



Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

# Annual Report and Accounts

## 2023-24

The Annual Report & Accounts has been prepared in accordance with the financial reporting manual 2023-24 (FReM) as published by HM Treasury.

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Laid before the Scottish Parliament by the Scottish Ministers under Section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.

# Performance Report: Overview

The purpose of the performance report is to provide an understanding of FLS and how it has performed during the year. The performance overview introduces FLS, its purpose, its outcomes and objectives and how we are performing against those including the risks that we face and how we are managing those risks.

## 1.1 Chief Executive Officer Statement by Kevin Quinlan



This Annual Report covers Forestry and Land Scotland's fifth year since being established as a new Scottish Government agency. Despite a challenging operational and financial environment, FLS has remained resilient thanks to the efforts of our teams and partners working together across the country.

During the year we earned commercial income of £121.5m largely from timber sales and renewable energy rents. We also received project specific government funding of £17.7m. When set against total expenditure of £148.3m this result is an improved final deficit position of £8.1m (compared with £34.4m in 2022/23) which was funded from our reserves and Annual Subsidy Limit.

An intense focus on timber volume this year (2.9m<sup>3</sup> obs compared to 2.4m<sup>3</sup> obs in 22/23) has delivered an improved timber performance compared to previous years (£82.1m compared to £76.3m in 22/23) notwithstanding that timber prices remain sluggish. This is vital to our timber customers as well as contributing to the financial sustainability of FLS.

We have continued to contribute to the Scottish Government's Net Zero ambitions as two new windfarms were commissioned in the year with a capacity of over 100MW, bringing the total generation capacity on the estate to more than 1,200MW. Two further windfarms began construction in the year and the pipeline remains strong with over 1,300MW further new capacity in various stages of development.

FLS continued to make significant contributions to recreation and tourism during the year. In 2023 we hosted the prestigious UCI Cycling World Championships at Glentress which attracted almost 30,000 visitors and gave us the opportunity to proudly show off our revamped facilities. Further improvements are in progress as part of the Glentress Masterplan which, when completed, will provide even more value to the area each year by drawing in over 300,000 visitors and injecting around £10m into the local economy.

This past year is one where the agency has continued to deal with the aftermath of extreme weather events including major storms, floods and wildfires, as well as trying to absorb the rise in the cost of goods and services. Looking ahead, organisational resilience remains a priority. We

have continued to work on responding to various threats and challenges, including removing extensive stands of diseased larch, dealing with landslides caused by extreme weather and making improvements to cyber security through the adoption of Cloud based information storage.

As part of future resilience we have continued construction work at our tree nursery at Newton. We are redesigning the nursery to modernise the infrastructure and ensure we can produce trees for our long-term planting goals. The site is home to a wealth of innovations including water and energy saving measures, GPS-guided automated tractors and work has started on an extensive new glasshouse. Once finished, there could be up to 19 million trees growing on the site in any one year.

I am pleased to report that we have surpassed our rainforest restoration target for 2023-24 by 141% thanks to a major effort by our teams. Restoring this precious habitat on Scotland's national forests and land is one of a range of ways that we're working to fight the global decline in biodiversity.

In 2024 we reached a major milestone for our restoration of peatland. Following several years of work across Scotland we've now set 10,000 hectares of peatland on the road to recovery by 're-wetting'. This achievement is a long term win for the environment as it is estimated that when fully recovered (over a decade) the 10,000 hectares will bring about emissions savings of 87,800 tonnes of CO2 per year – the equivalent of taking about 63,000 new petrol cars in the UK off the road for a year.

We manage deer numbers to protect young trees on the forests and land we look after, which are at risk of deer damage; this year we culled 41,525 deer on 8% of Scotland's land. Deer management also helps us to reduce the impacts of climate change, protect other wildlife and supply sustainable wild venison to market. 97% of this deer is sold as venison, and the money is invested back into FLS.

Looking ahead my focus and that of my leadership team is to build on the recovery seen during this reporting year. We have significant work to do to ensure that we remain financially sustainable and fit for the future. FLS has a vital role to provide positive outcomes for people, nature and economy and will do so in a way that is workable, affordable and sustainable for future generations.

Kevin Quinlan  
Chief Executive Officer

## Aithris an Àrd-oifigeir le Kevin Quinlan



Tha an Aithisg Bhliadhnail seo ag aithris air a' chòigeamh bliadhna aig Coilltearachd agus Fearann Alba bho chaidh a stèidheachadh mar bhuidheann-ghnìomha ùr aig Riaghaltas na h-Alba. A dh'aindeoin àrainneachd obrachaidh is ionmhais dùbhlanaich, tha Coilltearachd agus Fearann Alba air a bhith ath-leumach mar thoradh air obair ar sgiobaidhean agus ar com-pàirtichean còmhla air feadh na dùthcha.

Tron bhliadhna choisinn sinn teachd a-steach coimeirsealta de £121.5m, a' mhòr-chuid bho reic fiodha agus màl bho chumhachd ath-nuadhachail. Fhuair sinn maoinachadh de £17.7m bhon riaghaltas airson pròiseactan sònraichte. Nuair a choimheadas sinn air seo an coimeas ri caiteachas iomlan de £148.3m, tha an toradh seo na shuidheachadh easbhaidh deireannach nas fheàrr de £8.1m (an taca ri £34.4m ann an 2022/23) a chaidh a mhaoineachadh bhon chùl-stòr againn agus bhon Chrìoch Subsadaidh Bliadhnail againn.

Tha fòcas mòr air meud fiodha am-bliadhna (2.9m<sup>3</sup> obs an taca ri 2.4m<sup>3</sup> obs ann an 22/23) air coileanadh fiodha nas fheàrr a lìbhrigeadh an taca ris na bliadhnaichean roimhe (£82.1m an taca ri £76.3m ann an 22/23) a dh'aindeoin 's gu bheil prìsean fiodha fhathast aig ìre ìosal. Tha seo ro-chudromach dhan luchd-ceannach fiodha againn a bharrachd air a bhith a' cur ri seasmhachd ionmhasail Coilltearachd agus Fearann Alba.

Tha sinn air leantainn oirnn a' cur ri amasan Cothromachadh Carboin Riaghaltas na h-Alba leis gun deach dà thuath-gaoithe ùr a bharantachadh sa bhliadhna le comas-lìbhrigidh de chòrr is 100MW, a' fàgail gu bheil comas-cruthachaidh dealain iomlan air an oighreachd de chòrr is 1,200MW. Thòisich obair togail air dà thuath-gaoithe a bharrachd am-bliadhna agus tha an loidhne-phìoba de phròiseactan ùra làidir fhathast le còrr is 1,300MW de chomas-lìbhrigidh ùr aig diofar ìrean leasachaidh.

Lean Coilltearachd is Fearann Alba air a' cur gu mòr ri cur-seachadan agus turasachd tron bhliadhna. Ann an 2023 thug sinn aogheachd do Cho-fharpaisean cliùiteach Rothaireachd ICI na Cruinne ann an Glentress a tharraing faisg air 30,000 luchd-tadhail agus a thug dhuinn an cothrom na goireasan ath-leasaichte againn a thaisbeanadh gu pròiseil. Tha barrachd leasachaidhean a' dol air adhart mar phàirt de dh'Àrd-phlana Glentress. Nuair a bhios e deiseil, cruthaichidh e barrachd luach dhan sgìre gach bliadhna le bhith a' tarraing a-steach còrr is 300,000 neach-tadhail agus a' cur timcheall air £10m a-steach dhan eaconamaidh ionadail.

Sa bhliadhna a dh'fhalbh tha a' bhuidheann air leantainn oirre a' dèiligeadh ris a' bhuidheann aig fìor dhroch shìde, a' gabhail a-steach stoirmean mòra, tuiltean agus teintean, a bharrachd air a bhith a' feuchainn ri gabhail ris an àrdachadh ann an cosgaisean bathair is sheirbheisean. San àm ri teachd, bidh ath-leumachd na buidhne fhathast na phrìomhachas. Tha sinn air leantainn oirnn ag

obair gus aghaidh a chur air diofar chunnartan agus dhùbhlain, a' gabhail a-steach a bhith a' toirt air falbh craobhan-learaig air a bheil galar, a' dèiligeadh ri maoimean-slàibhe air adhbharachadh le fìor dhroch shìde agus leasachaidhean a dhèanamh air tèarainteachd saidhbear tro bhith a' cleachdadh stòradh fiosrachaidh stèidhichte air an neul.

Airson ath-leumachd san àm ri teachd tha sinn air leantainn air adhart le obair togail aig lios-àraich nan craobhan ann an Newton. Tha sinn ag ath-dhealbhadh an lios-àraich gus am bun-structar ùrachadh agus gus dèanamh cinnteach gun urrainn dhuinn craobhan gu leòr a dhèanamh gus ar n-amasan planntachaidh fad-ùine a choileanadh. Tha gu leòr ùr-ghnàthachas a' dol air adhart, a' gabhail a-steach ceumannan sàbhalaidd uisge is cumhachd, tractaran fèin-obrachail air an stiùireadh le GPS agus tha obair air tòiseachadh air taigh-glainne mòr ùr. Nuair a bhios seo deiseil, dh'fhaodadh gum bi suas ri 19 millean craobhan a' fàs air an làraich ann am bliadhna sam bith.

Tha mi toilichte aithris gu bheil sinn air a dhol thairis air an targaid ath-nuadhachadh coille-uisge againn airson 2023-24 le 141% mar thoradh air oidhirp mhòr leis na sgiobaidhean againn. Tha ath-nuadhachadh na h-àrainn prìseil seo air coilltean agus fearann nàiseanta na h-Alba air aon de ghrunn dhòighean anns a bheil sinn ag obair gus cur an-aghaidh crìonadh cruinneil na bith-iomadachd.

Ann an 2024 ràinig sinn clach-mhìle chudromach airson ath-nuadhachadh mòintich. Às dèidh grunn bhliadhnaichean de dh'obair air feadh na h-Alba tha sinn a-nis air tòiseachadh air 10,000 heactair de mhòinteach ath-nuadhachadh tro bhith ga 'ath-fhliuchadh'. Tha an coileanadh seo na bhuannachd fhad-ùine dhan àrainneachd oir thathar a' meas, nuair a tha an talamh gu tùr ath-nuadhaichte (thairis air deich bliadhna) gun toir na 10,000 heactair dhuinn sàbhalaiddhean eimiseanan de 87,800 tonna de CO2 gach bliadhna - co-ionann ri bhith a' toirt timcheall air 63,000 càr peatrail ùr anns an RA far an rathaid fad bliadhna.

Bidh sinn a' riaghladh àireamhan fèidh gus craobhan òga a dhìon anns na coilltean agus air an fhearann a bhios sinn a' stiùireadh, a tha ann an cunnart bho mhilleadh le fèidh; am-bliadhna, mharbhaich sinn 41,525 fèidh air 8% de thalamh na h-Alba. Bidh riaghladh fèidh cuideachd gar cuideachadh gus buaidhean atharrachadh na gnàth-shìde a lùghdachadh, fiadh-bheatha eile a dhìon agus sìtheann fiadhaich seasmhach a thoirt dhan mhargaidh. Thèid 97% de na fèidh seo a reic mar shitheann, agus thèid an t-airgead ath-thasgadh ann an Coilltean is Fearann Alba.

A' coimhead air adhart, tha m' fhòcas agus fòcas an sgioba-stiùiridh agam air togail air an ath-bheothachadh a chunnacas sa bhliadhna aithris seo. Tha obair nach beag againn ri dèanamh gus dèanamh cinnteach gum bi sinn seasmhach gu h-ionmhasail agus freagarrach airson an àm ri teachd. Tha àite ro-chudromach aig Coilltearachd is Fearann Alba ann a bhith a' toirt seachad deagh bhuilean do dhaoine, nàdar agus dhan eaconamaidh agus nì sinn sin ann an dòigh a tha practaigeach, air prìs reusanta agus seasmhach do na ginealaichean ri teachd.

Kevin Quinlan  
Àrd-oifigear



## 1.2 Statement of Purpose

### 1.2.1 About us

Forestry and Land Scotland (FLS) was established as an executive agency of the Scottish Government on 1 April 2019, following completion of the devolution of forestry as a result of the Forestry and Land Management (Scotland) Act 2018.

FLS is classed as a public corporation, for the purposes of its accounts, under the definition set by the Office of National Statistics. Under the Forestry and Land Management (Scotland) Act 2018 (the Act), Scottish Ministers must have regard to the Forestry Strategy when managing forested land. The work of FLS is therefore informed by Scotland's Forestry Strategy.

As part of the Scottish Government, FLS contributes to the achievement of the Scottish Ministers' objectives and priorities, including Scotland's National Performance Framework and its Purpose, Values and National Outcomes.

FLS also contributes to the achievement of the Scottish Government's primary purpose of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.

### 1.2.2 Purpose

FLS manages forests and land owned by Scottish Ministers (known as the national forests and land) in a way that supports and enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature. FLS may manage other forested and non-forested land by arrangement, as set out in the 2018 Act. As leaders of sustainable forest management and sustainable development, FLS supports Scottish Ministers through its stewardship of these national forests and land.

### 1.2.3 Corporate Plan (2022-2025)

In April 2022, we launched our new Corporate Plan which outlines our Purpose and Vision for the next three years, supported through clear and ambitious Strategic aims and priorities. Our focus for this plan is to continue building on these opportunities as we contribute to Scotland's recovery from economic, community and environmental perspectives. In addition, we will be doing more to contribute to addressing the climate and biodiversity emergencies through putting nature at the heart of our actions where we can truly make a difference. This includes expanding Scotland's national forests and land; peatland and habitat restoration/conservation; and other nature-based solutions through adapting how we work.

Although our agency was only established in April 2019, our plan is influenced by 100 years of experience of looking after the national forests and land. This has helped us to identify and develop a number of priorities for the next three years, all of which are directly aligned to the

Scottish Government’s Purpose and National Outcomes demonstrating how our activity will contribute to the delivery of the wider National Performance framework.

Our Corporate Outcomes describe what we aim to achieve from our programme of activity. For each Corporate Outcome we have developed actions, the delivery of which are crucial to achieving our Outcomes, Vision and Mission for the organisation. The Outcomes are reliant on each other, support the delivery of our vision and mission, and are aligned to the Scottish Government’s outcomes and purpose as set out within the National Performance Framework. More on the alignment of the Corporate Outcomes to the National Performance Framework can be found in the [FLS Corporate Plan 2022-2025](#).

## 1.2.4 Vision and Mission

[Scotland’s Forestry Strategy 2019-2029](#) sets out the vision for forestry in Scotland:

“In 2070 Scotland will have more forests and woodlands, sustainably managed and better integrated with other land uses. These will provide a more resilient, adaptable resource, with greater natural capital value, that supports a strong economy, a thriving environment, and healthy and flourishing communities.”

### Our Vision

“Forests and land that Scotland can be proud of.”

### Our Mission

“To look after Scotland’s forests and land, for the benefit of all, now and for the future.”

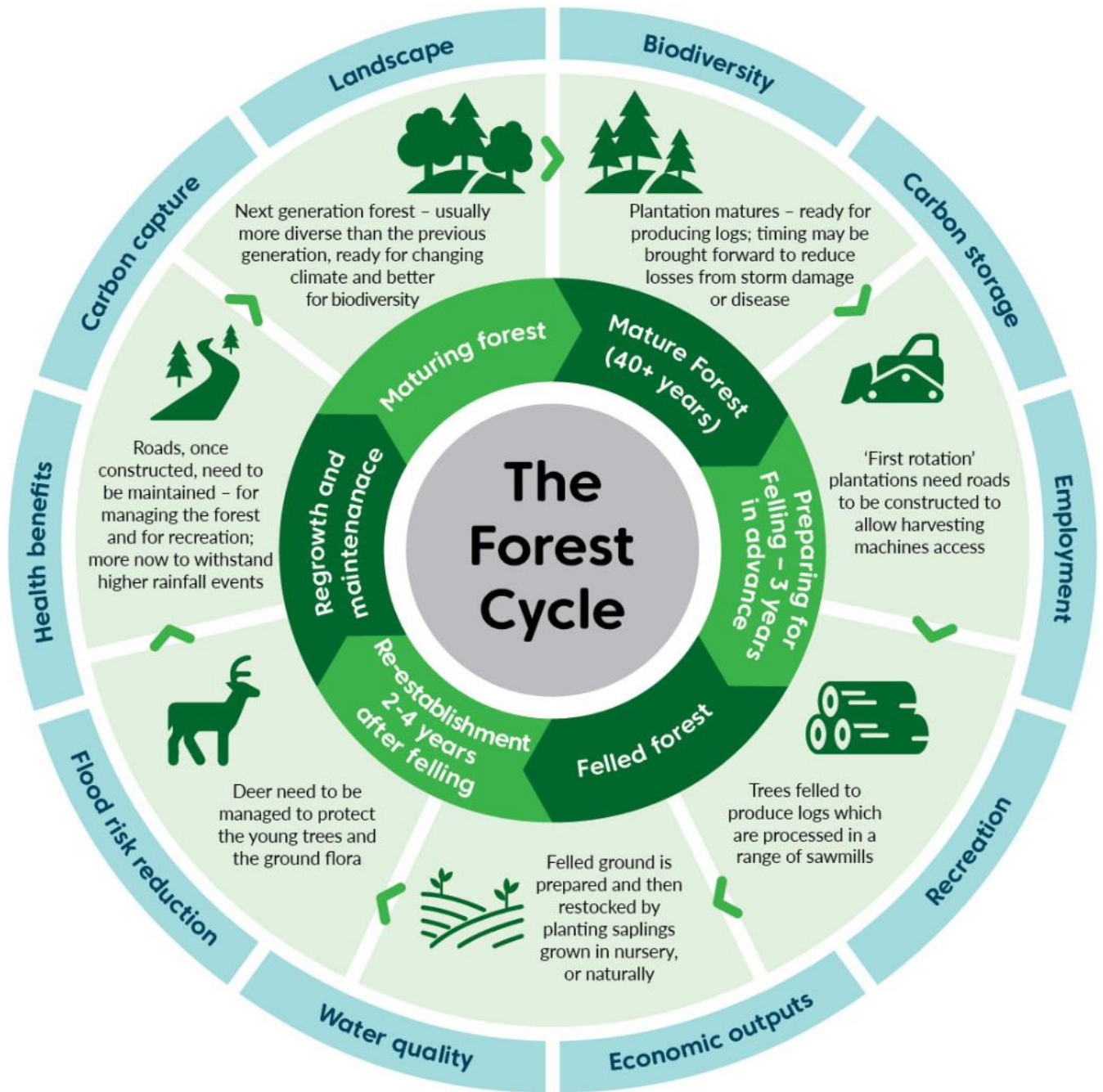
### How will we achieve

“By making a positive contribution to the economy, environment and people of Scotland by:

- Protecting our forests and land;
- Growing the value of our business; and
- Investing in our people and communities”

### Our Responsibility

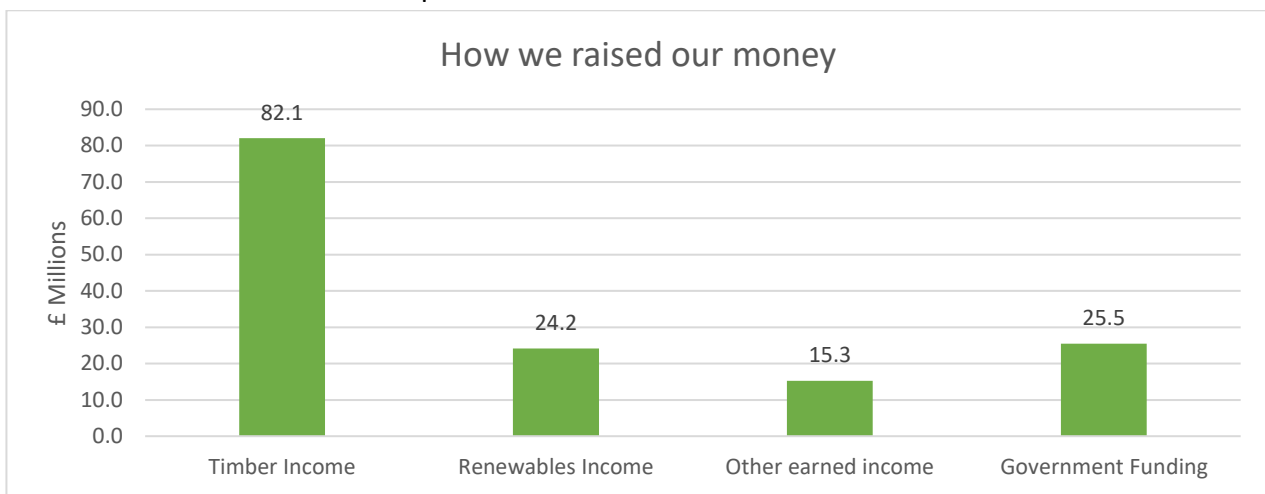
FLS is responsible for managing Scotland’s national forests and land, an area that in total covers 630,000 hectares, 9% of Scotland’s land area. The graphic below describes the full life cycle of creating, nurturing, harvesting and restocking our forests.



