



Scottish
Forestry
Coilltearachd
na h-Alba

Annual Report and Accounts 2019-20

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

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



Scottish Government
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Foreword by Chief Executive Officer

Facal-toisich Ard-Oifigear

It is a privilege for me to introduce the first Annual Report and Accounts of Scottish Forestry.

This report covers the first year of operations since forestry became fully devolved to Scotland and Scottish Forestry became a new Scottish Government agency. Our role today involves helping Scottish Ministers develop forestry policy, supporting the sector and the regulation of forestry activities and builds on a century of excellence and professionalism under the auspices of the Forestry Commission.

Unfortunately, at the time of publishing this Annual Review, Scotland continues to experience the effects of the COVID-19 pandemic. This has affected our organisation in many ways, closing our offices, disrupting our activities and limiting our engagement with people involved in the forestry sector and our woodlands.

Despite this, as an organisation we have shown great resilience, and we are now looking forward, helping the forestry sector across Scotland to restart and recover. Forestry in Scotland fosters economic growth, helps to tackle climate change, and builds stronger communities, and we are working hard to restore the capacity and capability of the sector, and to continue to deliver these outcomes.

Economically, forestry supports about 25,000 jobs, many within our rural communities, and contributes more than £1 billion a year to the economy. Scotland's forests remove around 10 million tonnes of carbon dioxide per year, making a significant contribution to tackling climate change.

Tha e na urram dhomh a' chiad Aithisg Bhliadhnail agus Cunntasan aig Coilltearachd na h-Alba fhoillseachadh.

Tha an aithisg seo a' coimhead air a' chiad bhliadhna de dh'obair bho chaidh coilltearachd a làn-thiomnadh do dh'Alba agus bho chaidh Coilltearachd na h-Alba a stèidheachadh mar bhuidheann ùr aig Riaghaltas na h-Alba. Tha ar n-obair an-diugh a' gabhail a-steach a bhith a' cuideachadh Ministearan na h-Alba gus poileasaidh coilltearachd a dhèanamh, a bhith a' cumail taic ris an roinn agus a' riaghladh gnìomhachd coilltearachd agus tha e a' togail air ceud bliadhna de shàr-mhathas agus proifeiseantachd fo sgèith Coimisean na Coilltearachd.

Gu mì-fhortanach, bha mòr-sgaoileadh COVID-19 fhathast a' toirt buaidh air Alba nuair a chaidh an Aithisg Bhliadhnail seo a sgrìobhadh. Tha seo air buaidh a thoirt air a' bhuidhinn againn ann an iomadh dòigh, a' dùnadh nan oifisean againn, a' cur bacadh air na gnìomhan againn agus a' cuingealachadh na h-obair com-pàirteachaidh againn le daoine a tha an sàs ann an roinn na coilltearachd agus sna coilltean againn.

A dh'aindeoin seo, tha sinn air seasmhachd nach beag a nochdadh mar bhuidheann, agus tha sinn a-nis a' coimhead air adhart, a' cuideachadh roinn na coilltearachd air feadh na h-Alba gus toiseach ùr fhaighinn agus gus an roinn a chur am feabhas. Bidh coilltearachd ann an Alba a' brosnachadh fàs eaconamach, a' cuideachadh gus dèiligeadh ri atharrachadh na gràth-shìde agus a' togail choimhearsnachdan nas treasa, agus tha sinn ag obair gu cruaidh gus comas na roinne a thoirt air ais, agus gus na toraidhean sin a libhrigeadh fhathast.

Importantly, by providing access to high quality green spaces, forestry builds better communities in other ways including through health, wellbeing, education and improving our environment and biodiversity.

Woodland creation has been at the core of our priorities during our first year, and we are proud to have delivered 84 per cent of all new planting across the whole of the UK in Scotland. This record planting also enabled us to meet our biodiversity commitments for the planting of native species. In addition, we have supported and incentivised the sustainable management of existing woodlands and forests, and invested in a whole range of projects to improve Scotland's forests and how they are used.

We are guided in all that we do by Scotland's Forest Strategy. Unfortunately, the COVID-19 pandemic has meant that we had to delay the publication of Scotland's Forestry Strategy's Implementation Plan and our first Corporate Plan for 2020-2023, until June 2020. These are key documents setting out not just what we will do, but how we will do it.

Finally, I'd like to pay tribute to all my Scottish Forestry colleagues, who, despite a significant period of change and disruption, have proved themselves resilient, professional, and committed to the forestry profession. It is an honour and a privilege to work with such a dedicated and passionate group of people.



David Signorini

Dr David Signorini
Chief Executive / Ard-Oifigear

Aig ìre eaconamach, tha coilltearachd a' cumail taic ri mu 25,000 obraichean agus cuiridh i còrr is £1 billean ris an eaconamaidh gach bliadhna. Bidh coilltean na h-Alba a' toirt mu 10 millean tunna de charbon dà-ogsaid às an àrainneachd gach bliadhna, a' cur gu mòr ri dèiligeadh ri atharrachadh na gnàth-shìde.

Gu cudromach, le bhith a' toirt cothrom air àiteachan uaine àrd-inbhe, bidh coilltearachd a' togail choimhearsnachdan nas fheàrr ann an dòighean eile a' gabhail a-steach slàinte, sunnd, foghlam agus leasachadh na h-àrainneachd is bith-iomadachd.

Tha cruthachadh choilltean air a bhith aig cridhe nam prìomhachasan againn sa chiad bhliadhna againn, agus tha sinn moiteil gun do libhrig sinn 84 sa cheud den phlannachadh ùr san RA air fad ann an Alba. Mar thoradh air an ìre gun samhail seo de phlannachadh cuideachd, tha sinn air na targaidean bith-iomadachd againn a choileanadh airson a bhith a' cur chraobhan dùthchasach. A bharrachd air seo, tha sinn air taic agus brosnachadh a chumail ri riaghladh seasmhach nan coilltean, agus air tasgadh a dhèanamh ann an raon farsaing de phròiseactan gus piseach a thoirt air coilltean na h-Alba, agus air mar a tha iad air an cleachdadh.

Tha an obair uile againn air a stiùireadh le Ro-innleachd Coilltearachd na h-Alba, leis a' Phlana Bhuileachaidh co-cheangailte rithe agus leis a' chiad Phlana Chorporra againn airson 2020-2023. Tha iad sin nam prìomh sgrìobhainnean a tha a' cur an cèill nan amasan, nam prìomhachasan agus an frèam-obrach againn airson nam blaidhnaichean ri teachd, a' mìneachadh chan e a-mhàin na nì sinn, ach mar a nì sinn e.

Mu dheireadh, bu toil leam na co-obraichean agam aig Coilltearachd na h-Alba a mholadh oir tha iad air dearbhadh gu bheil iad seasmhach, proifeiseanta, agus dealasach a thaobh proifeisean na coilltearachd a dh'aindeoin ùine mhòr de dh'atharrachadh agus mì-chinnt. Tha e na fhìor urram dhomh a bhith ag obair le buidheann de dhaoine a tha cho dìcheallach dealasach.

Performance Report



Overview

In this Performance Report, we present a review of the Agency's performance during 2019-20, against its priority themes. We highlight the key purpose and activities of the Agency, and the risks and challenges faced during the year.

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).

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

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

SF regulates forestry activities, including those of Forestry and Land Scotland (FLS), with powers granted under the FLMSA and other

secondary legislation, regulations and standards including:

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

Funding for our work

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

The main funding covers support for forestry and



the rural economy, including grants paid to private woodland owners. During 2019-20 EU, funding was also received via the Scottish Government's Rural Payments and Inspections Directorate (SGRPID) to support grants under the Scottish Rural Development Programme.

Structure

SF operates a management model of five functional teams: Standards, Evidence and Expertise; Policy; Operational Development; Operational Delivery, and Finance and Business Support. An Executive Office supports the Chief Executive Officer (CEO) in corporate activities

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 Governance Report.

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

Additional challenges in 2019-20 related to the wider political and economic uncertainties associated with the preparation for, and potential impact of, EU Exit and ongoing Tree Health.

Our approach to Risk Management is discussed within the Governance Statement, and the table below summarises an example of the key risks faced during 2019-20, the mitigating actions taken, and further actions planned.

