local objectives through the use, management and ownership of local woodlands.

- Support public sector bodies, as part of their statutory duty under the Forestry and Land Management (Scotland) Act 2018, to identify and implement opportunities to increase tree cover on land they own and manage, with an emphasis on native woodland and natural regeneration. We will explore if further legislative changes are required to strengthen the duty on public bodies.

Not achieved - An action to deliver this will be included in the Forestry Strategy Implementation Plan 2022-2025

Raise awareness and profile of forestry through our communications

- Identify opportunities to raise awareness of Scottish Forestry's work to targeted audiences (e.g. through ministerial visits). Develop content for existing and new social media channels to connect with key stakeholders and new audiences. Liaise with external contacts and partners to better connect with communities, diverse groups and key influential stakeholders. Establish a National Forestry Stakeholder Group to enable strategic discussions between Scottish Ministers and the forestry and land use sector.

Achieved - Awareness of our work included a Ministerial visit with Confor to a new woodland creation scheme in Perth during February.



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.

Conservancies to move to a new target operating model, which will ensure better customer service, achieve compliance and enable SF to meet our woodland creation targets

- Invest in front line delivery capacity. Move towards geographical grouped technical forestry teams with a mix of pay bands. Specialist delivery roles will continue, either as part of specific Conservancies or working across Conservancies, co-ordinated at a National level. Where necessary, additional capacity, to interface with National Office Teams and the Improvement Programme. Invest in our administration teams, who are also vital to our success, building both capacity and new roles in Conservancies.

Ongoing - Staged implementation underway due to recruitment requirements.

Flexible and safe working

- Ensure that Health and Safety remains a priority for the leadership of Scottish Forestry, effective coordination with FLS Health & Safety (H&S) team and all staff have access to appropriate training and development. Review of SF Health, Safety and Wellbeing Strategy. Establish a Health Safety & Wellbeing (HS&W) committee across all of SF.

Achieved - HS&W committee established with the terms of reference agreed and Policy statement nearing completion.

- Undertake review of flexible working arrangements and identify opportunities for future working models. Enable staff to conduct meetings, site visits and return safely to the office as restrictions ease. Look at the way our offices function, to identify different models of operating. Manage staff and stakeholders expectations through regular communications and support.

Achieved - The Resilience Group managed the ongoing response to Covid, putting into place systems and providing guidance as Covid restrictions either eased or increased across 21-22. Staff have been kept informed throughout, with comprehensive guidance available on topics such as recruitment during Covid, office re-opening and managing teams remotely.

- Review the flexible working options available to staff, working with staff to identify opportunities for new working practices to be adopted and building on the benefits of home/office working. Review and update associated staffing policies.

Ongoing - As restrictions lifted, the focus shifted to Future Working. The group is now seeking to understand the benefits of working from home and office environments for different activities, and the services and equipment needed to enable this. This has been underpinned by extensive staff engagement and consultation, as we move forward with new ways of working.

Attracting, recruiting and retaining staff from different backgrounds, particularly providing opportunities for young people

- Embed learning about forests and woodland for lifelong learning and play.

Achieved - The education and skills teams worked to deliver "Forest Kindergarten" training to Early Learning and Childcare students, so as to empower them to take children into the outdoors and connect and learn with and through nature. We supported the work of the Outdoor and Woodland Learning (OWL) Scotland network through providing funding for special play grants, which allowed local OWL Scotland groups to deliver projects helping children and young people socialise and play whilst being supported by experienced outdoor providers. In addition, we worked with Young Scot to co-design a social media campaign to raise awareness of Scotland's Forest Strategy and the social, economic and environmental benefits of forestry.

- Support industry to increase knowledge and awareness of forestry sector careers in key stakeholders such as career advisors.

Achieved - 'Working with Trees and Timber', which informs a range of key stakeholders, including careers advisors has been published; it includes a summary of the sector, necessary school subjects, career paths, and typical jobs and salaries. Activities continue through forestry STEM ambassadors, online career insight talks through DYW Live, updating of forestry job profiles on My World of Work and under the Woods In and Around Towns Initiative Engagement Programme

- Agree and implement the Equality, Diversity and Inclusion (EDI) Plan on an ongoing basis, with a focus on addressing the gender pay gap and providing opportunities for young people. This is long term and will be the output from other actions linked to development opportunities. We are also planning to promote understanding of diversity including neurodiversity. Review recruitment process and how vacancies/ opportunities are advertised in order to maximise access to skills and diversity of applicants.

Ongoing - EDI Plan to be produced in 2022 and will consider gender pay, understanding of diversity, recruitment and any further actions that could be taken to improve opportunities for all.

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

- Adoption and embedding of the BRAVE values, (Be Professional, Respect Others, Act with Integrity and Honesty, Value Teamwork and Collaboration, and Encourage Innovation and Creativity), through activities such as training; using the values branding in our emails and documents; incorporating the values into our staffing infrastructure such as Personal Objective Plans; using them in our Customer Charter; and using Values checks in decision-making processes. At both an organisational and team level, address issues raised in the staff survey (such as tackling inappropriate behaviours, learning and development opportunities and workload issues).

Ongoing - BRAVE values adopted and built into our communication with guidance on how to use them in documentation including emails. A values booklet and branded desk material/stationary given to staff. Values referenced in recruitment and developmental processes and linked to personal objectives/plans, with training given on how to do this. Values incorporated into bystander training commissioned to address behavioural issues. An action plan will be developed to address the main issues identified in our most recent People Survey.

- Put into place leadership development opportunities and a clear career progression structure for different job roles across the organisation. Work with FLS to develop suitable systems to monitor and improve performance management.

Ongoing - Our Learning and Skills Development Manager will develop a strategic approach to developmental opportunities across SF. Audit planned later in year to help identify if/how we can improve performance management.

- Recruit staff to facilitate skills development, to ensure this is better supported and more consistently achieved within the business and that our investments in skills development is better aligned to the business needs. Build on improving our approach to Learning and Development through developing our use of iLearn. Use the Skills Matrix and individual Personal Objective Plan to ensure that people have the skills and knowledge required in their role. People to identify and secure the learning/skills development they require to progress in their job role and in their career (both informal and formal training and qualifications). Training of existing and new staff in the effective use of internal services. Promote and help introduce increased levels of staff self-sufficiency and knowledge of financial and business support responsibilities.

Ongoing - Training for staff continues. A new role - Learning and Skills Development Manager has been recruited and a new Officer role will be hired to

support them shortly. They will form our approach to evolving the skills matrix and the use of objective plans to help our staff grow further in their roles. A structured initial two-year training plan for Woodland Officers has also been developed working with subject matter experts.