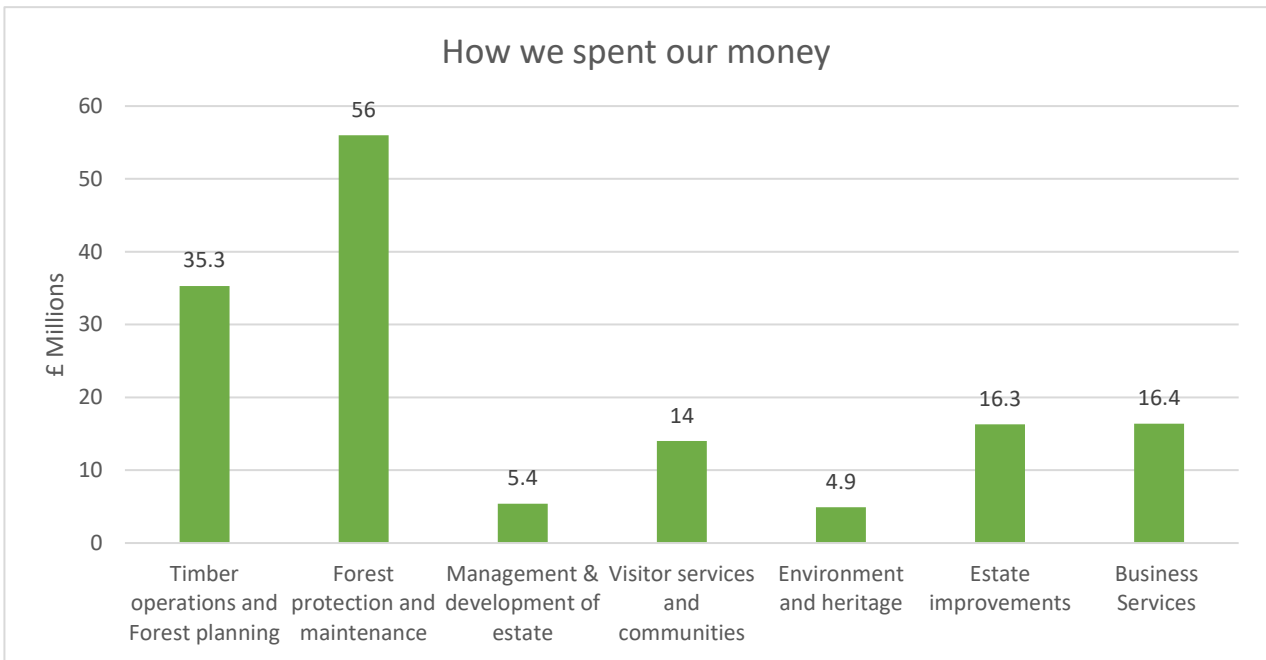
## 1.2.5 Financial Resources

FLS generated income of **£121.5m** in 2023-24 through its commercial trading activities including the sale of timber, renewables, recreation, venison and leases to support the management and development of Scotland's national forests and land.

FLS also received Scottish Government funding of **£25.5m** through our Annual Subsidy Limit of **£7.8m** and other funds of **£17.7m** in support of specific government priorities. As a public corporation FLS is permitted through the FLS Framework Document to retain a financial reserve to enable essential investment and to protect against trading cycles across financial years. FLS is aiming for a long-term sustainable financial plan with provision for reserves that protect liquidity and allow for investment in the protection and enhancement of the national forests and land.



As outlined in the graph above FLS earns **83%** of its funding from commercial activities, **56%** from timber and a further **16%** from renewables. Total income including Scottish Government Grants is **£147m**.



As outlined in the graph above FLS spent total expenditure of **£148.3 m** during the year (excludes the value of the timber) with the majority being spent on protecting and maintaining the forest and on our timber and forest planning.

### 1.2.6 Organisational Structure

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates and are accountable to the Scottish Parliament for FLS’ functions and performance. The Director General Economy has appointed the Director of Environment and Forestry to provide senior Scottish Government management oversight of the agency and of its relationship with Scottish Ministers.

The Chief Executive Officer, in their role as Accountable Officer, delegates responsibility for strategic and operational delivery to the FLS Executives across four directorates. Beneath this layer FLS operates a regional business structure for the delivery of its work across the national forests and land. There are five regions, each of which has a high degree of responsibility for delivery through a network of local offices with support from national offices in Edinburgh and Inverness. FLS employs over 1,100 staff in a variety of occupations across Scotland.

**Management Board (To March 2024)**

- **Chief Executive Officer:** Simon Hodgson (until 31 March 2024)
- **Director of Net Zero:** Graeme Hutton
- **Director of Corporate Services:** Michael Hymers
- **Director of Commercial Development:** John Mair
- **Director of Land Management and Regions:** Graeme Prest
- **Head of People and Organisational Development:** Julie Fitzpatrick
- **Chief Financial Officer:** Donna Mortimer

- **Regional Manager, West:** Andy Hunt
- **Regional Manager, Central:** Carol McGinnes
- **Regional Manager, North:** Alex Macleod
- **Regional Manager, East:** David Leven
- **Regional Manager, South:** John Dougan

In April 2024, Kevin Quinlan joined FLS as Chief Executive Officer following the retirement of Simon Hodgson. Recognising the Agency's need for clearer leadership and accountability, he is taking the opportunity to revise the governance model, introducing a streamlined Executive Leadership Team (supported by a Senior Leadership Team) over the next financial year.

The Chief Executive is supported in discharging their responsibilities by the Strategic Advisory Board and Audit and Risk Committee, which includes Non-Executive Advisors:

Non Executive Members:

- Mark Pountain
- Clea Warner
- Therese O'Donnell
- Jo O'Hara

## 1.3 Performance summary

This report is produced in accordance with HM Treasury's published 'Government Financial Reporting Manual 2023-2024.'

### 1.3.1 2023-24 Key Performance Indicators (KPIs)

The strategic KPIs were agreed by the FLS Management Board and outlined in the 2023-24 Business Plan. Developments were made over the course of the year to improve business intelligence with more regular and meaningful management information being made available allowing managers and senior leaders to better understand the performance and identify areas of improvement.

## Key Performance Indicators

Corporate Outcome	Key Performance Indicator	Target	Target Met?	Actual Outcome
Supporting a Sustainable Rural Economy	Volume of Timber Brought to the Market.	2.9 million m3 obs	Yes	2.9 million m3 obs
Looking after Scotland's National Forests and Land	Area of Woodland Creation.	900 ha	Yes	900 ha
	Area of high conservation value forests and land.	Maintain 257,969ha	Yes	257,969 ha
	Total area of peatland with initial restoration action (ha).	1620 ha	No	1480 ha
	Percentage of Notified Features on Designated sites in favourable (or unfavourable recovering) Condition.	94%	No	92%
	Maintain UKWAS Certification.	Maintain	Yes	Maintained
Scotland's National Forests and Land for Visitors and Communities	Number of community groups engaged in recognised partnerships and agreements.	90	Yes	43 agreements; 51 community lease arrangements; 5 partnerships
A Supportive, Safe and Inclusive Organisation	Percentage of women in senior roles (SCS – PB2).	40%	No	25%
	Ratio of near miss/hazard reporting to total accidents and incidents reported.	20%	Yes	38%
	Staff Engagement: Percentage of employees who would recommend FLS as a great place to work.	70%	No	63%
	Average number of working days lost per FTE.	9 days	Yes	7.17
A High Performing Organisation	Percentage of requests for information (Freedom of information - FOI) processed on time (within 20 working days of receipt of the request).	95%	Yes	95.6%
	Percentage of Ministerial and Corporate Correspondence System (MiCase) queries responded to within agreed timescales.	95%	Yes	100%
	Number of complaints closed in full at stage 1 within five working days as % of all stage 1 complaints responded to in full.	80%	No	69.9%
	Number of complaints closed in full at stage 2 within 20 working days as % of all stage 2 complaints responded to in full.	80%	Yes	90.9%

## 1.3.2 How we performed

Over 1,100 people were employed full time at the end of March 2024 and thanks to their efforts and despite operating in a challenging operational and financial environment we have had a successful year in which we have met **ten** of our Key Performance Indicators.

The following are examples of our broader achievements over the financial year, grouped under the appropriate Corporate Outcome.

### Outcome 1: Supporting a Sustainable Rural Economy

- We successfully brought 2.9 million m<sup>3</sup> of timber volume to the market, which is vital to achieving sustainable forests and contributing to the rural economy.
- We increased the sale of harvesting residues (fibre recovery) by developing new contracts, exploring new markets and building on our understanding of customer future fibre requirements.
- This year we hosted the UCI Cycling World Championships at Glentress which attracted almost 30,000 visitors. The direct economic impact was an estimated £6M with over a third of the economic impact being generated within the local accommodation sector.
- Two new windfarms were commissioned in the year with a capacity of over 100MW, bringing the total generation capacity on the estate to more than 1,200MW. Two further windfarms began construction in the year, and a third after the year end with a total capacity of 287MW.

### Outcome 2: Looking after Scotland's National Forests and Land

- As we fight the global decline in biodiversity we are restoring precious habitat on Scotland's national forests and land through the eradication of *Rhododendron ponticum* across 930 ha which has contributed to us beating our rainforest restoration target for 2023-24 by 141%.
- We further expanded on our peatland restoration programme by taking initial restoration action on approximately 1,480 ha of peatland.

### Outcome 3: National Forests and Land for visitors and communities

- We sought to actively encourage visits to our forests and land by people who are care experienced, of low socioeconomic status and/or from protected characteristic groups. We identified our top five entry level experiences for walking, wheelchairs, hill walking, cycling, wildlife watching, camping and paddle sports for each of our regions and this can now be found on our website.
- We are empowering communities to make innovative use of the national forests and land by working with the Scottish Land Commission to explore ways in which community acquisitions can be more proactively supported/managed.



## Outcome 4: A Supportive, Safe and Inclusive Organisation

- We delivered ‘Engaging the Bystander’ training to staff across the organisation to identify and challenge inappropriate behaviours.
- We launched a hybrid working policy to meet the needs of the organisation as we continue to adapt to new ways of working.

## Outcome 5: A High Performing Organisation

- This year we transitioned digital information from physical servers to cloud-based infrastructure’, migrating business applications and data to make full use of technology. This will allow us to communicate more effectively and limit the need for staff to travel, reducing our resource consumption and waste footprint.
- FLS continued during 2023-24 to identify buildings that were surplus to requirements (e.g. isolated stores no longer used) and disposed of 45 of these either through sale (19), asset transfer (6), termination of lease (1) or demolition (19).
- At the end of March 2024 we had 99 agreements, projects or leases on the national forests and land with 84 community groups. For the period 2023/24 three agreements were closed and two sites were transferred into community ownership. Since the inception of the Community Asset Transfer Scheme in 2017 to March 2024 FLS had completed 25 transfers for community ownership and hydro leases, with a further 6 approved requests in progress. In addition, in 2023/24 two small sites were transferred to community ownership through direct sales.

The five Key Performance Indicators that were not met are described in more detail below:

Key Performance Indicator	Target	Achievement	Reason for shortfall
Total area of peatland with initial restoration action (ha).	1620 ha	1480 ha	Most of this shortfall was due to the early emergence of a protected species; work halted to conduct an external survey. The later working period now also requires a breeding bird survey, further delaying completion of the site.  Two further projects were delayed due to a lack of contractor capacity.
Percentage of Notified Features on Designated sites in favourable (or unfavourable recovering) Condition.	94%	92%	36 features are in Unfavourable Condition even though an ‘on site remedy’ exists. Deer impacts are the primary cause of poor condition. Work to reduce pressures are underway but NatureScot require

			<p>evidence over several seasons before changing the designation.</p> <p>In a small number of cases, there are logistical hurdles to overcome before we can put appropriate management in place (e.g. arranging access to fell difficult to reach plantation).</p>
Percentage of women in senior roles (SCS – PB2).	40%	25%	<p>This KPI has been impacted by the recruitment controls which were in place for more than half of the reporting period. Over the Financial year several female staff in those senior roles have left the organisation and not been replaced (due to the controls) or have been replaced by men.</p> <p>We have subsequently taken several actions to improve this outcome, in both the recruitment and retention of women. As an example, we have introduced the analysis of job descriptions and job adverts for gendered language by the resourcing team, prior to any recruitments going live. We have introduced / expanded initiatives such as the active bystander training and menopause cafes with the intention of ensuring more staff feel safe and included in their workplaces.</p>
Staff Engagement: Percentage of employees who would recommend FLS as a great place to work.	70%	63%	<p>The Employment Engagement Index is based on a set of questions relating to how people feel about working for their organisation and it is derived from the annual Civil Service People Survey. (The last survey was carried out from 19 September 2023 to 23 October 2023 and 63% of FLS staff completed it). The overall response rate was slightly lower than that of the 2022 survey, however the employment</p>

			<p>engagement index increased from 61% to 63% between the two years. It is acknowledged however that this does not meet the target of 70%. The target has deliberately been set high, as the Executive Leadership Team, aspire to see FLS as an employer of choice.</p> <p>On one of the key questions, 'I would recommend my organisation as a great place to work', both the Civil Service Benchmark and the SG benchmark decreased, with both reporting reductions. However, FLS reported an increase of 9% in the score for this question, therefore some of the actions instigated by the organisation are clearly making a difference and are being acknowledged by staff.</p>
<p>Number of complaints closed in full at stage 1 within five working days as % of all stage 1 complaints responded to in full.</p>	<p>80%</p>	<p>69.9%</p>	<p>FY 23/24 is the first full financial year that FLS have had Stage 1 reporting after the implementation of the use of Logger for complaint recording. There was still a period of transition across to the new system which did lead to a lower response rate. In addition to this the other key reasons identified for our performance are, Confusion with the system and/or Process (e.g. Human Error)</p> <p>The complaint Improvement Plan is still 'live' and actions have already been taken to improve performance. These include:</p> <ul style="list-style-type: none"> <li>• Amendment to the system to ensure that closing complaints is more straightforward by users.</li> <li>• Regional Training Sessions with frontline staff organised and subsequently run.</li> <li>• Monthly performance reporting implemented.</li> </ul>

			<ul style="list-style-type: none"> <li>• Continuous performance monitoring instigated.</li> </ul> <p>Performance for Qtr. 1 (FY 24/25) has already shown an improvement in the number of complaints resolved within target. We will continue to monitor this closely until we meet our performance targets.</p>
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### 1.3.3 Principal Risks

FLS faced a number of key risks over the 2023-24 financial year affecting delivery of the organisation’s targets and corporate outcomes (these can be found in 2.3). As with many organisations, we have continued to operate in an environment with an ongoing cost of living crisis and high inflation, and we have continued to struggle to attract and retain staff and suppliers. This has impacted greatly on our performance during the year.

In addition we continue to move FLS to a longer-term model to support and enable financial and business sustainability. As a Public Corporation with limited Scottish Government financial support, our ability to remain operational and achieve our outcomes is based on the ability to understand and plan the effective and efficient use of limited resources, while continuing to reflect and respond to often volatile markets.

Further detail on the key risks and our approach to managing those risks is provided in the Governance Statement in section 2.3 of this report.

## 1.4 Performance Analysis

The purpose of the performance analysis is to provide a more detailed look at FLS performance during the year. The section covers our achievements, our financial funding and outturn for the year past and a look at the future challenges that we face. The section also provides a view of environmental, social and health and safety matters.

### 1.4.1 Our achievements

FLS achieved many of its programmes and targets in 2023-24 while operating in a challenging operational and financial environment. This year, FLS delivered timber volume to the market of **2.9 million m3 obs**, which is vital to achieving sustainable forests and maintaining our UK Woodland Assurance Standard (UKWAS) certification.

Our teams have remained resilient throughout a number of extreme weather events. The aftermath of dealing with wild fires, floods and land slips together with continuing high inflation

and supply chain issues inevitably impact our cost base. In 2022 the annual rate of CPI was 9.1% and in 2023 it was 7.3%, such substantial increases has been difficult to manage and particularly in the last 2 years where almost all of our circa 4 year Land Management contracts reached a point of expiry concurrently exposing us to increased prices upon re-tendering.

Work is progressing at Newton Nursey which will be completed in 2024-25. In 2023-24 we successfully grew 5.8m trees which represents around 35% of our annual requirement, the rest being sourced on a contracted basis on the open market. Once the project is on-line we anticipate that by year 3 we will have increased our growing capacity to meet 66% of our own plant requirements, C16 million trees. As production increases the amount of trees sourced externally will decrease which will deliver significant cash savings of around £1m pa which is based on current external plant pricing market rates set against internal production costs.

Renewable energy is the other main income source for the Agency and this continues to perform strongly generating **£24.1m** in 2023-24. Hydro schemes performed well this year, due to the significant amount of rainfall we have seen in Scotland. Two new windfarms were commissioned in the year and construction started on two further windfarms. We have seen 13% average growth in the last five years and it is predicted that the renewable energy market will continue to be lucrative. Looking ahead to 2030 we anticipate a third of our annual income to be earned from our renewables investments.

Scotland hosts a globally significant collection of temperate rainforests along its western seaboard, and we manage about 30% of these forests. We oversee some of the richest and most renowned sites, including the Sunart oakwoods, Glen Creran, Glen Shira, Glen Nant, and Dalavich oakwoods. These woodlands are globally significant for numerous species of lichen, bryophytes, and ferns. However, rainforest habitats face considerable threats to their long-term survival due to overgrazing by deer and invasive species like rhododendron. Thanks to funding from the Scottish Government, we have safeguarded 250 hectares of Plantations on Ancient Woodland Sites (PAWS), eradicated rhododendron ponticum across 930 hectares, and improved our deer management target by 13%.

Carbon capture remains a priority for the organisation and with the help of the funding received from Scottish Government FLS restored 1480Ha of Scotland's peatlands and planted 900 ha of new woodland.

## 1.4.2 Financial Outturn

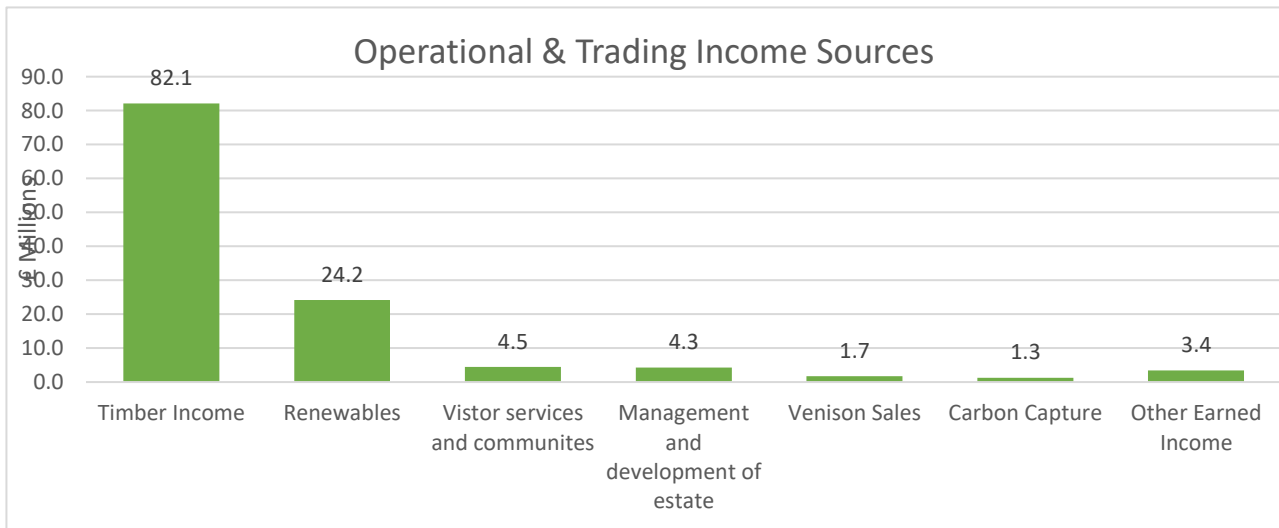
The economic climate remains challenging, particularly the timber market, and FLS is reliant on the unrestricted SG grant, the Annual Subsidy Limit of £7.8m it received in 2023-24. When trading was more positive, as it was in 2021-22, FLS built up reserves to offset future cyclical trading conditions, upon which we now rely. On the positive side, there has been growth in our income this year of **£15.7m** over the previous year. In addition other income was received from Scottish Government of **£7.8m** Annual Subsidy and **£17.7m** relating to specific government objectives such as Woodland Creation and Peatland Restoration.

## Earned and other income

### Operational and trading Income

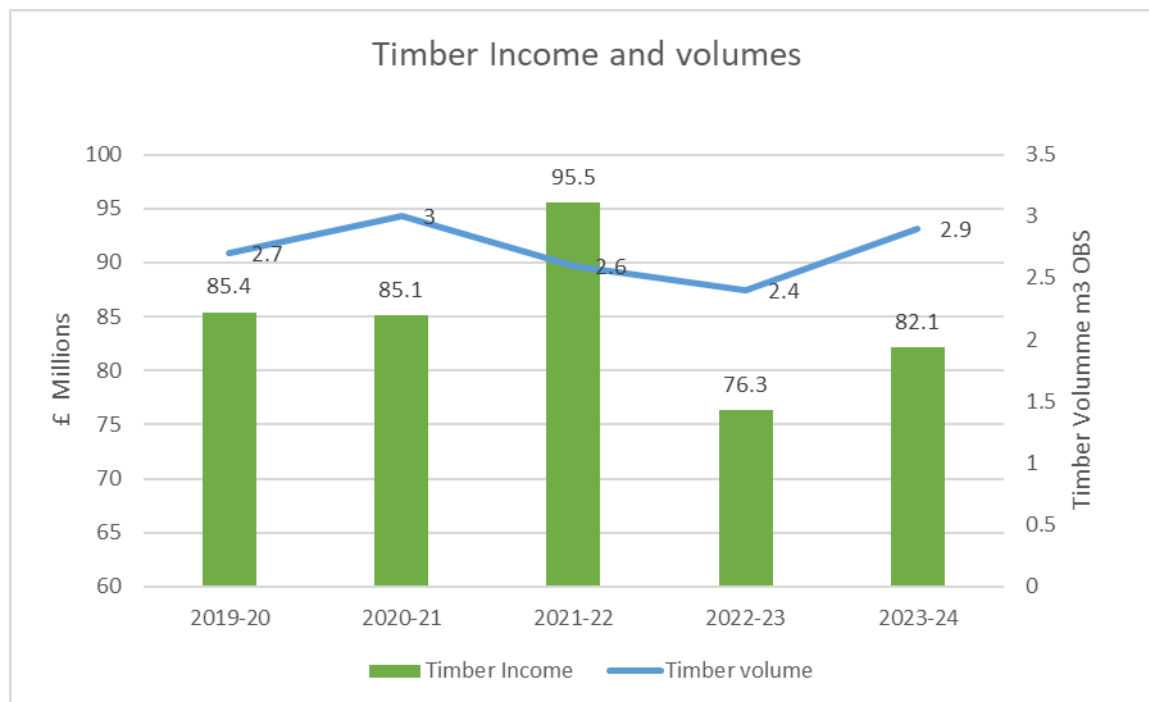


As shown in the above graph our operational income increased by almost 15% over the previous year to **£121.5**. This growth was primarily driven by a rise in timber revenue to **£82.1m**, an increase of **£5.7m** on the previous year. Additionally, contribution from our renewable energy partners continued to perform strongly, with high energy prices and new schemes becoming operational generating **£24.1m** in 2023-24, an increase of **£4.7m** compared to the previous year.