Key Risks and Challenges

Key Risks and Challenges	Mitigation & Further Actions
Failure to deliver targets and statutory and corporate responsibilities, due to a shortage of resources, resulting in penalties and/or reputational damage to organisation	<p>Identification of resource requirements and making a case for additional funding through SR / budget process, resulted in additional funding being secured for 2020-21.</p> <p>Develop workforce planning to better understand workforce capacity and capability and identify structural tension.</p> <p>Deliver Improvement Programme to build organisational capacity and capability</p> <p>Improve Performance Management to monitor delivery and highlight emerging resource / performance gaps</p> <p>SAG to consider approach to delivery of corporate responsibilities.</p>
The mismatch between increasing requirements and organisational capacity and capability increases flight risk of key skills and has a serious detrimental impact on staff wellbeing and mental health.	<p>Establish a Wellbeing Project with senior leadership sponsorship has resulted in bespoke session on mental wellbeing, being included in the annual Health & Safety meeting. In addition, stress risk assessments are being used in staff management.</p> <p>Develop workforce planning to better understand workforce capacity and capability and identify structural tension.</p> <p>Deliver Improvement Programme to build organisational capacity and capability</p> <p>Identify resource requirements and make case for additional funding through SR / budget process.</p>
The complexity of the tree health regulatory landscape at GB and Scotland level in the context of EU exit results in regulatory failures leading to significant introductions or expansion of serious tree disease.	SF resource deployed to maintain good connections with UK Plant Health services (FC cross-border, Scottish Government, Department of Environment Food and Rural Affairs (DEFRA), Welsh Government

	and Department of Environment Agriculture and Rural Affairs in Northern Ireland)
	Increased staff resource Sept 2019 Close working with colleagues as part of Scottish Government's Plant Health Service
EU Exit, uncertainty with negotiations continue to cause damage to sector with lack of confidence to invest, unforeseen costs, and barriers in the sector.	Ongoing engagement with Scottish Government on Brexit processes to ensure forestry specific legislation and funding is operable and available post exit. Engage with the forest sector to understand pressures and risks, and mitigation actions to provide confidence to invest in new woodland creation.

National Policy Context

Delivering within Scotland's National Performance Framework

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

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

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

- We value, enjoy, protect and enhance our environment;
- We have a globally competitive, entrepreneurial, inclusive and sustainable economy; and
- We are healthy and active.

The breadth of our work across rural and urban areas means that we also contribute to many other National Outcomes – for example our ground-breaking work on Forest Kindergartens is part of the Scottish Government's overall approach to improving educational standards, contributing to the Outcome: We are well educated, skilled, and able to contribute to society.

National Performance Framework



Responding to the Global Climate Emergency

The Scottish Governments commitment to achieving net-zero greenhouse gas emissions by 2045 has provided 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. A significant focus of our work during the year was therefore helping Scotland to achieve a further step-change in woodland creation, building on the significant success achieved in 2018/19 by our predecessor, Forestry Commission Scotland.

Priority Themes

Given the policy context and strategic drivers described above, and in recognition of the transitional nature of the [Business Plan](#), we

developed priority themes, outcomes, and objectives in 2019-20.

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

The key risks and challenges noted above impacted directly on the achievement or otherwise of our priority themes and objectives which are outlined in the performance analysis section of this report.

Theme 1 - Operational delivery and forestry expertise

This theme focuses primarily on the day-to-day work of our conservancies (our regional offices) and technical forestry specialists, ensuring that we deliver high quality services to those interested in the management and expansion of Scotland's woods and forests.

Under this theme our specific objectives were to:

- Ensure delivery of the Scottish Government planting target (10,000ha) was exceeded
- Implement new Felling Regulations, ensuring clarity for customers, staff and stakeholders about new processes
- Provide an effective Tree Health Service as part of wider Scottish and UK plant health activity
- Promote and ensure the sustainable management of Scotland's woods and forests
- Deliver the Timber Transport scheme to reduce social and environmental impacts

Theme 2 - Policy and Ministerial

This theme focuses on our work as a central policy team within Scottish Government, supporting ministers and other colleagues; ensuring forestry is fully integrated with wider policy work. The specific objectives are:

- Provide high quality forestry policy advice and support to Ministers and Scottish Government (SG) policy teams
- Review the evidence base for forestry in Scotland, define evidence needs and work to establish shared programme of evidence-gathering activity
- Develop, co-ordinate and support the delivery of the Forestry Strategy implementation plan
- Ensure positive, effective and efficient Scottish Government engagement in cross border forestry arrangements
- Increase the profile of forestry and woodland creation in Scotland in the context of the climate emergency

Theme 3 - Operational development and improvement

This is the work we undertake to innovate and transform the way the organisation operates to exploit the opportunities and meet the challenges of expanding work programmes, developing technology, and a changing workforce. The objectives here are:

- Develop options to increase the cost-effectiveness of support for forestry as part of wider Scottish Government approach to future rural support
- Develop and implement a programme of projects to improve the delivery of approval and regulatory functions
- Address the risks to the delivery of forestry priorities arising from EU exit and the changing rural economy
- Develop future organisational capacity, flexibility, and resilience in a rapidly changing operating environment

Theme 4 - Corporate development

This theme is about the establishment of the corporate environment for our new agency, to produce a resilient, high-performing, and well-regarded organisation. The objectives to achieve that are:

- Develop and publish a Corporate Plan – including work on organisational development and corporate indicators
- Review and implement new HR policies – including staff engagement and our approach to leadership and management development
- Complete the technical establishment of the new Agency including governance, financial and risk management
- Operationalise resilient and cost-effective shared services access with FLS and Scottish Government

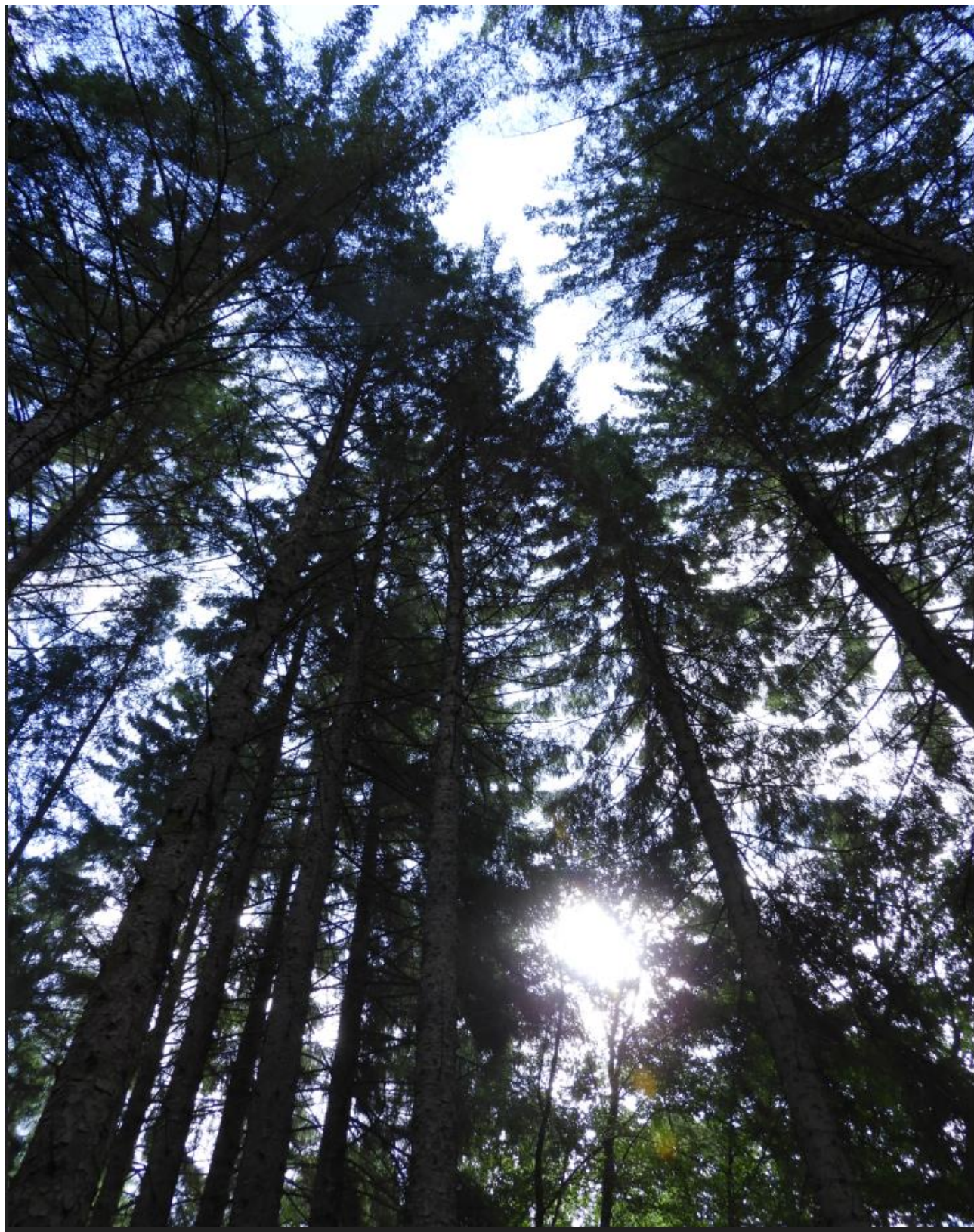
Performance summary

In our first year, we set out in our Business Plan four corporate themes with eighteen objectives. Of these eighteen objectives set in April 2019, nine were achieved and nine are being progressed. One of the objectives (planting target) was increased during the year and the revised target figures was not achieved. More information is included on each of the themes and objectives in the Performance Analysis section.