- Extend the monitoring, analysis and use of our Staffing Management Reports to inform decision-making on our staffing activities at a strategic level.

Ongoing - Monthly staffing management reports produced to inform decision making at SET level. These will be refined and extended as part of wider improvements being developed across a range of SF management information.

Use meaningful engagement and effective internal communications

- Continue to improve our corporate and external communications. Implement our Corporate Communications Strategy. Review our existing media and communications channels and introduce new ones. Produce ongoing communications in relation to COVID and our areas of expertise and leadership. Strengthen our communication activities through specific projects, such as brand development, creating a content bank, developing our Gaelic Language Plan, and reviewing our publications

Achieved - Over the past twelve months we have implemented a new Corporate Communications strategy with a focus on two way engagement and refreshed staff channels, including a new COVID 19 guidance hub on our intranet. We have strengthened our external communications presence setting up new Instagram account, adding accessibility software to our website and begun a website modernisation project to improve user experience and service offer. We have improved our ability to tell our story by increasing our video and photography content including a new Agency recruitment video. Our brand guidelines and corporate templates have also been refreshed to encompass our behaviours and values. We have developed a new Gaelic Language Plan which, following public consultation, has been submitted to Bòrd na Gàidhlig for approval. The overall publications review has been delayed but which we plan to undertake in late 2022 /early 2023.



Strategic Objective 3 – Become a more innovative, efficient and accessible organisation by delivering process improvements, and harnessing digital and technological solutions through

Improving our business processes to provide excellent customer service

- Improve the functionality of our Geographical Information Systems (GIS) to enable better

administration of the Forestry Grant Scheme, Felling Permissions and Forest Plans through the digitising, management and publishing of spatial data. Support and development of existing spatial business systems to effectively deliver information to staff and stakeholders.

Achieved - GIS data is now stored in our Geostore spatial database with dynamic links to our Casebook platform. Provides staff with up to date, linked information via the Forester Web platform and also immediately available to stakeholders via a map viewer on the Scottish Forestry website.

- Complete the development and implementation of new pre-application and small loans scheme case types in casebook and move on to new case type improvements which will include public register and regulatory elements. Improve variations management across the agency.

Ongoing - Pre-application case type completed and live. Provides consistency in management of Woodland Creation pre-app cases, gathering evidence of applicant's due diligence in compliance with Environmental Impact Assessment (EIA) legislation and UKFS, and SF's response times to applicants, as well as management information. Improvements to public register and regulatory case-types are ongoing, with completion and go-live of unauthorised felling imminent.

- Delivery of new digital delivery systems and process, alongside ongoing maintenance and support of existing systems and processes to facilitate Forestry Grant Scheme (FGS) approvals (woodland creation and other), FGS Claims and Felling Permissions.

Ongoing - development of new case-types to support SF's delivery processes ongoing (see above), with a focus on public register and regulatory processes. Maintenance, support and continuous improvement of delivered case types ongoing; this includes FGS claims, felling permissions and management information.

- Support the implementation of a new approach to prioritising organisational projects.

Ongoing - A SF-wide target operating model is being produced along with an improvement and delivery programme plan that will prioritise/sequence improvement related projects.

- Complete key projects such as the Regional Pilot Project, myForest WC Platform, Small Woodlands Loan Scheme (SWLS) and Croft Woodland Project.

Ongoing - The Regional Pilot Project is nearing its conclusion in Scottish Borders area, with the new framework going through the Statutory Planning Guidance process for formal adoption. The myForest WC Platform phase one has been completed and is due for launch in summer 2022, though further

development on the inclusion of EIA is now underway. SWLS has been launched and development in its final stages, subject to small revisions as suggested by SG Internal Audit. The Croft Woodland Project is ongoing and has no definitive end date.

Ensuring SF operates as a high performing public agency, and complies with the relevant corporate and statutory obligations

- Focus on gaps in our statutory compliance as an executive agency.

Ongoing – Our progress towards statutory compliance is continuously monitored. Across 21-22, key milestones included the publication of the Equality Mainstreaming Report and updating our Modern Slavery Statement. Data Protection is an ongoing area of improvement, with Privacy Notices now in place, regular Data Protection Impact Assessments carried out, and incidents tracked through a Data Breach Log.

- Ensure we have legal and effective records management and information governance, and that we are compliant with data protection legislation.

Ongoing - We are working towards improving our records management practices, and in January 2022, our Records Management Plan was agreed by the Keeper of the National Records Scotland. We now have a records management improvement plan which must implement to be compliant.

- Put into place Sustainability Reporting systems in place for reporting data on corporate emissions; and taking action on Climate Change, Adaptation and our own journey to Net Zero. Prioritise meeting the gaps in our corporate responsibilities.

Achieved - Our first Public Bodies Climate Change Report was submitted in November 2021, and sustainability reporting systems set up to report on our emissions. This report will form the basis of our Climate Change, Adaptation and Net Zero Plans, to be put in place.

- Continue to meet Ministerial and Official correspondence/FOI/ briefing targets, maximising our organisational capacity to achieve this.

Ongoing – improvements are required in terms of processing complaints and correspondence as statistics show the percentage answered within the appropriate deadlines are Complaints 60%, FOI/EIR 88%, Ministerial and Office Correspondence 62%

- Develop and implement our management information reporting strategy and production of our KPIs. Ongoing maintenance and support of existing and new reporting systems, covering areas such as: staffing; budget; Forestry Grant Scheme case workload/clearing/claims; woodland creation statistics; and felling permissions.

Ongoing – A number of business intelligence and analyst roles have remained vacant during the year meaning progress in this area has been slower than anticipated. Recruitment of these key roles are expected to complete in 2022.

Using effective financial planning and management information to drive decision-making, improve productivity and performance

- Complete transition of shared finance service responsibilities from FLS.

Achieved – During the year we brought the full process of payment of invoices in-house. This was the remaining function within the shared finance service with FLS.

- Identify and procure new finance system and Management Information Platform for implementation by 2023.

Ongoing – Early work has been undertaken with Scottish Government regarding on-boarding onto their new finance system.

- Evolve and improve our Business Planning and Budget Monitoring process, promoting and increasing budget management responsibilities. Identify and establish Direct Purchasing Authority operating model to better enable procurement best practice and efficiency.

Ongoing – Work on this area was not started due to staff being deployed on other key activities such as long term spending reviews. This project will commence in 2022.

- Review and implement project level audits to deliver process improvements, as well as regular process reviews to improve efficiency.

Ongoing - A Programme Management Office is now in place to support the design and delivery of the new Improvement Programme. The PMO will provide ongoing project management advice and guidance to colleagues across the organisation, supporting the development, documentation and delivery (where relevant) of projects, maximising benefit whilst minimising inconvenience. Current projects include a review of the current induction process, future working arrangements and conservancy process improvements identified through the conservancy operating model.

- Further develop the use of ERDM across SF in order to improve access whilst also providing increased capability to share and store information securely and electronically.

Ongoing – Good initial progress has been made with a wide range of finance, procurement and business support related documents and guidance now being managed through ERDM. This has promoted wider usage and access throughout the rest of the business.

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 2021-22.

	Original Budget	ABR adjust	SBR adjust	Total Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000
Income – co-financing	0	(10,500)	0	(10,500)	(13,859)	3,359
Income - Other	(60)	0	0	(60)	(1,102)	1,042
Staff & Admin Costs	20,990	190	(159)	21,021	21,319	(298)
Programme Costs						
- Forestry Grants	61,800	1,500	(1,500)	61,800	45,694	16,106
- Other	0	5,000	0	5,000	5,000	0
	82,730	(3,810)	(1,659)	77,261	57,052	20,209
Financial Transactions	1,000	0	0	1,000	89	911
Total	83,730	(3,810)	(1,659)	78,261	57,141	21,120

The final budget was funded by SG through:

Fiscal Resource	£34.270m
Fiscal Capital	£42.550m
Non-cash	£0.441m
Financial Transactions	£1.000m

	£78.261m

During the year, the initial budget of £83.7m was amended. In the ABR additional budget was given to SF for

- timber transport projects £5.0m from Transport Scotland.
- Fair Work Employability & Skills transferred £190k for year two of National Transition Training Fund to provide a short training programme to give skills to new entrants to gain employment in the forestry sector.
- Resulting from discussions with RPID (£10.5m) of co-financing income was identified, and
- RPID transferred £1.5m for woodland creation

At the SBR, the transfers were

- The transfer back of the £1.5m to RPID due to the woodland creation not requiring the additional funding.
- Savings of (£0.5m) were identified as part of the annual SG savings exercise, in staff and other programme costs and were transferred to SG core

- As part of the cross border provision £0.341m was added to our budget.

This brought the budgeted net operating expenditure to £78.261m whilst the outturn and final position was £ 57.1m an underspend of £21.1m.

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.

During 2021-22, co-financing income received was £13.9m which was £3.4m more than the final budgeted. This was as a result of a larger amount of pre January 2021 grants being paid or claimed than was anticipated.

Staff Costs were £8.9m (20-21: £8.7m); this includes all costs relating to employing our 195 staff and agency staff during the year (20-21: 191).

Other Administrative Costs The costs were £3.6m (20-21: £3.4m), which consisted of all overheads including shared service costs. This increased from the previous year as a result of Covid-19 restrictions easing meaning that more staff are working as they

had done in prior years, but also due to the increase of the bad debt provision, see Note 8.

Programme Costs of £59.6m (20-21: £47.0m) this covers our payments for Forestry Grant schemes £45.7m (20-21: £31.7m), Timber Transport £6.6m (20-21: £8.2m) and other forestry development programmes including Cross Border costs £7.2m (20-21: £7.2m).

To facilitate increased planting to 13,500ha additional funding was received in the budget to bring the budget to £61.8m. The actual schemes funded resulted in a spend of £45.7m, which was £16.1m under spend against budget. The issues because of Covid-19 and the EU Exit that existed in the last financial year has continued throughout this year in addition the price of timber has greatly increased along with Storm Arwen has meant that there has been a move to more felling. As a result of these factors this led to reduced planting and therefore to underspend.

Financial Transactions

The financial transactions budget was awarded to SF to pay for the SWLS. As this was the first year of the scheme the uptake was not as high than was expected. Expenditure of £89k was incurred during the year, which resulted in a underspend of £911k.

This gives a net expenditure of £57.1m (20-21: £44.2m).

Statement of Financial Position

The Statement of Financial Position currently shows SF as having net liabilities of £3.1m (20-21: £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 £68k (20-21: £117k) the decrease is due to the depreciation charge during the year and repayment of loans.

Trade and other receivables were £6.6m (20-21: £13.8m), which is predominately as a result of income that will be received in 2022-23, for the co-financing elements of the 2021-22 Forestry Grant schemes that have not been paid as at 31 March 2022.

Trade and other payables were £54.5m (20-21: 48.9m); this is predominately as a result of an accrual for 2021-22 Forestry Grants that have not been paid as at the 31 March 2022 and an accrual for 21-22 funding from SG draw down in 21-22.

Cash balances are £44.8m (20-21: £31.8m), which are predominately for the payment of 21-22 Woodland Creation grants which will be paid in early 22-23.

2022-23 and beyond

Whilst the 2022-23 funding for SG has been agreed which will see us be able to achieve the planting targets as part of SG's Net Zero work, but will 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 (20-21: 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 played a leading role in publishing sector guidance for COVID-19 in consultation with industry stakeholders and trade bodies. We have also developed and issued internal guidance for staff on COVID-19. SF has identified a number of priorities to enhance the health, safety, and wellbeing culture. This has included a continued focus on the mental and physical wellbeing of staff, with a range of support being made available including guidance, webinars, and external resources.

Reportable Accidents and Incidents

There were no Reporting of Injuries Diseases Dangerous Occurrence Regulations (RIDDOR) reportable incidents (over seven days and specific reportable injuries) during the year (20-21: 0). In addition, there was one RIDDOR report relating to occupational illnesses (Lyme or similar tick-borne disease) submitted to HSE (20-21: 1).

Covid-19

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

During the subsequent years, the Resilience Group have monitored the emerging issues and the challenges on how we could move back to the offices in due course.

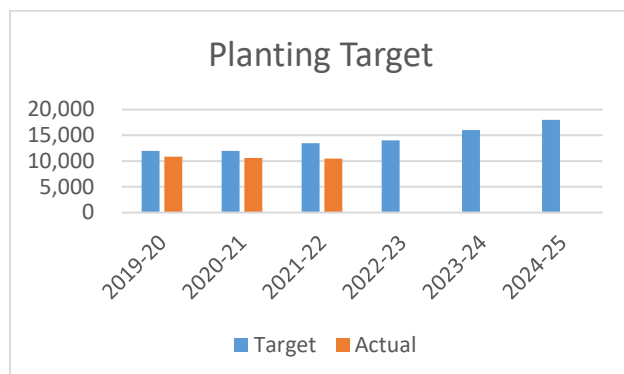
In 2020, we moved to Microsoft Teams, which has allowed for better communication and meetings between individuals, teams and third parties including SG & FLS. We have used this method of communication for the meetings of the SET, SAG, and AAC.

We continue to implement safe working protocols for home and on-site workings. These protocols have been continually updated throughout the years as SG guidance has changed. This has allowed our Woodland Officers and Tree Health staff to carry out site visits including inspections and for certain staff to return to working from our offices.

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 13,500 ha. The target will

increase in future years 24-25 where the target will be 18,000 ha.



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

However, due to Covid-19, EU Exit, and the winter storms the 21-22 years planting target was not achieved.

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 a [small woodland loan](#) scheme aimed at supporting small-scale woodland creation projects aimed at woodland creation projects.

Under the scheme, half of the upfront costs associated with planting a new woodland, including buying trees, ground preparation or fencing, can now be paid in advance by Scottish Forestry so assisting cash flow.

In the first year of the scheme we have had fourteen applicants which are progressing through the process accounting for 147Ha, with five progressing to a loan payment.

We anticipate that in the second year of the scheme more applicants will be received.



Dr David Signorini
Accountable Officer

11 October 2022

Accountability Report



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

Corporate Governance Report

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

Directors' Report

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

Relationship with Scottish Government and the wider Rural Affairs network

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

- Fergus Ewing MSP (Cabinet Secretary for the Rural Economy and Connectivity) until May 2021 and thereafter by Michael Matheson MSP (Cabinet Secretary for New Zero, Energy, and Transport);
- Roseanna Cunningham MSP (Cabinet Secretary for the Environment, Climate Change, and Land Reform) until April 2021 and
- Ben Macpherson MSP (Minister for Rural Affairs and the Natural Environment) until May 2021 and thereafter by Mairi McAllan MSP (Minister for Environment and Land Reform).

From April 2021, 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, and governance & principles. In addition, from November 2021, Roy Brannen is the Interim Director General for Net Zero.

Chair and Chief Executive

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

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

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

Directors and Non-Executive Members Interests

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

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

Auditors

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

Personal Data Related Incidents

There have been nine data breaches during 21-22 (20-21: two). 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 6.46 days (20-21: 12.06) days and that 89% (20-21: 80%) were paid within the Scottish Government's ten-day target.

Whilst the indicators are not back up to the levels of 2019-20 the increase in the figures from 2020-21 are primarily due to the new procedures being fully implemented and the increased use again of the ePC to make minor payments.

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 58.

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 2022 and up to the date of approval of the annual report and accounts, and accords with Scottish Public Finance Manual Guidance.

The Governance Framework

SF operates as part of the Scottish Government, responsible for advising Forestry Ministers within Scottish Government on forestry policy and its implementation across Scotland. Scottish Ministers

decide the policy and financial framework within which SF operates and are accountable to the Scottish Parliament for all matters.

Strategic Advisory Group (SAG)

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

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

Senior Executive Team (SET)

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

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

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

Audit and Assurance Committee (AAC)

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

The AAC operates in accordance with the principles contained in 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.

Committee Attendance in 2021-22 was:	SET 7 Scheduled	SAG 4 Scheduled	AAC 3 Scheduled
Phil Taylor Non-Executive		4 of 4	3 of 3 Chair
James Stuart Non-Executive		3 of 4	2 of 3
Eleanor Ryan Non-Executive		4 of 4	2 of 3
Helen McKay Chief Forester for Scotland		4 of 4	
Dr David Signorini Chief Executive	6 of 6 Chair	4 of 4 Chair	
Doug Howieson (appointed 1 June 2021) Head of Operational Delivery	5 of 5	3 of 3	
Ross MacHardie Head of Finance and Business Support	4 of 7	2 of 4	
Alan Hampson Head of Policy and Practice	6 of 7	4 of 4	
Jonathan Taylor Head of Executive Office	5 of 7	4 of 4	
Zahid Deen (appointed 11 October 2021) Head of Operational Services & Transformation	3 of 3	2 of 4	
Past Members			
Brendan Callaghan (until 15 April 2021) Head of Operational Delivery	1 of 1	0 of 0	
John Dougan (until 10 June 2021) Head of Operational Development	2 of 2	0 of 0	

Non-Attendance

Attendance was once again high in 21-22. 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

During the year, the format for the Strategic Risk Register now follows the recommended Scottish Government format, and risks have been fully updated.

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 21-22 and 22-23, there still remains a shortfall in funding if we have to achieve 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 nine data breaches during the year, none of which were required to be reported to the ICO.

Five incidents involved information which was disclosed in error. Two related to technical/procedural failures of systems. One was an unauthorised disclosure of personal information, and one involved a situation where a contractor was unable to delete or return personal information due to ill health. Actions taken to stop this happening again included, training workshops; improvements to practices and additional guidance put in place.

Regular input sought from Data Protection Team at Scottish Government.

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 (FRoM). 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.

In relation to the risks referred to in last year's Annual Report, there were three staff related issues. The first related to inexperienced staff, through better training, desk instructions and improved induction has meant lower number of errors have been identified. In addition, as part of the future working arrangements within conservancies will help us deal with the increased workloads that will occur in future years through the increased planting targets.

The second related to insufficient skilled staff as in the prior year we promoted assisted woodland officers into woodland officer roles, and continued the process of bringing in students as assisted woodland officer roles. This risk will continue over the next few years as we increase staffing to achieve SG's increased planting targets.

The third risk was due to increased workloads as a result of Covid having an impact on staff wellbeing. This has been addressed in a variety of ways including offering support where required. Last year it was noted that casebook reports needed to be developed and written, whilst work has been undertaken during the year this has been highlighted again in this year's statements.

In addition, whilst the change in the operating model for conservancies is on-going there were comments about this, including that the casebook and non-casebook process improvements that are required to assist the move have not progressed as quickly as staff at all levels would have preferred due partly to staff turnover.

We implemented a single business continuity plan, which was also commented on as several areas did not produce one due to misunderstanding. SET have taken this on board and will work to resolve the

communications and training to ensure that this does not happen again.

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

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

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

Audit Scotland prepared an annual report in September 2021 as part of their review of the 2020-21 Annual Report and Accounts, where they identified four areas for improvement. They included improvements to the functionality of the casebook grant system, which has taken place during 21-22. The Management of budget and outturn as a result of the large underspend in 2020-21, 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 2021-22, two advisory reviews and five assurance reviews were undertaken plus the follow up work from 2020-21 audits. The five assurance reviews covered:

Forestry Grant Scheme

The audit was given a **Reasonable Assurance** opinion, with five recommendations, one high three

medium and one low. The recommendations included, to build the capability of reporting process (high), implement regular sample-based checking of claims (medium), work with SGRPID to ensure effective recording of succession contracts (medium), continue to progress the identification and implementation of a formal system to record and monitor recoveries (medium), and management should implement training on the filing requirements to achieve a full audit trail (low).

Electronic Finance Processes

The audit was given a **Reasonable Assurance** with three medium and one low recommendation. These were that the guidance clearly identify that electronic invoices should comply with the conditions for electronic transmission (medium), consider the appropriateness of self-certification (medium), review access levels within the Employee Expense system ensuring that they are in line with approved delegated authority levels (Medium) consider implementing a template to action corrections rather than relying on email trains (low).

Budgeting Process

This was given a Substantial Assurance, with three medium recommendations. These consisted of fully document the budget setting process, document the requirement for budget monitoring, and implement a documented approval process for adjustments.

Workforce Planning and Monitoring

A **Reasonable Assurance** was given with three medium recommendations. The recommendations included incorporating realistic timescales for appointing new staff into workforce planning, a workforce strategy should be compiled and management should implement trend analysis.

Procurement Governance, Guidance & Controls

The audit was given a **Reasonable Assurance**, with one high and six medium recommendations, which consisted of the separation of functions between the delegated authority and the payment authority (high). Ensuring sufficient documentation is retained (medium) regular procurement spend reporting (medium), regular reporting on operational progress of contracts (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 2022 and up to the date of approval of the annual report and accounts.

Plans for 2022-23

At the end of 2021-22 we interviewed for a new non-executive to join SAG and AAC due to the term of the existing non-executive expired. During the process, it was evident that there were two candidates we could offer us different skills and knowledge that we had identified as beneficial to the organisation. We therefore re-appointed Eleanor Ryan and appointed Richard Morris who started with us on 15 April 2022 both for a four year appointment

To continue the improvement of our management information and presentation of the Annual Report & Accounts we will continue to identify key performance indicators for a variety of our objectives.

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

After engaging with stakeholders during 2021-22 we published the Forestry Strategy for 2022-2025 on 29 June 2022.

Remuneration and Staff Report



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

Remuneration policy

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

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

Employment contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on

merit based on fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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

Non-executives 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	15/04/22	48 months
Helen McKay	01/08/20	16 months

Fees

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:

	2021-22 £000	2020-21 £000
Phil Taylor	5-10	5-10
James Stuart	5-10	5-10
Eleanor Ryan	5-10	5-10
Helen McKay	20-25	15-20*

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

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

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	12	9	12

Whilst Brendan Callaghan, has been seconded, repayments have continued throughout the year.

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 ¹ £000	Total Remuneration £000
Dr David Signorini²	2021-22	85-90	0	31	115-120
Chief Executive	2020-21	80-85	0	75	155-160
Brendan Callaghan³	2021-22	0-5	12,300	1	15-20
Head of Operational Delivery	2020-21	75-80 ⁴	15,300	65	155-160
John Dougan⁵	2021-22	10-15	0	7	20-25
Head of Operational Development	2020-21	65-70	0	60	125-130
Zahid Deen⁶	2021-22	30-35	0	12	40-45
Head of Operational Services & Transformation	2020-21	N/A	N/A	N/A	N/A
Ross MacHardie	2021-22	55-60	0	26	80-85
Head of Finance and Business Support	2020-21	50-55	0	21	75-80
Jonathan Taylor⁷	2021-22	50-55	0	25	75-80
Head of Executive Office	2020-21	50-55	0	37	85-90
Alan Hampson	2021-22	70-75	0	25	95-100
Head of Policy & Practice	2020-21	70-75	0	61	130-135
Doug Howieson⁸	2021-22	55-60	0	79	130-135
Head of Operational Delivery	2020-21	N/A	N/A	N/A	N/A

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

² David Signorini carried out work for SG and was paid an additional £0-5k as a result. The FTE would have otherwise been £80-85k

³ Brendan Callaghan took up his seconded position with Environmental Standards Scotland on 15 April 2021, the full year equivalent for the salary would have been within the band £70-75k

⁴ Brendan Callaghan received an overtime payment in 2021-22 which related to 2019-20 and 2020-21, the FREM states that the full amount should be shown in the prior year.

⁵ John Dougan left the organisation on the 10 June 2021, the full year equivalent for his salary would have been within the band £70-75k

⁶ Zahid Deen started on 11 October 2021 his salary covers the period from then until the year-end. The full year equivalent for his salary would have been within the band £65-70k

⁷ Jonathan Taylor's post is a 0.9 FTE (20-21 : 0.9)

⁸ Doug Howieson was seconded to this position on 1 June 2021 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 £65-70k.

The total employment costs for the year ended and the number of staff employed as at 31 March 2022 was as follows:

	Others	Permanently employed staff	Total	20-21 Total
	£000	£000	£000	£000
Salaries	43	6,537	6,580	6,467
Social security costs	0	692	692	646
Other pension costs	0	1,764	1,764	1,641
Total costs	43	8,993	9,036	8,754
Less: recoveries for secondments	0	(111)	(111)	(27)
Total net costs	43	8,882	8,925	8,727
				No.
Directly employed	0	192	192	191
Other	3	0	3	0
Total	3	192	195	191

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

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 SF is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 [March 2016](#).

For 2021-22, employers' contributions of £1,756k (20-21: £1,600k) 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 £18k (20-21: £30k) 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 £655 (20-21: £1,196) 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 2022 were £1,921 (20-21: £2,744). Contributions prepaid at that date were nil (20-21: nil).

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 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, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

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

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or

arrangement) and uses common market valuation factors for the start and end of the period.

Pension Benefits – Audited

	Accrued pension at pension age at 31 March 2022 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2022 £000	CETV at 31 March 2021 £000	Real increase in CETV £000
Dr David Signorini	40-45	0-2.5	720	657	14
Brendan Callaghan	35-40	0-2.5	612	572	10
John Dougan ⁹	25-30 Plus a lump sum of 55-60	0-2.5 Plus a lump sum of 0-2.5	492	487	4
Zahid Deen	0-5	0-2.5	8	0	6
Ross Machardie	15-20	0-2.5	181	159	13
Jonathan Taylor	15-20 Plus a lump sum of 25-30	0-2.5 Plus a lump sum of 0-2.5	260	234	13
Alan Hampson	25-30 Plus a lump sum of 70-75	0-2.5 Plus a lump sum of 0	663	609	15
Doug Howieson	35-40	2.5-5	697	609	71

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 (20-21: £80-85k) based on the increase in the mid-points of the salary bands as per the FReM this would equate an increase of 6.1% from last year.

The Chief Executive was seconded to Scottish Government for a period of three months during the year and during that period was paid at a higher salary. Their salary otherwise would have fallen into the £80-85k band (20-21: £80-85k) and therefore an increase of 0% from last year. On the basis of the lower salary the median salary would have been 2.66 times, with the 75th percentile being 2.09 times and the 25th 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 0.86%. This was primarily as a result of staff leaving and their replacement coming in at the bottom of the scale for that pay band.

	21-22 Based on £85-90k	20-21
Median Salary	£31,062	£35,331
Median	2.82	2.34
75 th Percentile	2.21 £39,522	N/A
25 th Percentile	3.33 £26,295	N/A

The increase in the ratio is as a result of a move to recruit staff to achieve the SG targets who are paid at a rate lower than the previous year's median salary. In addition, the staff that have left during the year have been at the top of their pay scale with the new start coming in at the bottom of the pay scale.

During the year, no employee received remuneration in excess of the highest paid senior executive.

⁹ For John Dougan the pension figures are at his leaving date

Remuneration ranged from £20k to £85k (20-21: £19k to £83k). Remuneration paid to all staff during the financial year was £6.6m (20-21: £6.5m).

As part of the pay negotiations with the Trade Union it was agreed that members of staff on a lower wage would receive a higher percentage pay award than those in PB3 and above. This will assist in the reduction of the ratio.

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

Number of Senior Civil Servants

Band	2021-22	2020-21
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.

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

Staff Turnover

During the year thirty members of staff (15.4%), left the organisation with seven members of staff retiring, one being seconded to another organisation, one ill health retiral and twenty one resigned (20-21: 30 – 15.7%)

Consultancy

During the year, no expenditure was spent on consultancy.

Policy

SF is committed to the development of all of our employees. Our People Team, which also encompasses Equality and Diversity, Health, Safety & Wellbeing and L&D, continues to support and develop our manager and employee capability.

Activity during 2021-2022 has included:

- Implementation of a new approach to managing employee performance and probation;
- Implementation of a new recruitment system;
- Maintaining a full suite of Covid-19 related guidance covering all aspects of HR, Health, Safety & Wellbeing to assist compliance with Scottish Government restrictions; enabling safe operational activity where permitted and supporting staff mental health and wellbeing during the pandemic; and
- Continued development and rollout of functionality for our HR and Learning Management systems.

Activity during 2022-2023 will include-

- Launch of a new performance improvement policy;
- Review and development of new policies around bullying and harassment and dispute resolution;
- Converting our existing Health, Safety and Wellbeing (H,S&W) guidance into Standing Operating Procedures;
- Establishing a Trade Union office; developing a new partnership agreement with our Trade Union colleagues and embedding fair work practices across SF; 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 7.43 days (20-21: 6.4 days). The figures include all absences including for COVID-19. The increase in the number of days is partly due to our move away from home working for a large number of staff and the increase in COVID-19 infection throughout the country.

Equality, Diversity and Inclusion

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

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

Forestry has traditionally been seen as a male profession, and the workforce of 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 rolled out Engaging the Bystander training to all staff in Scottish Forestry, which challenged biases, inappropriate behaviours and bullying. The training provides practical tools for tackling these cultural issues as well as raising awareness of the impact behaviours can have on a colleague.

We will also work with partners including Equate Scotland, Skills Development Scotland, and Developing the Young Workforce to promote the opportunities that a career in forestry can deliver for young people. Since transitioning into SF, we have continued to work with partners in education such as Scotland's Rural College and the University of Highlands and Islands to support the development of the next generation of foresters and land managers. We have taken initial positive steps towards this, supporting a Forestry Jobs summit, working in

partnership with the private sector to take advantage of new employment and training grant schemes. We continued to offer four new students practical training whilst they complete their studies, with a job at the end during 21-22 and have started the process for employing a similar number of students in 22-23.

We continue to engage with under-represented groups in our local communities through our engagement programme, promoting forestry and ensuring that people from all backgrounds can enjoy the benefits and opportunities that our woods and forests provide. Much of our social forestry programmes have been started again after the Covid-19 pandemic.

At 31st March 2022, the split of staff by gender was:

	Male	Female	Total
Director	1	0	1
Senior Manager	16	3	19
Employee	74	98	172
Agency worker	2	1	3
Total	93	102	195
 2020-21	 94	 97	 191

Equality monitoring takes place to ensure that all employees continue to be treated fairly in relation to training, performance management and discipline and grievances. The results of the monitoring exercises are reported every two years, alongside our progress towards our Equality Outcomes, within our Equality Mainstreaming Report. Scottish Forestry's first Equality Mainstreaming report was published on our website on June 2021. Our next progress report will be published no later than 30 April 2023.

Learning & Development (L&D)

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

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

Health & Safety

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

Employment of disabled persons

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

In doing so, we offer interviews to all disabled applicants and staff who meet the minimum criteria

for any post; reminding line managers of their management responsibilities; helping staff balance their work and their disability; and offering advice and training to staff and managers about issues related to disability.

Employee consultation and trade union relationship

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

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.

spent on facility time	51-99%	0	0
	100%	0	0
Percentage of the total pay bill spent on facility time		0.03%	0.04%
Time spent on trade union activities as a percentage of total paid facility time hours		100%	100%

Trade Union Statistics		21-22	20-21
Number of employees who were relevant TU officials during the year		2	7
FTE of relevant TU officials		2	7
The number of employees who were relevant TU officials during the year as a percentage of their working hours	0%	2	7
	1-50%	0	0

Parliamentary Accountability and Audit Report

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

Regularity of Expenditure

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

Fees and Charges

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

Remote Contingent Liabilities

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


We do not currently have any remote contingent liabilities.

Losses and Special Payments

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

Gifts

There were none.



Dr David Signorini
Accountable Officer

11 October 2022

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Forestry for the year ended 31 March 2022 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and Notes to the Financial Statements, including 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 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 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 2021/22 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I 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

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

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

Reporting on other requirements

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

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

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 part of the Remuneration and Staff Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

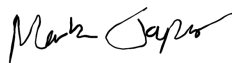
I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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



Mark Taylor CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN
11 October 2022

Financial Statements



Statement of Comprehensive Net Expenditure

for the year ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Administration costs			
Staff costs	2	8,925	8,727
Other administration costs	3	3,621	3,406
Operating income	5	(58)	(67)
Programme costs			
Programme costs	4	59,556	47,056
Co-financing Receipts	5	(13,859)	(14,044)
Other income	5	(1,044)	(896)
Net Operating Expenditure		<u>57,141</u>	<u>44,182</u>

The notes to the accounts are contained in pages 50 to 57 inclusive

Statement of Financial Position

as at 31 March 2022

	Note	2021-22 £000	2020-21 £000
Non-current assets			
Property, plant and equipment	6	58	85
Trade and other receivables	8	10	32
Total non-current assets		<u>68</u>	<u>117</u>
Current assets			
Trade and other receivables	8	6,625	13,819
Cash and cash equivalents	9	44,760	31,822
Total current assets		<u>51,385</u>	<u>45,641</u>
Total assets		51,453	45,758
Current liabilities			
Trade and other payables	10	(54,506)	(48,862)
Total current liabilities		<u>(54,506)</u>	<u>(48,862)</u>
Total assets less current liabilities		<u>(3,053)</u>	<u>(3,104)</u>
Taxpayers equity			
General fund		(3,068)	(3,119)
Revaluation reserve		15	15
Total taxpayers equity		<u>(3,053)</u>	<u>(3,104)</u>

The notes to the accounts are contained in pages 50 to 57 inclusive.

The accountable officer authorised these financial statements for issue on 11 October 2022.



Dr David Signorini
Accountable Officer

11 October 2022

Statement of Cash Flows

for the year ended 31 March 2022

	Note	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net operating expenditure	SCNE	(57,141)	(44,182)
Adjustment for non-cash transactions	12	79	79
(Increase) / decrease in trade and other receivables		7,216	8,461
Increase / (decrease) in trade and other payables		1,463	(14,009)
Net cash outflow from operating activities		(48,383)	(49,651)
Cash flows from financing activities			
From the Scottish Government		61,321	56,307
Net increase / (decrease) in cash and cash equivalents in the period		12,938	6,656
Cash and cash equivalents at the beginning of the period		31,822	25,166
Cash and cash equivalents at the end of the period		44,760	31,822

The notes to the accounts are contained in pages 50 to 57 inclusive

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2022

	Note	General Fund £000	2021-22 Reval. Reserve £000	Total £000	General Fund £000	2020-21 Reval. Reserve £000	Total £000
Balance at 1 April		(3,119)	15	(3,104)	(3,170)	15	(3,155)
Change in taxpayers' equity							
Net operating expenditure for the year	SCNE	(57,141)	0	(57,141)	(44,182)	0	(44,182)
Auditors remuneration	12	52	0	52	51	0	51
Total recognised income and expense		(57,089)	0	(57,089)	(44,131)	0	(44,131)
Funding from SG		61,321	0	61,321	56,307	0	56,307
Movement of Balance with SG	10	(4,181)	0	(4,181)	(12,125)	0	(12,125)
Balance at 31 March		<u>(3,068)</u>	<u>15</u>	<u>(3,053)</u>	<u>(3,119)</u>	<u>15</u>	<u>(3,104)</u>

The notes to the accounts are contained in pages 50 to 57 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 2021-22 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 2021-22 and 2022-23, and have no reason to believe that future funding approved annually by the Scottish Government will not be made. They consider that SF has adequate resources to continue in operational existence for the foreseeable future, the accounts are therefore prepared on a going concern basis.

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

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

Statement of Accounting Policies

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

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

IFRS 16 – Leases

As a result of Covid-19, this standard will become effective for the Public Sector from 1 April 2022, a year later than previously planned. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. IFRS 16 will have an impact in

financial reporting terms due to the interest costs and depreciation exceeding the lease costs in the earlier years. It is estimated that there will be an additional cost to the accounts in the early years of leases of approximately £8k based on £557k of leases.

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 and key sources of estimation uncertainty

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

b. Administrative and programme expenditure

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

c. Employee benefits

Pensions

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

Although the PCSPS is an unfunded defined benefit schemes in accordance with explicit requirements in the FReM, Scottish Forestry account for the schemes as if they were defined

contribution plans. Costs of the elements are recognised on a systematic and rational basis over the period during which it benefits from employees' services by payment to the schemes of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the schemes. The PCSPS pension scheme undergoes a reassessment of the contribution rates by the government actuary at four-yearly intervals.

Other employee benefits

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

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

d. Revenue recognition

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

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

e. 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.

f. Value Added Tax (VAT)

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

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

g. Grants payable

Grants payable 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.

h. Leases

Leases where most of the risks and rewards of ownership of the asset remain with the lessor are classified as operating leases. Operating lease payments are recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. The benefit of any lease incentive is recognised as a reduction in rental expense on a straight-line basis over the life of the lease.

i. Property, plant and equipment land & buildings

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

A policy of revaluation has been adopted in respect of property assets owned by SF for its own use. Buildings are held at fair value and are professionally valued five yearly in accordance, with the valuation standards issued by The Royal Institution of Chartered Surveyors on the basis of their existing condition and use, with the last valuation taking place on the 31 March 2018.

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.

j. Cash and cash equivalents

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

k. Financial Instruments

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

l. Trade and other receivables

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

m. Trade and other payables

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

n. Provisions

Provisions are recognised when SF has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the Statement of Comprehensive Net Expenditure net of any reimbursement.

o. Contingent liabilities

SF discloses contingent liabilities in accordance with IAS 37. It also discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of economic benefits is remote, but which have been reported to the Scottish Government in accordance with the requirements of the SPFM. Where the time value of money is material, contingent liabilities are required to be disclosed under IAS 37 are stated at discounted amounts. Amounts reported to the Scottish Government are separately noted. Contingent liabilities that are

not required to be disclosed by IAS 37 are stated at the amounts reported to the Scottish Government.

p. 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 £8.93m was incurred during the year (2020-21: £8.73m). 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	21-22 £000	20-21 £000
Shared central services		1,852	1,811
Other administration expenditure		1,614	1,754
		<u>3,466</u>	<u>3,565</u>
Non-cash costs			
Auditors remuneration - audit work	12	52	51
Depreciation	12	27	28
Debtors bad debt provided for		96	0
Debtors bad debt provision written back		(20)	(238)
Total non-staff administration costs		<u>3,621</u>	<u>3,406</u>

Note 4 - Programme Costs

The programme costs in year can be analysed as follows:

	21-22 £000	20-21 £000 Restated
Support for forestry and the rural economy, including grants paid to private woodland owners		
- Resource Grants	17,976	72
- Capital Grants	27,807	31,601
Forestry Development Programmes	7,146	7,147
Timber Transport Fund	6,573	8,203
Other programme costs	54	33
Total	<u>59,556</u>	<u>47,056</u>

The Grants figure is now split based on its method of funding from Scottish Government with the corresponding figure for last year shown.

Note 5 – Income

	21-22 £000	20-21 £000
Operating Income	58	67
Administrative income	<u>58</u>	<u>67</u>
Planting grant co-financing	13,859	14,044
Other Income	1,044	896
Programme Income	<u>14,903</u>	<u>14,940</u>
Total	<u>14,961</u>	<u>15,007</u>

Note 6 – Property and Equipment

	21-22			20-21		
	Buildings £000	Equipment £000	Total £000	Buildings £000	Equipment £000	Total £000
Valuation:						
At 1 April	179	10	189	179	14	193
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	(4)	(4)
At 31 March	<u>179</u>	<u>10</u>	<u>189</u>	<u>179</u>	<u>10</u>	<u>189</u>
Depreciation						
At 1 April	102	2	104	76	4	80
Provided during year	25	2	27	26	2	28
Additions	0	0	0	0	0	0
Disposals	0	0	0	0	(4)	(4)
At 31 March	<u>127</u>	<u>4</u>	<u>131</u>	<u>102</u>	<u>2</u>	<u>104</u>
Net Book Value:						
At 31 March	52	6	58	77	8	85
At 1 April	77	8	85	103	10	113
Asset financing						
Owned at 31 March	<u>52</u>	<u>6</u>	<u>58</u>	<u>77</u>	<u>8</u>	<u>85</u>

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

Depreciation of £27k is included in other administration costs in the Statement of Comprehensive Net Expenditure.

Note 7 - Financial Instruments

	21-22	20-21
	£000	£000
Assets		
Trade & other receivables	6,104	13,832
Cash & equivalents	<u>44,760</u>	<u>31,822</u>
Total	<u><u>50,864</u></u>	<u><u>45,654</u></u>
Liabilities		
Trade & other payables excluding statutory liabilities	<u>36,756</u>	<u>36,734</u>

7(b) Exposure to risk
SF's activities expose it to a variety of financial risks.

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

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

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

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

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

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

i) Cash flow and fair value interest rate risk SF has no significant interest bearing assets or

liabilities and as such, income and expenditure cash flows are substantially independent of market interest rates.

ii) Foreign Currency Risk SF does not generally undertake transactions in foreign currency; therefore, its exposure to foreign currency risk is minimal. Due to the way in which government departments are financed, SF is not exposed to the degree of financial risk faced by business entities.

7(c) Capital risk management

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

7(d) Fair Value Estimation

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

NOTE 8 - Trade and Other Receivables

8(a) Analysis by type

	21-22 £000	20-21 £000
Current		
Trade receivables	448	395
Less: provision	(96)	0
Trade receivables	352	395
VAT	139	317
House purchase loans to employees	4	7
Accrued Income	524	263
Co-financing accrued income	5,510	12,812
Prepayments	94	20
Other receivables	2	25
Less: provision for impairment of other receivables	0	(20)
	6,625	13,819
Non-current		
House purchase loans to employees	10	32
Total receivables	6,635	13,851

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 2022, trade receivables of £96k relating to grant overpayment or SWLS were 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:

	21-22 £000	20-21 £000
0-30 days	364	223
31-60 days	45	0
61-90 days	19	172
91+ days	20	0
Total	448	395

As at the 31 March 2022, Trade Receivables of £352k were being paid as per agreement and therefore not impaired.

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

	Trade £000	Other £000	Total £000
1 April '20	7	251	258
Utilised in year	0	(40)	(40)
Released in year	(7)	(191)	(198)
31 March '21	0	20	20
Utilised in year	0	(20)	(20)
Addition	96	0	96
31 March '22	96	0	96

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

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

8(b) Intra-Government Balances

	21-22 £000	20-21 £000
Current		
Scottish Government	5,511	12,834
Other central Government	948	911
Local Authorities	59	0
Total Intra Government	6,518	13,745
External bodies	107	74
	6,625	13,819
Non – Current		
External bodies	10	32
	6,635	13,851

Note 9 – Cash and Cash Equivalents

	21-22	20-21
	£000	£000
At 1 April	31,822	25,166
Net change in cash balance	12,938	6,656
At 31 March	<u>44,760</u>	<u>31,822</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

	21-22	20-21
	£000	£000
Trade Payables	7,894	1,620
Other Payables	470	302
Accruals	1,909	836
Accruals - Grants	27,927	33,979
Accrued Funding from SG	16,306	12,125
At 31 March	<u>54,506</u>	<u>48,862</u>

There were no non-current payables at 31 March 2022.

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 2022 for which the required checks and inspections are undertaken after the year-end, resulting in a large accrual.

10(b) Intra-Government Balances

	21-22	20-21
	£000	£000
Scottish Government	49,059	47,090
Other central Government	2,487	333
Local Authorities	1,535	347
Total Intra Government	<u>53,081</u>	<u>47,770</u>
External bodies	1,425	1,092
	<u>54,506</u>	<u>48,862</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 2021-22 or in the prior year.

NOTE 12 - Note to the Statement of Cash Flows

	21-22	20-21
	£000	£000
Depreciation	27	28
Notional audit fees	52	51
	<u>79</u>	<u>79</u>

NOTE 13 - Capital Commitments

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

NOTE 14 - Commitments under Leases

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

	21-22	20-21
	£000	£000
Buildings		
Expiry within one year	560	577
Expiry after one year but not more than five years	382	406
Expiry thereafter	178	194
	<u>1,120</u>	<u>1,177</u>

There were no commitments under finance leases for the year ending 31 March 2022.

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 £11.6m (20-21: £14.2m).

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 £77.3m (20-21: £79.9m).

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

	21-22	20-21
	£000	£000
Not later than one year	39,432	41,074
Later than one year	49,511	52,989
	<u>88,943</u>	<u>94,063</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 The following transactions were carried out with related parties of SF: Brendan Callaghan, is a part owner of Old Caberston Forest a fifty-three hectare area of forest land in Scotland. Transactions of £11k (20-21: £11k) were made during the year.

	21-22	20-21
	£000	£000
Funding & forestry grant payments	11	11
	<u>11</u>	<u>11</u>

17(b) Key management compensation

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

17(c) Loans to related parties

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

NOTE 18 – Losses and Special Payments

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

	21-22	20-21
Number	5	3
£000	32	41

NOTE 19 - Events Occurring After the Reporting Period

There were no significant events occurring after the year-end, which materially impacted upon the 2021-22 annual report and accounts.

Accounts Direction



Scottish Government
Riaghaltas na h-Alba
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Scottish Forestry

DIRECTION BY THE SCOTTISH MINISTERS

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



Signed by the authority of the Scottish Ministers

Dated 19 February 2020