As shown in the above graph timber sales and renewables are our primary sources of income, accounting for nearly 87% of our total operational revenue. The remaining income is generated through recreation and tourism, Estate Management, Venison Sales, Carbon Capture and various other minor sources.

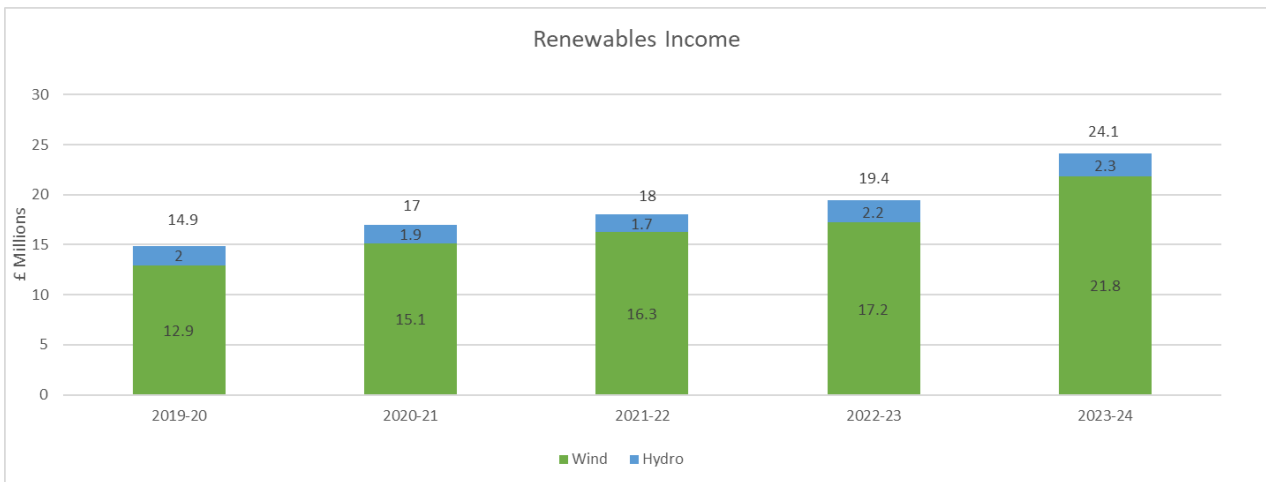
## Timber income and volumes



As shown in the above graph timber income experienced a significant increase in 2023-24, rising from £76.3m to £82.1m, a growth of nearly 8%. This overall increase can be attributed to several factors. Despite facing a 12% reduction in income due to the continued low sales price of timber and a further 1% reduction due to a slightly less favourable sales mix between Standing Sales and Direct Production, these were more than offset by a substantial 21% increase in income driven by higher sales volumes. This robust volume growth of 0.5m3 OBS is a result of our focus on achieving increased timber volumes in 2023-24.

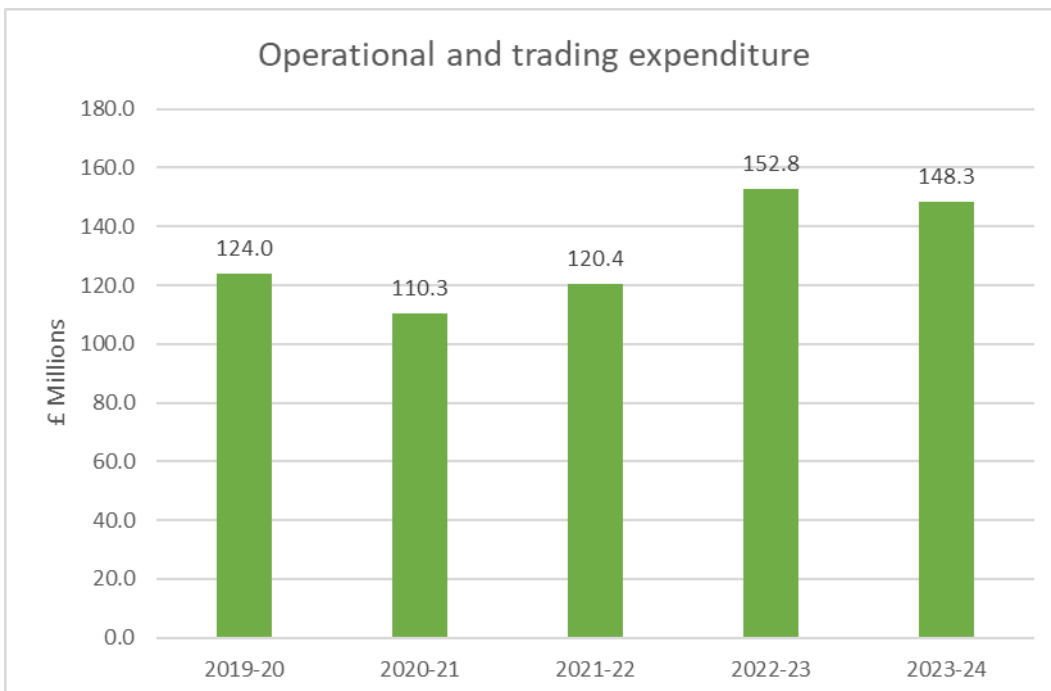
### Renewable energy income

A commitment by Scottish Government to achieve Carbon Net Zero status by 2045 is, in part, supported by increasing capacity in renewable energy. FLS continues to support this objective through its renewable energy activities and by 2030 we anticipate a third of our annual income to be earned from our renewables investments; similar to timber, this commodity is sensitive to global events.



As shown in the above graph renewables income continues to experience growth year on year including in 2023-24, rising from £19.4m to £24.1m, a growth of nearly 24%. This overall increase can be largely attributed to the commissioning of two new wind farms on FLS land. While power prices are lower than they have been in recent years, albeit still higher than the long term average, the commercial rent agreements have benefitted from hydro schemes generating more output due to higher rainfall in Scotland.

## Operational and trading expenditure



As shown in the above graph there has been a decrease in operational and trading expenditure in 2023-24, of £4.6m. Although, a decrease in costs is welcome, this is partly due to some one off expenditure items that occurred in 2022-23. Since 2019 we have seen a 20% increase in costs from £124m to £148.3m.

The cost of living crisis is still having a major impact on our ability to control costs as 54% of our spend relates to external contract spend and 38% relates to internal staff costs. Our costs are



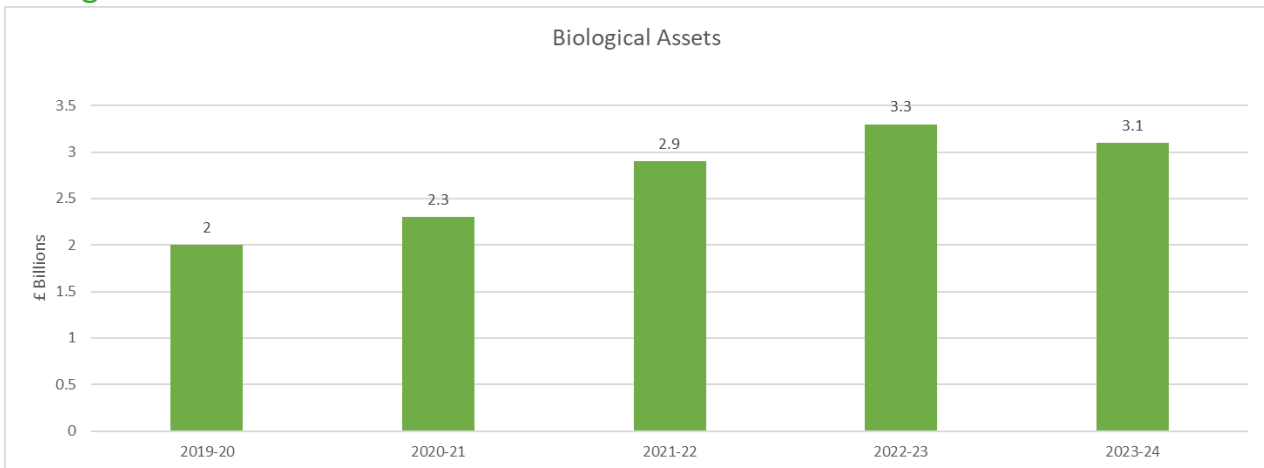
heavily service / labour based and the Real Living Wage Foundation declared their largest increase to the Real Living Wage in history during 2023 of 10.1%.

COVID and the War in Ukraine have continued to push up construction costs significantly over the last 3 years, impacting our civil engineering programme, with fuel and energy costs spiking at an all-time high in 2022; whilst there has since been some small reduction in costs, they have not and are unlikely to return to what they were prior to the substantial spike.

We continue to suffer from the after effects of Brexit on the UK labour market as much of our seasonal labour in forest management used to come from Europe, where this resource is now scarce, with suppliers having to source labour within the UK market to a much greater degree and at an increased cost.

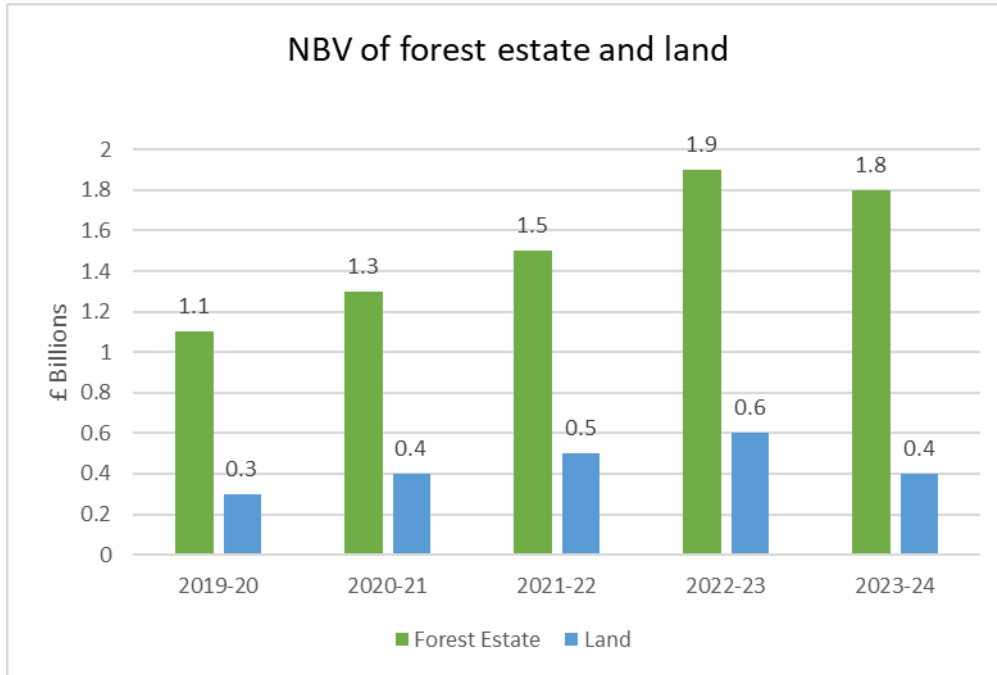
As we increase our demand for certain services i.e. we have agreed to harvest and sell more timber and we are concurrently trying to catch up with backlogs of restocking; this is creating a situation of additional volume / cost pressure, in addition to those goods, works and services becoming more expensive in the market.

### Biological Assets



As shown in the above graph in 2023-24, there has been a decrease of £196 million (6.0%) in the valuation of biological assets compared to the previous year. This is in line with a reduction in the value of forestry land in Scotland of circa 10% and the expectation is that the FLS portfolio, including biological assets, would decrease by a similar proportion. In the last 4 years we have seen substantial increases in the portfolio, so at some point a market correction was to be expected.

## National forests and land



Similar to biological assets, the net book value (NBV) of national forest and land has decreased from £2.5 billion in 2022-23 to £2.2 billion in 2023-24 (12.5%). As demonstrated in the above graph the five year picture remains positive with overall growth in the five years of 57.1%.

### 1.4.3 Funding

FLS received funding from two main sources in 2023-24: the Scottish Government allocation, and the income from FLS's own trading activities.

#### Scottish Government

Core Scottish Government (SG) funding received by FLS in 2023-24 was **£17.8 m**, this included £10m which was restricted for new woodland creation. In addition, FLS also received **£10.5 m** from other parts of SG and its bodies to fund seasonal rangers, peatland restoration and Atlantic Rainforest. The total SG grants received is **£28.2m**, however some of this was deferred as in previous years. £25.5m of Scottish Government Grants is recognised as income in 2023-24.

#### Classification of funding

Funding received is split as follows between unrestricted and restricted for accounting purposes.

##### Unrestricted

- Annual Subsidy Limit (ASL) – £7.8 m.

##### Restricted

Restricted income covers specific projects, some of which extend over multiple years. Where appropriate restricted funds have been deferred for use in future years.

- Woodland creation – £10m to fund initiatives to restore our native woodlands and peatland, contributing to the Scottish Government fulfilling its targets on climate change and bio-diversity and ensuring the supply of sustainable wood products.
- The Environmental and Forestry Directorate (ENFOR) contributed £8.6m to peatland restoration. ENFOR also contributed £1.5m to the Alliance for Scotland’s Rainforest to secure the long-term sustainability of Scotland’s globally significant collection of temperate rainforests along its western seaboard.
- NatureScot contributed £0.4m for 18 seasonal rangers providing valuable collaboration with our communities and partners and encouraging responsible behaviour to all visitors to our forests.

## Reserves

FLS is permitted to have in place financial reserves to support financial planning and objectives, taking cognisance of cyclical fluctuations in income and expenditure in the short, medium and long term.

Three types of reserves are held, restricted, unrestricted and liquidity:

- Restricted with a specific purpose – **£37.8 m** (2022-2023: **£40 m**). Of this, £18.5 m relates to the redevelopment of Newton Nursery.
- Earmarked – **£26.7 m** (2022-2023: **£43 m**). Earmarked to specific projects for protecting and enhancing the National Forests and Land in 2023-24 and beyond, these funds are allocated by the Chief Executive to protect the future sustainability of the organisation.
- Liquidity reserves - **£14.1 m** (2022-2023: **£13 m**). These are funds that enable the agency to manage the risks it faces from trading and timber price and fluctuations in demand. The reserves service any unexpected need for funds, such as covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise.

### 1.4.3 Looking to the future

External economic factors remain a challenge for the organisation and maintaining financial stability continues to be a key focus for FLS. Whilst we continue to hold reserves at the end of 2023-24, these are forecast to be almost fully utilised over the next two years. The completion of restricted projects, the funding of forecast trading deficits (as a result of the challenging economic conditions) combined with the continued risk surrounding the funding received from Scottish Government means that FLS has to become more effective and efficient in delivering its outputs to become financially sustainable.

The Executive Leadership Team is establishing a Transformation Programme to improve the effectiveness and efficiency of the delivery of FLS’ key priorities and outputs, and to develop an

operationally and financially sustainable business model. This is focused both on improving financial performance and productivity, which will help deliver key operational outputs.

The Transformation Programme will be a process of continuous improvement, exploring new sources of income, external benchmarking and profitability analysis. It will implement changes in a timely manner to maximise efficiencies in our delivery. The implementation of 'leading' KPIs and scorecard measurements is already taking place, giving the senior team earlier access to information and tools to improve the timeliness of decision making.

Inflationary pressures on costs and the related impact on timber sales will continue to be a significant challenge through 2023-24. Nevertheless, the actions taken through the Transformation Programme will mitigate the impact on FLS' operations and will allow us to continue to grow the estate and its outputs.

We are confident that FLS is financially sustainable in the short-term and will be able to deliver longer-term viability through the Transformation Programme. Therefore the 'going concern' basis has been used in preparation of this Annual Report and Accounts, as all activities performed by FLS are expected to continue for the foreseeable future.

#### 1.4.4 Plans for 2024/25

The current financial situation in the UK with continued inflation, high energy prices and high interest rates, is putting considerable pressure on public sector budgets. FLS and the wider forestry sector is not immune to this pressure and 2024-25 will be another difficult year. However, we have set an ambitious Business Plan for the year based on the current financial outlook, with key activities that will help deliver against our five corporate outcomes.

Some of these priorities and actions set out in the Business Plan for 2024-25 include:

- Marketing up to 3.3 million m<sup>3</sup> of timber;
- Creating 600 ha of new woodland;
- Increasing a further total area of peatland with initial restoration action by 1,500 hectares;
- Continuing to develop and implement the Net Zero Strategy and Climate Change Plan;

We will strive to deliver all our commitments set out in the plan but are mindful of the need to be ready to change plans to respond to local and global concerns. We will also play our role in responding to other challenges including addressing the Climate Emergency and move closer to our vision of forests and land that Scotland can be proud of.

#### 1.4.5 Performance and Achievements in detail

Further information on performance, achievements and opportunities for improvement can be found in the quarterly [Corporate Performance Reports](#) published on the FLS website.

## 1.4.6 Environmental Matters

We are committed to reducing the environmental impact of our activities. Our aim is to adapt how we manage our land, reduce our emissions and capture more carbon, leading the way for the land-based sector.

Scotland's climate change legislation and National Performance Framework set a target date for net-zero emissions of all greenhouse gases by 2045. We are already major contributors to efforts to capture carbon and reduce emissions: leading the way in creating new woodlands; balancing timber production and replanting programmes; improving the condition of peatlands and other degraded soils; and working with the wind and hydro sectors to realise the renewable energy potential of the national forests and land.

In line with our duties as a public body (as set out in the Climate Change (Scotland) Act 2009) we apply annual targets to reduce our emissions in key areas. Having identified our baseline for our contract emissions, are working with our high emission area suppliers to improve emissions data collection, monitor emissions over the lifetime of contracts, and to identify opportunities for emissions reduction. We are working with experts to understand our current and projected land-based emissions, to ensure we have a full picture of our emissions portfolio now and moving forward, and to identify any areas for improvement.

Our Climate Change Plan sets out some of the actions we will take to achieve zero 'direct' business emissions by 2045 and the targeting of reductions of our 'indirect' emissions, like those generated by our suppliers/contractors associated with our activities. It also sets out our aims for capturing carbon, adapting the forests and land and conserving biodiversity in response to the twin emergencies of Climate Change and Biodiversity loss.

Our targets and our work to achieve them are detailed annually and published in a report via the Scottish Sustainability Network.

An FLS National Climate Change Risk Assessment (CCRA) was recently completed to evaluate the organisation's primary and cascading risks in the changing climate. Assessing and understanding these challenges will help inform future adaptation planning, business planning, land management planning, and investment opportunities.

More information on how we are tackling the climate emergency and biodiversity crisis, including our Climate Change Plan can also be accessed via our [website](#).

## 1.4.7 Social Matters

We have well developed policies and procedures to address a wide variety of areas, in particular anti-corruption and anti-bribery, modern slavery, equality, diversity and inclusion, and Whistleblowing.

More information can be found in the Remuneration and Staff Report and in the Governance Statement in these accounts.

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 FLS' business whether in matters of financial, regulatory or other malpractices including fraud, and bribery. Our policies and reporting mechanisms encourage staff to raise concerns without fear of suffering retribution, ensuring there is a transparent and confidential process for dealing with concerns.

### Our hybrid working vision

As we continue to recover from wider external impacts and challenges we have sought to find the right balance in the way that we work. The following ethos sets out our commitment to our people and how we will attract and retain future employees.

- We commit to supporting our people to work in the most appropriate way to maximise their effectiveness in their roles, supporting and enhancing collaborative teamwork across the agency,
- We empower managers to agree appropriate work arrangements within their teams, ensuring a balanced approach is taken to support all employees and enabling collaborative team working across FLS and with our key customers and stakeholders,
- We aim to be an employer of choice by enabling our people to optimise their outputs collaboratively and work flexibly within a considered, supportive and progressive environment.

To embed the FLS ethos, the following principles provide a framework to define our expectations:

- **Collaborative:** we are fully supportive of a business central, collaborative approach,
- **Expectations:** business needs remain central to our hybrid working arrangements,
- **Flexibility:** we recognise that one size does not fit all, and Directorates will agree on varying arrangements that are appropriate for each function,
- **Forestry and Land:** we will use the opportunity of flexibility to work in different locations where possible and network with our colleagues across functions,
- **Wellbeing and Inclusivity:** We will advocate for a healthy work-life balance and culture.

## 1.4.8 Health and Safety

### Policy

We are committed to protecting the health and safety of our employees, our contractors, our visitors and the communities in which we operate. Our vision is to create an excellent health, safety and wellbeing culture.

Strategic leadership on health and safety within the forestry industry continues to be delivered through the Forest Industry Safety Accord (FISA). The Accord sets out the commitment that each organisation, and the sector at large, will aim to raise the standard of health and safety in their place of work. FLS is a signatory to the Accord and plays a major role in the work of FISA. FLS continues to lead within FISA through its involvement in FISA's Steering Group, and through both leading or providing input into the range of FISA working groups.

#### Activity

FLS continues to implement its Health, Safety and Wellbeing improvement strategy, which focuses on managing risks and improving health and safety performance. It follows the principles of the international standard, ISO 45001, Occupational Health and Safety Management Systems. Continuing the 'plan-do-check-act' approach, a further audit was carried out on managing the risks associated with lone working.