Resources to fund our activities predominately come from the SG. The total budget allocated to SF to run the service is called the Department Expenditure Limits (DEL) and for depreciation of assets it is the Annually Managed Expenditure (AME). The total available DEL for SF at the start of the year was £43.1m. Following the autumn and spring Budget revisions this had increased to £58.2m, with net operating expenditure of £53.6m

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

Performance Analysis



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

We published the first Business Plan, in July 2019, which drew together our priorities and resourcing for 2019-20. It also detailed how we planned to take forward the Scottish Government's priorities. The following sections set out how the Agency performed during 2019-20.

Of these eighteen objectives covering the four themes, nine were met during the year and nine were not fully achieved but significant progress was made in them. The latter included the planting target which was increased mid-year to 12,000ha.

Performance during the Year

Through the work of our conservancies and technical forestry specialists, we deliver high quality services to those involved in the management and expansion of Scotland's woods and forests to meet the following targets. The key risks and challenges as stated on page 7 above had an impact on the delivery of these themes

Theme 1 - Operational delivery and forestry expertise

We aim to ensure through the day-to-day work of our conservancies and technical forestry specialists to ensure that we continue to deliver high quality services to those involved in the management and expansion of Scotland's woods and forests.

Delivering the planting target of 10,000ha – Not fully achieved

There was continued strong interest in woodland creation during 2019-20, and grant applications for over 12,000 hectares of tree planting were submitted to the Forestry Grant Scheme. In total over 11,354 hectares of tree planting across approximately 400 projects was approved under the Forestry Grant Scheme for planting in 2019-20, 10% more than in 2018-19, the previous record year.

The outbreak of Coronavirus pandemic in early 2020, resulted in public health protection measures being introduced in Scotland, and the claims and approval process for tree planting carried out in 2019-20 has been delayed with the final figure of trees planted being 10,860 hectares. This resulted in the original target of 10,000ha being achieved, but it did not achieve the revised target set by the Cabinet Secretary mid-year of 12,000ha.

Implementation of new Felling Regulations - Achieved

The FLMSA and New Felling regulations came into force on 1 April 2019. New procedures, applications forms, and permissions were developed and introduced in April 2019, along with a suite of transitional arrangements for applications already submitted or granted under the earlier 1967 Forestry Act. Scottish Forestry staff were trained and seminars provided for customers. New Felling Permission Application Guidance was finalised following customer feedback and was formally published in May 2019. The guidance helped to explain, and provide clarity on the new process. It has been welcomed by customers, staff, and stakeholders.

Providing an effective Tree Health Service as part of wider Scottish and UK plant health activity - Achieved

Protecting the long-term health of Scotland's trees, woods and forests is of vital and increasing importance to the delivery of the Scottish Government's National Performance Framework outcomes particularly in relation to climate change and the economy. Recent years have seen a number of threats to Scotland's trees and surveillance continues on an annual basis detecting diseases such as *Phytophthora ramorum* and *Hymenoscyphus fraxineus* and for pests such as *Dendroctonus micans*.

Recognising that pests and diseases do not respect borders SF have worked closely with DEFRA and other devolved administrations to deliver a comprehensive plant health service for

the UK. Within Scotland the Tree Health team work particularly closely with Forestry and Land Scotland, external stakeholders, the Forest Research Agency and other parts of the Scottish Government - in particular Scottish Government Plant Health policy and Science and Advice for Scottish Agriculture.

Promote and ensure the sustainable management of Scotland's woods and forests – Not fully achieved

SF ensures the sustainable management of Scotland's woods and forests by supporting the preparation and approving forest plans, management plans and Land Management Plans (Forestry and Land Scotland forests).

SF also provides a range of grant support, for different aspects of forest management, including for priority species and habitats, improving public access, increasing forest species diversity and increasing the productivity of forests and forestry businesses. During 2019-20, over 120 forest plans, management plans, and Land Management Plans were approved, covering over 49,000 hectares. In addition, over 400 Forestry grants with a value of £6.5m were paid in 2019-20, supporting the sustainable management of over 44,000 hectares.

Delivering the Timber Transport scheme to reduce social and environmental impacts. - Achieved

The movement of timber can have a major impact on rural communities and transportation vehicles have increased in size in the time since commercial forests were planted and their supporting access routes were constructed. To mitigate these problems £5.9m was awarded to twelve local authorities and two private bodies to improve thirty-eight roads across the country and construct a landing craft bund to allow for the transportation of more timber by sea instead of road during 2019 - 20.



In addition, £890,000 was awarded to Associated British Ports to take 93,000 tonnes of timber from remote locations by sea to market saving 852,519 lorry miles on rural roads.

Theme 2 - Policy and Ministerial

To deliver a high quality service to ministers, closer integration with wider government policies, and increase the value of Scotland's forests

Provide high quality forestry policy advice and support to Ministers and Scottish Government policy teams - *Achieved*

Throughout the year SF have responded to a considerable amount of ministerial correspondence, and advisory requests from Ministers and policy teams across Scottish government especially in high profile areas such as climate change notably in relation to the rise in the profile of Forestry following the announcement of a Climate Emergency by the First Minister. The climate change team in Scottish Government have acted on our analytical and policy advice for their Climate Change Plan update.

Review the evidence base for forestry in Scotland, define evidence needs and work to establish shared programme of evidence-gathering activity - *Not fully achieved*

Since 1 April 2019 the Welsh Government has co-ordinated the process of research commissioning on behalf of Great Britain, including the process of developing a new Science and Innovation Strategy (SIS) for Great Britain. Building on the evidence collected as part of the last strategy, the evidence needs for the next SIS are currently being gathered working across government and engaging with stakeholders across Great Britain. These will inform the drafting of the SIS and the development of the Forest Research work programmes that sit beneath.

Develop, co-ordinate and support the delivery of the Forestry Strategy implementation plan. - *Not fully achieved*

SF has developed an initial Forestry Strategy Implementation Plan to provide more detail on delivering, monitoring and reporting on Scotland's Forestry Strategy 2019-2029. The plan was prepared with input from a range of forestry and land use interests including members of a fixed-life stakeholder working

group, such as the Confederation of Forest Industries, Institute of Chartered Foresters, Scottish Environment Link, Community Woodlands Association and Scottish Land and Estates. That group was established to advise on and support implementation of the Forestry Strategy by considering significant actions, appropriate progress indicators, and lead delivery organisations for inclusion in the plan. The plan was due to be published on 1 April 2020, however, given the ongoing Covid-19 emergency its publication was postponed until the impact of lockdown becomes clearer.

Ensure positive, effective, and efficient Scottish Government engagement in cross border forestry arrangements- *Achieved*

SF delivers the following services across the UK: co-ordination of the UK Forestry Standard (UKFS), economics advice and the Woodland Carbon Code.

A UKFS group has been established to track UKFS implementation and agree the process for delivery of the tasks in the governing Memorandum of Understanding, including ongoing work on co-ordinating practice guidance to support the UKFS. A review of the current strategy is underway.

Our economic analysis has supported major policy initiatives including the Woodland Carbon Guarantee in England and the forthcoming revised Climate Change Plan in Scotland. We have commissioned research on valuing forest biodiversity, mental well-being and applying the [Natural Capital Protocol](#) a frame work for assessing business impacts and dependence on nature - to the forestry sector.

We have continued to deliver the UK-wide [Woodland Carbon Code](#) function including governance processes, and introducing updates to the Code's content, operations, and promotion. We have engaged with a wide range of stakeholders to build understanding of the Code and have integrated it into other policy mechanisms such as the Woodland Carbon Guarantee.

Increase the profile of forestry and woodland creation in Scotland in the context of the climate emergency - Not fully achieved

Scottish Forestry has played a key part of raising the profile of forestry in the global climate emergency. We have engaged widely across government and with stakeholders on the benefits of forestry, including the key contribution of tree planting to carbon sequestration, and also natural climate solutions. This will help Scotland adapt to a changing climate, such as helping to mitigate flooding and build resilience.

Theme 3 - Operational development and improvement

To improve future delivery of SF operational activity.

Develop options to increase the cost-effectiveness of support for forestry as part of wider Scottish Government approach to future rural support - Not fully achieved

SF has explored ways to extend support for woodland creation across a larger number of projects by attracting additional private investment into woodland creation.

We provided advice and analysis to facilitate new woodland planting, including private sector investment to generate carbon credits on the estate managed by FLS. Further work will be carried out to assess the feasibility of further investment opportunities, including consultation with relevant stakeholders.

Develop and implement a programme of projects to improve the delivery of approval and regulatory functions - Not fully achieved

A wide ranging series of projects have been developed during the year, and these have been incorporated into an overarching Improvement Programme for Scottish Forestry. Specifically, the projects "Improving Accessibility," "Process Transformation" and "Maximising the Benefits of Technology" all seek to enhance and improve our delivery of service and enable Scottish forestry to sustain the achievement of our key targets. Work on all these projects is now underway.

Address the risks to the delivery of forestry priorities arising from Brexit and the changing rural economy. - Achieved

Working closely with Scottish Government EU Exit and legal colleagues, and officials in the UK Government, SF played a significant role in shaping the necessary legislation to address any deficiencies in relevant forestry legislation arising from the EU Exit.

Develop future organisational capacity, flexibility, and resilience in a rapidly changing operating environment - Not fully achieved

During the year, we have maintained a strong focus on sustaining and building our organisational capacity. Implementing and then consolidating a successful National recruitment campaign for key operational roles, allowing us to ensure we have the right staff capacity in place to meet the growing challenges. In parallel with this work, we have also invested in developing and then delivering structured training programmes for staff, to ensure they develop the right skill for both now and the future.

Theme 4 - Corporate development

The establishment of the corporate environment for our new agency, to produce a resilient, high-performing, and well-regarded organisation.

Develop and publish a Corporate Plan – including work on organisational development and corporate indicators - Achieved

Our Corporate Plan was developed through a series of workshops and an online survey with staff at all levels being engaged in the Corporate Planning process.

The plan was approved by the Cabinet Secretary Rural Economy and Tourism, however, as a result of the Covid-19 pandemic publication was delayed until June 2020 to allow for amendment, to reflect any specific actions arising from the crisis.

Review and implement new HR policies – including staff engagement and our approach to leadership and management development – Not fully achieved

This year has been one of significant change for SF. Working in conjunction with FLS via a Service Level Agreement, around sixty areas of HR Policy have been updated to make them fit for the new agency.

FLS has agreed a joint two-year HR Policy review that targets priority areas for change and development. This joint programme of work will begin later in 2020.

The annual People Survey was completed in the autumn 2019 with outcomes shared with the Executive Team in early 2020. Actions from the Survey have been addressed at a local level through Cost Centre Plans and at an Agency level through the Corporate and Business Planning process.

As part of the Corporate Planning process staff participated in workshops and online seminars to discuss the agency's Vision, Mission and Values. Values have been agreed, with further work to be done during 2020-21 on embedding them across the agency.

It was agreed that instead of Vision and Mission statements we would adopt a Purpose, which is a clear statement of what Scottish Forestry wants to achieve as a regulator, funder, and policy advisor.

Complete the technical establishment of the new Agency including governance, financial and risk management - Achieved

Following the passing of the FLMSA, our Framework Agreement was established and published in May 2019. This document sets out arrangements for the [governance](#) and accountability of Scottish Forestry and sets the core framework for how we operate as an Executive Agency of Scottish Government.

Governance structures were established during 2019-20 and these are overseen and managed through three key groups which are the SET, SAG and the AAC. The operation of these groups are detailed along with areas and topics covered during the year in the Corporate Governance Report in this document.

During this first year as an agency, these groups have led and agreed the establishment of an overarching Assurance Framework and the implementation of a newly redesigned risk register with supporting risk appetite statement. These will be constantly reviewed and updated in response to changes within the environment we operate in.

Further Corporate planning undertaken during the year led to the publication of our Annual [Business Plan](#). This sets out and establishes our operational framework for 2019-20. Our longer term Corporate Plan and Implementation Plan documents were published along with our Business Recovery plan later than anticipated as a result of the Covid-19 pandemic.

2019-20 also saw challenges in Finance and Business support within the new agency. A new Procurement function was established under this area with technical support being provided from SG's Central Government Shared Services Procurement. This allowed for the successful transition of this function to the sole responsibility of SF operating within Scottish Procurement guidance and rules. In addition to this, key finance policy documents were also

updated and published internally, to ensure consistency and technical compliance with the Scottish Government Public Finance Manual.

With these elements in place, we have successfully completed the fundamental establishment of the new agency.

Operationalise resilient and cost-effective shared services access with FLS and Scottish Government. - Achieved

Provision of effective shared services has been created and sustained through our first year as a new Agency, allowing us to operate efficiently and without any significant interruptions of service or failures. Moving forward we continue to refine and improve our understanding of our shared service needs to inform our future approach.

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 2019-20.

	Original Budget	ABR adjust	SBR adjust	Total Budget	Outturn	Variance
	£000	£000	£000	£000	£000	£000
Income - EU	(20,800)	0	0	(20,800)	(24,325)	(3,525)
Income - Other	(44)	(178)	0	(222)	(642)	(420)
Staff	8,096	506	0	8,602	8,292	(310)
Other Admin Costs	4,814	0	0	4,814	3,728	(1,086)
Programme Costs						
- Forestry Grants	46,000	0	5,000	51,000	52,238	1,238
- Other	5,011	9,832	0	14,843	14,312	(531)
Total	43,077	10,160	5,000	58,237	53,603	(4,634)

The budget was funded by SG through:

Fiscal Resource	£51.023m
Fiscal Capital	£6.739m
Ring fenced	£0.475m

	£58.237m

During the year, additional budget was given to SF in the ABR for timber transport projects £5m, new cross border arrangements £4.8m plus cross border staff costs £0.2m, plus additional staff costs of £0.3m less £0.2m for cross border income, and in the SBR for additional Woodland grants £5m.

This brought the budgeted net operating expenditure to £58.2m whilst the outturn and final position was £53.6m an underspend of £4.6m.

Statement of Comprehensive Net Expenditure (SoCNE) Income

Income of £25m is predominately from the co-financing of Forestry Grants and Rural Priorities schemes by the European Union (EU). This amount will vary dependent on the value of the Forestry Grants Schemes (FGS) and Rural

Priorities (RP) paid and the co-financing rate agreed between Scottish Government and EU.

During 2019-20 an over recovery against budget was recorded of £3.9m. This was made up of Income-EU (£3.5m) resulting from of a change in the co-financing rate from 45% to 52.9% for FGS and RP payments in January 2020 and combined with the increased activity and scheme funding. Also within Income-Other additional contributions of £0.4m were received from government bodies including the Scottish and Welsh Governments for work on certain projects undertaken.

Staff Costs

Staff costs were £8.3m; this includes all costs relating to employing our 191 staff.

Other Administrative Costs

The costs were £3.7m, which consisted of all of our overheads including shared service costs.

Compared against budget there was a £1.1m underspend – savings were identified throughout the organisation during the year and partly due to activities being curtailed in March due to COVID-19.

Programme Costs

Programme Costs of £66.6m covers our payments for Forestry Grant schemes £52.3m, Timber Transport £6.9m and other forestry development programmes including Cross Border costs £7.3m and miscellaneous £0.1m.

To facilitate increased planting beyond 10,000ha additional funding was received in the ABR resulting in a total gross budget of £51m for forestry grants. The actual schemes funded resulted in a spend of £52.3m, which was £1.2m overspent against budget.

The other programme Costs resulted in an underspend of £0.5m this was as a result of a number of tree health surveys and certain programmes could not go ahead as well as a number of Timber Transport projects returning funding.

This gives a net expenditure of £53.6m.

Statement of Financial Position

The Statement of Financial Position currently shows the SF as having net liabilities of £3.2m. As a Scottish Government Agency we receive, our funding through the Scottish Government, therefore there is no risk to the organisation as a going concern.

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

Trade and other receivables were £22.3m, (£39k non-current assets, and £22.273m current assets) which is predominately as a result of income that will be received in 2020-21, which relates to the co-financing elements of the 2019-20 Forestry Grant schemes that have not been paid as at 31 March 2020.

Trade and other payables were £50.7m; this is predominately as a result of an accrual for 2019-20 Forestry Grants that have not been paid as at the 31 March 2020.

Cash balances were £25.2m, which largely relate to March funding received for 2019-20 Woodland Creation grants which will be paid in early 2020-21.

Cash Funding Requirement 2019-20 – Scottish Forestry undertakes monthly cash planning in order to drawdown funding from Scottish Government within agreed budgets. Deducting non-cash costs resulted in cash budget of £58.1m. Actual cash drawn down by Scottish Forestry was £53.6m.

Environmental Matters

SF are committed to reducing the environmental impact of its business activities, and in line with the Public Bodies Duties as set out in the Climate Change (Scotland) Act 2009, has published an Environmental Policy. SF publishes a comprehensive environmental policy, setting annual targets for reducing carbon emissions from travel and energy use; maximising recycling and minimising waste; and reducing water consumption. Our Annual [Sustainability Reports](#) are on our website.

Social Matters

SF has well developed 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.

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. Our policies and reporting mechanisms in place encourage staff to raise concerns without fear of suffering retribution, ensuring there is a transparent and confidential process for dealing with concerns.

Anti-Bribery and Anti-Corruption

During their induction, new employees are signposted to our policies on Discipline, Gifts & Hospitality, and Whistleblowing. These policies have been reviewed and updated in the last year to reflect our change in status to an Executive Agency of Scottish Government.

Modern Slavery

Our Modern Slavery – Slavery and Human Trafficking Statement expresses the organisation's zero tolerance to slavery and human trafficking and its commitment to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business.

Staffing

All potential new employees, regardless of contract status are required to go through our recruitment process, which includes essential checks on the right to live and work in the UK.

We have worked to ensure that our staff understand what modern slavery and human trafficking is, and that they are alert to the key warning signs as they go about their work engaging with suppliers and delivery partners.

Procurement

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

Grants

We are committed to working with our grant recipients to ensure that slavery and human trafficking risks are identified and managed proactively. We have reviewed our conditions of grant to ensure that grant recipients comply with the requirements of modern slavery legislation.

Our full statement can be read on our [website](#).

Health and Safety

Policy

It is the policy of SF to comply with the law in ensuring the health and safety of all its employees, and to provide appropriately for the health and safety of others, including contractors, visitors, and neighbours. Our national Health, Safety and Wellbeing policy was reviewed in 2019-20 and our arrangements for managing health and safety in national offices and our conservancies were audited.

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.

The SF Health, Safety and Wellbeing Committee has a remit to assist the Health and Safety team in raising awareness, promoting, achieving and sustaining a culture of positive health and safety attitudes and behaviour. The aim is for all staff to understand the importance of health and safety and to look out for themselves and others. The committee provides a focus for joint participation between its management boards, staff, and trade union safety

Activity

SF has identified a number of priorities to enhance our health, safety, and wellbeing culture. This has included focusing on the mental and physical wellbeing of staff. Our staff now have access to colleagues who are trained as mental health first aiders and to a range of support provided through our Employee Assistance Programme. We have used the results of the Safety Climate Tool survey to develop action plans and to continue our work in improving our health and safety culture.

Reportable Accidents and Incidents

The number of Reporting of Injuries Diseases Dangerous Occurrence Regulations (RIDDOR) reportable incidents (over seven days and specific reportable injuries) during the year was one. In addition, there was no RIDDOR reports relating to occupational illnesses (Lyme or similar tick borne disease) submitted to HSE.

Covid 19

In March, when the danger of the virus was beginning to emerge, we reviewed our Business Continuity Plan. As part of that exercise we identified the tasks that would be given priority if we suffered expected levels of staff absence as a result of the virus. At that stage we were planning for absence levels of 20% - 40%.

During the week of 16 March, we asked all staff to make an orderly transition to home working, and by Monday 23 March, this was in place in line with SG guidance.

Since then, we have reported staff absences on a daily basis and, thankfully, have had very little staff absence which is Covid related.

As part of the move to home working, and in recognition of the external pressures staff are facing, we removed the core hour's restrictions and encouraged people to work the hours they could. Special Leave was available, but this relaxation of core hours meant that very few people had to use it. Instead they were able to fit their hours around caring, shielding etc.

We also added some new governance processes. We have an SF Resilience Group (RG), which currently meets three times a week. They keep an eye on issues emerging from across the organisation and reflect on guidance to consider implications for SF and ensure actions are implemented. They report to the Covid Strategic Resource and Resilience Group (CSRR), which comprises SET members and members of the RG. They make strategic decisions and oversee the work of the RG.

Meetings of the SET and SAG have continued during this period but these have been carried out through telephone conference.

SF have implemented safe working protocols for home and on-site workings and have been working with the [Forestry Industry Safety Accord](#) to develop site safe working practices.

This has allowed our Woodland Officers to carry out site visits including restarting inspections and progressing applications.

Going forward we are looking at a variety of ways to ensure that we continue to carry out all of our functions during the pandemic whilst thinking about the physical and mental health of our employees

A short life working group was created consisting of employees from a wide variety of positions to look at Flexible Working. Their recommendations, were noted by SET and

passed to the RG to look at ways to implement these. This will allow staff to come back into the office safely in a controlled manner, benefiting staff and their mental health.

Further information regarding Covid 19 is included in the Governance Statement.

David Signorini

Dr David Signorini
Accountable Officer

27 August 2020

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. They are supported by a Senior Executive Team comprising of four Heads of Service.

Relationship with Scottish Government and the wider Rural Affairs network

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

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

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

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

Chair and Chief Executive

The chair of AAC during the year was Non-Executive Phil Taylor, and Jo O'Hara was the Chief Executive and Accountable Officer, until 31 December 2019 and thereafter it was Dr David Signorini. Between the 20 December Dr David Signorini first day with Scottish Forestry

and the 31 December there was a short hand over period.

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 was one protected data related incident reported for SF in 2019-20, but was not required to be reported to The Information Commissioners Office (ICO), 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. Unless otherwise stated in the contract, we aim to pay within the Scottish Government's tighter target of ten working days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later.

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

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 60.

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

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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 of the Forestry Commission in respect of its activities in Scotland.

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 2020 and up to the date of approval of the annual report and accounts, and accords with Scottish Public Finance Manual Guidance.

The Governance Framework

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

Strategic Advisory Group (SAG)

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

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

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

Phil Taylor	3 of 4
Non-Executive	
James Stuart	3 of 4
Non-Executive	
Eleanor Ryan	3 of 4
Non-Executive	
Jo O'Hara	3 of 3
Chair Chief Executive (to 31 Dec 2019)	
Dr David Signorini	2 of 2
Chair Chief Executive (from 20 Dec 2019)	
Brendan Callaghan	4 of 4
Head of Operational Delivery	
John Dougan	4 of 4
Head of Operational Development	
Ian Donaldson	4 of 4
Head of Policy	
Ross MacHardie	4 of 4
Head of Finance and Business Support	
Alan Hampson	1 of 1
Head of Standards Evidence & Expertise (from 1 February 2020)	

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](#).

The members and their attendance during the year were:

Jo O'Hara	5 of 5
Chair Chief Executive (to 31 Dec 2019)	
Dr David Signorini	2 of 2
Chair Chief Executive (from 20 Dec 2019)	
Brendan Callaghan	7 of 7

Head of Operational Delivery	
John Dougan	6 of 7
Head of Operational Development	
Ian Donaldson	6 of 7
Head of Policy	
Ross MacHardie	6 of 7
Head of Finance and Business Support	
Alan Hampson	0 of 1
Head of Standards Evidence & Expertise (from 1 February 2020)	
Jim Dewar	1 of 1
Head of Policy (until 30 April 2019)	

Audit and Assurance Committee (AAC)

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

The AAC operates in accordance with the principles contained in the Scottish Government's Audit Committee Handbook, and met two times during 2019-20. Minutes of these meetings can be found on our [website](#).

The members and their attendance during the year were:

Phil Taylor	2 of 2
Chair, Non-Executive	
James Stuart	2 of 2
Non-Executive	
Eleanor Ryan	2 of 2
Non-Executive	

With this being the first year no effectiveness review of the AAC was undertaken, but this will be reviewed in 2020-21 through all members and SET completing a questionnaire.

Risk Management

Over the course of the year, the SAG and SET have spent some time formalising risk management arrangements across the organisation, including redesigning the Risk Register, and introducing a Risk Statement and Appetite. The format of the Risk Register and

the Risk Management process has been discussed and approved by the AAC on 12 March 2020.

The revised Risk Register was based on the Scottish Government model, and following advice from SAG was amended to capture base risk scores.

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

Although these building blocks are in place, there is more work to be done to embed risk management within our organisational culture and the Corporate Planning processes.

Our response to Covid19 pandemic occurred towards the end of the Financial Year, and as such did not form a significant part of our risk management discussions during the year. Never the less, action was taken with a Business Continuity plan activated, aligned with Scottish Government guidance on safe working practices, and the prioritisation of our work across the organisation. We also established a Covid-19 Resilience Group whose purpose is to develop and implement specific Covid related actions which have been agreed by Senior Managers engaging with others as appropriate across the organisation including FLS.

In addition to this Scottish Forestry joined one of the hubs set up across Scottish Government to co-ordinate daily reporting and actions as well as to disseminate the latest information on Covid19.

Non-Executive members were also consulted and advised on our response to Covid19 outside of the scheduled SAG meetings.

Personal Data Related Incidents

There was one protected data related incident reported for SF in 2019-20, which was not required to be reported to The Information Commissioners Office (ICO).

In October 2019, a member of staff accidentally sent an administration form to a new Outdoor Woodland Learning Group (OWL). The form, which should have been blank, contained the

personal details of the Chair and Secretary of another OWL Group. The personal data comprised people's email addresses, house address and phone number. Scottish Forestry's Senior Information Risk Officer undertook a self-assessment on the ICO website and in discussion with the Accountable Officer concluded this breach was not reportable to the ICO. We took action to contact all parties and inform them of the breach. The affected individuals were contacted about a breach and we received a response to indicate they were satisfied with our mitigation actions. We looked at what lessons could be learnt and whilst the staff members were aware of their data protection responsibilities and had systems in place, we reminded them of the good practice around handling personal data and the measures to protect data when sending documents.

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

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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 (FRM). 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.

These statements highlighted two risks; firstly, the National Office's Health and Safety policy is out of date and work will commence in 2020-21 to update this document.

Secondly in relation to insufficient skilled staff capacity, predominately resulting from the increased workloads brought about by the Forestry Grant Scheme wider scheme management responsibilities. Work will continue to retain our current skilled staff and bring in additional staff resource.

In addition, as I commenced my role on 20 December 2019 I sought and received various assurances from my predecessor during the hand over period.

These statements and assurances provide me with assurance on the standard of governance and control then 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 was chaired by myself and my predecessor or my nominee and through my line management responsibilities.

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 2020 and up to the date of approval of the annual report and accounts.

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

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

Audit Scotland prepared an annual report in August 2019 as part of their review of the 2018-19 Annual Report and Accounts of Forestry Commission Scotland, where they identified seven areas for improvement. These included longer-term financial strategy and a review of the assurance checklist, these and the others have been addressed by Scottish Forestry, the Scottish Government or actions have been put in place to address these.

Internal Audit Reports 2019-20

Audit Area & Scope Outcome

During 2019-20, three reviews were undertaken plus the follow up work from 2018-19 audits of Forestry Commission Scotland.

The Forestry Grant Scheme audit was given a Reasonable Assurance opinion, with two recommendations, one high, and one medium. The recommendations were to provide a new management information report, which provides the Accountable Office and Minister with robust

data to inform the woodland creation target (high), and new guidance to introduced, disseminated and embedded into the contract variation guidance (medium).

The Finance Support Visits audit was given Limited Assurance with three high recommendations. These recommendations were Management should re-define the visits ensuring that they are fit for purpose and link to the already established assurance framework, the visits should provide direct recommendations with a rating based on significance, and the guidance be reviewed.

The Corporate Governance audit was given a Reasonable Assurance with one medium and one low recommendation. These were that SF should establish robust management reporting procedures (medium) and ensure clear staff awareness of existing policies and procedures (low).

Within the 2018-19 audits, there were nine recommendations outstanding with seven of these being implemented by SF in 2019-20 and two are ongoing.

The Head of Internal Audit for SG has prepared an annual assurance report, which include 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.

Covid 19

In addition to detail in the Performance Analysis, since 17 March with our staff working from home and using the Scottish Government computer network "Scots" we have adapted our working practices but have still ensured a strong control environment. Through a change in working practices and use of email approvals, we have maintained a strong control of segregation of duties. To ensure that our current practices are maintaining our control we asked Internal Audit to carry out an advisory review on the current forestry grants process. The findings were that the controls put in place are appropriate and satisfactory in ensuring the administration of the scheme. There were three key findings which covered the areas of lessons learned for SF to consider the benefits of the

new ways of working, unintentional breaches of Covid 19 to be entered onto the near miss log and monitoring of inspection controls through a checklist to ensure appropriate controls and guidance have been followed.

At the outset of the pandemic, our Executive Team member Ian Donaldson was seconded to SG due to his SG and policy experience to support their response.

Plans for 2020-21

As mentioned previously the Corporate Plan was reviewed to take on board any specific actions that had been identified as a result of lessons learnt from the pandemic.

Many of our priorities for performance and resilience will form part of the Scottish Forestry Improvement Programme, led by the Head of Operational Development. This will help to foster a culture of continuous improvement and innovation, to help us to become recognised as being the best at what we do, building on the reputation established by our predecessor organisation, Forestry Commission Scotland.

In addition, as the Scottish Government agency with responsibility for forestry policy we will work with others across the public sector to ensure that the economic, social, and environmental value of trees and woodlands is understood and reflected as appropriate across wider policies. Actively contributing to wider policies such as integrated land use and climate change, to ensure that sustainably managed forests contribute to the future of Scotland.

Over the coming year SF will commission further research related to building the resilience of forests, such as into the impacts of pest and diseases in a changing climate. We will also commence the review the UKFS, to bring it up to date with evidence on the changing climatic conditions, such as for fire risk.

SF will continue to explore ways to extend support for woodland creation including building upon the work carried out in 2019-20 through advice and analysis to facilitate new woodland planting, and will assess the feasibility of further

investment opportunities, including consultation with relevant stakeholders.

SF have appointed Dr Helen McKay OBE as the Chief Forester in July 2020, she will ensure that professional forestry expertise is at the heart of policy and practice in the public sector. The Chief Forester is the “Head of Profession” for forestry staff in SF and FLS with a responsibility for promoting and maintaining professional standards. They will work closely with professional bodies across the sector to promote and develop the profession in Scotland.

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-executive 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 on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme

Further information about the work of the [Civil Service Commission](#) can be found on their website.

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

Details of the letters of appointment for the non-executives who served during the year are:

	Date of Letter	Unexpired term at 31 March
Phil Taylor	01/03/19	24 months
James Stuart	01/03/19	24 months
Eleanor Ryan	15/08/19	6 months

Fees

The non-executives of the AAC who also sit on the Strategic Advisory Group 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:

	Fees £000
Phil Taylor	5-10
James Stuart	5-10
Eleanor Ryan	0-5

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



Salary and pension entitlements - Audited

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

	Salary £000	Benefits in kind to nearest £100	Pension Benefits ¹ £000	Total Remuneration £000
Jo O'Hara ^ Chief Executive	60-65	0	19	80-85
Dr David Signorini * Chief Executive	20-25	0	6	30-35
Brendan Callaghan Head of Operational Delivery	65-70	18,300	34	120-125
John Dougan Head of Operational Development	60-65	0	37	100-105
Ian Donaldson Head of Policy	60-65	0	(6)	55-60
Ross MacHardie Head of Finance and Business Support	50-55	0	21	75-80
Alan Hampson + Head of Standards Evidence & Expertise	10-15	0	8	20-25
Jim Dewar# Head of Policy	5-10	0	2	5-10

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

*Dr David Signorini's figures relate to the period 20 December 2019 to 31 March 2020 when he was Chief Executive, the full year equivalent for the salary would have been within the band £70k-75k.

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

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

As stated in the Governance Statement due to Ian Donaldson's SG and policy experience, he was seconded to SG on 19 March to support the response to the Covid 19 pandemic. SF paid for his full March salary.

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.

Transactions with committee and board members

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

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

	Balance at		Maximum balance during the year
	1 April	31 March	
Brendan Callaghan	18	15	18

The total employment costs for the year ended and the number of whole-time equivalent persons employed as at 31 March 2020 was as follows:

	Others	Permanently employed staff	Total
	£000	£000	£000
Salaries	544	5,713	6,257
Social security costs	0	593	593
Other pension costs	0	1,506	1,506
Total costs	544	7,812	8,356
Less: recoveries for secondments	0	(64)	(64)
Total net costs	544	7,748	8,292
	No.	No.	No.
Directly employed	0	183	183
Other	8	0	8
Total	8	183	191

The Principal 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 2012
(www.civilservicepensionscheme.org.uk/about-us/scheme-valuations).

For 2019-20, employers’ contributions of £1,482k were payable to the PCSPS, at one of three rates in the range 20.0% to 22.1% 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 £28k were paid to the appointed stakeholder pension provider.

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

Contributions due to the partnership pension providers at 31 March 2020 were £4,035. Contributions prepaid at that date were nil.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos, and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos, and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no

automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider - Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

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](#).

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 2020 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2020 £000	CETV at 31 March 2019 £000	Real increase in CETV £000
Jo O'Hara	25-30 Plus a lump sum of 60-65	0-2.5 Plus a lump sum of 0	530	498	9
Dr David Signorini	35-40	0	570	562	3
Brendan Callaghan	30-35	0-2.5	503	458	21
John Dougan	25-30 Plus a lump sum of 50-55	0-2.5 Plus a lump sum of 0-2.5	427	384	22
Ian Donaldson	25-30 Plus a lump sum of 65-70	0-2.5 Plus a lump sum of 0	509	498	(14)
Ross Machardie	10-15	0-2.5	139	123	10
Alan Hampson	20-25 Plus a lump sum of 65-70	0-2.5 Plus a lump sum of 0-2.5	534	513	8
Jim Dewar	25 - 30 Plus a lump sum of 80 - 85	0 - 2.5 Plus a lump sum of 0 - 2.5	658	654	2

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 £70-75k. This was 2.23 times the median remuneration of the workforce, which was £32,583.

During the year, no employee received remuneration in excess of the highest paid senior executive. Remuneration ranged from £12k to £75k. Remuneration paid to all staff during the financial year was £6,257k.

Number of Senior Civil Servants

Band	2019-20
1	1

Benefits in kind

These are provided under the following schemes:

- Advances of salary for house purchase (see Note 9);
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/health equipment, including bicycles;
- Car provision for employees' scheme; and
- Purchase of Childcare Voucher scheme.

Each scheme is subject to conditions and financial limits.