Further work on preventing serious and fatal chainsaw accidents has expanded our research collaboration with Aberdeen University on the importance of non-technical skills and fatigue on safety, and producing resources such as field guides as part of the chainsaw operator wellbeing framework.

Supporting good mental and physical health at work has continued to be a key priority for FLS. The review of mental health first aider provision across FLS was completed, with recommendations made and an action plan drawn up. We have also successfully launched further wellbeing resources such as Able Futures, a wellbeing framework for chainsaw operators, and menopause champions and guidance. A new Employee Mental Health Support Guide was launched, providing guidance and resource signposting for employees and their managers, and an apprentice wellbeing resource has been developed, scheduled to be launched in 2024-25.

# Accidents

The number of Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations 2013 (RIDDOR) reportable accidents (over seven days and specific injuries) in 2023-24 was nine, including four reported by contractors. The following table details this information and comparable data for 2022-23.

RIDDOR Reportable Accidents	2023-24	2022-23
Employee	5	4
Contractor	4	3
Total	9	7

  
**Kevin Quinlan**  
Accountable Officer  
Date: 03 September 2024



# Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2023-24. This report has three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

## 2. Corporate Governance Report

The Corporate Governance Report describes Forestry and Land Scotland's governance structures and how they achieve the business objectives. It comprises the Directors' Report, the Statement of Accountable Officer's Responsibilities and the Governance Statement. This meets accountability requirements as specified in the HM Treasury's Financial Reporting Manual.

### 2.1. Directors' Report

#### 2.1.1 Relationship with Scottish Government

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately, they are accountable to the Scottish Parliament for its functions and performance. FLS will be responsible for the day-to-day management of the agency. During FY 23/24 Ministerial responsibility for Forestry and Land Scotland, sat with Mairi Gougeon MSP, as the Cabinet Secretary for Rural Affairs, Land Reform and Islands. The responsibilities of Scottish Ministers in relation to the agency, are set out in the FLS Framework Document.

The Director General Net Zero appointed the Director of Environment and Forestry, Kevin Quinlan to provide senior Scottish Government policy oversight of the agency and of its relationship with Scottish Ministers during FY 23/24. The Director has several responsibilities in relation to the agency, all of which are set out in the FLS Framework Document.

#### 2.1.2 The Chief Executive

Simon Hodgson was Chief Executive of FLS over the reporting period. The Chief Executive was also the Accountable Officer of Forestry and Land Scotland and was supported by and chaired the FLS Strategic Advisory Board (previously known as the Strategic Board) and Management Board.

Following a change to Directorate responsibilities in January 2022, the incoming CEO commissioned a review of FLS' governance arrangements to ensure it aligned with empowering business areas to take forward agreed business plans and deliver Corporate Outcomes. From

May 2023 this included transitioning to the FLS Strategic Advisory Board, replacing the Strategic Board.

Further details of the governance structure, including further changes to be implemented during 2024-25, and risk management arrangements in operation are provided as part of the Governance Statement.

### 2.1.3 FLS Strategic Advisory Board (Changed from Strategic Board as of May 2023)

- Chief Executive Officer: Simon Hodgson (Attended all meetings, in post until 31 March 2024)
- **Director of Net Zero:** Graeme Hutton (Attended all meetings, except April 2023)
- **Director of Corporate Services:** Michael Hymers (Attended all meetings)
- **Director of Commercial Development:** John Mair (Attended all meetings)
- **Director of Land Management and Regions:** Graeme Prest (Attended all meetings, except April 2023)
- **Non Executive** - Mark Pountain (Attended all meetings)
- **Non Executive:** Clea Warner (Attended all meetings, except March 2024)
- **Non Executive:** Therese O'Donnell (Attended all meetings)
- **Non Executive:** Jo O'Hara (Attended all meetings)

### 2.1.4 FLS Management Board

- **Chief Executive Officer:** Simon Hodgson (until 31 March 2024) then Kevin Quinlan
- **Director of Net Zero:** Graeme Hutton
- **Director of Corporate Services:** Michael Hymers
- **Director of Commercial Development:** John Mair
- **Director of Land Management and Regions:** Graeme Prest
- **Head of People and Organisational Development:** Julie Fitzpatrick
- **Chief Financial Officer:** Donna Mortimer
- **Regional Manager, West:** Andy Hunt
- **Regional Manager, Central:** Carol McGinnes
- **Regional Manager, North:** Alex Macleod
- **Regional Manager, East:** David Leven
- **Regional Manager, South:** John Dougan

The information above represents the composition of the Management Board at 31st March 2024. Full details are provided in the Remuneration report. Biographies for our Strategic Advisory Board and Management Board members can be found on our [website](#).

### 2.1.5 Register of Interests

A register of interest of all Strategic Advisory Board and Management board members is maintained and published on the FLS [website](#).

## 2.1.6 Other Disclosures

There were eight non-reportable and zero reportable personal data incidents for FLS in 2023-24. This compares with eleven non-reportable and zero reportable personal data related incidents in 2022-23.

## 2.1.7 Supplier Payment Policy

FLS is committed to the prompt payment of invoices, aiming to settle all undisputed invoices within contract terms and also in line with the Scottish Government's payment policy. Prompt payment clauses requesting 30 day payment terms are embedded within our contracts and these are required to be replicated throughout the supply chain.

As part of Scottish Government's continuing commitment to support economic recovery and sustainable economic growth in Scotland, we continue to aspire to a 10 day target for paying invoices to our suppliers wherever possible, going beyond our commitment to pay suppliers within 30 days.

We recognise the value of prompt payment through the supply chain and how this can affect cash flow positively or negatively; we will therefore embed all measures set out in SPPN 2/2022 with regard to prompt payment in the supply chain and we will respond to any issues raised formally by suppliers, sub-contractors and those further down our supply chains with regards to late or non-payment.

An analysis of bill payments for 2023-24 indicates that 80% were paid within the ten working days target (2022-23 - 78%) and a further 14% were paid within 30 days. Arrangements for handling complaints on payment performance are notified to suppliers within contracts.

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

## 2.1.8 Basis of Accounts

The Forestry and Land Scotland Resource 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.

## 2.1.9 Departmental Accounting Boundary

Forestry and Land Scotland is designated, by the Office of National Statistics, as a public corporation for national accounting purposes in accordance with European System of Accounts (ESA) 95. Accordingly, it is outside the departmental boundary for resource accounting purposes with the net funding reflected in the Scottish Government resource accounts.

## 2.1.10 Auditors

Grant Thornton UK LLP are appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Forestry and Land Scotland. No fees were charged for other services.

## 2.2 Statement of Accountable Officer's Responsibilities

Under the Public Finance and Accountability (Scotland) Act 2000, the Chief Executive is required to prepare and sign an Annual Report and Accounts to Scottish Ministers, and to arrange for laying them before the Scottish Parliament. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Forestry and Land Scotland, the income and expenditure, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

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

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

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of FLS as Accountable Officer of FLS. The FLS Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the FLS activities and for the economical, efficient and effective use of all associated resources. The Accountable Officer is also responsible for signing the accounts of FLS.

## 2.3. Governance Statement

### 2.3.1 Scope of Responsibilities

As the Accountable Officer at the date of signing this report, I am personally accountable to the Scottish Parliament for the proper management of public funds and for ensuring these resources are used efficiently, economically and effectively. In discharging this overall responsibility, the CEO is responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes a sound system of control is maintained through the year and that arrangements are in place for the management of risk. I believe that FLS fully complies with the principles of the Scottish Public Finance Manual.

### 2.3.2 The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which Forestry and Land Scotland (FLS) is directed, controlled and led. It enables FLS to monitor the achievement of its corporate outcomes and to consider whether those outcomes 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 FLS policies, aims and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately they are accountable to the Scottish Parliament for its functions and performance. FLS is responsible for the day-to-day management of the agency. The mandate of FLS is laid out in the agency Framework Document which was agreed by the then Cabinet Secretary for Rural Economy and Tourism.

The governance framework has been in place at FLS for the year ended 31 March 2024 and up to the date of approval of the Annual Report and Accounts, and accords with Scottish Public Finance Manual Guidance.

### 2.3.3 Strategic Advisory Board

The Chief Executive, as Accountable Officer, is personally accountable to Scottish Ministers for the performance of FLS and delivery of its functions. In doing so he is supported by the FLS Strategic Advisory Board which comprises Executive Directors and Non-Executive Advisors. The Board's role is to support and provide advice to the Chief Executive in order that he can reach robust and well-informed decisions.

The organisation's strategic vision, aims, objectives and targets, and any steps required to deal with changes which are likely to impact on the strategic aims and objectives of FLS or on the attainability of its targets;

The effectiveness of the arrangements that provide assurance on risk management (including in respect of personnel, physical and cyber risks/ threats/hazards), governance and internal control; and

The systems that are in place to enable early identification/notification to be provided to the Scottish Government about emerging issues which will impact on the operation or reputation of FLS.

The Strategic Advisory Board met four times during the reporting period in April, May, September and December 2023 and a further joint meeting with the Management Board in March 2024 discussing a wide range of topics. Topics for discussion included progressing proposals to move to new governance arrangements, long-term financial sustainability, and changes in the political environment in which FLS operates.

Members of the Strategic Advisory Board during the year are outlined in 2.1.3 and minutes from the meetings are published on the FLS website.

### 2.3.4 Management Board

The Management Board supported the Chief Executive with the day-to-day running of FLS and provided advice and knowledge on professional, technical and regional matters. It comprised the Executive Directors, Regional Managers, Head of People and Organisational Development and Chief Financial Officer. Meetings took place bi-monthly over the period, with additional meetings scheduled to meet business requirements.

Examples of topics for discussion included financial planning, developing our approach to Carbon Projects, Hybrid Working, Workforce Planning, refreshing our People Strategy, and replacing our finance system. Financial reporting, Health, Safety and Wellbeing and emerging risks were standing items on the agenda of each meeting.

Members of the Management Board during the year are outlined in 2.1.4. Minutes from meetings of the Management Board were previously published on the FLS website. However, as we have now updated information to reflect our updated governance model previous minutes can be obtained on request.

### 2.3.5 Audit and Risk Committee

The Audit and Risk Committee (ARC) supports the FLS Chief Executive Officer by providing advice and constructive challenge, in particular providing support in relation to his responsibilities for issues of risk management, control, and governance and associated assurance to support year-end accountability and reporting. The ARC is supported by the Corporate Services Function.

The membership of the ARC comprises the Non-Executive Advisors, the Chief Executive, Director of Corporate Services and Chief Financial Officer routinely attend the ARC, along with

representatives from Internal and External Audit. However the terms of reference, set out in Annex C of the [FLS Framework Document](#), provide for the ARC to sit privately without Executives present for all or part of a meeting if required.

The ARC met three times over the reporting period in July, December 2023 and March 2024, In addition a single item meeting was held in February 2024. Minutes from meetings of the ARC are published on the [FLS website](#). Members of the ARC during the year were as follows:

- **Non Executive** - Mark Pountain (Attended all meetings)
- **Non Executive:** Clea Warner (Attended all meetings)
- **Non Executive:** Therese O'Donnell (Attended all meetings)
- **Non Executive:** Jo O'Hara (Attended all meetings)

### 2.3.6 Risk Management

FLS is committed to achieving its aims as defined in our Corporate Plan and Business Plan. In doing so, we recognise that we will face a variety of risks.

We identify that effective risk management helps us to make better decisions and reassures our customers, partners and stakeholders. Our approach to risk is designed to identify risks and support the delivery of our organisational outcomes. We are committed to ensuring that the management of risk underpins all business activities and that thorough risk management procedures are in place across the organisation.

Full details of our approach to risk management can be found in our published [Risk Management Policy and Framework](#).

### 2.3.7 Our Risk Appetite

As a public body responsible for managing the national forests and land for multiple outcomes, the principal areas of risk we may be exposed to relate to the following categories:

- **Compliance/Regulatory** – our compliance with all relevant laws, regulations and governance requirements in the delivery of our duties and responsibilities
- **Reputation** – the decisions, actions, response or position we take in relation to the broad scope of our work
- **Financial Sustainability and Performance** – the decisions we take in how we will deploy, utilise and monitor our resources to maximise their public value and ensure long-term financial sustainability
- **Business Continuity** – the decisions we take to remain operational and structure the organisation, including our internal business process and delivery model, and the use of supporting equipment
- **People and Culture** – we provide a safe and inclusive workplace and service provision to internal and external customers and stakeholders
- **Innovation and Adaption** – we will continue to encourage an innovative environment, maximising opportunities and adapting our business model and approach where required

- **Environment and Social Responsibility** – the organisation aims to make a significant, sustainable, and socially responsible contribution to Scotland and its people, including contributing towards addressing the Climate Emergency and social inequalities.

The overall appetite to risk is currently assessed as ‘Cautious’ i.e. that the organisation is willing to consider making decisions to deliver our Corporate Plan and associated outcomes which may involve a degree of risk taking in order to achieve the desired benefits. This would only be undertaken however where the relevant risks are judged to be within the organisation’s capacity to manage and deliver against them to achieve significant gains.

Each category of risk has been discussed and agreed by the Management Board and Audit and Risk Committee (ARC) as to the appropriate risk appetite level. This provides a framework to help inform decision making. This looks at the level of risk which is deemed to be ‘manageable’ i.e. where the risks will need careful management but are considered to be worth taking. Where potential risks could breach the ‘manageable’ level assurance should be provided to the Management Board and ARC that these can be appropriately controlled.

We recognise it is good practice to periodically review the organisation’s appetite for and attitude to risk. This includes reviewing the setting of risk tolerances at the different levels of the organisation, thresholds for escalation and authority to act, and evaluating the organisational capacity to handle risk. In addition, it provides the opportunity to reflect on the categorisation of risk to reflect and incorporate changing government principles and concepts to support good governance arrangements and feedback from internal and external assurance sources. It also ensures our approach remains up to date and aligned to organisational priorities to inform decision making at all levels.

### 2.3.8 Key Risks

Throughout the financial year 2023-24 we continued to identify and manage organisational risks. The nature of our business means that health, safety and wellbeing remains an area of high risk across the organisation with regard to our staff, contractors and visitors and we continue to proactively monitor controls and identify opportunities to further reduce risk through future planned actions and improvements.

We are also proactively considering risks that may affect us in the longer term, including the impacts of climate change and tree pests and diseases. These are important areas for us to monitor and take appropriate action on now as these risks impact on our ability to maintain a future timber supply, undertake our land management responsibilities and generate income to enable the organisation to continue to operate in a financially sustainable way.

The key risks over the financial year were as follows:

**Health and Safety:** The main risk remains a serious accident or loss of life on the national forests and land relating to an employee, contractor or member of the public. We have continued to take opportunities to review and revise ways of working to support improved health, safety and wellbeing practices.



**Complexity of Change:** There are several risks rolled into this arising from the amount and complexity of change including financial challenges; organisational capacity for change; and the introduction of new legislation and regulations. Together these risks combine to produce risks of business failure, issues with staff retention and recruitment and potential impact on staff morale and productivity.

**Financial Sustainability:** This remains our highest scoring risk and is the lens we are using to evaluate how we change the business. We continue our work to move FLS to a more sustainable target operating model to support and enable financial and business sustainability. The Annual Subsidy Limit (ASL) provided to FLS by Scottish Government will continue to be under pressure as the demand on public finances grows in relation to recovery from external factors such as the cost of living crisis, increased inflation and upsurge in supplier and material costs.

**Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through the Assurance Framework. This includes an ongoing review to ensure the framework is regularly tested to ensure that the appropriate information is included, and outcomes shared with senior leaders and the wider staff groups.

**Business Continuity:** Learning from the outbreak of and recovery from COVID-19 has significantly increased organisational risk and contingency arrangements, and we continue to be utilised where appropriate. We also took recommendations from an audit to review and improve the related policies and processes in response to recommendations and feedback.

### 2.3.9 Significant Governance and Risk Issues

Refer to the key issues and risks to delivery set out in the Governance Statement and the Performance Overview section of the Performance Report.

#### Economic Recovery

As an agency of Scottish Government we recognise the substantial societal and economic impacts and the long-term response required to support recovery across Scotland and beyond.

We must remain agile and adaptive in ensuring that our activities, facilities and services remain responsive to the needs and requirements of our internal and external stakeholders, whilst balancing our long-term financial sustainability and contribution towards Scottish Government priorities and outcomes.

As we develop our plans going forward we know that we must also consider how they are impacted by wider societal, economic and international changes alongside pressures on funding across Scottish Government. This includes understanding and responding, where we can, to current and future impacts such as increased cost of living and rises in inflation, fuel price duty, and utilities costs.

We also recognise that as a business responsible for managing and delivering timber and land based assets with a long-term lifecycle the decisions and actions we take now must be balanced against future requirements. This includes having the capacity and capability to respond to the Climate and Biodiversity crises, alongside anticipating and implementing robust strategies and

policies for managing impacts from weather events; pests and disease and legislative land management and reform.

## Information Assurance

Forestry and Land Scotland's approach to information assurance is set by the organisation through the Security and Information Risk Assurance Board (SIRAB). The SIRAB co-ordinates and controls the implementation of information security across FLS to include:

- Effective policies and management arrangements
- Information handling approach that is communicated to the full organisation
- Co-ordination of information security activities including specific security requirements arising from data protection, confidentiality, information quality, records management and freedom of information
- Training made available and taken up by staff
- Providing assurance to the FLS Senior Management Team that the organisation's policies, procedures, processes and controls underpin good information governance.

The SIRAB reports into the Management Board and updates are provided to the Audit and Risk Committee. Training on information governance and data protection is mandatory for all relevant staff and non-executives.

### 2.3.10 Certifications

FLS achieved re-certification of our Information Security Management System (ISMS) against ISO 27001:2022, following an independent audit in January 2024. It confirms the organisations compliance against the requirements of ISO 27001:2022, the International Standard for Information Security, Cybersecurity, and Privacy Protection.

In addition, FLS successfully renewed our Cyber Essentials Plus (CE+) certification in March 2023 and subsequently in April 2024 following our implementation of Multi Factor Authentication (MFA) and Single Sign On (SSO) for our iLearn software. Both re-accreditations followed an extensive cyber-testing and independent review process.

### 2.3.11 Data Protection

A Memorandum of Understanding between FLS and the Scottish Ministers is established to outline the roles, responsibilities and the relationship between the Agency and the Scottish Ministers in relation to compliance with data protection laws and provide a framework for establishing coordinated procedures in relation to Scottish Ministers data protection obligations.

Mandatory Scottish Government data protection e-learning has been rolled out across FLS and is refreshed annually.

FLS has a reporting process to capture all personal data breaches and security incidents, which are investigated in accordance with Scottish Government and Information Commissioner's

guidance. There have been no Information Commissioner’s Office reportable incidents during the year.

### 2.3.12 Public Records (Scotland) Act 2011

The Records Management Plan was submitted to the National Records of Scotland in August 2020, as per section 1(1) of the Public Records (Scotland) Act 2011 – to assess, with a view to agreeing, the records management plans of named public authorities. The Keeper of the Records of Scotland (The Keeper) agreed the FLS Records Management Plan in October 2021. FLS voluntarily submitted a Progress Update Review (PUR) in February 2023. The PRSA Assessment Team acknowledged that FLS continues to take the statutory obligations seriously and are working to bring all elements of FLS records management arrangements into full compliance with the Act and fulfil the Keeper’s expectations.

### 2.3.13 Review of Effectiveness

As Accountable Officer until March 2024, Simon Hodgson had responsibility for reviewing the effectiveness of the governance framework. His review was informed by:

- The executive managers within FLS who have responsibility for the development and maintenance of the governance framework;
- The work of the internal auditors, whose reports to the Audit and Risk Committee (ARC) include the Head of Internal Audit’s independent and objective opinion on the adequacy and effectiveness of the governance framework together with recommendations for improvement;
- Comments made by the external auditors in their management letters and other reports;
- Feedback and commentary from non-executive advisors through ARC meetings; and
- Feedback and commentary from Strategic Advisory Board members through regular meetings.

FLS has an Annual Assurance Framework in place that flows down from the Accountable Officer to Functional leads (directors) and from them to every principal cost centre manager. This provides assurance on the standard of governance and control within their area of responsibility. Assurances are also received from the management team through their regular submission of reports and presentations to the Management Board which is chaired by the CEO or relevant nominee and through line management responsibilities.

Throughout the year Directors reviewed specific business areas, using “lessons learned”, feedback and stakeholder engagement to review and improve activities. This, in addition to input from Internal Audit, helps to respond and progress improvements, as well as ensure good governance arrangements are applied and tested.

An example includes work to improve our HR systems and processes, engaging front end users and trade union representatives in developing appropriate solutions. We also progressed a Procurement Review, to ensure that we were not only discharging our legal responsibilities, but also identifying how we could get the most from our procurement activity to improve business practices, drive cost reduction and income generation and take forward continuous improvement opportunities.

A review of the Assurance Framework was instigated which will be taken forward during the early part of 2024. This provides the opportunity to ensure that the framework not only meets the requirements of the SPFM, but also provides the opportunity to incorporate recommendations and feedback from recent audits; ensure it is aligned with wider changes to ways of working across the agency, including performance monitoring and reporting; and anticipates and incorporates changes as we take forward our Transformation Programme.

On the basis of these assurances Simon Hodgson handed over control of these responsibilities to Kevin Quinlan. I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual (SPFM), have been developed and were operational over the year ended 31 March 2024 and up to the date of approval of the Annual Report and Accounts.

The National Fraud Initiative in Scotland is a national detection exercise carried out by Audit Scotland, which has identified fraud and error overpayments, savings, and other outcomes across the Scottish public sector. FLS is participating in this exercise and will follow up on any findings.

### 2.3.14 Internal Audit

The Directorate for Internal Audit and Assurance (DIAA) reviews specific areas within FLS as identified and agreed in the Annual Audit Plan. After reviews have been undertaken, reports are submitted which provide an assurance rating to me as FLS Chief Executive.

An annual rating of “Limited Assurance - Controls are developing but are weak’ was provided by DIAA. This is defined as ‘There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.’ The annual rating was based on the assurance reviews and advisory activity undertaken over the year, the findings and actions put in place to address recommendations. A total of six assurance reviews were completed in-year as follows:

- Programme of Works – Substantial Assurance (2 medium recommendations)
- Payroll – Reasonable Assurance (1 high and 4 medium recommendations)
- Governance – Limited Assurance (4 high and 8 medium recommendations)
- Health and Safety: Civil Engineering – Limited Assurance (4 high and 2 medium recommendations)
- Procurement– Limited Assurance (4 high and 2 medium recommendations)
- Business Sustainability – Insufficient Assurance (5 high recommendations)

We continue to engage with DIAA on progress and build actions to implement recommendations, received in-year and those carried forward from previous years, into our future work programme.

DIAA in their annual report provided a limited assurance report based on audit activity and information available to date on governance arrangements, supporting roles and responsibilities

and management oversight on key areas. We continue implement a number of actions to address the weaknesses highlighted, some of which include:

- Ensuring all assurance review outcomes and recommendations are presented to and discussed with Senior Leaders, ensuring wider ownership and progression of agreed actions, implementation and reporting
- Reflecting on and adapting our Governance Arrangements, with the focus now on implementing the revised responsibilities. This will include reflecting arrangements in our Ministerially approved Framework Document
- Engaging Internal Audit colleagues directly as a stakeholder in key work programmes, to ensure we gain valuable insights at an early stage to inform development and implementation plans. This includes involvement in key high risk areas such as major projects, as well as adhoc special investigations such as auditing and advising on potential fraud.

### 2.3.15 External Audit

Grant Thornton UK LLP prepared an Annual Audit Report in August 2024 as part of its audit of the Annual Report and Accounts 2023-24. Matters/recommendations were raised and have either been addressed by management or actions have been put in place to address these within FLS.

### 2.3.16 Whistleblowing

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

Employees have the opportunity to report any suspected wrongdoing through their own line management or via a Nominated Officer. They also have the opportunity to approach the Nominated Officer in our sister agency, Scottish Forestry.

There were no cases reported under the Whistleblowing Policy in this financial year.

All whistleblowing cases are investigated thoroughly, ensuring lessons are learned with recommendations embedded into how we operate as an organisation.

## 3. Remuneration and Staff Report

### 3.1 Remuneration Report

#### 3.1.1 Remuneration Policy

Forestry and Land Scotland's Chief Executive and four Directors; Director of Net Zero, Director of Commercial Development, Director of Corporate Services and Director of Land Management and Regions are all members of the Senior Civil Service. The remuneration of Senior Civil Servants is determined by UK Government Senior Salaries Review Body (SSRB), as delegated to the Scottish Government under Senior Civil Service pay arrangements.

The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the UK Government on the shape of the system, including the salary values for the minimum and maximum of each of the senior civil service pay bands, the range of percentage increases to base salary and range of non-consolidated performance payments.

Further information on the work of the SSRB can be found at the government [website](#).

All other members of the Management Board and all other staff are remunerated according to their pay band and in line with Scottish Government's Public Sector Pay Policy, details of which can be found on Public Sector Pay Strategy [website](#).

#### 3.1.2 Appointments

Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles, which requires appointment to be made on merit on the basis of fair and open competition and also includes the circumstances when appointments may otherwise be made.

The senior staff covered in this report (with the exception of two who are on temporary promotion) hold appointments which are open-ended until they reach normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information can be found in the [civil service pension scheme](#).

#### 3.1.3. Remuneration of Non-Executive Advisors – Audited information

Non-Executive Advisors (NEA) receive fees for attendance at regular FLS Board meetings. Fees are based on daily rates, determined in accordance with guidelines prescribed by the Scottish Government. NEA expenses incurred as a result of undertaking FLS business are also reimbursed. Remuneration of Non-Executive Advisors and any business expenses are borne by FLS.

### 3.1.4 Salary and Pension Information – Audited information

The following sections provide details of the remuneration and pension interests of Board members. The monetary value of benefits in kind covers any additional benefits provided, benefits greater than £8k are treated by HMRC as a taxable emolument. The salary and pension entitlements of the FLS Management Board were as follows:

Name & Title	Salary 2022-23 £000	Bonuses 2022-23 £000	Benefits in Kind 2022-23 £000	Pension Benefits 2022-23 £000	Total 2022-23 £000	Salary 2023-24 £000	Bonuses 2023-24 £000	Benefits in Kind 2023-24 £000	Pension Benefits 2023-24 £000	Total 2023-24 £000
John Dougan Regional Manager, South	75-80	-	-	1	75-80	80-85	-	-		
Julie Fitzpatrick Head of People & Organisational Development (joined 11 July 2022)	50-55 (70-75 FTE)	-	-	19	70-75 (90-95 FTE)	75-80	-	-		
Rosetta Forbes Head of People & Organisational Development (left 24 June 2022)	15-20	-	-	4	20-25	-	-	-		
Simon Hodgson Chief Executive ( <a href="#">left 31 March 2024</a> )	115-120	2	-	-	115-120	120-125	-	-		
Andrew Hunt Regional	75-80	-	-	23	95-100	80-85	-	-		

Manager, West										
Graeme Hutton Director of Net Zero	85- 90	2	-	-	85- 90	85-90	-	-		
Michael Hymers Director of Corporate Services	85- 90	-	-	31	115- 120	95-100	-	-		
David Leven Regional Manager, East	75- 80	-	-	30	105- 110	80-85	-	-		
John Mair Director of Commercial Developme nt	80- 85	-	-	12	90- 95	85-90	-	-		
Carol McGinnes Regional Manager, Central	80- 85	-	-	30	110- 115	80-85	-	-		
Donna Mortimer Head of Finance and Procuremen t (0.68 FTE salary)	60- 65	-	-	1	60- 65	50-55	-	-		
Alex, Macleod Regional Manager (from 3 May 2022)	65- 70	-	-	32	95- 100	70-75	-	-		
Trefor Owen * Director of Land Managemen t and Regions	80- 85	0-5	-	-	80- 85	-	-	-		
Graeme Prest	80- 85	-	-	38	115- 120	85-90	-	-		



Director of Land Management and Regions										
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\* from 1 May 2022 on loan to Scottish Government, then left 31 January 2023

The remuneration of the FLS Non-Executive Advisors and members of the Community Asset Transfer Scheme Evaluation Panel (CATS), were as follows:

Name & Title	Fees £000	
	2022-23	2023-24
Mark Pountain - Non-executive Advisor	5-10	5-10
Lisa Tennant - Non-executive Advisor (left 31/03/2023)	5-10	0
Jo O'Hara - Non-executive Advisor (joined 01/11/2022)	0-5	5-10
Therese O'Donnell - Non-executive Advisor (joined 01/11/2022)	0-5	5-10
Clea Warner - Non-executive Advisor (joined 01/11/2022)	0-5	5-10
Anna Lawrence - CATS Non-executive Advisor (left 19/02/2023)	0-5	0
Courtney Peyton - CATS Non-executive Advisor	0-5	0-5
Judith Webb - CATS Non-executive Advisor (left 19/02/2023)	0-5	0
Patrick Hunter Blair - CATS Non-executive Advisor (left 19/02/2023)	0-5	0
Richard Slee - CATS Non-executive Advisor	0-5	0-5
Gemma Campbell - CATS Non-executive Advisor (joined 01/08/2022)	0-5	0-5
Peter Crane - CATS Non-executive Advisor (joined 01/08/2022)	0-5	0-5

Lucille Black - CATS Non-executive Advisor (joined 01/02/2023)	0-5	0-5
Ed Pybus - CATS Non-executive Advisor (joined 01/02/2023)	0-5	0-5
Eilidh Todd - CATS Non-executive Advisor (joined 01/02/2023)	0-5	0-5

### 3.1.5 Salary

Salary payments include basic gross salary, overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry and Land Scotland only and do not include any other remuneration from outside the Agency.

### 3.1.6 Bonuses

Forestry and Land Scotland does not generally give non-consolidated performance payments; however, one-off payments were made to some of the Senior Civil Servant members of the Management Board in 2022-23 based on specific criteria provided by Scottish Government Pay Policy team. Details can be found on the above table. No non-consolidate payments were made to Senior Civil Servants in 2023-24.

### 3.1.7 Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Benefits in kind are given in the form of the private use of a car and/or a house purchase loan.

Benefits in kind are also provided under the following schemes:

- Advances of salary for house purchase;
- 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 and childcare vouchers; and,
- Car provision for employees' scheme.

Each scheme is subject to conditions and financial limits.

### 3.1.8 Compensation on Early Retirement or for Loss of Office – Audited information

No member of the Management Board received payment on early retirement or for loss of office during the reporting period.

### 3.1.9 Exit and Compensation Packages - Audited information

Four exit packages were paid during 2023-24 for Facilities Management staff that were no longer required when the office relocated. Payments were made as detailed below.

Value of package	Number of employees	
	2023-24	2022-23
<£25,000	2	2
£25,001-£50,000	1	-
£50,001-£100,000	1	-
<b>Total number of exit packages</b>	<b>4</b>	<b>2</b>
<b>Total cost of agreed departures during the year</b>	<b>£114.9k</b>	<b>£39.4k</b>

### 3.1.10 Fair Pay Disclosure – Audited information

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of all employees. This allows comparability with Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 comparatives to the percentage change for the highest paid director and workforce as a whole and the ratio of the highest paid director to the interquartile ranges (25% and 75%) within the workforce.

The FTE banded remuneration of the highest paid director in Forestry and Land Scotland in the financial year 2023-24 £120k-£125k (2022-23 was £115k-£120k). This was 3.67 times (2022-23 – 3.73 times) the median remuneration of the workforce, which was £33,360 (2022-23 - £31,522). The following table shows the 25th, median and 75th percentile pay ratios. Agency staff are not included in the pay percentile table below. There was no variance between total pay and benefits and the salary component of total pay and benefits.

Total Pay Ratio	2023-24		2022-23	
	Pay	Ratio	Pay	Ratio
25 <sup>th</sup> percentile	£30,111	4.07	£27,238	4.31
median	£33,360	3.67	£31,522	3.73
75 <sup>th</sup> percentile	£40,974	2.99	£38,533	3.05

In 2023-24, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £11.9k to £123k (2022-23 £11.3k to £117k). The remuneration of the highest paid director increased by 4.3% and the median average salary of the employees of the organisation rose by 5.8%

The ratio of highest paid director salaries to the median average salary of all staff fell by 0.06%. Factors affecting this median ratio include changes in the distribution of staff numbers both across and within pay bands, arising from length of service and staff turnover.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The total remuneration paid to all staff in 2023-24 £41.582m (£36.678m 2022-23).

### 3.1.11 Pension Benefits – Audited information

Name and Title	Accrued Pension at Pension age at 31 March and Related Lump Sum £000	Real Increase in Pension and Related Lump sum at Pension age £000	CETV at 31 March £000		Real Increase in CETV £000	Employer Contribution to Partnership Pension Account Nearest £100
			2022-23	2023-24		
	2023-24	2023-24	2022-23	2023-24	2023-24	2023-24
Julie Fitzpatrick (joined 11 July 2022) Head of People & Organisational Development			14			
Rosetta Forbes Head of People & Organisational Development (01/04/22 to 24/06/22)			-			
Simon Hodgson * Chief Executive			862			
Andrew Hunt * Regional Manager, West			312			
Graeme Hutton * Director of			763			

Net Zero						
Michael Hymers * Director of Corporate Services			507			
John Dougan Regional Manager, South			593			
John Mair Director of Commercial Development			-			
Carol McGinnes Regional Manager, Central			112			
David Leven Regional Manager, East			34			
Donna Mortimer * Head of Finance and Procurement			503			
Trefor Owen Director of Land Management and Regions			1,046			
Graeme Prest Director of Land Management and Regions			737			

Alex, Macleod Regional Manager, North (from 3 May 2022)			570			
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\* The reason for the five negative values in the “Real Increase in the CETV value” column: Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

Accrued pension benefits for directors are not included in this table for 2023/24 due an exceptional delay in the calculation of these figures following the application of the public service pension remedy.

### 3.1.12 Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. In April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) 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 1 April 2015 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. An overview of each of the schemes can be found on the Civil service Pension Schemes [website](#).

### 3.1.13 Pensions Contributions

For 2023-24, employer contributions of £10,880,642.31 (£9.663m for 2022-23), were payable to the Principal Civil Service Pension Scheme (PCSPS) at one of four rates in the range 26.6% to 30.3% of pensionable pay (2022-23: 26.6% to 30.3%), based on salary bands. The Scheme Actuary reviews employer contributions 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.

The Government Actuary's Department completed the quadrennial actuarial valuation of the pension scheme as at 31 March 2020, details of which may be found on the website: [Scheme valuations - Civil Service Pension Scheme](#).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of alpha. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

In addition, employer contributions of £0.003 in 2023-24 (£0.003 m in 2022-23) 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.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employer contributions of £0.95 m in 2023-24 (£0.107 m in 2022-23) were paid to Legal & General Master Trust which is one of the three appointed stakeholder pension providers. 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 such as lump sum benefits on death in service and ill health retirement.

Employee contributions due to the partnership pension providers at 31 March 2024 were £0.03m (£0.04m 2022-23) erroneously reported as £0.0002m 2022-23. Contributions prepaid at that date were £nil (£nil in 2022-23).

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.

Further details about the Civil Service pension arrangements can be found at the [website](#).

### 3.1.14 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.

### 3.1.15 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.

## 3.2 Staff Report

### 3.2.1 Number of Senior Civil Servants (SCS) by Band – Audited information

Senior Civil Service band	2023-24	2022-23
SSG2	1	1
SSG1	4	4

### 3.2.2 Staff Numbers and Costs – Audited information

Number of Persons Employed at the Year End

The headcount of persons employed as at 31 March 2024 was as follows:

	2023-24 Headcount	2022-23 Headcount
<b>Directly employed</b>	1,142	1,103
<b>Other</b>	17	13
<b>Total</b>	<b>1,159</b>	<b>1,116</b>

### 3.2.3 Staff costs comprise:

	2023-24 £000	2022-23 £000
Salaries	40,779	36,678
Social security costs	4,329	4,057
Other pension costs	10,815	9,663
Temporary/agency	830	968
Consultancy	459	187
<b>Total</b>	<b>57,212</b>	<b>51,553</b>



FLS has experienced a reduction in temporary/agency costs during the year ended 31 March 2024 of £138k as the organisation focuses on delivery of services by existing employees. Consultancy costs have increased in the current year by £272k; this is attributable to IT services provided by consultants as FLS implements a new Management Information Platform.

### 3.2.4 Off Payroll

Highly paid off-payroll workers engagements as at 31 March 2024, earning £245 per day or greater:

<b>Number of existing engagements as of 31 March 2024 of which, number that existed:</b>	
Less than 1 year	4
For between 1 and 2 years	2
For between 2 and 3 years	1
For between 3 and 4 years	-
For 4 or more years	-
<b>Total</b>	<b>7</b>

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater:

<b>Number of temporary off-payroll workers engaged during the year ended 31 March 2024 of which, no. that existed:</b>	
Not subject to off-payroll legislation	13
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
No. of engagements reassessed for compliance or assurance purposes during the year	-
Of which: No of engagements that saw a change to IR35 status following review	-
<b>Total</b>	<b>13</b>

For any off-payroll engagements of board members and/or, senior officials with significant financial responsibility, between 1 April 2023 and 31 March 2024:

No. of off-payroll engagements of board members and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on payroll and off-payroll that have been deemed "board members and/or senior officials with	

significant financial responsibility” during the financial year. This figure includes both on payroll and off-payroll engagements.	
--	--

### 3.2.5 Staff turnover

Staff turnover during 2023-24 was 12.6% (12.5% for 2022-23). Retaining staff, while maintaining a healthy turnover, is important for efficiency and to keep the organisation ‘fresh’.

### 3.2.6 Sickness Absence Data

FLS proactively manages sickness absence. An average of 7.5 working days (2.87%) were lost per person during 2023-24. This is an increase from the 2022-23 figure which was 6.9 working days (2.67%) lost. The percentage of employees with no recorded sickness absence has increased from 55% to 59% since last year.

### 3.2.7 Policy

Our Corporate Plan sets out five corporate outcomes that guide all of our work to 2025, supporting the delivery of our Vision and Mission and contribution to Scotland’s National Performance Framework.

Our People Strategy which sets out our ambitions as a supportive, safe, inclusive and high-performing workplace is currently being finalised. It provides a framework to help us achieve our corporate outcomes, focusing on the following themes for FLS:

- A safe, healthy and productive place to work
- Developing our people
- Valuing our connections and culture

Thereafter, we will fully review our People Strategy to ensure it remains aligned to our Corporate Plan, Scotland’s National Performance Framework and any political or legal changes.

The People Function supports and facilitates delivery of this strategy through the following teams:

- Learning & Development
- Health, Safety & Wellbeing
- Equality, Diversity & Inclusion
- Human Resources

Activity during 2023-24 has included:

- Completion of the HR Transformation Plan to fully align service provision to service requirements through enhanced engagement with cost centres in line with professional standards of best practice,

- Further HR systems development via Itrent, iLearn and Business Objects reporting tool,
- Implementation of an e-system, Amiquis, which supports the onboarding of new recruits, thereby significantly reducing time between offer and joining FLS,
- Development of a new Partnership Agreement with our Trade Union colleagues and further embed fair work practices across FLS,
- Launch of new Disciplinary policy and significant development of work on the Grievance and Harassment and Bullying policy,
- Development and launch of hybrid working guidance,
- Developing our brand as employer of choice,
- Conversion of existing Health, Safety & Wellbeing guidance into Standard Operating Procedures,
- The development and expansion of our technical training provision plus development of non-technical training,
- The revision and expansion of our Work Based Learning programme to develop opportunities across the range of specialisms in FLS,
- Development of foundation training for line managers and leadership management development.

Activity during 2024 – 2025 will include:

- Introduce Scottish Government Employee Passport to all FLS staff which provides a framework for staff to discuss circumstances, disabilities, health conditions or commitments which might impact their work and to agree adjustments that will support staff to perform their best,
- Further development of HR policy including Grievance, Dignity and Respect and Absence Management supported by extensive line manager training,
- Launch of self-service sickness absence recording on Itrent,
- Development and implementation of revised performance review process on Itrent,
- Development and implementation of revised approach to workforce planning,
- Further development of Management Information reporting through Business objectives including development of quarterly data packs for the Leadership team,
- Focus on development of talent management processes to support the organisation in nurturing and developing talent,
- Supporting 35 hour working week workstream to ensure effective implementation by end of March 2025,
- Rolling our Leadership and Skills Development Programme across FLS,
- Development of our People and Organisational Development function strategy.

### 3.2.8 Equality, Diversity and Inclusion

We continue to promote and support diversity and inclusion in the workplace.

In 2023-2024 we continued to build on our Menopause Initiative. There were regular meeting and coffee mornings held for Menopause Champions and those who wanted to share experiences or seek support about menopause at work.

We developed and published refreshed guidance on reasonable adjustments and worked across the People team to ensure that staff and their managers are supported effectively where reasonable adjustments are required.

We developed and delivered our first ever reverse mentoring programme. Reverse mentoring focused on improving the understanding of leaders in FLS on the different experiences and challenges facing staff with protected characteristics. Evaluation of the programme demonstrated it was a success, with both mentors and mentees feeding back that programme delivered the proposed outcomes, and a second programme is planned for later 2024/25

Planning has also been completed for the implementation of the Scottish Government Employee Passport Scheme early in 2024/25, which supports disabled and other staff to share their circumstances with their managers and receive the right workplace adjustments.

‘Engaging the Bystander’ has now been delivered to the majority of staff in FLS and provides them with the confidence and tools to challenge inappropriate behaviours should they occur, and to ensure we create an inclusive and welcoming workplace. We continue to run tailored diversity and inclusion training for specific staff groups in varied topics. Training has also been delivered across the agency on Equality Impact Assessments to ensure staff understand their importance and implement the tool in the development of new policies and procedures in line with legislative requirements.

Though we still have work to do on creating a more gender balanced workforce, our gender pay gap has reduced this year to -0.12% mean and -3.6% median. We have achieved this by increasing the number of female staff in more senior roles, through changes to job adverts, use of positive action statements, diverse imagery, and promoting flexible working.

We continue to engage with under-represented groups in our local communities, ensuring that people from all backgrounds can enjoy the benefits and opportunities that our forests provide.

### 3.2.9 Equality Monitoring

Equality monitoring takes place to ensure that all employees continue to be treated fairly in relation to training, performance management and discipline and grievances.

The results of the monitoring exercises have been reported in our Equality Mainstreaming Report 2021-2023 which can be found on our [website](#).

	Director		Senior Manager		Employee		Agency Workers		Total	Total
	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23	2023-24	2022-23
Male	5	5	24	23	725	697	10	5	764	730
Female	-	-	10	13	378	365	7	8	395	386
<b>Total</b>	5	5	34	36	1103	1,062	17	13	1159	1,116

### 3.2.10 Staff who consider themselves as disabled

Staff who consider themselves as disabled		
No	998	87.5%
Not Known	89	7.7%
Yes	55	4.8%
<b>Total</b>	<b>1142</b>	<b>100%</b>

(Figure excludes Non-Executive Advisors and Agency Workers).

### 3.2.11 Modern Slavery

The Modern Slavery Act 2015 makes it a legal requirement for FLS to produce an annual Slavery and Human Trafficking Statement setting out the steps we have taken to prevent slavery and human trafficking in any part of our business and supply chain. Our statement can be found at [Slavery and human trafficking statement – Forestry and Land Scotland](#) and provides details of our ongoing activities in this respect.