Compensation for loss of office – Audited

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

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 Health, Safety & Wellbeing and L&D has expanded in the last year to further support and develop our manager and employee capability.

We continue to advance equality of opportunity in our recruitment processes. This includes applying the “Guaranteed Interview Scheme” to ensure that job applicants who consider they have a disability are invited for interview, where they can demonstrate that they meet the essential criteria, competencies, and behaviours as set out in the relevant person specifications.

In order to support employees with a disability and those who develop health conditions during their employment with SF, we consider and implement reasonable adjustments wherever possible to meet their individual needs, on the advice provided by our Occupational Health provider. Examples include provision of specialist equipment or an adjustment to working hours.

Our adverts now carry the “Happy to talk Flexible Working” logo. We advertise all vacancies as ‘flexible’ by default. This will help us to attract and retain a wider pool of candidates and also help us to achieve some of our workforce diversity goals too. We are also happy to consider flexible working requests from any of our current employees interested in striking a better work-life balance.

Sickness absence data

We pro-actively manage staff sickness absences with an average number of working days lost per person of 11.1 days

Equality, Diversity and Inclusion

We are committed to eliminating discrimination, advancing equality of opportunity, and fostering good relations between different protected characteristic groups

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

	Male	Female	Total
Director	1	0	1
Senior Manager	18	2	20
Employee	76	86	162
Agency Workers	2	6	8
	-----	-----	-----
Total	97	94	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 each year within the Annual Equality Monitoring Report for 2019-20 due to be published in March 2021, and will be on our [website](#).

Learning & Development (L&D)

Over the last year, SF have formalised and developed business-partnering relationships with FLS's L&D, with whom we have contracted to supply the service.

L&D has continued to provide support for Woodland Officer cohorts, including induction and various training events linked to this key job role.

A new learning management system has recently been implemented which we are working on to develop this further, to meet the training and development needs of staff. Funding was also secured from the Flexible Workforce Development Fund for £30,000 enabling a variety of training events to be held for our staff.

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 have a strong relationship with Forestry Trade Unions Scotland (FTUS) and encourage staff to join them should they wish. We intend to review and update our Partnership Agreement with FTUS in the coming year and continue to be committed to working together to the mutual benefit of staff and the organisation. We acknowledge the important contribution that Trade Union representatives make and demonstrate our commitment to their role by helping to ensure that appropriate time is made available to them, through their Forward Job Plans, to carry out their duties and that their contributions are acknowledged in the reporting process.

Trade Union Facility Time

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

Trade Union Statistics		2019-20
Number of employees who were relevant TU officials during the year		3
FTE of relevant TU officials		3
The number of employees who were relevant TU officials during the year as a percentage of their working hours spent on facility time	a) 0%	1
	b) 1-50%	2
	c) 51-99%	0
	d) 100%	0
Percentage of the total pay bill spent on facility time		0.032%
Time spent on trade union activities as a percentage of total paid facility time hours		100%

Parliamentary Accountability and Audit Report

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

Regularity of Expenditure

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

Fees and Charges

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

Remote Contingent Liabilities

The FReM 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 19 of the Financial Statements.

Gifts

There were none.

David Signorini

Dr David Signorini
Accountable Officer

27 August 2020

Independent Auditor's Report

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

Report 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 2020 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 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 one year. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial

reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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 skillfulness 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report 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. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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

27 August 2020

Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2020

	Note	Staff Costs £000	Other Costs £000	2019-20 Income £000
Administration Costs:				
Staff costs	2	8,292		
Other administration costs	4		3,728	
Operating income	6			(94)
Programme Costs:				
Programme costs	5		66,550	
EU receipts	6			(24,325)
Other income	6			(548)
Totals		8,292	70,278	(24,967)
Net operating expenditure				53,603
Other Comprehensive Net Expenditure				
Transfer of assets and liabilities by absorption from FCS to SF	Note 3			3,213
Net (gain)/loss on revaluation of property, plant and equipment	7			(1)
Comprehensive net expenditure for the year				56,815

The Notes to the accounts are contained in pages 50 to 59 inclusive.

Statement of Financial Position

as at 31 March 2020

	Note	2019-20 £000
Non-current assets:		
Property, plant and equipment	7	113
Trade and other receivables	9	39
Total non-current assets		152
Current assets:		
Trade and other receivables	9	22,272
Cash and cash equivalents	10	25,166
Total current assets		47,438
Total assets		47,590
Current liabilities:		
Provisions	12	0
Trade and other payables	11	(50,745)
Total current liabilities		(50,745)
Total assets less current liabilities		(3,155)
Non-current liabilities:		
Provisions	12	0
Total non-current liabilities		0
Assets less liabilities		(3,155)
Taxpayers' equity:		
General fund		(3,170)
Revaluation reserve		15
Total taxpayers' equity		(3,155)

The Notes to the accounts are contained in pages 50 to 59 inclusive.

The Accountable Officer authorised these financial statements for issue on 27 August 2020.

David Signorini

Dr David Signorini
Accountable Officer

27 August 2020

Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019-20 £000
Cash flows from operating activities		
Net operating expenditure		(53,603)
Transfer by absorption from FCS to SF		(3,213)
Adjustment for non-cash transactions	13	81
Non-cash inter-country transfers		(27)
(Increase)/decrease in trade and other receivables		(22,311)
Increase/(decrease) in trade and other payables		50,745
Net cash outflow from operating activities		(28,328)
Cash flows from investing activities		
Transfer of assets by absorption	7	(209)
Transfer of accumulated depreciation by absorption	7	76
Purchase of property, plant and equipment	7	(10)
Net cash outflow from investing activities		(143)
Cash flows from financing activities		
From the Scottish Consolidated Fund		53,637
Net Financing		53,637
Net Increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		25,166
Payment of amounts due to the Scottish Consolidated Fund		0
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		25,166
Cash and cash equivalents at the beginning of the period		0
Cash and cash equivalents at the end of the period	10	25,166

The notes to the accounts are contained in pages 50 to 59 inclusive

Statement of Changes in Taxpayers' Equity

2019-20	General Fund £000	Revaluation Reserve £000	Total £000
Balance at 1 April	0	0	0
Transfer by absorption from FCS to SF	(3,229)	16	(3,213)
Changes in taxpayers' equity			
Net operating expenditure for the year	(53,602)	0	(53,602)
Realised revaluation surplus	1	(1)	0
Non-cash charges - auditor's remuneration	50	0	50
Non-cash charges - inter-country transfers	(27)	0	(27)
Total recognised income and expense	(53,578)	(1)	(53,579)
Net parliamentary funding	53,637	0	53,637
Balance at 31 March	(3,170)	15	(3,155)

The Notes to the accounts are contained in pages 50 to 59 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 2019-20 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by Scottish Ministers.

As a result of the [Forestry and Land Management \(Scotland\) Act 2018](#) all of the functions previously covered by Forestry Commission Scotland (FCS) an element of the Forestry Commission (regulatory, policy, support and grant giving) along with their assets and liabilities were transferred to Forestry Scotland, an Executive Agency of the Scottish Government, on the 1 April 2019. Thereby as per paragraph 4.2.9 of the FReM these accounts are accounted for as Transfer by Absorption. This means that carrying values of the assets and liabilities the assets and liabilities of FCS as at 31 March 2019 were transferred to SF on 1 April 2019 based on the values stated in the FCS annual report and accounted for the year ended 31 March 2019

The Accountable Officer and the Strategic Advisory Group have considered the Resource Budget for 2019-20 and 2020-21, 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 2021. 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 £44k based on £681k of leases.

IFRS 17 – Insurance Contracts

This standard is effective from 1 January 2021 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 include costs relating to managing the National Forest Estate.

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 are 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 (2007-2013) and also for the new Forestry Grant Scheme under the plan SRDP 2014-2020. These schemes are recognised at their fair value when there is reasonable assurance that the grant will be received and SF have complied with all attached conditions and are credited to the Statement of Comprehensive Net Expenditure.

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

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

e. European funding (EU)

SGRPID administers all grant payments and claims EU co-financing only for grants claimed for forestry options under Rural Development Contracts – Rural Priorities set up under the Scottish Rural Development Plan (2007-2013) and also for the new Forestry Grant Scheme under the plan SRDP 2014-2020. SF claims EU funding for grants being paid under the now closed legacy grant schemes – the Woodland Grant Scheme and the Scottish Forestry Grants Scheme. This funding is claimed on a monthly basis from the European Agricultural Fund for Rural Development. If grants are recovered because of a failure by the applicant to fulfil the terms of the grant scheme contract, the co-financing previously claimed is refunded to the EU.

f. Value Added Tax (VAT)

Within the Statement of Comprehensive Net Expenditure, income is shown net of VAT and where SF can recover VAT through the Contracted Out Services scheme expenditure shown is net of VAT except with the exception of where SF cannot recover VAT then the irrecoverable VAT is recognised as part of the expenses item.

Any VAT due to or from HM Revenue and Customs at the year-end is included in SF's accounts as a receivable or payable in the Statement of Financial Position.

g. Grants payable

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

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

h. Leases

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

i. Property, plant and equipment

land & buildings

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

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

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 values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of assets is £2,000 per item.

Revaluation reserve

Increases in the carrying amount arising on revaluation of property, plant, and equipment 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 assets are 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.

Absorption of assets from FCS

The assets that were received from FCS are shown in the cash flow as an outflow from investing activities and are shown in note 7 as a transfer by absorption. These assets will be depreciated in line with our policy.

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 payables are recognised at fair value.

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m. Trade and other payables

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

n. Provisions

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

o. Contingent liabilities

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

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

Note 2 – Staff Cost

Full information about staff costs is shown in the Staff and Remuneration Report.

Note 3 – Net gain/ (loss) on transfer by absorption

Transfers as part of re-organisation of a function fall to be accounted for by use of absorption accounting in line with the Government Financial Reporting Manual, issued by HM Treasury. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Comprehensive

Net Expenditure, and is disclosed separately from operating costs. Therefore, the transfer of assets and liabilities from FCS to SF are as follows

	2019-20 £000
Transfer of property, plant & equipment	133
Transfer of cash and cash equivalents	28,447
Transfer of receivables	16,887
Transfer of payables	(48,675)
Transfer of provisions	(5)
Net loss on transfers by absorption	<u>(3,213)</u>
Taxpayers' equity:	
General fund	(3,229)
Revaluation reserve	16
Total taxpayers' equity	<u>(3,213)</u>

Note 4 - 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 four areas of work are identified as shared services:

- Information services;
- Human resources, including Learning and Development;
- Communications; and
- Accounting systems

Administration costs in year can be analysed as follows:-

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	Note	2019-20 £000
Shared central services		1,947
Other administration expenditure		1,700
		<u>3,647</u>
Non-cash costs		
Auditors remuneration & expenses - audit work	13	50
Depreciation of property, plant and equipment	7	31
		<u>81</u>
Total Administration costs		<u>3,728</u>

Note 5 - Programme Costs

	2019-20 £000
Support for forestry and the rural economy, including grants paid to private woodland owners	27,913
Grants paid to private woodland owners from EU receipts	24,325
Forestry development programmes	7,315
Timber Transport Fund	6,872
Other programme costs	125
Programme expenditure	<u>66,550</u>

Note 6 – Income

	2019-20 £000
Operating income	94
Administrative income	<u>94</u>
Planting grant co-financing from EU	24,325
Other Income	548
Programme income	<u>24,873</u>
Total	<u>24,967</u>

Note 7 - Property, Plant, and Equipment

2019-20	Buildings £000	IT (OME) £000	Total £000
Valuation :			
At 1 April	0	0	0
Transfer by absorption	179	30	209
Additions	0	10	10
Disposals	0	(27)	(27)
Revaluation	0	1	1
At 31 March	179	14	193
Depreciation :			
At 1 April	0	0	0
Transfer by absorption	51	25	76
Provided during year	25	6	31
Disposals	0	(27)	(27)
Revaluation	0	0	0
At 31 March	76	4	80
Net Book Value			
At 31 March	103	10	113
At 1 April	0	0	0
Asset financing:			
Owned	103	10	113
At 31 March	103	10	113

As at 31 March 2018, the building was revalued by the Valuation Office Agency, based on Open Market Value, Existing Use Value, and Depreciated Replacement Cost Value or discounted cash flows as appropriate under RICS guidance. This was restated by using an index supplied by the Head of Estate Development, at Forestry and Land Scotland, to £103k as at 31 March 2020.

Information technology (IT) was restated to a current value of £10k as at 31 March 2020 using an index provided by the Office for National Statistics.

Depreciation of £31k is included in other administration costs in the Statement of Comprehensive Net Expenditure.

Note 8 – Financial Instruments

	2019-20 £000
Assets	
Trade and other receivables	22,285
Cash and cash equivalents	25,166
Total	47,451
Liabilities	
Trade and other payables excluding statutory liabilities	50,706
Total	50,706

8(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.

8(c) Capital risk management

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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.

8(d) Fair Value Estimation

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

NOTE 9 - Trade and Other Receivables

9(a) Analysis by type

	2019-20 £000
Current	
Trade receivables	150
Less: provision for impairment of trade receivables	(7)
Trade receivables - net	143
VAT	357
House purchase loans to employees	8
EU funding accrued income	21,736
Prepayments and accrued income	26
Other receivables	253
Less: provision for impairment of other receivables	(251)
	22,272
Non-current	
House purchase loans to	39
	39
Total receivables	22,311

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 2020, trade receivables of £136k were fully performing and not past due or impaired and provided for. At the same date, trade receivables of £7k were past due but not impaired, which relates to a customer for whom there is no recent history of default. In addition, trade receivables of £7k were past due and were impaired. The ageing analysis of these trade receivables is as follows:

	2019-20 £000
Within one month	136
One to two months	7
More than two months	7
	<u>150</u>

As at the 31 March 2020, Other Receivables of £2k were being paid as per agreement and therefore not impaired. At the same date £251k were past due and were fully impaired.

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

	Receivables		Total
	Trade	Other	
	£000	£000	£000
At 1 April	0	0	0
Transfer by absorption	7	251	258
At 31 March	<u>7</u>	<u>251</u>	<u>258</u>

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.

9(b) Intra-Government Balances

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	Current £000	Non-current £000	Total £000
Scottish Government bodies	21,741	0	21,741
Other central government bodies	495	0	495
Intra-government balances	<u>22,236</u>	<u>0</u>	<u>22,236</u>
Balances with bodies external to government	36	39	75
Total trade and other	<u>22,272</u>	<u>39</u>	<u>22,311</u>

Note 10 – Cash and Cash Equivalents

	2019-20 £000
Balance at 1 April	0
Transfer by absorption	28,447
Net change in cash balances	<u>(3,281)</u>
Balance at 31 March	<u>25,166</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 11 – Trade and Other Payables 11(a) Analysis by type

	2019-20 £000
Current	
Trade payables	1,211
Other payables	436
Other taxation and social	32
Accruals and deferred income	<u>49,066</u>
Total	<u>50,745</u>

There were no non-current payables at 31 March 2020.

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.

11(b) Intra-Government Balances

	Current 2019-20
	£000
Balances with Scottish Government	48,470
Balances with other central Government bodies	488
Balances with local authorities	227
Intra-government balances	49,185
Balances with bodies external to government	1,560
Total trade and other payables	<u>50,745</u>

NOTE 12 - Provisions for Liabilities and Charges

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

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

	Early Departure 2019-20
	£000's
At 1 April	0
Transfer by absorption	5
Utilised in year	(5)
At 31 March	<u>0</u>

NOTE 13 - Note to the Statement of Cash Flows

	2019-20
	£000
Depreciation	31
Notional audit fees	50
	<u>81</u>

NOTE 14 - Capital Commitments

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

NOTE 15 - Commitments under Leases

Operating leases

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

	2019-20
	£000
Buildings	
Expiry within one year	548
Expiry after one year but not more than five years	1,970
Expiry thereafter	230
Total	<u><u>2,748</u></u>

There were no commitments under finance leases for the year ending 31 March 2020.

NOTE 16 - 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 2020, SF was committed under the signed Rural Priorities - Rural Development

Contracts for the payment of future grants amounting to £16.951m

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

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

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

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

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

At 31st March 2020, SF was committed under signed Forestry Grant Scheme contracts for the payment of future grants amounting to £72.362m

Summary

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

	2019-20 £000
Not later than one year	38,522
Later than one year	50,791
	<u>89,313</u>

NOTE 17 - Contingent Liabilities Disclosed Under IAS 37

There are no contingent liabilities.

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NOTE 18 - Related Party Transactions

SF has had various material transactions with government departments and other central government bodies. The main entities within government with which the SF has had dealings are Scottish Government and its Agencies, including FLS, as well as Forest Research, Forestry England, the Welsh Government, and HM Revenue and Customs.

18(a) Key management transactions

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

	2019-20 £000
Funding and forestry grant payments	11
	<u>11</u>

Brendan Callaghan, Head of Operational Delivery, is a part owner of Old Caberston Forest a fifty-three hectare area of forestland in Scotland. Transactions of £11k were made during 2019-20.

18(b) Key management compensation

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

18(c) Loans to related parties

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

NOTE 19 – Losses and Special Payments

Included within Losses is the cost that has been charged to SF for damage to vehicles.

	Number	£000
2019-20	5	2

NOTE 20 - Events Occurring After the Reporting Period

There were no significant events occurring after the year-end, which materially impacted upon the 2019-20 annual report and accounts.

Accounts Direction



Scottish Government
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Scottish Forestry

DIRECTION BY THE SCOTTISH MINISTERS

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

Signed by the authority of the Scottish Ministers

Dated