With a significant presence in the forestry sector, we recognise our corporate and legal responsibility to take a robust approach to the issue of human trafficking. We consider our highest risk areas for human trafficking within our business to be in the areas of civil engineering, timber production (harvesting), haulage, new planting, restocking and spraying which are mostly now all carried out on contract. There are also some organisations providing FLS with goods, with a mixture of simple and complex supply chains ranging from clothing, digital hardware, chemicals, equipment and other items, where exploitation can be a supply chain risk.

During 2023 we continued to monitor the uptake of staff training to enable them to spot the signs of human trafficking and to know where to get help, specifically targeting employees working in our high-risk activity areas.

Every year FLS is independently audited to ensure we are meeting the standards laid out in the UK Woodland Assurance Scheme (UKWAS). Amongst other requirements, the standard sets out employee and contractor's rights to trade union membership; pay exceeding the statutory national living wage; access to a grievance procedure and relevant measures relating to compliance and conformance (including anti-corruption) and; workers' rights (measuring compliance with workers' rights legislation).

### 3.2.12 Anti-Bribery and Anti-Corruption

New employees are signposted to our policies on Discipline, Gifts & Hospitality and Whistleblowing during their induction. The policies are reviewed on a regular basis to ensure that they are kept up to date and relevant; to reduce the potential for employees becoming involved in any form of bribery or corruption; and, if approached, that they know the reporting mechanisms.

### 3.2.13 Staff survey participation

FLS participated in the Civil Service People Survey for the fifth time in 2023. The response rate for FLS was 63% (68% for 2022 survey), however the engagement score increased to 63% which was an increase of 2% from the previous year.

The Management Board has decided to continue with the same three key themes to prioritise from the People Survey as last year: Leadership and Change; Skills Development and Equality Diversity & Inclusion. Specific actions have been set by each business area to encourage progressive action plans and these are monitored monthly.

### 3.2.14 Employee Consultation and Trade Union Relationship

We continue to build a strong and supportive relationship with our Trade Union partners, Forestry Trade Unions Scotland. We experienced delays in setting up the Trade Union Office which impacted on our ability to establish a new Partnership Agreement, however in the coming year we will work to review and update all related documentation committing to building trust, collaborating and working together to make FLS a great place to work.

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

Fair work is work that offers effective voice, opportunity, security, fulfilment and respect. Over the next 2 years we will implement key actions to embed Fair Work across Forestry and Land Scotland and align to the Scottish Government's Fair Work Agreement.

<b>Trade Union Statistics</b>		<b>2023-24</b>	<b>2022-23</b>
Headcount of TU Officials		13	14
FTE of TU Officials		12.15	13.15
No. of Employees by % of working hours spent on FT	0-1%	2	3
	1-50%	10	11
	51-99%	1	1
	100%		-
Percentage of the total pay bill spent on facility time		0.09%	0.07%
Time spent on trade union activities as a percentage of total paid facility time hours		99.12%	100%

## 4. Parliamentary Accountability Report

### 4.1 Losses and Special Payments – Audited information

During 2023-24 there were no losses or special payments that meet the criteria for disclosure in accordance with the Scottish Public Finance Manual (SPFM).

### 4.2 Fees & Charges – Audited information

Forestry and Land Scotland has complied with the cost allocation and charging requirements set out in the Scottish Government Public Finance Manual (SPFM). An analysis of income received is set out in the statement of comprehensive net expenditure on page 70 of these accounts. The majority of income received is from commercial activities, and further information on revenue generated from agreed contracts is contained at Note 4 (page 91). Other material income sources relate largely to rental income from wind and hydro schemes.

### 4.3 Special severance payments – Audited Information

Forestry and Land Scotland has not made any severance payments during the year.

### 4.4 Gifts and Hospitality– Audited Information

Forestry and Land Scotland has a policy setting out the criteria for refusal or acceptance of gifts and hospitality. There were no instances of gifts or hospitality being received in 2023-24.

### 4.5 Remote contingent liabilities – Audited Information

In addition to contingent liabilities, FLS also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

There are currently no remote contingent liabilities.

### 4.6 Regularity of Expenditure – Audited Information

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



**Kevin Quinlan**

**Accountable Officer**

**Date:** 03 September 2024



## 5. Independent Auditor's Report

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2024 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

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

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

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

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

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

## **Risks of material misstatement**

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

## **Responsibilities of the Accountable Officer for the financial statements**

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

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

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

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

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

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Reporting on regularity of expenditure and income

### Opinion on regularity

In our opinion in all material respects:

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

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

### **Responsibilities for regularity**

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

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report**

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

#### **Other information**

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

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

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

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

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

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

### **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

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

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

*Angela Pieri*

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

**Date:** 03 September 2024

## 6. Financial Statements

### 6.1 Statement of Comprehensive Net Expenditure as at 31 March 2024

	Note	2023-24 £000	2022-23 £000
<b>Operating Income</b>			
Sales of timber		82,070	76,344
Forest protection and maintenance	4	2,215	1,719
Renewable energy and management of estate		28,504	24,357
		112,789	102,420
<b>Operating Expenditure</b>			
Forest planning		(9,471)	(8,033)
Timber operations		(25,797)	(33,319)
Forest protection and maintenance		(55,998)	(49,651)
Management & development of estate		(5,357)	(5,834)
Value of felled timber	8	(60,931)	(57,048)
		(157,554)	(153,885)
Net timber and renewable energy operations		(44,765)	(51,465)
<b>Visitor services and communities</b>			
Income		4,468	2,385
Expenditure		(13,964)	(16,723)
		(9,496)	(14,338)
<b>Environment and heritage</b>			
Income		116	74
Expenditure		(4,894)	(4,533)
		(4,778)	(4,459)
<b>Estate improvements</b>			
Income		1,738	1,098
Expenditure		(16,340)	(17,505)
		(14,602)	(16,407)
<b>Management services</b>			
Income		8	20
Expenditure		(281)	(117)
		(273)	(97)

	Note	2023-24 £000	2022-23 £000
Business Services – Overheads		(16,106)	(17,015)
Net expenditure before loss on revaluation of biological assets		(90,021)	(103,718)
Loss on revaluation of biological assets transferred to NCAHFS	8	(70)	(64)
(Loss)/gain on revaluation of biological assets	8	(131,415)	535,124
		(131,484)	535,060
Net (expenditure)/income after (loss)/gain on revaluation of biological assets		(221,505)	431,279
Government grant		25,506	28,108
Share of (loss)/profit from Joint Venture	9	(1,038)	176
Interest expense	15	(56)	(35)
Financial Guarantee Scheme	23	-	(80)
Gain/(loss) on sale of properties, plant and equipment	6	3,426	(81)
Gain on revaluation of fixed asset investments	10	-	673
Net (expenditure)/income for the year		(193,667)	460,040
Transferred to general fund		(193,667)	460,040

All income and expenditure is derived from continuing operations.

In the Statement of Comprehensive Net Expenditure all expenditure is shown in parentheses with income shown without parentheses.

## 6.3 Statement of Financial Position As at 31 March 2024

	Note	2023-24 £000	2022-23 £000
<b>Non current assets</b>			
Property, plant and equipment	7	2,332,276	2,503,101
Biological assets	8	3,106,229	3,302,924
Investment in joint ventures	9	1,053	2,119
Financial assets	10	-	-
Trade and other receivables	14	5	7
Total non current assets		5,439,563	5,808,151
<b>Current assets</b>			
Financial assets	10	-	-
Non-current assets held for sale	12	512	707
Inventories	13	9,923	7,776
Trade and other receivables	14	42,363	28,849
Cash and cash equivalents	16	79,213	96,874
Total current assets		132,011	134,206
Total assets		5,571,574	5,942,357
<b>Current liabilities</b>			
Trade and other payables	17	(47,382)	(38,448)
Provisions	18	(1,272)	(7,238)
Total current liabilities		(48,654)	(45,686)
Total assets less current liabilities		5,522,920	5,896,671
<b>Non current liabilities</b>			
Trade and other payables	17	(6,322)	(4,157)
Provisions	18	-	(179)
Total non current liabilities		(6,322)	(4,336)
Assets less liabilities		5,516,598	5,892,335
<b>Taxpayers' equity</b>			
General fund		3,517,470	3,708,278
Revaluation reserve		1,999,128	2,184,057
Total taxpayers' equity		5,516,598	5,892,335

In the Statement of Financial Position all assets are shown without parentheses and liabilities are shown with parentheses.

The notes on pages 75 to 112 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 3 September 2024.



**Kevin Quinlan**

**Accountable Officer**

**Date:** 03 September 2024



## 6.4. Statement of Cash Flows As at 31 March 2024

	Note	2023-24 £000	2022-23 £000
<b>Net operating expenditure</b>			
Net (expenditure)/income for the year		(193,667)	460,040
Adjustments for non cash transactions:			
Depreciation charges	7	5,225	4,828
Gain on disposal of buildings, forest estate and land		(4,538)	(314)
Gain on disposal of other PPE		(125)	(110)
Impairment of PPE	7	2	-
(Gain)/loss on revaluation of biological assets	8	131,415	(535,123)
Decrease in plant & seed	8	204	273
Value of felled timber	8	60,931	57,048
(Gain)/Loss on revaluation of financial assets	10	-	-
Revaluation reserve written off		-	-
Non-cash charges: auditor's remuneration		-	-
Other non cash transactions		11	62
Decrease/(increase) in inventories	13	(2,147)	8,586
Decrease/(increase) in trade and other receivables	14	(13,512)	3,862
Increase in trade and other payables	17	11,099	7,209
Use of provisions	18	(6,460)	(6,969)
Decrease in provisions	18	315	4,731
<b>Net cash inflow from operating activities</b>		<b>(11,247)</b>	<b>4,123</b>

	Note	2023-24 £000	2022-23 £000
Cash flows from investing activities			
Proceeds of disposal of properties	6	12,170	4,868
Proceeds of disposal of other property, plant and equipment	6	548	417
Purchase of property, plant and equipment	7	(19,728)	(26,658)
Disposal of biological assets	8	575	249
Investment in joint venture	9	1,038	929
Other investments – options purchased	10	-	-
<b>Net cash outflow from investing activities</b>		<b>(5,397)</b>	<b>(20,195)</b>
Cash flows from financing activities			
Right of use asset lease expenses	15	(1,073)	(2,168)
Right of use asset interest	15	56	-
<b>Net cash outflow from financing activities</b>		<b>(1,017)</b>	<b>(2,168)</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>		<b>(17,661)</b>	<b>(18,240)</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>96,874</b>	<b>115,114</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>16</b>	<b>79,213</b>	<b>96,874</b>

In the Statement of Cash Flows all positive cash flows are shown without parentheses and negative cash flows are shown with parentheses.

## 6.5. Statement of Changes in Taxpayers' Equity as at 31 March 2024

<b>2022-23</b>	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	<b>Total £000</b>
<b>At 1 April 2022</b>	<b>3,244,889</b>	<b>1,781,171</b>	<b>5,026,060</b>
<b>Changes in taxpayers' equity</b>			
Net gain on revaluation of property, plant and equipment	-	406,705	406,705
Net loss on revaluation of NCAHFS	-	(36)	(36)
Realised element of reserves	2,706	(2,706)	-
Other Write-off	-	(1,077)	(1,077)
Net operating income	460,040	-	460,040
Adjustment from the adoption of IFRS 16	643	-	643
Total recognised income and expense	463,389	402,886	866,275
At 31 March 2023	3,708,278	2,184,057	5,892,335

<b>2023-24</b>	<b>General Fund £000</b>	<b>Revaluation Reserve £000</b>	<b>Total £000</b>
<b>At 1 April 2023</b>	<b>3,708,278</b>	<b>2,184,057</b>	<b>5,892,335</b>
<b>Changes in taxpayers' equity</b>			
Net loss on revaluation of property, plant and equipment	-	(182,337)	(182,337)
Net loss on revaluation of NCAHFS	-	(121)	(121)
Realised element of reserves	2,411	(2,411)	-
Other Write-off	-	(60)	(60)
Net operating expense	(193,667)	-	(193,667)
Adjustment from the adoption of IFRS 16	448	-	448
Total recognised income and expense	(190,808)	(184,929)	(375,737)
At 31 March 2024	3,517,470	1,999,128	5,516,598

## 6.6. NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Accounting Policies

#### 1.1 Statement of accounting policies

The financial statements have been prepared on a going concern basis and in accordance with the 2023/24 Government Financial Reporting Manual (FRM) issued by HM Treasury. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.2 Accounting convention

The 2023/24 accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and financial assets at fair value through profit or loss.

#### 1.3 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and other activities. Revenue is shown net of value-added tax, returns, rebates and discounts. FLS recognises revenue in line with IFRS 15.

#### 1.4 Government grants receivable

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and FLS will comply with all attached conditions. Government grants in respect of capital expenditure are credited to the Statement of Comprehensive Net Expenditure, where UK and EU grants will be disclosed separately. Grants received as a contribution towards an asset are also credited to the Statement of Comprehensive Net Expenditure and will not be treated as a deduction from the cost of acquiring the asset.

Assets funded by government grants are classified within Property, plant and equipment. These assets depreciate by a fixed amount each month over the life of the asset where depreciation is treated as an expense in the same way as for other assets.

#### 1.5 Funding paid to FLS

Forestry and Land Scotland receives an annual funding grant from the Scottish Government. This arrangement has been outlined in a framework document and is accounted for through the Statement of Comprehensive Net Expenditure.

## 1.6 Land and buildings leased to customers

Assets leased to external parties under an operating lease are capitalised under the appropriate accounting policy. Operating lease income is accounted for on a straight line basis with any rental increases recognised during the period to which they relate.

## 1.7 Employee benefits

### **Pensions**

Past and present employees are covered by the provisions of the Civil Service and Other Pension Scheme (CSOPS). The defined benefit schemes are contributory and are unfunded with the cost of benefits met by monies voted by Parliament each year. FLS accounts for the CSOPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees services by payment to the CSOPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the CSOPS. In respect of the defined contribution schemes, FLS recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### **Performance pay/Bonuses**

FLS does not generally give non-consolidated performance payments and no non-consolidated payments were made in 2023/24. Details of the payments are set out in the Remuneration and Staff report.

### **Short-term employee benefits**

A liability and an expense is recognised for holiday days, holiday pay and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned but not yet taken.

## 1.8 Property, plant and equipment

Legal ownership of all land, timber, including uncut trees and buildings is vested in the Scottish Ministers.

Ownership of other property, plant and equipment is vested in the Scottish Ministers. Where FLS is the principal beneficial user of assets owned by Scottish Ministers these are treated as Property, Plant and Equipment assets of the Agency. See also 'Land and Buildings Leased to Customers' and 'Leases' at 1.6 and 1.14 respectively.

Dwellings & Other Buildings are revalued professionally every five years as at 31 March with indexation carried out in intervening years. Forest Estate and Land are revalued professionally annually.

## **Forest estate**

Forested areas comprise land (including land improvements) and timber stocks. Elements of timber stock fall within the definition of Biological Assets as set out in IAS 41 (Agriculture) and details of the accounting policy are set out below. One requirement of IAS 41 is to separately account and value both land and the biological asset growing on it. As a result, the Forest Estate consists of all woodland areas and timber falling out with the definition of a biological asset. Elements of the valuation and therefore the accounting for these assets rely on estimation techniques and these are detailed under Note 2.

Forest estate land and trees not apportioned to Biological assets are shown at current value. External professional valuers undertake a full professional valuation of the Forest Estate annually. The Valuation Office Agency (VOA) undertook the valuations as at 31 March 2023. The VOA's appointment as external valuers has now ended. BNP Paribas Real Estate Advisory and Property Management UK Limited was appointed as external valuer under a contract commencing 1 May 2023 for a period of three years.

In accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate is valued under the Existing Use or Current Value models as appropriate for obtaining a current value. The valuations at 31 March 2024 were provided by BNP Paribas.

Areas of Forest estate and trees not apportioned to Biological Assets consist of many different land types which are ever changing. This means that revaluation reserve balances are applied to individual assets using an estimation technique detailed under Note 2.

## **Biological assets**

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Trees growing on land that is primarily held in support of the Scottish Government's objective of making a positive contribution to a thriving and sustainable Scottish economy are classed as Biological Assets under IAS 41. Other trees are classed as Other Timber and are out-with the scope of IAS 41.

Biological Assets include standing trees and are measured at fair value less estimated point-of-sale costs. External professional valuers undertake a full external professional valuation annually. The valuations at 31 March 2024 were carried out by the BNP Paribas.

Holdings of plants and seed are also accounted for by FLS as Biological Assets under IAS 41. They are stated at fair value less estimated point of sale costs.

Revaluation gains and losses are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

## Non-Forest land

Non-forest land is shown at current value. BNP Paribas, and other valuers undertake a full external professional valuation annually. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value. In arriving at these valuations the valuer may use discounted cash flow and investment yield approaches as appropriate under the RICS Standards for determining current value.

Non forest land comprises land used for various non forest activities including agricultural land, open land, car parks and mineral extraction as well as commercial leases for renewable energy generation and storage and campsites.

Agricultural land, other land and car parks are revalued annually using an average value per hectare while commercial leases (including renewables and campsites) are valued using expected earnings capitalised at an appropriate yield.

The following table summarises the components of Non-forest land, the valuers and the valuation methodology adopted.

Land Use	Valued by	Basis of valuation
Agricultural land	BNP Paribas	Current value using indexation
Open land	BNP Paribas	Current value using comparable market
Other minor land	BNP Paribas	Current value using comparable market
Car Parks	BNP Paribas	Current value using indexation
Telecomms	Galbraiths	Current value using comparable market
Windfarms	BNP Paribas	Current value using investment basis
Hydro	BNP Paribas	Current value using investment basis
Minerals Land Use	Wardle Armstrong, Johnston, Poole and Bloomer	Current value using market income method
Commercial Leases	BNP Paribas	Current value using investment basis
Battery Storage	BNP Paribas	Current value using investment basis
Campsites	BNP Paribas	Capitalised lease rentals using market yield
Right of use land	BNP Paribas	Capitalised lease rentals using market yield

## Dwellings and other buildings

Dwellings and other buildings are shown at fair value. The threshold for capitalisation of buildings is £30,000.

BNP Paribas undertook a revaluation of dwellings and other buildings in Central Region in the year 2023-24, using a combination of desktop valuation and physical inspection of assets. This was based on valuation data provided by professionally qualified staff within FLS. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT

Treasury Financial Reporting Manual (FReM). The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. UK VPGA 5 addresses the valuation of central government assets for accounting purposes.

The value of Dwellings and other buildings, which are not part of the full desktop revaluation are restated annually between full revaluations using indices provided by the District Valuer and BNP Paribas. The revaluation threshold applied in the revaluation of buildings, excluding deer larders, is £30,000. When the Net Book Value of a building falls below this threshold it is not subject to indexation or revaluation.

### **Expenditure on Infrastructure**

To maximise the environmental, social and economic benefits of the National Forests and Land, Other Land, Biological Asset Timber and Other Timber, FLS improves and develops access and services by adding to the infrastructure on its sites. Infrastructure includes new roads, bridges, culverts etc. Costs in respect of infrastructure works are expensed in the Statement of Comprehensive Net Expenditure of Forestry and Land Scotland as they occur. Forestry and Land Scotland takes the view that the professional valuations of its land and timber within the accounts of Forestry and Land Scotland properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation reflects improvements made through new infrastructure.

### **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 FLS and the cost of the item can be measured reliably. The carrying amount of the 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.

### **Non-current assets held for sale**

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management. Decisions to sell such assets, including surplus properties, take into account a number of factors including the social and environmental effects as well as marketability. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

### **Vehicles, machinery and equipment**

Forestry vehicles, machinery and equipment are shown at cost less depreciation. The normal threshold for capitalisation of vehicles, machinery and equipment is £3,000.

### **Office, machinery and equipment (OME)**

Information technology is shown at cost less depreciation. The normal threshold for capitalisation of assets is £2,000.

### **Assets under construction**

Assets under construction are carried at the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Assets under construction are transferred to the appropriate property, plant and equipment category when completed and ready for use.

### **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. Any revaluation surplus held on an asset within the revaluation reserve is transferred directly to the general fund upon disposal.

## **1.9 Depreciation**

Land (Forest Estate and Non-forest land) together with Biological Assets are not depreciated.

Assets under construction are not depreciated until the asset is capable of operating in the manner intended by management.

Depreciation is provided on all other property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual values, of each asset evenly over its expected useful life.

Asset lives are as follows:

- Land held as a right of use asset – unexpired term of the lease.
- Lease premium – unexpired term of the lease.
- Freehold buildings – over one to 60 years.
- Buildings held as a right of use asset – lesser of unexpired term of lease and 60 years.
- Plant and machinery (owned) – over three to 20 years.
- Plant and machinery held as a right of use asset – unexpired term of lease.
- Information technology – over four to 20 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.



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.

When revalued assets are sold, the amounts included in the revaluation reserve are transferred to the general fund.

No depreciation is charged on non-current assets held for resale.

## 1.10 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

## 1.11 Financial assets

### Classification

FLS classifies its financial assets in the following categories:

- Those to be measured subsequently at fair value through profit or loss; and
- Those to be measured at amortised cost

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. In line with IFRS 13, FLS financial assets are therefore categorised at level 2.

### (a) Fair value

Fair value assets are non-derivative financial assets that are either designated in this category or not classified as amortised cost. They are included in non-current assets, unless management intends to dispose of them within 12 months of the date of the Statement of Financial Position.

#### **(b) Amortised cost**

Amortised cost assets are non-derivative financial assets which are held to collect contractual cash flows. They are included in current assets except for maturities greater than 12 months after the date of the Statement of Financial Position, which are classed as non-current assets.

#### **Recognition and measurement**

Financial assets are recognised when FLS becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or FLS has transferred substantially all risks and rewards of ownership.

#### **(a) Fair value**

At initial recognition FLS measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit and loss are expensed in profit or loss.

Fair value is defined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FLS does not hold quoted investments and establishes fair value from third party valuation experts using external market evidence.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in operating expenditure.

#### **(b) Amortised cost**

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost using the effective interest rate method less provision for impairment.

#### **Impairment**

FLS, on a forward looking basis, assesses the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends whether there has been a significant increase in credit risk.

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events

that are possible within 12 months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is raised for credit losses expected over the remaining life of the exposure, irrespective of the timing of default. For trade receivables the simplified approach, permitted by IFRS 9, is adopted which requires lifetimes losses to be recognised from initial recognition.

## 1.12 Investment in Joint Ventures

FLS may enter into arrangements with other parties to undertake economic activities via an entity that is subject to joint control; that is, when the strategic, financial and operating policy decisions relating to the activities of the entity require the unanimous consent of the parties sharing control of the entity. These arrangements are accounted for as joint ventures following the requirements of IAS 28.

The results and assets and liabilities of joint ventures are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments are carried in the statement of financial position at cost as adjusted for post-acquisition changes in FLS's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the interest in that joint venture are not recognised.

Additional losses are provided for, and a liability is recognised, only to the extent that FLS has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over FLS's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

## 1.13 Inventories

IAS 2 Inventories, permits certain agricultural and forest products to be measured at net realisable value at certain stages of production. This occurs when crops (including timber) have been harvested and a sale is assured under a forward contract or when an active market exists and there is a negligible risk of failure to sell. The value attributed to these products is arrived at in accordance with well-established industry practices where net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

Included in Timber Inventory is some Work in Progress, this is timber which has been felled but not extracted from the forest floor. The estimated costs of extraction as at 31 March 2024 are deducted from Timber stock valuations to arrive at the Work in Progress value.

In accordance with IAS 2 Inventories, consumable materials and supplies are stated at the lower of current cost and net realisable value.

## 1.14 Leases

### Scope and classification

In accordance with IFRS 16 lease contracts, or part of a lease contract, that convey the right of use of an asset in exchange for consideration are accounted for as leases.

When reviewing lease contracts to determine whether they convey the right to control the use of an asset low value items have been excluded, provided they are not highly dependent or integrated with other items. Contracts deemed to be low value were aligned to existing capitalisation thresholds as follows; Buildings £30k, VME £3k and OME £2k. Additionally contracts with a term shorter than 12 months have also been excluded.

### Initial recognition

At the commencement of the lease (or the IFRS 16 transition date, if earlier) the right of use asset is recognised alongside a lease liability on the balance sheet.

The Right of Use Asset is measured at cost, made up of the value of the initial measurement of the liability, adjusted for; any prepayments, lease incentives, incremental costs of obtaining the lease and any disposal costs at the end of the lease. The Right of Use Asset is depreciated on a straight line basis from the lease commencement date to either the end of the useful life of the asset or the end of the lease term. Right of Use Assets are included within Property Plant and Equipment.

The lease liability is measured at the present value of the lease payments unpaid at that date. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury rate of 3.51% in 2023/24. The lease liability is presented within Trade & Other Payables.

### Subsequent measurement

The value of each underlying asset is revalued annually as though ownership of the asset was vested in FLS. The policies and procedures for carrying out revaluations are those set out in Note 1.8 above.

The lease liability is remeasured to reflect any reassessment or modification, or if there are changes to the in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

### Lease expenditure

Lease payments are allocated against the liability, the interest element is recognised in the Statement of Net Comprehensive Income. The lease asset is depreciated over its term, on straight line basis, the expense is recognized in the SOCNE.

Short-term leases and leases of low-value assets are not accounted for under IFRS 16 methodology. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

## 1.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Cash held can also be used to fund agreed activities within the following reserve categories; restricted, earmarked or liquidity.

## 1.16 Financial liabilities

These comprise trade and other payables and other financial liabilities (including derivatives). They are initially recognised at fair value and are subsequently measured at amortised cost.

FLS engaged in a Financial Guarantee Contract over loans taken out by a third party. The loan guarantees were not for commercial purposes (no fee was charged) and related to short term loans for employees, who were contractually required to relocate. Such arrangements have ceased from April 2023.

Financial Guarantee Contracts are initially recognised at fair value and subsequently measured at the higher of any loss allowance or the amount initially recognised less the amount of income recognised in relation to the Financial Guarantee. Any losses incurred as a result of the financial guarantee are recognised, in accordance with IFRS 9, through the Statement of Comprehensive Income.

## 1.17 Provisions

FLS provides for present legal and constructive obligations which are of uncertain timing or amount at the reporting date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. The increase in the provision due to passage of time is recognised in the Statement of Comprehensive Net Expenditure.

## 1.18 Contingent liabilities

FLS 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 an outflow of economic resources is remote.

Where the time value of money is material, contingent liabilities required to be disclosed under IAS 37 are stated at discounted amounts.

## 1.19 Public corporation dividend

FLS operates on a net funded basis and the Public Corporation Dividend has been set at 0%. This is accounted for through the Statement of Comprehensive Net Expenditure.

## 1.20 Value added Tax (VAT)

FLS is part of the Scottish Government VAT registration.

In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Net Expenditure is net of VAT.

Any VAT due to or from HM Revenue and Customs at the year-end is included in the FLS accounts as a receivable or payable in the Statement of Financial Position. Irrecoverable VAT is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred.

## 1.21 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2024 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

IFRS 17 Insurance Contracts will replace IFRS 4 Insurance Contracts with the standard being adapted for the central government context and updated for the 2024-25 FReM for an implementation date of 1 April 2025. IFRS 17 will have no impact on the financial statements of FLS.

## Note 2: Critical Accounting Estimates and Judgements

### 2.1 Critical accounting judgements and key sources of estimation uncertainty

In the application of FLS accounting policies, judgements, estimates and assumptions need to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### 2.2 Critical judgements in applying the accounting policies

The following are the critical judgements and estimates that have been made in the process of applying FLS's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### **Valuation of the Forest Estate and Biological Assets**

Management considers it would not be cost effective to carry out an annual external professional valuation of all areas of woodland, including those with Biological Assets. Following advice from its professionally qualified valuer, management considers that a reasonable valuation can be derived by using land data maintained by FLS, this includes detailed information on land type, location, species, and quality (Yield Class) of the trees.

In reaching their valuations, it has been agreed by the external valuers and management that the most appropriate market evidence based factors to consider are location, species and quality (Yield Class) of the trees.

It would not be cost effective to carry out each valuation based on the specific combination on the site. Management, in consultation with the external valuers, considers that average valuations based on groups of factors provide robust valuations. The groups used are Location (Forest Region), Species and quality (High, Medium and Low Yield Classes).

Management also considers that the most appropriate market based evidence of value is derived from the market for the sale of woodlands and forests over 50 hectares in area. The external valuers subsequently apportion values to land and timber, including Biological Assets.

## **Other land**

Other Land primarily includes specialist land holdings for which there are no or limited external markets, and is revalued annually by the VOA. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

The revaluation reserve for 'Other Land' has been split into categories for the following:

- Open land;
- Agricultural land;
- Assets closely related to land;
- Car Parks and
- Other minor land.

## **Revenue generating assets**

The purpose of FLS is to manage forests and land owned by Scottish Ministers in a way that supports and enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature. FLS may manage other forested and non-forested land by arrangement, as set out in the 2018 Act.

In line with this, land is not held for long term capital appreciation. Land use may be changed if there is a more profitable use, in order to deliver the benefits stated above. Land that does not fall within this purpose is disposed of.

## **Forest infrastructure**

Forest infrastructure includes roads, bridges, culverts etc. which enable maintenance and harvesting. FLS does not recognise this infrastructure as a separate asset, as it considers the value is incorporated within the annual revaluation of its forests and land. Infrastructure costs are therefore expensed in the Statement of Comprehensive Net Expenditure as they occur.

## **Revaluation reserve apportionment for other land and forest estate**

With the exception of assets closely related to land, FLS is unable to identify revaluation reserve balances for individual elements of Other Land categories. In addition to this the same problem exists with Forest Estate Land and Trees. This is due to the volume of these elements as well as factors which result in regular changes of land use and area.

The revaluation reserve has therefore been apportioned across these categories based on their total book values as at 31 March 2024. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2024.

In accordance with the requirements of IAS 16 the realised element of the revaluation reserve is transferred to general fund upon disposal of these assets. The realised element of the revaluation reserve is calculated using a percentage apportionment based on the total revaluation reserve balance and book value of the asset categories being disposed. This is



applied to the disposal value to determine the realised element of the revaluation reserve to be transferred.

It has been determined that this is the best estimation of the revaluation reserve movement on disposal of these land types.

### **Dwellings and other Buildings**

Other Buildings primarily include specialist buildings held for operational activities and for which there are no active external markets. Accordingly it is management's view that external professional valuers should carry out all work to ensure consistency in determining valuations. Where appropriate, management ensures that external professional valuations of Dwellings and Other Buildings are obtained where active markets operate for these assets.

### **Provision of liabilities and charges**

The provisions for liabilities and charges reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. A provision is recognised where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

## **2.3 Principal estimates in applying the accounting policies**

### **Land and buildings valuation**

A detailed review of land and buildings is undertaken each year in one region, on a five year cyclical basis. In 2023/24, Central region had a detailed review. All other regions are revalued using index factors estimated using market and BCIS information.

For non-specialised operational assets using the comparative method of valuation, total value is apportioned between the residual amount (land) and depreciable amount (buildings). For specialised operational assets where no market based evidence exists to support existing use value, the depreciated replacement cost method has been used.

For agricultural land and car parks, average land values per hectare have been used. Agricultural land value is classified by its capability as agricultural land.

### **Biological assets valuation**

In valuing the main crop of broadleaf trees, conifer trees and solum, average values are used on a per hectare basis. Average land values are estimated for other land, specialist crop, subsidiary plantable and subsidiary unplatable categories.

FLS data on its biological assets is used by the valuer in order to carry out a valuing exercise based on a sample of FLS biological assets using location, species and quality.

### Revenue from wind and hydro schemes

FLS receives rental income from wind farms and hydro schemes operating on the land. The amount receivable comprises a base rent, together with a share of the revenue arising from the sale of generated electricity (revenue rent).

While there is certainty over the value of the base rent, the remaining income is linked to the electricity generated, and the price at which it was sold to the market. Revenue rents are received in arrears and as a result of the variable factors noted above, the amount due to be received is not certain until after the financial year end. In calculating any accrual for revenue rent, it is necessary to estimate both the quantity and price of power generated.

Management are satisfied that both price and quantity estimations are based on the most accurate and timely information available in order to mitigate the estimation uncertainty.

### Asset lives and depreciation rates

In acquiring and utilising plant, machinery and equipment management estimates the useful lives of plant, machinery and equipment and depreciates each asset over its expected useful life so as to allocate to each period an appropriate amount of depreciation as an expense.

## Note 3: Net Operating Expenditure

Net operating expenditure, net of Community and Visitor Services, Recreation and Tourism, Environment and Heritage, Estate Improvements and Management Services is stated after charging:

	Note	2023-24 £000	2022-23 £000
Hire of plant and equipment		71	508
Auditors' remuneration – audit work		126	102
Depreciation of property, plant and equipment	7	4,452	4,064
<b>Operating lease rentals:</b>			
Land and buildings	15	62	80
Plant & machinery	15	11	62
<b>Provisions:</b>			
Provided in year	18	315	4,731
Provisions not required written back	18	(2,872)	(6,387)
Provisions utilised in year	18	(3,588)	(582)

Expenditure includes staff costs, which amounted to £57.212 m for 2023/24 (2022-23 – £51.553 m). A full analysis of these costs is included within the Remuneration and Staff Report.

## Note 4: Contract Revenue

FLS has assessed that the disaggregation of revenue by operating segments is appropriate in meeting this disclosure requirement as this is the information regularly reviewed by the Executive Team in order to evaluate the financial performance of the entity.

FLS also believes that presenting a disaggregation of revenue based on the timing of transfer of goods or services provides users of the financial statements with useful information as to the nature and timing of revenue from contracts with customers. This information is disclosed opposite.

### 4(a) Contract Revenue

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
Segment Revenue	Timber	Venison	Timber	Venison
<b>Major goods/services</b>				
Sale of goods	80,567	1,588	75,679	1,418
<b>Contract Duration</b>				
Transactional contracts	220	-	195	-
Short term contracts	44,829	-	31,101	-
Long term contracts	35,518	1,588	44,383	1,418
	80,567	1,588	75,679	1,418
<b>Contract pricing</b>				
Fixed price	50,977	1,588	56,097	1,418
Variable price	29,590	-	19,582	-
	80,567	1,588	75,679	1,418
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	80,567	1,589	75,679	1,418
	80,567	1,589	75,679	1,418
<b>Reconciliation to SOCNE</b>				
Sales	80,567	1,589	75,679	1,418
Compensation	972	-	291	-
Other sales	531	-	374	-
<b>Forest protection and maintenance</b>				
Forest Planning		184		81
Contract pricing		109		22
Restocking		7		16
Other Forest Maintenance		3		9
Roads upgrade		278		161
Roads maintenance etc.		45		12
	1,503	626	665	301
<b>Sales of Timber/Forest protection and maintenance</b>	<b>82,070</b>	<b>2,215</b>	<b>76,344</b>	<b>1,719</b>

## 4(b) Contract Balances

	2023-24 £000	2023-24 £000	2022-23 £000	2022-23 £000
	Timber	Venison	Timber	Venison
Receivables	21,452	141	14,904	169

## 4(c) Performance Obligations

### Timber

Long term contracts (LTCs) have an overarching agreement lasting between five and ten years where the annual contracted volume of timber is set. The volume of timber delivered can vary from the contractual amount as timber is a natural product that is subject to weather, disease and other variable factors.

The LTC volume outlined in the contracts is an estimate based on an assessment of programmed sites, as a result there is a contingency in the LTCs whereby the overall contract volume may vary by a maximum of 5%.

The LTC volume is monitored on a continual basis. At the end of the year if there is a variance between the overall contract volume and the volume supplied it is corrected for in subsequent years or potentially lost to the contract.

Short term contract volumes are stated when the contract is sold by competitive tender or subject to local negotiation for which limitations apply. Short term roadside contracts aim to achieve 100% of contract quantity but may vary by plus or minus 10%.

Revenue is recognised when the goods are uplifted from the site, this occurs on the date of dispatch. Performance conditions are deemed to be met when the goods leave the site as this is when the customer acquires control of the goods.

### Venison

The contract has a duration of five years. The customer has the option to purchase all deer culled as part of the deer management programme, however FLS has the right to retain up to 5% of available carcasses for local sale.

The number of deer that require to be culled as part of the deer management programme is calculated on an annual basis with the customer being informed of the numbers in advance.

The decision on the number of deer that require to be culled is made based on consultation with local wildlife rangers who consider the population numbers and impact on the forest estates.

Revenue is recognised when the customer uplifts the game from the site. Performance conditions are deemed to be met when the goods leave the site as this is when the customer acquires control of the goods.

#### **Significant Payment Terms and Obligations for Returns and Refunds:**

##### **Timber**

Customers are required to make payment by the end of the month, following the month of dispatch. Instances of returned goods are an exception. If goods are returned they are resold. Returned goods are then refunded to the customer.

##### **Venison**

Customers are invoiced on a monthly basis and are required to make payment by the end of the month following the month in which the game was collected. Refunds may occur if some of the game is rejected by the foods standard agency, in this case the customer is refunded for the game that is rejected.

A banking guarantee is in place to cover advance payments of the game. During the low season, summer months, the guarantee is £100,000. During the high season, winter months, the guarantee is £300,000.

#### **Transaction price:**

##### **Timber**

Transaction prices for LTCs are negotiated with each customer and fixed for each contract. The only exception is for Roadside saw log contracts which have quarterly or six monthly price reviews written into the contract.

Transaction prices for short term contracts are fixed for the duration of the contract.

The transaction price is benchmarked against a valuation and reserve based on a review of market conditions at the time of negotiation or competitive tender. Factors which can impact the market prices of timber include; exchange rates, weather, tree disease and or other significant changes in industries that use a lot of timber.

##### **Venison**

Prices are negotiated on an annual basis and are fixed for each year. If there were significant changes in the market there would be the possibility that the price could be re-negotiated before the end of the year, however this circumstance is extremely rare.

## 4(d) Other Comprehensive Income

	2023-24 £000	2022-23 £000
<b>Net (expenditure)/income for the year</b>	<b>(193,667)</b>	<b>460,040</b>
Net (loss)/gain on revaluation of property plant and equipment	(182,427)	406,677
<b>Total other comprehensive net (expenditure)/income</b>	<b>(182,427)</b>	<b>406,677</b>
<b>Comprehensive net (expenditure)/income for the year</b>	<b>(376,094)</b>	<b>866,717</b>

## Note 5: Segmental Reporting

IFRS 8, Operating Segments, requires organisations to identify and disclose information about their operating segments based on their internal management reporting.

FLS reports segmental information based on defined directorates or operational units within the organisation that align with those disclosed in the Statement of Comprehensive Net Expenditure. The accounting policies used within the operational units are those described in Note 1.

The results of each operational unit include the direct salaries and administration costs of the unit which are allocated to each of the principal activities using pre-determined percentages set at the start of each financial year.

Information regarding revenues from external customers for each product and service, and geographical information, have not been disclosed as the cost to develop is deemed too excessive.

## Note 6: Gain/(loss) on Sale of Properties, Plant and Equipment

	2023-24 £000	2022-23 £000
Sales proceeds	12,718	5,285
Book value	(8,630)	(5,111)
Gain	4,088	174
Disposal costs:	-	-
External costs	(661)	(255)
	(661)	(255)
Gain/(loss) on sale of assets	3,427	(81)

## Note 7: Property, Plant and Equipment

2023-24	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
At 1 April 2023	1,869,641	582,683	60,803	26,582	732	2,095	2,542,536
Additions	(63)	2,605	1,466	6,861	7	9,284	20,160
Transfers	-	-	2,029	-	219	(2,248)	-
Transfers to NCAHFS	(1,642)	(128)	(945)	-	-	-	(2,715)
Disposals	(138)	(609)	(1,848)	(2,261)	(224)	-	(5,080)
Write-off/impairment	-	-	-	-	-	(2)	(2)
Revaluations	(25,229)	(156,859)	1,326	1	-	-	(180,761)
At 31 March 2024	1,842,569	427,692	62,831	31,183	734	9,129	2,374,138
<b>Depreciation:</b>							
At 1 April 2023	-	78	24,254	14,750	353	-	39,435
Provided during year	-	102	2,707	2,344	72	-	5,225
Transfers to NCAHFS	-	-	(108)	-	-	-	(108)
Disposals	-	-	(1,144)	(1,841)	(221)	-	(3,206)
Revaluations	-	-	516	-	-	-	516
At 31 March 2024	-	180	26,225	15,253	204	-	41,862
<b>Net Book Value :</b>							
At 1 April 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101
At 31 March 2024	1,842,569	427,512	36,606	15,930	530	9,129	2,332,276
<b>Asset Financing</b>							
Owned	1,842,569	423,572	35,418	15,814	530	9,129	2,327,032
Right of use assets	-	3,940	1,188	116	-	-	5,244
At 31 March 2024	1,842,569	427,512	36,606	15,930	530	9,129	2,332,276

2022-23	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
At 1 April 2022	1,547,841	479,860	53,509	25,567	488	343	2,107,608
Additions	179	17,680	3,378	2,350	28	2,875	26,490
Additions: Right of use	-	3,103	1,626	51	70	-	4,850
Transfers	-	-	955	-	168	(1,123)	-
Transfers to NCAHFS	(117)	-	(632)	-	-	-	(749)
Disposals	(146)	(1,279)	(618)	(1,386)	(22)	-	(3,451)
Write-off/impairment	-	-	-	-	-	-	-
Revaluations	321,884	83,319	2,585	-	-	-	407,788
At 31 March 2023	1,869,641	582,683	60,803	26,582	732	2,095	2,542,536
<b>Depreciation:</b>							
At 1 April 2022	-	-	21,684	13,218	299	-	35,201
Provided during year	-	-	1,440	2,588	36	-	4,064
Depreciation: Right of use	-	78	623	23	40	-	764
Transfers to NCAHFS	-	-	(198)	-	-	-	(198)
Disposals	-	-	(373)	(1,079)	(22)	-	(1,474)

Revaluations	-	-	1,078	-	-	-	1,078
At 31 March 2023	-	78	24,254	14,750	353	-	39,435
<b>Net Book Value :</b>							
At 1 April 2022	1,547,841	479,860	31,825	12,349	189	343	2,072,407
At 31 March 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101
<b>Asset Financing</b>							
Owned	1,869,641	579,580	35,546	11,804	349	2,095	2,499,015
Right of use assets	-	3,025	1,003	28	30	-	4,086
At 31 March 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101

Within the 2023-24 results above, the following represents right-to-use assets held under finance lease

2023-24	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Total £000
<b>Valuation :</b>					
At 1 April 2023	3,103	1,626	51	70	4,850
Additions	0	827	95	0	922
Disposals	0	(616)	0	(70)	(686)
Revaluations	1,017	0	1	0	1,018
<b>Depreciation:</b>					
At 1 April 2023	78	623	23	40	764
Charged in year	102	641	42	30	815
Disposals	0	(616)	0	(70)	(686)
<b>At 31 March 2024</b>					
Cost	4,120	1,837	147	0	6,104
Depreciation	180	648	65	0	893
Net Book Value	3,940	1,189	82	0	5,211

In property, plant and equipment, Land comprises of:

Land use	2023-24 £000	2022-23 £000
Agricultural land	33,148	31,924
Open land	192,782	360,268
Other minor land	9,102	11,939
Car parks	2,276	2,306
Telecomms	10,096	9,627
Wind farms	128,818	126,339
Hydro	19,898	16,523
Minerals	6,308	4,574
Commercial leases	15,894	10,975
Battery storage	917	800
Campsites	4,333	4,305
Right of use land	3,940	3,025
	427,512	582,605



## National Forests and Land

BNP Paribas carried out a professional valuation of the Forest Estate including biological assets, non-forest land, houses and other buildings as at 31 March 2024.

Valuations are carried out in line with the International Financial Reporting Standards as interpreted by current HM Treasury Guidance for the public sector for the purposes of Capital Accounting. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT Treasury Financial Reporting Manual (FReM). The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. UK VPGA 5 addresses the valuation of central government assets for accounting purposes. The methodology was agreed in advance and differing valuation methods were used to report Fair Value figures, in line with the requirements of the Scottish Public Finance Manual and RICS guidance. These included the Comparative Method and Depreciated Replacement Cost Method.

Revaluations are carried out annually.

## Other Land-Related Assets

Professional valuations of other land-related assets such as windfarms, hydro schemes, leased mineral sites and telecoms masts were also undertaken as at 31 March 2024. These were valued by the relevant firms of Chartered Surveyors appointed as managing agents for the various assets, as set out below; the valuations for these assets were also undertaken in line with the requirements of the RICS Red Book, as referred to above:

Windfarms	- BNP Paribas
Hydro Schemes	- BNP Paribas
Mineral Sites	- Johnson Poole & Bloomer or Wardell Armstrong LLP
Telecoms Masts	- Galbraith

## Buildings

Buildings assets comprise both freehold and leasehold assets.

## Depreciation

Depreciation expense of £5.225 m (2022-23 - £4.828 m) has been charged in the Statement of Comprehensive Net Expenditure.

## Note 8: Biological Assets

Non-current Biological Assets comprise of timber and plant & seed.

Timber growing on Forest Estate Land is categorised as Biological Asset Timber or Other Timber depending on the strategic objective the land is held to meet. Other Timber is outwith the scope of IAS 41.

Non-current Biological Assets Plants and Seeds are intended for new stocking or replanting in woodlands recorded in the accounts of FLS or for sale to third parties.

The carrying value of total Biological Assets at 31 March 2024 was £3,106 m (2022-23 – £3,303 m).

The movement in the Biological Asset balance during the period has been as follows:

	2023-24 £000	2022-23 £000
<b>Trees</b>		
At 1 April	3,301,043	2,823,460
Disposals	(575)	(249)
Fellings	(60,931)	(57,048)
Transferred to NCAHFS	(3,570)	(244)
Gains and losses arising from changes in fair values	(131,415)	535,124
At 31 March	3,104,552	3,301,043
<b>Plant &amp; Seed</b>		
At 1 April	1,881	2,154
Movement in year	(204)	(273)
At 31 March	1,677	1,881
Biological Assets at 31 March	3,106,229	3,302,924
Biological assets transferred to NCAHFS and revalued down	(70)	(64)

## Note 9: Investment in Joint Ventures

On 28 February 2022, FLS together with Forestry England took joint control of Camping in the Forest (CitF), subsequent to that date the investment in CitF was accounted for under the equity method.

In November 2022, CitF surrendered its existing leases to FLS for nil consideration resulting in FLS acquiring CitF's trade and assets. CitF no longer trades and its future is under consideration. Following the acquisition of CitF's trade and assets the goodwill in the investment was transferred to land within non-current assets.

In the year to 28 February 2024, CitF generated a profit of £124,000. The share of profit attributable to FLS was £41,000 and is included in the carrying value of the investment. Also included in share of (loss)/profit below are adjustments, due to timing differences in completion of CitF annual report and accounts, of £1.079 m.

Investment in joint venture

Investment in joint venture	2023-24 £000	2022-23 £000
At 1 April	2,119	3,048
Transfer to Campsite land	(28)	(1,105)
Share of (loss)/profit	(1,038)	176
At 31 March	1,053	2,119

CITF has a reporting date of 28 February. The summarised financial information in relation to CITF is presented below:

As at 28 February	2023-24 £000	2022-23 £000
Non-current assets	3,959	8,294
Current assets	469	581
Current liabilities	(185)	(328)
Non-current liabilities	-	-
Net assets (100%)	4,243	8,547
FLS share of net assets (24.8%)	1,053	2,120
Included in the above amounts are:		
Cash and cash equivalents	356	468
Current financial liabilities (excluding trade payables)	185	328

## Note 10: Financial Assets

Financial Instruments	Non Current Assets Forest Holidays £000	Non Current Assets Camping in the Forest £000	Current Assets Purchase Options £000	Total £000
At 1 April 2022				
Opening balance	2,875	-	75	2,950
Disposal	(2,875)	-	-	(2,875)
Option exercised	-	-	(75)	(75)
At 1 April 2023	-	-	-	-
Disposal	-	-	-	-
Option exercised	-	-	-	-
At 31 March 2024	-	-	-	-

## Note 11: Financial Instruments

### 11(a) Investments in non-public sector bodies

	2023-24 £000	2022-23 £000
At 1 April	-	2,950
Additions	-	-
Disposal		
Disposal of investment	-	(2,875)
Option exercised	-	(75)
Revaluation	-	-
Balance at 31 March	-	-
<b>Represented by:</b>		
FVTPL investments	-	-
Options	-	-
Total	-	-

## 11(b) Financial instruments by category

	Amortised Cost £000	Financial assets at FVTPL £000	2023-24 Total £000	Amortised Cost £000	Financial assets at FVTPL £000	2022-23 Total £000
<b>Assets</b>						
Trade and other receivables	40,778	-	40,778	27,818	-	27,818
Cash and cash equivalents	79,213	-	79,213	96,874	-	96,874
Total	119,991	-	119,991	124,692	-	124,692

	Other financial liabilities at amortised cost £000	2023-24 Total £000	Other financial liabilities at amortised cost £000 Restated	2022-23 Total £000 Restated
<b>Liabilities</b>				
Right of use liabilities	4,568	4,568	3,553	3,553
Trade and other payables excluding statutory liabilities	15,271	15,271	10,277	10,277
Total	19,839	19,839	13,830	13,830

## 11(c) Exposure to risk

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

- Credit risk:** the possibility that other parties might fail to pay amounts due;
- Liquidity risk:** the possibility that Forestry and Land Scotland might not have funds available to meet its commitments to make payments and
- Market risk:** the possibility that financial loss might arise as a result of changes in measures such as interest rates and movements in financial markets.

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

### Credit risk

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 FLS.

Refer to Note 14 for further analysis of credit risk.

### Liquidity risk

The agency's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. FLS's primary source of funds is the commercial trading income with the annual subsidy limit (ASL) from Scottish Government providing the majority of the remaining cash balance. FLS has no debt or borrowing facility with any external party.

Liquidity is managed by the use of the annual planning process and the monitoring of actual performance against budgets and forecasts. FLS is also permitted to hold a cash liquidity reserve to mitigate against risks from unexpected negative trading events.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at 31 March to contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### Market risk

The Agency 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 the Agency in undertaking its activities. However, under the Public Services Reform (Scotland) Act 2010 FLS may form or participate in the forming of, a body corporate, invest in a body corporate, provide loans, establish charitable trusts and act or appoint a person to act, as an officer of a body corporate or as a trustee of a charitable trust. To date this power has not been exercised.

#### i) Cash flow and fair value interest rate risk

FLS 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

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

2023-24	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total
Right of use asset liabilities	274	698	3,596	4,568
Trade and other payables excluding statutory	15,271	-	-	15,271
Total	15,545	698	3,596	19,839

2022-23	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000	Total
Right of use asset liabilities	521	606	2,426	3,553
Trade and other payables excluding statutory	10,277	-	-	10,277
Total	10,798	606	2,426	13,830

## 11(d) Capital risk management

The Agency'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.

## 11(e) Fair value estimation

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

## Note 12: Non-Current Assets Held for Sale

The following assets related to surplus properties have been presented as held for sale following the approval for sale by the management of FLS. The completion dates for sale are expected to be within the 12 months to 31 March 2024.

	Note	Forest Estate & Biological Assets £000	Other Land £000	Buildings £000	Total £000
<b>At 1 April 2022</b>		1,458	21	1,419	2,898
Transfers from PPE & Biological Assets	7, 8	360	-	434	794
Disposals		(1,022)	(20)	(1,843)	(2,886)
Impairments*		(95)	-	(6)	(101)
<b>At 31 March 2023</b>		701	1	4	706
Transfers from PPE & Biological Assets	7, 8	5,212	128	837	6,177
Disposals		(5,350)	(14)	(818)	(6,182)
Impairments*		(127)	(2)	(60)	(189)
<b>At 31 March 2024</b>		436	113	(37)	512

\*Biological assets revaluation loss of £0.070 m (2022-23 – loss £0.064 m) is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £nil (2022-23 – nil) is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

There were no losses on the revaluation of other land (2022-23 – £nil).

## Note 13: Inventories

	2023-24 £000	2022-23 £000
Timber - Work in progress	3,489	2,107
Timber - Felled stock	4,748	4,434
Consumable materials, supplies and livestock	1,686	1,235
	9,923	7,776

## Note 14: Trade And Other Receivables

	2023-24 £000	2022-23 £000
<b>Current</b>		
Trade receivables	29,788	15,550
Less provision for impairment of trade receivables livestock	-	-
Trade receivables - net	29,788	15,550
Other receivables	44	1,515
Partnership lease	-	-
House purchase loans to employees	1	2
Prepayments and accrued income	12,530	11,782
<b>Total current receivables</b>	<b>42,363</b>	<b>28,849</b>
<b>Non current</b>		
Partnership lease		-
House purchase loans to employees	5	7
<b>Total non-current receivables</b>	<b>5</b>	<b>7</b>
<b>Total receivables</b>	<b>42,368</b>	<b>28,856</b>
<b>Reconciliation to Note 11</b>		
Total receivables	42,368	28,856
less		
Prepayments	(1,590)	(1,038)
<b>Trade and other receivables (note 11(b))</b>	<b>40,778</b>	<b>27,818</b>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £0.006m relating to one member of staff at 31 March 2024 (2022-23 – two staff members).

The total outstanding value of all loans was £0.006 m (2022-23 – £0.009 m). Such loans are unsecured, interest free and typically repayable over ten years, with an optional two year deferral period.

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

As of 31 March 2024, trade receivables of £26.590 m (2022-23 – £13.719 m) were fully performing and not past due or impaired or provided for.

As of 31 March 2024, trade receivables of £3,197 m (2022-23 – £1.831 m) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:



	<b>2023-24</b> <b>£000</b>	<b>2022-23</b> <b>£000</b>
Less than one month	22,291	13,719
One to two months	4,300	1,556
More than two months	3,197	275
	29,788	15,550

There was no movement in the provision for impairment of trade receivables in the year (2022-23 - £nil).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. FLS does not hold any collateral as security.

The carrying amounts above are all denominated in GBP Sterling.

### 14(b) Intra-Government Receivables Balances

	<b>Current</b> <b>2023-24</b> <b>£000</b>	<b>Non current</b> <b>2023-24</b> <b>£000</b>	<b>Current</b> <b>2022-23</b> <b>£000</b>	<b>Non current</b> <b>2022-23</b> <b>£000</b>
Balances with other central government bodies	184	-	1,364	-
Balances with local authorities	3	-	16	-
Balances with public corporations and trading	1,049	-	180	-
Intra-government balances	1,236	-	1,560	-
Balances with bodies external to government	41,127	5	27,289	7
Total trade and other receivables	42,363	5	28,849	7

### Note 15: Leases

a) FLS has leases for areas of land, buildings, vehicles and plotters and printers (included within OME). With the exception of short term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right of Use assets are classified in a consistent manner to our purchased property, plant and equipment.

Leases of vehicles and OME are generally limited to a lease term of one to three years. Leases of property generally have a lease term ranging from three to 20 years.

Leases of land have the longest terms, ranging from eight to 75 years. Lease payments are generally fixed, although some of the longer term leases are subject to rent reviews at dates specified in the lease contracts.

## Right of Use Assets

	Land £000	Buildings and other Dwellings £000	VME £000	OME £000	Total £000
Cost					
Opening Balances	3,103	1,626	51	70	4,850
Additions	0	827	95	0	922
Disposals	0	(616)	0	(70)	(686)
Revaluation	1,017	0	1	0	1,018
<b>At 31 March 2024</b>	<b>4,120</b>	<b>1,837</b>	<b>147</b>	<b>0</b>	<b>6,104</b>
<b>Depreciation</b>					
Opening Balance	78	623	23	40	764
Provided during the year	102	641	42	30	815
Disposals	0	(616)	0	(70)	(686)
<b>At 31 March 2024</b>	<b>180</b>	<b>648</b>	<b>65</b>	<b>0</b>	<b>893</b>
<b>Carrying amount at 31 March 2024</b>	<b>3,940</b>	<b>1,189</b>	<b>82</b>	<b>0</b>	<b>5,211</b>

## Lease Liabilities

The lease liabilities are secured by the underlying assets. The undiscounted maturity analysis of the lease liabilities at 31 March 2024 is as follows:

	Land £000	Buildings and other Dwellings £000	VME £000	OME £000	Total £000
<b>Amounts falling due:</b>					
No later than one year	97	139	38	-	274
Later than one year but not later than five years	380	224	94	-	698
Due 5-10 years	437	210	-	-	647
Due 10-20 years	799	-	-	-	799
Due 20-30 years	799	-	-	-	799
Due 30-40 years	1,351	-	-	-	1,351
	<b>3,863</b>	<b>573</b>	<b>132</b>	<b>0</b>	<b>4,568</b>

## Lease payments not recognised as a liability

FLS has elected not to recognise lease liabilities for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2023-24 £000
Low value and short term leases	73
<b>At 31 March 2024</b>	
<b>Amounts recognised in the SOCNE</b>	
Depreciation	815
Interest expense	56
Low value and short term leases	73
Income for subleasing office premises	508
<b>Amounts recognised in the SCF</b>	
Cash flows	1,073
Interest expense	56

b) Operating leases: the future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2023-24 £000	2022-23 £000
Not later than one year	12,268	11,555
Later than one year but not later the five years	48,808	46,535
More than five years	143,122	146,844
	<b>204,198</b>	<b>204,934</b>

## Note 16: Cash and Cash Equivalents

	2023-24 £000	2022-23 £000
At April 1	96,874	115,114
Net change in cash and cash equivalent balances	(17,661)	(18,240)
<b>Balance at 31 March</b>	<b>79,213</b>	<b>96,874</b>

<b>The following balances were held at:</b>	2023-24 £000	2022-23 £000
Balance with the Government Banking Service	79,213	96,874
	<b>79,213</b>	<b>96,874</b>

All balances held are denominated in GBP Sterling.

Cash balances that transfer as reserves are as follows: -

Restricted with a specific purpose – £38 m (2022-23: £40 m). These funds include those relating to land sales and reinvestment programmes.

Earmarked reserves in 2023-24 and beyond – £27 m (2022-23: £43 m). Earmarked reserves will be reinvested in the business, or used to fund trading deficits.

These funds are allocated by the Chief Executive based upon recommendations made by the Executive Team.

Liquidity reserves – £14 m (2022-23: £13 m). The level of liquidity reserves has been aligned to roughly three times the monthly salary bill of FLS. The reserve is held to ensure that the risks can be managed in a timely and effective manner and is under continuous review.

## Note 17: Trade and Other Payables

### 17(a) Analysis by type

	2023-24 £000	2022-23 £000 (Restated)
<b>Current</b>		
Trade payables	7,638	3,548
Other payables	27	32
Taxation and social security costs	815	111
Accruals and deferred income	38,614	34,237
Right of use asset leases	288	520
<b>Total current payables</b>	<b>47,382</b>	<b>38,448</b>
<b>Non current</b>		
Accruals and deferred income	2,042	1,125
Right of use asset leases	4,280	3,032
<b>Total non-current payables</b>	<b>6,322</b>	<b>4,157</b>
<b>Total payables</b>	<b>53,704</b>	<b>42,605</b>
<b>Reconciliation to Note 11</b>		
Total Payables	53,704	42,605
Less Deferred income	(31,533)	(26,904)
Less Taxation, salary and social security costs	(2,332)	(1,871)
<b>Other financial liabilities (note 11(b))</b>	<b>19,839</b>	<b>13,830</b>

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

### 17(b) Intra-Government Balances

	Current 2023-24	Non current 2023-24	Current 2022-23	Non current 2022-23
Balances with other central government bodies	1,357	-	288	-
Balances with local authorities	1	-	11	-
Balances with public corporations and trading	89	-	153	-
Intra-government balances	1,447	-	452	-
Balances with bodies external to government	44,488	6,322	37,996	4,157
Total trade and other payables	47,382	6,322	38,448	4,157

## Note 18: Provisions for Liabilities and Charges

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
At 1 April 2022	-	3	1,970	7,682	9,655
Provided in year	179	-	3,812	740	4,731
Provisions not required written back	-	-	-	(6,387)	(6,387)
Utilised in year	-	(3)	-	(579)	(582)
At 31 March 2023	179	-	5,782	1,456	7,417
Provided in year	-	-	-	315	315
Provisions not required written back	-	-	(2,682)	(190)	(2,872)
Utilised in year	(179)	-	(3,100)	(309)	(3,588)
At 31 March 2024	-	-	-	1,272	1,272

Analysis of expected timing of discounted cash flows for balance at 31 March 2024:

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
Within one year	-	-	-	1,272	1,272
Between 1 April 2025 and 31 March 2029	-	-	-	-	-
Between 1 April 2029 and thereafter	-	-	-	-	-
	-	-	-	-	-

Provisions are categorised as follows:

### Public and other legal claims

Provision has been made for various legal claims against FLS. The provision reflects all known claims where legal advice indicates that it is more than probable that the claim will be successful and the amount of the claim can be reliably estimated.

During the financial year, a legal claim was settled for less than provision, and therefore, was written back in the year.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities; there were no such contingent liabilities at 31 March 2024.

Public legal claims are those claims from the public for personal injury or damage caused to property, and other legal claims are for compensation for injury to employees.

## Note 19: Capital Commitments

	2023-24 £000	2022-23 £000
Property, plant and equipment	3,849	4,943

## Note 20: Other Financial Commitments

There were no other financial commitments as at 31 March 2024 (2022-23– £nil).

## Note 21: Related Party Transactions

FLS has had various material transactions with other government departments and other central government bodies. The main entities within government with which Forestry and Land Scotland has had dealings with are the Scottish Government and its Agencies.

### Transactions for timber and sales

The following transactions for timber sale and capital works, civil engineering and forest management services purchases occurred on an arms-length basis and are disclosed because:

Simon Hodgson, Chief Executive of FLS until March 2024, was the Chair of Forest Industry Safety Accord (FISA), until June 2023. He also represents Scottish Ministers in his capacity as a member of Forest Holidays LLP.

Lisa Tennant, a Non-Executive Advisor until March 2023, is contracted for business support to East Ayrshire Council.

Therese O'Donnell is a Non-Executive Director with the Scottish Fire and Rescue Service.

Jo O'Hara is a Trustee and Member of Council for Institute of Chartered Foresters.

## 21(a) Sales & Purchases of goods and services

The value of sales to Forestry and Land Scotland in the year to 31 March was:

	2023-24 £000	2022-23 £000
Forest Industry Safety Accord (FISA)	15	14
East Ayrshire Council	-	2
Institute of Chartered Foresters	4	-
	19	16

The value of purchases from Forestry and Land Scotland in the year to 31 March was:

	2023-24 £000	2022-23 £000
Forest Holiday LLP	404	704
Scottish Fire & Rescue	21	-
	425	704

## 21(b) Year end balances arising from sale and purchase of goods and services:

Amounts owing to Forestry and Land Scotland at 31 March were:

	2023-24 £000	2022-23 £000
Forest Holiday LLP	53	100
	53	100

## 21(c) Key management compensation

Refer to the Remuneration and Staff Report for further details of the remuneration of Board members.

## 21(d) Loans to related parties

Other than the loans stated in the Remuneration Report, there were no other loans made to related parties during the year.

## Note 22: Third Party Assets

FLS rents land for use in its hydro-electric and wind farm business.

As part of the rental agreements, the lessees credited FLS with restoration bonds at the lease commencement. These bonds must be kept by FLS in an interest bearing account, separate from FLS's own assets. On termination of the lease, the bonds along with all interest accrued must be utilised for the purpose of restoring the land to its original condition.

In the event that the lessee fails to carry out the restoration works to an agreed standard or within an agreed timescale, FLS will recover all reasonable costs of carrying out the restoration work from the amount held.

The balances are held for third parties, therefore they are not included in the primary financial statements of FLS.

	Opening Balance £000	Gross Inflows £000	Gross Outflows £000	2023-24 Closing Balance £000
Lael	10	-	-	10
Nevis Range	5	-	-	5
Garrygualach	5	-	-	5
Blackcraig Windfarm	403	6	-	409
Farr Hydro	23	-	-	23
Allt Druidhe Hydro	6	-	-	6
Blary Hill	75	1	-	76
Cuil Burn Hydro	10	-	-	10
Littleburn Hydro	10	-	-	10
Schoolhouse Burn Hydro	10	-	-	10
Feorline Burn Hydro	13	-	-	13
Barr River Hydro	50	1	-	51
Duror 2 Hydro	75	1	-	76
Allt Na Sidhean	50	1	-	51
Hydro Ludens Holdings Limited	75	1	-	76
Lochaber Environmental	20	-	-	20
Total	840	11	-	851

## **Note 23: Financial Liabilities – Financial Guarantee Scheme**

During the previous financial year Forestry and Land Scotland entered into two Financial Guarantee Contracts over loans taken out by a third party. The loans were not for commercial purposes and no fee was charged for guaranteeing the loans. The loan guarantees related to short term loans for employees who were relocating and such arrangements ceased from April 2023.

During the year a loss of £nil (2022-23 - £80k) was incurred on a Financial Guarantee Contract.

## **Note 24: Events after the balance sheet date**

In accordance with the requirements of IAS 10, events after 31 March 2024 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer.

There were no events arising after 31 March 2024 and the date on which the financial statements were authorised that required disclosure.





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## Forestry and Land Scotland

### 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 2021 and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRoM) 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 Minister

Dated 19/05/2021

SG/2024/41



Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba