



Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

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# Forestry and Land Scotland Annual Report and Accounts 2019-2020



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Forestry and Land Scotland  
**Annual Report  
and Accounts**  
2019-2020

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# Forests and Land that Scotland can be proud of...

## Our First Year



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# Introduction

by Simon Hodgson, FLS Chief Executive and Accountable Officer

## 2019-2020 has been a momentous and busy year for Forestry and Land Scotland (FLS).

On 1st April 2019 the Forestry and Land Management (Scotland) Act 2018 came into force, replacing the 1967 revision of the Forestry Act. With this, full responsibility for forestry matters in Scotland was devolved to Scottish Ministers and the Scottish Government took legislative control and oversight of critical, sustainable and valuable land use. At the same time, two new Scottish Government executive agencies, FLS and Scottish Forestry, were established to carry out Scottish Ministers' functions under the new Act. These were formed, respectively from Forest Enterprise Scotland (FES) and Forestry Commission Scotland, both agencies of the Forestry Commission.

This is the first Annual Report and Accounts for FLS. During our first year, we faced an unprecedented period of change, and a period of uncertainty around the impact of Brexit. Despite this we have been looking after the national forests and land in a way that also delivers on Scotland's Forestry Strategy, Scotland's National Outcomes and the UN Sustainable Development Goals. We have delivered on the key actions set out in our first Corporate Plan, including creating 228 ha of new woodland; providing 3110k m<sup>3</sup> obs timber to the market and looking after 52,697 ha of native woodland. We have also completed initial restoration operations on 914 ha of peatlands, significantly exceeding our target on this action. There were also a number of celebrations across the country in late 2019 to mark the centenary of forestry.

However, no one could have foreseen the situation we now find ourselves in with the devastating impacts of the COVID-19 pandemic, which spread across Scotland in early 2020. This resulted in the necessary decision to close down all operations, except some harvesting sites that provide essential woodfuel and material for essential products. Staff where possible are now working from home, with all offices, visitor centres and facilities closed.

In a time of difficult adjustments and adaptations for the whole country, I am very proud of the remarkable effort that is being made by all of my colleagues. Like every public body, our priority is now the same as the Scottish Government's – to implement the public health guidance to help prevent the spread of the virus, protect our NHS and save lives. At the time of writing this Annual Report, we are maintaining our contribution to the national effort to get through the health crisis. This remains our top priority.

This is an extremely challenging period for everyone in Scotland. Even when the immediate crisis has passed, this will leave a lasting burden. However, when it does recede – as it will – and current restrictions are eased, there will be a huge job to do in getting the country back on its feet. We are working hard to be prepared to play our part in that national effort.



# Ro-ràdh

le Simon Hodgson, Àrd-oifigear Coilltearachd agus Fearann Alba

## Tha 2019-2020 air a bhith na bliadhna mhòr thrang airson Coilltearachd agus Fearann Alba.

Air 1 Giblean 2019 chaidh Achd Coilltearachd agus Riaghladh Fearainn (Alba) 2018 a chur an gnìomh, agus i a' dol an àite Achd na Coilltearachd mar a chaidh atharrachadh ann an 1967. Leis a seo, chaidh làn dleastanas airson cùisean coilltearachd ann an Alba a thiomnadh do Mhinistearan na h-Alba agus ghabh Pàrlamaid na h-Alba thairis smachd reachdail agus tar-sealladh air cleachdadh fearainn a tha seasmhach, luachmhor agus ro-chudromach. Aig an aon àm, chaidh dà bhuidhinn ùr aig Riaghaltas na h-Alba a stèidheachadh: Coilltearachd agus Fearann Alba agus Coilltearachd Alba agus na dreuchdan aig Ministearan na h-Alba a choileanadh fon Achd ùir. Chaidh an stèidheachadh bho lomainn Coilltearachd Alba agus Coimisean na Coilltearachd Alba, a bha an dà chuid nam buidhnean aig Coimisean na Coilltearachd.

'S e seo a' chiad Aithisg Bhliadhnail is Cunntasan airson Coilltearachd agus Fearann Alba. Anns a' chiad bhliadhna againn, chunnaic sinn atharrachadh den t-seòrsa nach fhacas riamh roimhe, agus mi-chinnt mun bhuidhinn aig Brexit. A dh'aindeoin seo, tha sinn air a bhith a' coimhead às dèidh nan coilltean agus an fhearainn nàiseanta ann an dòigh a tha cuideachd a' libhrigeadh Ro-innleachd Coilltearachd na h-Alba, Builean Nàiseanta na h-Alba agus Amasan Leasachadh Seasmhach nan Dùthchannan Aonaichte. Tha sinn air na prìomh ghnìomhan anns a' chiad Phlana Chorporra a libhrigeadh, a' gabhail a-steach a bhith a' cruthachadh 228 ha de choille ùr; a' toirt 3110k m3 obs de dh'fhiodh dhan mhargadh agus a' coimhead às dèidh 53,697 ha de choille dhùthchasach. Tha sinn cuideachd air crìoch a chur air obair ath-leasachaidh thòiseachail air 914 ha de mhòinteach, tòrr nas àirde na an targaid againn airson seo. Bha grunn thachartasan ann air feadh na dùthcha aig deireadh 2019 cuideachd gus ceud bliadhna de choilltearachd a chomharrachadh.

Ach, cha b' urrainn do dhuine sam bith a bhith an dùil ris an t-suidheachaidh anns a bheil sinn an-dràsta, leis a' bhuidhinn uamhasach aig ghalar lèir-sgaoilte COVID-19, a sgaoil air feadh Alba tràth ann an 2020. Mar thoradh air sin rinneadh an co-dhùnadh riatanach gus a h-uile gnìomhachd a dhùnadh, ach a-mhàin cuid de làraichean buain a bheir seachad connadh fiodha riatanach agus stuthan airson toraidhean riatanach. Tha luchd-obrach a-nis ag obair aig an taigh far an gabh e dèanamh, le gach oifis, ionad luchd-tadhail agus goireas dùinte.

Ann an àm de dh'atharrachaidhean duilich airson na dùthcha air fad, tha mi glè mhoiteil às an oidhirp iongantach a tha mo cho-obrachichean uile a' dèanamh. Mar a h-uile buidheann poblach, tha an aon phrìomhachas againn 's a th' aig Riaghaltas na h-Alba - gus an stiùireadh air slàinte phoblach a chur an gnìomh gus casg a chur air sgaoileadh a' bhiorais, gus an NHS a dhìon agus gus beathannan a shàbhaladh. Nuair a thathar a' sgrìobhadh na h-Aithisg Bliadhnail seo, tha sinn fhathast ag obair gus cur ris an oidhirp nàiseanta gus aghaidh a chur air an t-suidheachadh èiginn slàinte. 'S e seo am prìomhachas as motha againn.

Tha seo na àm dùbhlach airson a h-uile duine ann an Alba. Fiù 's nuair a bhios an suidheachadh èiginneach air tighinn gu crìch, fàgaidh seo uallach maireannach oirnn. Ach, nuair a thèid seo an lughad - agus tha fios gun tèid e an lughad - is nuair a thèid na cuingeadan a th' ann an-dràsta a lùghdachadh, bidh obair mhòr ann ri dhèanamh gus an dùthaich a chur air ais air a casan. Tha sinn ag obair gu cruaidh gus am bi sinn deiseil gus ar pàirt a chluich san oidhirp nàiseanta seo.

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# Performance Report: Overview

The purpose of this section is to provide an overview of FLS, its purpose and activities. The section also includes information on key risks and issues for the organisation and a high level summary of performance in 2019-20.





# Performance Overview – Statement by the Chief Executive

**As set out in my introduction, 2019/2020 has been a momentous and challenging first year for Forestry and Land Scotland.**

We published our first Corporate Plan in October setting out the direction of travel for the organisation over a three year period. It defines our contribution to the delivery of the National Outcomes as set out in the Scotland's National Performance Framework and also our contribution to the implementation of Scotland's Forestry Strategy 2019-2029. It also sets out our five new Corporate Outcomes, which describe what we aim to achieve from our programme of activity.

We have maintained UK Woodland Assurance Standard (UKWAS) certification and brought over 3 million m<sup>3</sup> obs of timber to the market, making a significant contribution to the rural economy. We have also increased the area of native woodland and reduced the area of land awaiting restocking, ensuring that the national forests and land are productive, but also contribute to biodiversity and climate change targets.

A major programme of peatland restoration was also successfully completed, funded by Scottish Government and the Peatland Action Programme. The work involved undertaking a range of peatland restoration operations over a total of 14 separate sites, and civil engineering work to build new roads to provide access to areas to be restored over the next few years. In addition, a recruitment exercise was also commenced to appoint new peatland programme development and delivery staff to enable FLS to plan and implement an increasing scale of future restoration work to help meet Scotland's 2045 net-zero Greenhouse Gas (GHG) targets.

We continue to encourage people from all backgrounds to enjoy the health and other benefits of visiting forests and woodlands. We published our first Corporate Parenting Plan, "Putting Down Roots" in March, setting out how we will meet our obligations and responsibilities to children and young people with care experience.

Supporting the mental health and wellbeing of our employees continues to be an important issue. FLS now has 96 mental health first aiders in place across the organisation following the delivery of training throughout the year.

The work of the organisation was recognised throughout the year with a series of awards.

- 'The Last Ent of Affric', based in Glen Affric in our North Region, won the Tree of Year in the Woodland Trust Competition.
- The North Region team also won the 1919 Centenary Trophy, a unique competition for 2019 only to mark the centenary of the 1919 Forestry Act, for Fort Augustus Woodlands. The award was presented at the Royal Highland Show in June.
- The Central Region's Woodland Activity Programme won the 'Best Dementia Friendly Community Initiative' category at Scotland's Dementia Awards.
- The Digital Services team won the prestigious Project Delivery Award at the Holyrood Connect ICT Awards.
- The Forestry Devolution Programme won the Project and Programme Management Award at the Scottish Public Service Awards in recognition of the work that took place to successfully establish the new forestry agencies.

Further details on our performance over the year can be found in the Performance Summary and Analysis sections below.

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# About Forestry and Land Scotland

**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.

## Purpose

The purpose of FLS is to manage 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.

The primary focus of FLS, in delivering its purpose, is to support Scottish Ministers in their role as leaders of sustainable forest management and sustainable development through the stewardship of the national forests and land.

## 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."**

FLS will help deliver this vision. In so doing, the vision for FLS is as follows:

**"Forests and land that Scotland can be proud of."**

FLS will work towards this vision by delivering its mission:

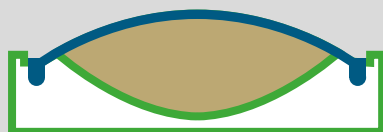
**"To look after Scotland's forests and land, for the benefit of all, now and for the future."**

## Scotland's National Forests and Land

FLS is responsible for managing Scotland's national forests and land, an area that in total covers 640,000 hectares, 9% of Scotland's land area.



Approximately **one third (470,000ha)** of Scotland's forests and woodland are on **public land**, owned by Scottish Ministers on behalf of the nation.



...includes more than **6,500ha of restored peatland...**

...and hosts **enough renewable energy** infrastructure to produce over one billion watts of energy and sufficient to **power 600,000 homes.**



...includes **650 ha of new planting each year**, equating to around **800 football pitches** of new trees.

## Scotland's National Forests and Land...



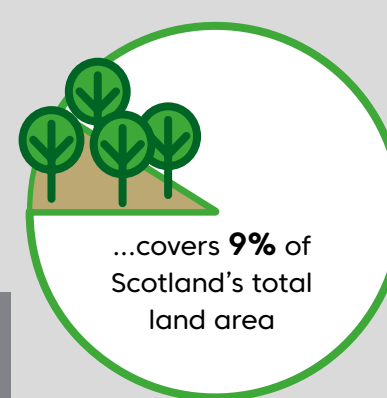
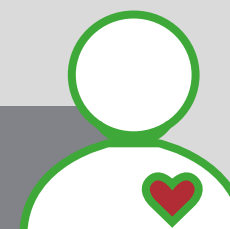
...supports **10,255 FTE jobs**

...hosts **90 community and partnership projects**



...welcomes **10.6 million visits**

...helps to **improve the physical, emotional and mental well-being** of residents and visitors.



...covers **9%** of Scotland's total land area

...contributes over **£1 million per day** Gross Value Added (GVA)



...are home to over **1000 species**, **172 of which are protected species** including **lichen, moths, capercaillie and red squirrels**



## Organisational Structure

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. 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.



## Regional Business Structure

FLS operates a regional business structure for the delivery of our 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 900 staff in a variety of occupations across Scotland.





## Financial Resources

In contrast to many other public bodies in Scotland, FLS earns the majority of its income used to support the management and development of Scotland's national forests and land. This is primarily through commercial trading activities such as the sale of timber, renewables, recreation, venison and leases. We use this revenue to invest in activities such as woodland expansion but also to build a sustainable financial model to protect the national forests and land for the long term. In addition, we receive Scottish Government funding in the form of an annual subsidy limit (ASL).

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 aims for a balanced budget with provision for reserves that protects liquidity and allows for investment in the protection of the national forests and land.

## Corporate Outcomes

Our Corporate Outcomes describe what we aim to achieve from our programme of activity. For each Corporate Outcome we have developed actions, delivery of which are crucial to achieving our Outcomes, Vision and Mission for the organisation. The Outcomes are reliant on each other, supporting the delivery of our vision and mission, and aligned to the Scottish Governments outcomes and purpose as set out within the National Performance Framework<sup>1</sup>.

<sup>1</sup> More on the alignment of the Corporate Outcomes to the National Performance Framework can be found in the FLS Corporate Plan 2019-2022.



### Outcome 1: Supporting a Sustainable Rural Economy

FLS supports a sustainable rural economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs and investments.



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

Scotland's national forests and land are looked after; biodiversity is protected and enhanced and more environmental services are provided to people.



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

Everyone can visit and enjoy Scotland's national forests and land to connect with nature, have fun, benefit their health and wellbeing and have the opportunity to engage in our community decision making.



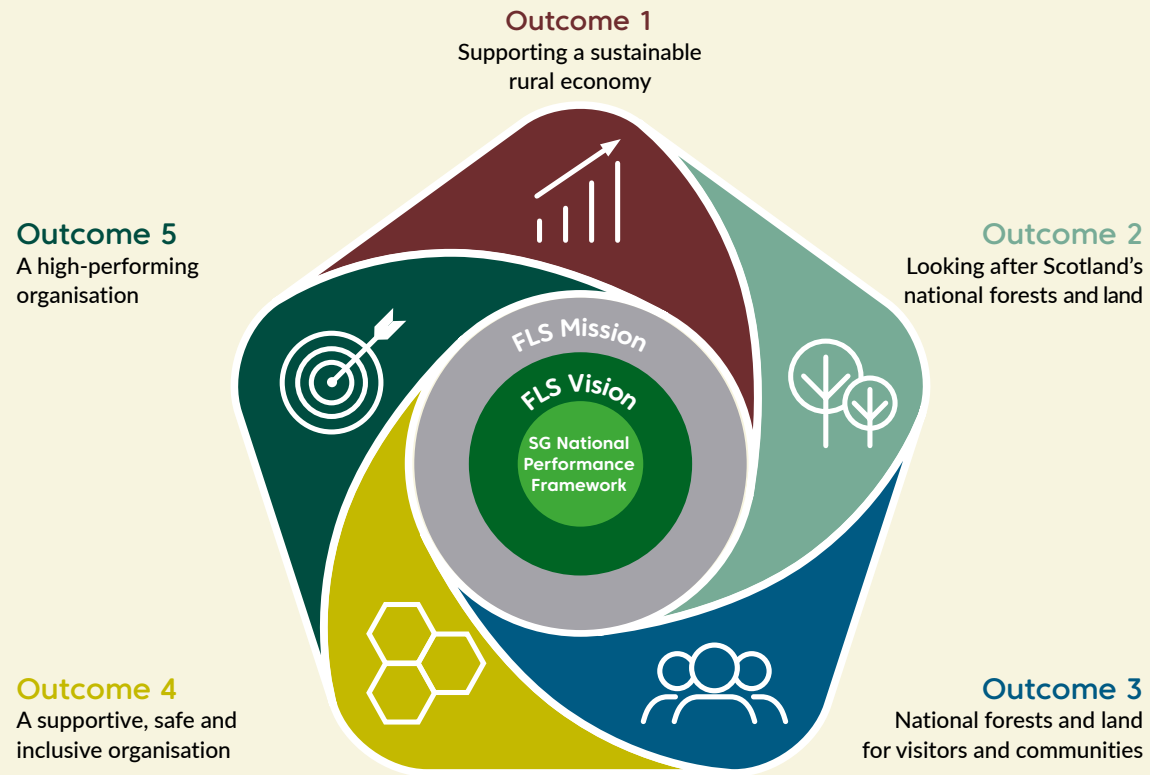
### Outcome 4: A Supportive, Safe and Inclusive Organisation

FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.



### Outcome 5: A High Performing Organisation

FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.



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# Performance Summary

**This Annual Report is the first in which we report on our performance as a new agency and on progress made in the implementation of our first Corporate Plan, which was published in October 2019.**

The Corporate Plan sets out the direction of travel for the organisation over a three year period (2019-2022). It defines our contribution to the delivery of the National Outcomes as set out in the Scotland's National Performance Framework and also our contribution to the implementation of Scotland's Forestry Strategy 2019-2029.

Business Plans support the delivery of the Corporate Plan and progress towards delivery of our Corporate Outcomes. The first FLS Business Plan was published in October 2019 alongside the Corporate Plan. The Business Plan set out a number of actions to be delivered over the remainder of the 2019/2020 financial year.

Corporate Performance is managed by the Corporate Services function and monitored by the FLS Executive Team which receives outcome focussed quarterly Corporate Performance Reports including information on our Key Performance Indicators. The Corporate Performance Reports which are published online, have developed over the period, taking account of the introduction of the Corporate Plan mid-year in order to meet Scottish Government prescribed timescales.

The following is a summary of the key performance and achievements over the financial year, grouped under the appropriate Corporate Outcome.



## Outcome 1: Supporting a Sustainable Rural Economy

### FLS Business Plan Actions:

- **Provision of Timber to the Market:** Over the period 3100.99k m<sup>3</sup> obs of timber was brought to the market over the year. This included 1105k m<sup>3</sup> obs to the open market, 1977k m<sup>3</sup> obs to long term contracts.
- **Develop a new plant and seed supply:** Work took place on the development of a new plant and seed supply strategy, with the commissioning of a market research exercise. Work also took place with five companies via the CivTech 'accelerator' programme to develop high impact and innovative solutions to make more efficient use of limited seed supplies.



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

### FLS Business Plan Actions:

- **Plant 400 ha of new woodland:** The target was not met with 228 ha of new woodland created over the period, equating to 57% of the target area. The programme was not completed due to poor weather conditions in the early part of 2020 and the cessation of all non-essential Forest Management operations following Scottish Government guidance on responding to COVID-19.
- **Restore vacant and derelict land for woodland planting and wider beneficial use:** Work has taken place with key stakeholders Scottish Mines Restoration Trust and Hargreaves in the restoration and acquisition of former open cast coal sites for tree planting. This resulted in the acquisition of circa 860 ha gross (450 ha net plantable) of land with a future pipeline of further sites either under offer or at various stages of investigation and discussion.
- **Restore 700 ha of peatland:** FLS carried out restoration or enhancement on a total of 914 ha of peatlands during 2019/20.





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

#### FLS Business Plan Actions:

- **Identify options for supporting small scale forestry initiatives:** FLS continues to support small scale sawmills in communities across Scotland by administering sales of high value timber. Recent timber sales have included Western Red Cedar and Oak which were purchased by businesses in Central Scotland for projects as far afield as England. With increasing levels of broadleaved thinning occurring across the Regions, the availability of small diameter hardwood is increasing. Open market firewood sales have taken place at locations including Durriss and Blairadam where up to 600 tonnes have been purchased by local firewood merchants.



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

#### FLS Business Plan Actions:

- **Develop and launch a new People Strategy for FLS:** The formal launch of the People Strategy has been delayed until June due to COVID-19 priorities. Work is underway on the action plan to support the People Strategy.
- **Deliver training to create group of new Mental Health and wellbeing first aiders:** Mental Health First Aid Training was completed in Q3 and FLS now has 96 mental health first aiders in place across the organisation.
- **Support the Apprenticeship and Student Programme:** The Apprenticeship Programme saw the recruitment of 12 additional apprentices in various forest management roles making a total of 19 apprentices within the organisation in 19/20.
- **Develop and publish Corporate Parenting Plan for FLS:** The FLS Corporate Parenting Plan – ‘Putting Down Roots’ was published on the FLS website in March 2020.



### Outcome 5: A High Performing Organisation

#### FLS Business Plan Actions:

- **Establish a new Corporate Planning Framework:** The new Corporate Planning Framework has been established with the publication of the first FLS Corporate Plan and Business Plan in October 2019 (Q3). This was followed by the development and publication of the FLS Business Plan 2020/21 and Business Plans for all Functions and Regions<sup>2</sup> in March 2020.
- **Develop a new Procurement Strategy for FLS:** The FLS Procurement Strategy was published in early January 2020, the key deliverables of which are twofold. Firstly, the strategy sets out how FLS will comply with the requirements of the Procurement Reform (Scotland) Act including its mandatory elements and secondly it sets out our key procurement aims and commitments for the 3 year strategy period.
- **Develop a new Communications and Marketing Strategy:** The FLS Communications and Marketing Strategy was published on the intranet in October 2019. This highlights the breadth of the organisation’s activities and how Scotland benefits from forestry, promoting all our work in a transparent, clear and positive light and communicating the importance of forestry for Scotland, increasing general knowledge and public interest.

<sup>2</sup> Business Plans for our Functions and Regions are published on our intranet for staff. Copies can be requested by contacting [corporate@forestryandland.gov.scot](mailto:corporate@forestryandland.gov.scot)

# Key Performance Indicators

Due to the timing of the development of the Corporate Plan, and the need for FLS to have regard to the Forestry Strategy<sup>3</sup> which was published in February 2019, FLS continued to use the Key Performance Indicators (KPIs) from its predecessor organisation, FES, until the end of September 2019.

From 1st October 2019, FLS used a new set of KPIs, published in the Corporate Plan, in order to track, measure and manage performance and progress against our Corporate Outcomes.

The FLS Executive Team acknowledges that two KPI targets were not met this year. Further information is provided in the Performance Analysis section.

## KPIs: 1st April 2019 – 30th September 2019

Key Performance Indicator	Target	RAG Status <sup>4</sup>
Volume of timber brought to the market	3224k m3 obs (+/- 5%)	On track
Area of Woodland creation	400 ha	On track
Area of land awaiting restocking	Reduce by 814 ha	Target is unlikely to be met without intervention
Number of areas, agreements or partnership working with communities	60	On track
Value of community benefit payments for renewables on the National Forests and Land <sup>5</sup>	£3.3m	On track
Area of Native Woodland	52,528ha	On track
Proportion of notified features on designated sites within the National Forests and Land in favourable or unfavourable recovering condition	94%	Target is unlikely to be met without intervention

### RAG Status Key:






■ Target will not be met 
 ■ Target is unlikely to be met without intervention 
 ■ On track

<sup>3</sup> The work of FLS is informed by the Scotland's Forestry Strategy 2019-2029, published in February 2019 and laid before the Scottish Parliament in April 2019.

<sup>4</sup> As at 30th September 2019.

<sup>5</sup> The area of forests and land managed by FLS and previously FES was known as the 'National Forest Estate'. It was renamed 'national forests and land' in April 2019.

## KPIs: 1st October 2019 – 31st March 2020

Outcome	Key Performance Indicator	Target	Target Met?
	Volume of timber brought to the market	3224k m3 obs (+/- 5%)	Yes
	Area of land awaiting restocking	Reduce by 814 ha	Yes
	Area of Woodland creation	400 ha	No
	Area of high conservation value forests and land	Maintain	Yes
	Percentage of notified features on designated sites in favourable (or unfavourable recovering) condition	94%	No
	Visitor Centre Net Promoter Score	70 NPS	Yes
	Number of community groups engaged in recognised partnerships, agreements	90	Yes
	Percentage of women/females in senior roles (SCS-PB4)	Increase from 18/19 total	Yes
	Ratio of near miss reporting to total accidents and incidents reported	Increase on 18/19 figures	Yes
	Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	New baseline to be established in 19/20	N/A <sup>6</sup>
	Average number of working days lost per FTE	Reduce from 18/19 total	N/A <sup>7</sup>
	Maintain UKWAS Certification	UKWAS Certification is maintained	Yes <sup>8</sup>
	% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes
	Percentage of Ministerial and Corporate Correspondence System (MACCS) queries responded to within agreed timescales	95%	Yes
	Percentage of complaints closed at frontline resolution stage (stage 1) within five working days	80%	N/A

<sup>6</sup> Following the response to the People Survey in October 2019 the target of 65% has been set for subsequent reporting.

<sup>7</sup> The figure for 2019/20 was 11.5. This was not reported last year and so we are unable to say that the target was met. This year's figure will be used as baseline for subsequent reporting.

<sup>8</sup> Due to issues with the recording process and system there is a gap in reliable information and so we are unable to say whether or not this target was met.



# Key Issues and Risks

## FLS faced a number of key issues and risks over the 2019/20 financial year.

The move from FES to FLS, and change in organisational status as a result of the devolution of forestry was a key issue, along with the implications of Brexit and concerns around a 'no-deal Brexit' in the first three quarters of the year. The fourth quarter saw one of the most significant concerns of this generation with the spread of COVID-19 and the resulting 'lockdown' with cessation of all non-essential outdoors work and closure of offices/sites.

### The key issues and risks affecting the delivery of the organisation's targets and corporate outcomes can be summarised 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.
- **Complexity of Change:** There are a number of risks rolled into this arising from the amount and complexity of change including; organisational 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:** Early development of FLS long term financial planning revealed £36m of investment needs over the next 5 years. The Annual Subsidy Limit (ASL) available to FLS has been reduced in the last two years leading to reduced available cash reserves to address these needs.
- **Timber Production:** There is an increased emphasis on timber productivity and smoothing timber production forecasts that require significant strategic and long term responses.
- **Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through embedding the Assurance Framework.
- **Business Continuity:** The recent outbreak of COVID-19 has significantly increased organisational risk and contingency arrangements have been initialised.
- **COVID-19 Response:** Work is ongoing to respond to the changing dynamics of the COVID-19 response across Scottish Government, Westminster and the NHS.
- **COVID-19 Recovery:** Scenario planning has begun to understand the impacts on the business and wider Scottish economy to enable the development of Recovery Plans in relation to COVID-19.

Further information on Risks and our approach to Risk Management can be found in the Corporate Governance Report.

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# Performance Report: Performance Analysis

The purpose of this section is to provide a detailed analysis of the development and performance of the organisation in 2019-20.



## Performance Analysis

**2019/20 was a year of considerable change for the organisation as we transitioned to FLS. It was also a successful year as we continued to build upon the FES legacy of increasing commercial gain. We have maintained continuity in quality and volume of activity and service delivery, while at the same time managing the impact of significant organisational change.**

FLS realised net income of £893.8 m. This is largely attributable to gains recognised during the annual professional revaluation of the National Forests and Land's<sup>9</sup> biological assets. In the first year of FLS, significant work was undertaken to improve and enhance the revaluation process. The resultant impact being a further improvement of our understanding of Scotland's valuable natural resources and an increase in the attributable value.

Operating income was £1111.1 m. Income from the sale of timber was £85.4 m against a budgeted £74.8 m. This was greater than expected due to a combination of the following factors:

- The strength of Long Term Contract price mechanisms;
- Increased demand in the final quarter of the year as a result of reduced competition in the private sector; and
- An increase in the average unit price.

In March 2020 the impact of COVID-19 meant that visitor sites, including all car parks and mountain bike trails were closed to the public, and permissions for events were withdrawn, however this had a minimal impact on Communities Recreation & Tourism income for the year.

Income from Management & Development of the Estate was £23.1 m. 2019/20 was an exceptional year, in terms of income generation in this area, which has seen higher than expected income from renewables and granted servitudes.

Operating expenditure in year was £151.0 m. The COVID-19 pandemic caused an element of disruption to programme delivery towards the very end of the year, however it had minimal impact on the spend in year. In the earlier part of the year FLS experienced operating expenditure headwinds including the emergence of market pressures expressed through tenders for plant purchases and civil engineering contracts which resulted in some higher than forecast costs. Responding to the spread of *Phytophthora ramorum* as well as the payment of sporting rates were also significant but managed cost pressures in 2019/20.

Significant costs have been absorbed in year in relation to the creation of FLS and, despite this, FLS has managed to live within its means whilst ensuring Scotland's national forests and land are managed sustainably.

Spend on Communities Recreation & Tourism was related to site and visitor facilities management along with early planning work on key visitor services projects to be delivered in future years. Branding and re-signage work at main sites also incurred costs. Spend was largely as expected, with only minimal impact from COVID-19.

<sup>9</sup> The national forests and land were previously known as the national forest estate.

Spend on Management & Development of the national forests and land was less than expected but included significant costs associated with the Land Registration Project which has largely concluded with work now focused on post-Registration follow up.

After adjusting total net expenditure for the items not involving the movement of cash and for capital expenditure and receipts, the net cash funding received from the Scottish Government was £20.7 m, of which £15.7 m related to the Annual Subsidy Limit (ASL); £1.1 m funding for increased employer's pension contributions; £3.7 m restricted for use on Peatland Projects; and £0.2m was a non-recurring, in year transfer, restricted again, for use at the 7 Stanes Mountain Biking Centre. A request from the Scottish Government to under utilise funding by £1.3m was achieved during the year.

FLS carries forward cash reserves of £50.3 m of which:

- Restricted with a specific purpose – £29.0 m
- Earmarked for investment in 2020/21 and beyond – £10.8 m

Early indications are that the financial and business impact of COVID-19 on our trading activity has been minimal however the full impact is still to be fully understood. As the pressure on public finance deepens and BREXIT takes effect we are still working through the likely impact of all of these factors on our business and finances in the short, medium and long term. A going concern basis has been used for the formation of this Annual Report & Accounts based on the fact that all activities performed by Forest and Land Scotland (FLS) are expect to continue for the foreseeable future.

Whilst trading has been strong during 2019/20 we have recognised that our expenditure has year on year become much higher than we can tolerate due to a number of factors and this now needs to be addressed. Throughout 2019/20 and early 2020/21 we have been exploring what business and financial sustainability means to FLS. As we approach our annual financial planning and business plan exercise for 2021/22 we will be using a new financial baseline and approach to ensure that we are financially sustainable now and in the future. Our Annual Subsidy Limit (ASL) is budgeted to be £17.2 m in 2020/21.

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## Performance and Achievements

**The following section provides an analysis of the performance and achievements over the financial year, grouped under the appropriate Corporate Outcome. Further information on performance, achievements and opportunities for improvement can be found in the quarterly Corporate Performance Reports published on the FLS website.**





## Outcome 1: Supporting a Sustainable Rural Economy

FLS supports a sustainable rural economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs and investments.

Key Performance Indicator	Target	Target Met?
Volume of timber brought to the market	3224k m3 obs (+/- 5%)	Yes
Area of land awaiting restocking	Reduce by 814 ha	Yes: The area of land awaiting restocking is currently at 30,906 ha. This has been reduced by 1,344 ha since April 2019, exceeding the target this year by 530 ha.
FLS Business Plan Actions	Progress	
Provide timber to the market	Over the period 3100.99 km <sup>3</sup> obs of timber was brought to the market over the year. This included 1105 km <sup>3</sup> obs to the open market, 1977 km <sup>3</sup> obs to long term contracts.	
Develop a new plant and seed supply	<p>Following forestry devolution and decoupling from Forestry England in April 2019 work commenced on the development of a new plant and seed supply strategy to reflect the distinct needs of FLS. To inform this a market research exercise was commissioned which, and along with workforce planning and examination of possible models for future procurement, will enable us to conclude development of the strategy in 20/21.</p> <p>In addition the year 19/20 also saw FLS work with five companies via the CivTech 'accelerator' programme to develop high impact and innovative solutions to make more efficient use of limited seed supplies. Testing of these products will take place in 20/21 and there has also been take up in the private nursery sector of the solutions developed by FLS.</p>	
Other Actions	Progress	
Wind Farm Leases	Two new wind farm leases were signed in Q 3 that will add 78 MW to the operational capacity in 21/22. Several new hydro leases have also been signed during the year which will add to the 66 operational hydro schemes on the national forests and land.	
Venison Production	Following an open market tender, Minister for Rural Affairs and the Natural Environment, Mairi Gougeon visited Highland Game in Dundee in March (Q4) to announce the signing of a £13m five-year venison supply contract with FLS. Under the contract, 97% of deer culled by FLS will be processed into venison products by Highland Game Ltd for sale in the UK and overseas. It amounts to almost 1,000 tonnes – or 39,000 carcasses – of venison a year. Highland Game is the UK's largest producer of venison.	
Maintaining Supplies to industry during the COVID-19 emergency	The Regions and Marketing & Sales administration team quickly restructured programmes in order to maintain supplies of essential products to fuel, pallet and packaging industries under difficult conditions at the beginning of the COVID-19 emergency.	
Land Acquisitions and Sales	The Estate Development function successfully completed significant land sales and acquisitions over the year to far exceed the initial sales target. Acquisition costs per Ha remained below the target.	



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

Scotland's national forests and land are looked after; biodiversity is protected and enhanced and more environmental services are provided to people.

Key Performance Indicator	Target	Target Met?
Area of Woodland Creation	400 ha	<b>No:</b> 57% of the Woodland Creation Programme was completed in 19/20. The programme was unfortunately not completed due to poor conditions in the early part of 2020 and the cessation of all non-essential Forest Management operations by following the Scottish Government restrictions and guidance in relation to COVID-19.
Area of high conservation value forests and land	Maintain	<b>Yes</b>
Percentage of notified features on designated sites in favourable (or unfavourable recovering) condition	94%	<b>No:</b> During the last 12 months, two features have gone from 'Unfavourable' to 'Partially Recovering' reported condition, but six features have gone into 'Unfavourable' condition – all because of overgrazing by red deer. Furthermore, many sites, where improvement work has been done, have not yet been assessed by Scottish Natural Heritage (SNH). Therefore, despite the work that has gone into maintaining the performance on this indicator, the percentage of sites in 'Favourable' condition has now gone down from 92.8% in April 2019 to 92% in April 2020.
FLS Business Plan Actions		Progress
Plant 400 ha of new woodland	The target was not met with 228 ha of new woodland created over the period, equating to 57% of the target area. The programme was not completed due to FLS ceasing all non-essential Forest Management operations following Scottish Government guidance on responding to COVID-19.	
Restore vacant and derelict land for woodland planting and wider beneficial use	FLS has continued to work with key stakeholders Scottish Mines Restoration Trust and Hargreaves in the restoration and acquisition of former open cast coal sites for tree planting. As at the year-end FLS had acquired circa 860 ha gross (450 ha net plantable) of land with a future pipeline of further sites either under offer or at various stages of investigation and discussion.	
Restore 700 ha of peatland	FLS carried out restoration or enhancement on a total of 914 ha of peatlands during 2019/20. Using funding from both Scottish Government and the Peatland Action Grant the figure includes 434 ha of peatland restoration involving deforestation and 480 ha of existing unplanted blanket bog restored/enhanced. This is a significant achievement, exceeding the target of 700 ha of peatland restoration.	
Other Actions		Progress
Seed Collection	The Plant and Seed Supply Team, together with support from colleagues across FLS successfully collected in a bumper crop of seed from the four Sitka spruce and one Lodgepole pine seed orchards in Q2.	
Lichen Beds	The Environment Team was commended by Scottish National Heritage (SNH) for work to improve the condition of designated lichen beds in Culbin Forest in Q2.	
Wildcats	FLS is a partner in an exciting new EU-funded project that will attempt to reinforce the remnant wildcat population in Scotland using conservation breeding. Saving wildcats will establish a conservation breeding centre for wildcats at the Highland Wildlife Park near Kingussie and the first 20 captive-bred wildcats are scheduled for release in 2022. The release site is likely to be the Cairngorms Connect area, which means that 'true' wildcats will soon roam the FLS pine forests of Glenmore and Rothiemurchus once more.	
Centenary Trophy	In Q1, the North Region team won the 1919 Centenary Trophy, a unique competition for 2019 only to mark the centenary of the 1919 Forestry Act) for Fort Augustus Woodlands. The award was presented at the Royal Highland Show in June.	



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

Everyone can visit and enjoy Scotland's national forests and land to connect with nature, have fun, benefit their health and wellbeing and have the opportunity to engage in our community decision making.

Key Performance Indicator	Target	Target Met?
Visitor Centre Net Promoter Score	70 NPS	Yes
Number of community groups engaged in recognised partnerships, agreements	90	Yes
FLS Business Plan Actions	Progress	
<b>Identify options for supporting small scale forestry initiatives</b>	FLS continues to support small scale sawmills in communities across Scotland by administering sales of high value timber. Recent timber sales have included Western Red Cedar and Oak which were purchased by businesses in Central Scotland for projects as far afield as England. With increasing levels of broadleaved thinning occurring across the Regions, the availability of small diameter hardwood is increasing open market firewood sales have taken place at locations including Durris and Blairadam where up to 600 tonnes have been purchased by local firewood merchants. Consistency of supply is an ongoing issue which is brought through the often technically difficult and environmentally constrained nature of the coupes where large diameter timber is located. A further factor is the programming for coupes where high value timber is sometimes included within larger timber parcels which are beyond the buying power of small businesses.	
Other Actions	Progress	
<b>Promoting Access</b>	East Region supported an Access Day in Q1, enabling all abilities access to a mountain environment using 4x4 vehicles –the project was supported by Heart of Scotland and featured on BBC Scotland website with wider interest from Paths for All, John Muir Trust, Maggie's Centres, Historic Scotland and Carr Gomm.	
<b>Scotland's Dementia Awards</b>	The Central Region's Woodland Activity Programme won the 'Best Dementia Friendly Community Initiative' category at Scotland's Dementia Awards in Q 2. The Woodland Activity Programme is a 10-week programme working with people living with early stage dementia. Participants visit the woodland weekly and take part in variety of outdoor crafts/activities. The programme offers participants a chance to increase their self-confidence and feel engaged with their community. It was developed based on the evidence that being within greenspace can have therapeutic benefits, which enhances the support currently available for people with dementia.	
<b>Tree of the Year Award</b>	The North Region won the Tree of the Year in the Woodland Trust competition in Q3. The tree, known as 'The Last Ent of Affric' in honour of the tree-creatures invented by J.R.R. Tolkien in 'Lord of the Rings', is located in Glen Affric, near Cannich in the Scottish Highlands. The tree beat competition from five other finalists in the 2019 online vote run by Woodland Trust Scotland.	
<b>Forestry Centenary Events</b>	A number of events were held to mark the Forestry Centenary in Q3. FLS was also featured on the BBC 'Out of Doors' programme, with the centenary tree planting ceremony in Monaughty forest near Elgin.	
<b>Community Asset Transfers</b>	Two community asset transfers completed in Q3: Glenan Wood, Portavadie in Argyll and a redundant quarry near to the Corrow Boat Park in Lochgoilhead. In Q4 we received one asset transfer request for Inverawe Woodland, 6 ha of woodland notified under the New Woodland Investment Programme, and agreed two asset transfers: Clunes Buildings and Woodland; and Corsee Wood, Banchory. Further information on Community Asset Transfer Scheme can be found on our website.	



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

FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.

Key Performance Indicator	Target	Target Met?
Percentage of women/females in senior roles (SCS-PB4)	Increase from 18/19 total	Yes
Ratio of near miss reporting to total accidents and incidents reported	Increase on 18/19 figures	Yes
Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	New baseline to be established in 19/20	N/A: Following the response to the People Survey the target of 65% has been set for subsequent reporting.
Average number of working days lost per FTE	Reduce from 18/19 total	N/A: The figure for 2019/20 was 11.5. This was not reported last year and so we are unable to say that the target was met. This year's figure will be used as baseline for subsequent reporting.
FLS Business Plan Actions	Progress	
Develop and launch a new People Strategy for FLS	The People Strategy has been developed however the formal launch of the strategy has been delayed until June due to COVID-19 priorities. Work is underway on the action plan to support the People Strategy.	
Deliver training to create group of new Mental Health and wellbeing first aiders	Mental Health First Aid Training was completed in Q3 and FLS now has 96 mental health first aiders in place across the organisation.	
Support the Apprenticeship and Student Programme	The Apprenticeship Programme saw the recruitment of 12 additional apprentices, eight Trees and Timber (T&T) (North, East and West of Scotland) and four Forest Machine Operators (FMO) in the South of Scotland. The T&T apprentices work in operational delivery, predominantly Forest Management and Stewardship and complement the existing cohort of seven T&T apprentices in the South. The FMO apprentices were recruited as part of a shared apprenticeship model and work in harvesting. There were 19 apprentices within the organisation in 19/20.	
Develop and publish a Corporate Parenting Plan for FLS	The FLS Corporate Parenting Plan – 'Putting Down Roots' was published on the FLS website in March 2020. The plan sets out how FLS will meet our obligations and responsibilities to children and young people with care experience.	

Other Actions	Progress
<b>Implementation of new HR and Payroll System</b>	A new HR and Payroll System, iTrent, was successfully implemented in Q3. This was a significant piece of work for the Business Services function and the successful implementation resulted in all staff being paid correctly and on time.
<b>Changes in organisational Structure</b>	Following a 'health-check' of organisational structures in relation to Community and Visitor Services, the function was successfully merged with Land Management. The Director of Land Management now oversees the work of the newly named Visitor Services and Communities Team.
<b>Efforts to increase diversity in the organisation and across the forestry sector</b>	Working in partnership with the organisation Equate Scotland to encourage more women to consider a career in forestry, FLS provided summer placements to four women to allow them to gain experience and develop their skills. Three of the placements were within the Geo-information Services team using state-of-the-art technology to support forestry and land management operations across the country. One placement was with FLS's lead ecologist to support high profile species conservation work. The student placements were based in Edinburgh and Inverness and ran from June to August 2019.



### Outcome 5: A High Performing Organisation

FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.

Key Performance Indicator	Target	Target Met?
Maintain UKWAS Certification	UKWAS Certification is maintained	Yes
% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes
Percentage of MACCS queries responded to within agreed timescales	95%	Yes
Percentage of complaints closed at frontline resolution stage (stage 1) within five working days	80%	<b>N/A:</b> Due to issues with the recording process and system there is a gap in reliable information and so we are unable to say whether or not this target was met. Work is taking place to improve the complaints monitoring process with the rollout of MiCase in 2020/21.

<b>FLS Business Plan Actions</b>	<b>Progress</b>
<b>Establish a new Corporate Planning Framework</b>	The new Corporate Planning Framework has been established with the publication of the first FLS Corporate Plan and Business Plan in October 2019 (Q3). This was followed by the development and publication of the FLS Business Plan 2020/21 and Business Plans for all Functions and Regions <sup>10</sup> in March 2020.
<b>Develop a new Procurement Strategy for FLS</b>	The FLS Procurement Strategy was published in early January 2020.
<b>Develop a new Communications and Marketing Strategy</b>	The FLS Communications and Marketing Strategy was published on the intranet in October 2019.
<b>Other Actions</b>	<b>Progress</b>
<b>Establishment of FLS</b>	FLS was successfully established on 1st April 2019 with a smooth transition from FES, an agency of the Forestry Commission. This represented a significant change for the organisation as it became an executive agency of the Scottish Government.
<b>National Forest and Land Titles</b>	All of the required titles were successfully submitted to Registers of Scotland by the end of June (Q1).
<b>FLS Corporate Plan</b>	The first FLS Corporate Plan was launched on 9th October by the Cabinet Secretary for the Rural Economy and Tourism, Fergus Ewing as part of Climate Week 2019. The consultation on the Corporate Plan attracted 101 responses.
<b>Project Delivery Award</b>	The Digital Services team won the prestigious Project Delivery Award at the Holyrood Connect ICT Awards 2019 held on 6th June (Q1). This was for the work to ensure digital capability across the new agency.
<b>Project and Programme Management Award</b>	The Forestry Devolution Programme won the Project and Programme Management Award at the Scottish Public Service Awards in December 2019. The award recognised the work that took place to successfully establish the new forestry agencies.
<b>New Corporate Partnership with Shell UK Ltd.</b>	A five-year corporate partnership between FLS and Shell UK Ltd was announced in October (Q2) which will provide FLS with £5 million funding for the creation of around 420 hectares of additional native woodlands at Glen Garry, and the restoration of 880 hectares of peatland across Scotland.
<b>New approach to Risk Management</b>	A new high level approach to risk management was agreed in Q3 with the Audit and Risk Committee and Executive Team, including the development of FLS's first risk appetite statement with tolerances. The work continued with the publication of a Risk Management Policy and Framework in Q4.

<sup>10</sup> Business Plans for our Functions and Regions are published on our intranet for staff. Copies can be requested by contacting [corporate@forestryandland.gov.scot](mailto:corporate@forestryandland.gov.scot)



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## Environmental Matters

**We are committed to reducing the environmental impact of our activities.**

In line with our duties as a public body [as set out in the Climate Change (Scotland) Act 2009] we apply annual targets in key areas such as reducing emissions resulting from travel and energy use, and minimising the organisation's water consumption and waste generation.

Our targets and our work to achieve them are detailed in annually published reports. Our Annual Sustainability Report for 2019/20 will be available on our website in due course at [www.forestryandland.gov.scot/what-we-do/plans-and-strategies/corporate-plan/business-sustainability-reports](http://www.forestryandland.gov.scot/what-we-do/plans-and-strategies/corporate-plan/business-sustainability-reports)

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## Social Matters

**FLS has well developed policies and procedures to address a wide variety of areas covering human rights, in particular anti-corruption and anti-bribery, modern slavery, equality, diversity and inclusion and whistleblowing.**

More information can be found in the Remuneration and Staff Report and 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 in place encourage staff to raise concerns without fear of suffering retribution, ensuring there is a transparent and confidential process for dealing with concerns.



# 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 within FLS.**

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. FLS plays a major role in the work of FISA through its involvement in FISA's Steering Group, working groups and the Strategy Review Group.

## Activity:

**FLS is implementing a Health, Safety and Wellbeing improvement strategy which focuses on the systems within FLS for managing risks and improving health and safety performance. It follows the principles of the international standard ISO 45001 Occupational Health and Safety Management Systems.**

We have established a framework of Health, Safety and Wellbeing forums across the agency to enhance employee participation in health and safety. The National Health, Safety and Wellbeing Committee has a remit to support FLS, our Executive Team and the Health, Safety and Wellbeing team in raising awareness, promoting, achieving and sustaining a culture of positive health and safety attitudes and behaviour. The aim is for all staff to understand the importance of health and safety and to look out for themselves and others. The committee provides a focus for joint participation between its management boards, staff and trade union safety representatives.

Supporting good mental and physical health at work is also key priority for FLS. We continue to deliver our Mental Health and Wellbeing Action Plan which now includes a network of 96 mental health first aiders across the agency.

## Accidents:

**The number of Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations 2013 (RIDDOR) reportable accidents (over 7 day and specified injuries) in 2019/20 was seven. The following table details this information:**

2019/20	RIDDOR Reportable Accidents
Employee	6
Contractor	1
<b>Total</b>	<b>7</b>

*Simon Hodgson*

**Simon Hodgson**  
Accountable Officer  
13 October 2020

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# Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2019/20. This report has three sections:

- 1) Corporate Governance Report
- 2) Remuneration and Staff Report
- 3) Parliamentary Accountability and Audit Report



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# Corporate Governance Report

**The Corporate Governance Report describes FLS's governance structures and how they achieve the business objectives. It comprises the Director's 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.**

## Director's Report

### 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. Fergus Ewing MSP, Cabinet Secretary for Rural Economy and Tourism was responsible for FLS during the reporting year. Although Mr Ewing has the lead for forestry, the work that we do continues to contribute to those of other Cabinet Secretaries.

The Scottish Government's Director of Environment and Forestry, Bridget Campbell, is responsible for farming and environment, rural economy and climate change. The Director has a number of responsibilities in relation to the agency and these are set out in the FLS Framework Document.

### The Chief Executive

Simon Hodgson was Chief Executive of FLS over the reporting period. The Chief Executive is the Accountable Officer of FLS and is supported by and chairs the FLS Strategic Board and Executive Team. Full details of the governance structure and risk management arrangements in operation in FLS are provided as part of the Governance Statement.

**Strategic Board**

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**Simon Hodgson**  
Chief Executive



**Graeme Hutton**  
Director of Business Services



**Michael Hymers**  
Director of Corporate Services



**John Mair**  
Director of Estate Development



**Trefor Owen**  
Director of Land Management



**Mark Pountain**  
Non executive advisor



**Lisa Tennant**  
Non executive advisor



**Pamela Zielinski**  
Non executive advisor



## Executive Team

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**Dr Sallie Bailey**  
Regional Manager, South



**Rosetta Forbes**  
Head of People and  
Organisational Development



**Simon Hodgson**  
Chief Executive



**Andy Hunt**  
Regional Manager, West



**Graeme Hutton**  
Director of Business Services



**Michael Hymers**  
Director of Corporate Services



**John Mair**  
Director of Estate Development



**Carol McGinnes**  
Regional Manager, Central



**Donna Mortimer**  
Head of Finance  
and Procurement



**Trefor Owen**  
Director of Land Management



**Graeme Prest**  
Regional Manager, North



**John Thomson**  
Regional Manager, East

Biographies for our Strategic Board and Executive Members can be found on our [website](#).

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## Register of Interests

A register of interest of all Strategic Board and Executive Team members is maintained and published on the FLS website.

## Other Disclosures

### Personal Data Related Incidents

There were four non-reportable and zero reportable personal data related incidents for FLS in 2019-20.

### Supplier Payment Policy

FLS complies with the Scottish Government's prompt payment policy and Scottish Government's Public Finance Manual. The Scottish Government's prompt payment policy requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract, normally 30 days from receipt. Unless otherwise stated in the contract, we aim to pay within the Scottish Government's tighter target of ten working days from the receipt of a valid invoice. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business.

An analysis of bill payments for 2019/20 indicates that 90.0% were paid within the ten day target. 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.

## Basis of Accounts

The FLS 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. The accounts direction is included on p97.

## Departmental Accounting Boundary

FLS is designated as a public corporation for national accounting purposes, by the Office of National Statistics, 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.

## Auditors

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

## 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 for Scottish Ministers, and to arrange for laying 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 the organisation, 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; and
- Prepare the accounts on a going concern basis.

The Accountable Officer is required to confirm that the Annual Report and Accounts as a whole is 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.

So 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 FLS as Accountable Officer of FLS in respect of its activities in Scotland. 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.

## Governance Statement

### 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, I am 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.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which 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 is agreed by the Cabinet Secretary for Rural Economy and Tourism.

The governance framework has been in place at FLS for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts, and accords with Scottish Public Finance Manual Guidance.



## Strategic 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 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 remit of the Strategic Board is to provide the Chief Executive with support, advice and challenge on:

- 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 Board met four times over the reporting period in May, August, October and January and discussed a wide range of topics. As a new Agency and with new Non-Executive Advisors, discussion in the early part of the year focussed on the background of the organisation and developing policies. Topics for discussion also included the development of key documents including the FLS Corporate Plan, Communications Strategy and issues around the development of Strategic Priorities and Financial Objectives. The Strategic Board also went on a number of site visits across the country to allow for the Non-Executive Advisors to see some of the outdoor work of the organisation at first hand. Minutes from meetings of the Strategic Board are published on the [FLS website](#). Members of the Strategic Board during the year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board (Attended all meetings)
- **Graeme Hutton** – Director of Business Services (Attended meetings in August, October and January)
- **Michael Hymers** – Director of Corporate Services (Attended all meetings)
- **John Mair** – Director of Estate Development (Attended all meetings)
- **Trefor Owen** – Director of Land Management (Attended meetings in May, October and January)
- **Mark Pountain** – Non-Executive Advisor (Attended all meetings)
- **Lisa Tennant** – Non-Executive Advisor (Attended meetings in May, August, and October)
- **Pamela Zielinski** – Non-Executive Advisor (Attended all meetings)

## Executive Team

The Executive Team supports the Chief Executive with the day-to-day running of FLS and provides advice and knowledge on professional, technical and regional matters. The Executive Team comprises the Executive Directors, Regional Managers, Head of Human Resources and Head of Finance and Procurement. Meetings have taken place on a monthly basis over the reporting period (however meetings in April and May were held as development sessions and not minuted).

Topics for discussion included the development of key documents including the FLS Corporate Plan, Communications Strategy, and Visitor Strategy. Health, Safety and Wellbeing and emerging risks are standing items on the agenda of each meeting. Minutes from meetings of the Executive Team are published on the [FLS website](#). Members of the Executive Team at the end of year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board
- **Dr Sallie Bailey** – Regional Manager, South
- **Rosetta Forbes** – Head of People and Organisational Development
- **Andy Hunt** – Regional Manager, West
- **Graeme Hutton** – Director of Business Services
- **Michael Hymers** – Director of Corporate Services
- **John Mair** – Director of Estate Development
- **Carol McGinnes** – Regional Manager, Central
- **Donna Mortimer** - Head of Finance and Procurement
- **Trefor Owen** – Director of Land Management
- **Graeme Prest** – Regional Manager, North
- **John Thomson** – Regional Manager, East

There were a number of changes to the Executive Team throughout the year. Nicky Whitaker was Interim Director of Business Services at the meetings of June and July. Graeme Hutton took over the role and attended as Director of Business Services from July. David Jardine was Regional Manager West until his retirement in August and attended meetings in June and July. Paul Minto took over the role in August, attending meetings in September and October. Andy Hunt was Interim Regional Manager West and attended meetings in August, November and January before he was appointed to on a permanent basis in February, attending all other subsequent meetings. Phil Whitfield, as Interim Head of Community and Visitor Services (C&VS), attended meetings until September, when C&VS was merged with Land Management.

## Audit and Risk Committee

The Audit and Risk Committee (ARC) supports the FLS Chief Executive 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 three Non-Executive Advisors. The Chief Executive, Director of Corporate Services and Head of Finance and Procurement routinely attend the ARC, along with representatives from Internal Audit and Audit Scotland. 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 June, November and March. Minutes from meetings of the ARC are published on the [FLS website](#). Members of the ARC during the year were as follows:

- **Mark Pountain** – Non-Executive Advisor (Attended all meetings)
- **Lisa Tennant** – Non-Executive Advisor (Attended meetings in June and March)
- **Pamela Zielinski** – Non-Executive Advisor (Attended meetings in June and November)

## 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.

### Our Approach

As part of establishing as a new agency of Scottish Government we took the opportunity to review and align our approach to risk management. This would not only allow us to develop and embed a robust, efficient and effective approach across the organisation but also put in place appropriate training and support to ensure risk management becomes a “living” tool to support innovation, organisational change and decision making.

To develop our revised approach we commissioned Internal Audit to audit our previous policy and processes to establish strengths and weaknesses, and identify opportunities for improvements. Throughout the development of our revised approach we engaged with staff and stakeholders, reporting progress to our Executive Team and Audit and Risk Committee.

Our revised approach ensures that we will adopt a positive approach to managing risk, including:

- Operating a risk management process that’s easy to understand and apply
- Improving performance through better planning
- Championing risk management across the organisation

FLS will aim to identify risks and their cause at the earliest opportunity; measure the risk effect on the organisation; and put in place appropriate controls to mitigate risk. We will seek to obtain assurance of effective controls to mitigate risks through our Assurance Framework.

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

### 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 how we 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 forge 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, and contributing towards addressing the Climate Emergency and social inequalities.

The overall appetite to risk is currently assessed as 'Open' i.e. that the organisation is willing to consider making decisions to deliver our Corporate Plan and associated outcomes which may involve a high 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.

Each category of risk has been discussed and agreed by the FLS Executive Team and Audit and Risk Committee as to the appropriate risk appetite level. This provides a framework to help inform decision making.

### Key Risks

Throughout the financial year 19/20 we continued to identify and manage organisational risks. Due to the nature of our business 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 monitor controls and identify opportunities to further reduce risk through future planned actions and improvements.

We are also considering risks that may affect us in the longer term, including plant and seed supply and impacts of climate change and pests and diseases. These are important areas for us to monitor and take appropriate action on now as it impacts on our ability to maintain a future timber supply 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:** This has been a particularly serious concern for FLS due to the incident rate within forestry. 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. In addition, we recognise the potential cumulative impact of multiple factors on mental health and wellbeing.
- **Complexity of Change:** There are a number of risks rolled into this arising from the amount and complexity of change including; organisational change; the FLS change programmes; 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. An emerging risk for FLS is the enormity of transformation required following 1st April 2019 and associated business capability and capacity.
- **Financial sustainability:** Early development of FLS long term financial planning revealed £36m of investment needs over the next 5 years. The Annual Subsidy Limit (ASL) available to FLS has been reduced in the last two years leading to reduced available cash reserves to address these investment needs. Further reductions to the ASL are possible/likely given the wider pressures on SG budgets. There is also an increasing emerging risk relating to accidents and incidents on national forests and land relating to staff, contractors and members of the public.
- **Timber Production:** There is an increased emphasis on timber productivity and smoothing timber production forecasts that require significant strategic and long term responses. An inability to do this effectively and efficiently would lead to failure to meet political expectations, economic impact, reputational damage and soured relationships with the timber processing sector, and wider industry.
- **Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through embedding the Assurance Framework. This includes an ongoing review to ensure the framework is regularly tested to confirm that the appropriate information is included, and outcomes shared with Cost Centre managers and the wider staff group.
- **Business Continuity:** The recent outbreak of COVID-19 has significantly increased organisational risk and contingency arrangements have been initialised. Initial response has been in line with recommendations from the NHS and wider Scottish Government. We have already taken steps to reduce staff travel and gathering of large groups, and will continue to monitor arrangements as information becomes available, or threat intensifies.
- **COVID-19 Response:** Work is ongoing to respond to the changing dynamics of the COVID-19 response across Scottish Government, Westminster and the NHS. FLS has set up a team to lead and oversee actions across the organisation in response to direction and emerging guidelines, including closing offices and recreational facilities, carparks and toilets. Engagement and communication is ongoing with staff, wider sectors, suppliers/contractors, and the public.
- **COVID-19 Recovery:** Scenario planning has begun to understand the impacts on the business and wider Scottish economy to enable the development of Recovery Plans in relation to COVID-19.

## Information Assurance

FLS'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 Executive Team that the organisation's policies, procedures, processes and controls underpin good information governance

The work of the SIRAB is supported on a day to day basis by the Data Protection Officer (DPO) and the Security Officer (SO). The Board members include the Security Information Risk Owner (SIRO), Data Protection Officer, Security Officer and appropriate representation from across the organisation. The SIRAB reports into the Executive Team through the SIRO and updates are provided to the Audit and Risk Committee (ARC).

Training on information assurance and responsibility is mandatory for all relevant staff and non-executives and refreshed annually.

All FLS laptops are fully encrypted to prevent data theft in the event that a machine is lost or stolen. In addition, appropriate staff have been issued with encrypted data sticks for use when transferring sensitive data between offices or to external partners.

### Data Protection

A Memorandum of Understanding between FLS and the Scottish Ministers was established in April 2019 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 the Scottish Ministers data protection obligations. A Data Protection Officer was appointed as of 1 April 2019.

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

FLS has a reporting process to capture all personal data breach and security incidents, which are investigated in accordance with Scottish Government and Information Commissioner's guidance. There have been no Information Commissioner's Office, (ICO) reportable personal data related incidents during the year.

### Records Management Plan

The invite to submit a Records Management Plan (RMP) to the Keeper of the Records of Scotland, 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 – was received in December 2019 with a requested submission date of 30 April 2020. FLS agreed with with the National Records of Scotland to submit the RMP in two stages, the first stage being an initial review for feedback (without evidence) that was submitted on 30th April 2020. The second stage was a re-submission (including evidence) in July 2020 after making amendments from the feedback. FLS are waiting for interim report from NRS before the RMP is approved by the Keeper of the Records of Scotland.

### Internal Audit

FLS has worked with the Directorate for Internal Audit and Assurance (DIAA) to review and take action where necessary on the three recommendations identified through the General Data Protection Regulation (GDPR) Audit (conducted in 2018 prior as part of the wider FC):

- Governance and Accountability
- Compliance Framework and Reporting
- Training and Development

A progress report was presented to the ARC to note the audit findings and recommendations and the ongoing progress of the improvement opportunities identified within FLS.

### Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance framework. My review is 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 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 me with assurance on the standard of governance and control within their area of responsibility. I also receive assurances from my management team through their regular submission of reports and presentations to the Executive Team which is chaired by myself or my nominee and through my line management responsibilities.

On the basis of these assurances I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual (SPFM), has been developed and become operational over the year ended 31 March 2020 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 are participating in this exercise and will follow up on any findings.

The Scottish Government 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. Of the three main areas reviewed, all were given a reasonable assurance report based on DIAA's audit activity. Action plans have been received and implemented and DIAA consider that FLS are engaging with DIAA.

DIAA in their annual report provided a reasonable assurance report based on audit activity and information available to date on risk management, control and governance arrangements.

Audit Scotland prepared an Annual Audit Report in July 2019 as part of their review of the Annual Report and Accounts for FES. Seven matters/recommendations were raised and have either been addressed by management or actions have put in place to address these within FLS.

As part of their 2019/20 programme of work, Audit Scotland tested a range of key controls within the main financial systems. Some areas of improvement were noted. Actions to address the areas of improvement will be taken during 2020/21.

## 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.

Following our transfer to Scottish Government, our Whistleblowing Policy was updated this year to identify a new Policy Owner, Data Owner and Nominated Officer. 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.

All Whistleblowing cases are investigated thoroughly, ensuring lessons learnt and recommendations are embedded into how we operate as an organisation.

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

## Significant Governance and Risk Issues

Please see the key issues and risks to delivery set out in the Governance Statement and the Performance Analysis section of the Performance Report.

## COVID-19

Like other public bodies and businesses across the country, the COVID-19 pandemic has brought about significant changes to the way in which we operate. Our main priority during this time has been the health, safety and wellbeing of our employees and visitors.

Prior to the 'lockdown' announced by the First Minister on 23rd March, we took steps to reduce staff travel and cancelled all events involving large groups.



Since closing our offices, workshops and recreational facilities in March, the default has been for staff who can, to work from home. We were able to do this through safeguarding the connectivity and security of our digital network and have worked to provide colleagues with resources to allow them to work from home. Meetings have continued virtually either by telephone or video call.

We have worked to keep our employees, contractors, suppliers and the public informed of changes and closures. We have also supported staff by altering working hours and workloads of those with caring responsibility and provided a range of resources in relation to wellbeing. A COVID-19 Response Team (CRT) was set up to lead and oversee actions across the organisation in response to emerging guidelines and implementation of the Scottish Government's 'Route map through and out of the crisis'.

### Information Communication Technology (ICT) Infrastructure

ICT infrastructure was included as a significant governance and risk issue in the 2018/19 Forest Enterprise Scotland governance statement, as a result of the transition to Forestry and Land Scotland. FLS is now fully transitioned to the Scottish Government's shared IT platform, SCOTS, with forestry specific software applications and data held in a private-cloud datacentre which is managed and supported by FLS Digital Services (DS).

DS has significantly enhanced the disaster recovery (DR) position with all applications and data protected by both robust DR provision and multi-point resilience across the core infrastructure. Whilst all individual systems have been tested as recoverable in a DR or business continuity scenario, we have been unable to complete a full organisation-wide DR test due to the working restrictions introduced by the COVID-19 pandemic. It was initially planned to complete in March but focus shifted to the provision of continuity arrangements.

**Update to September 2020:** It has been proven that the IT continuity measures have been successful in that access to all applications and data was maintained through changing and challenging circumstances when staff were required to work from home.

There are no additional issues or risks that require disclosure.

### Plans for 2020/2021

The FLS Business Plan 2020/2021 was published at the end of March, at the beginning of the second week of the COVID-19 Pandemic 'lockdown' restrictions. At the time of publishing, and indeed at the time of writing the Annual Report and Accounts, the full extent of the impact of COVID is unknown. Priorities and actions set out in the Business Plan include:

- Creating 650 ha of new woodland
- Expanding our nurseries and plant seed supply
- Improving our offer to visitors and communities
- Launching new organisational strategies including a People Strategy
- Further developing our Corporate Planning Framework in order to improve our processes and contribution to the National Outcomes.

These are unprecedented times and I fully appreciate that what we set out in the Business Plan may not be deliverable as we focus our efforts on the response to COVID-19 and supporting the health and wellbeing of our employees and communities across Scotland. Scenario planning has begun to understand the impacts on the business and wider Scottish economy to enable the development of Recovery Plans in relation to COVID-19. We will endeavour to deliver on the actions set out in the plan, but clearly our priorities will change.

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# Remuneration and Staff Report

## Remuneration Policy

FLS's Chief Executive is a member of the Senior Civil Service. The remuneration of Senior Civil Servants is determined by UK Government Senior Salaries Review Body (SSRB), as delegated to the Scottish Government under Senior Civil Service pay arrangements.

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

There are two other Senior Civil Servants in Forestry and Land Scotland; the Director of Business Services and Director of Land Management. Remuneration for these individuals is also determined by the SSRB, as delegated to the Scottish Government under Senior Civil Service pay arrangements.

Further information on the work of the SSRB can be found at <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

All other members of the Executive Team are remunerated according to their pay band and in line with Scottish Government's Public Sector Pay Policy, details of which may be found at <https://www.gov.scot/publications/public-sector-pay-policy-2019-20/pages/2/> for 2019-20.

## Employment contracts

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 hold appointments which are open-ended until they reach the 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 at: <https://www.civilservicepensionscheme.org.uk/employers/civil-service-compensation-scheme-for-employers/>

## Remuneration of Non-Executives

Fees for Non-Executive Advisors are determined in accordance with guidelines prescribed by the Scottish Government. The remuneration of Non-Executive Advisors were borne by FLS.

## Remuneration Report

### Salary and Pension Information – Audited

The salary and pension entitlements of the FLS Executive Team were as shown in the table on the following page.

### Salary

Salary payments include basic gross salary, overtime and any allowances subject to UK taxation. FLS do not give non-consolidated performance payments. This report is based on payments made by FLS only and do not include any other remuneration from out with the Agency.

### Bonuses

No bonuses were paid to either Senior Civil Servants or any other member of the Executive Team in the reporting period.

Name & Title	Salary £'000 2019/20	Benefits in kind Nearest £100 2019/20	Pension Benefits £'000 2019/20	Total £'000 2019/20
<b>Sallie Bailey</b> Regional Manager, South	60-65	-	50	110-115-
<b>Rosetta Forbes</b> Head of People & Organisational Development	60-65	-	11	70-75
<b>Simon Hodgson</b> Chief Executive	110-115	200	181	290-295
<b>Andrew Hunt</b> Regional Manager, West <sup>3</sup> 09/08-27/09 & from 11/11/2019	30-35 (65-70 FTE)	4,200	26	60-65
<b>Graeme Hutton</b> Director of Business Services from 15/07/2019	55-60 (75-80 FTE)	-	35	90-95
<b>Michael Hymers</b> Director of Corporate Services	60-65	2,600	63	125-130
<b>David Jardine</b> Regional Manager, West <sup>3</sup> until 09/08/2019	20-25 (65-70 FTE)	1,200	55	75-80
<b>John Mair</b> Director of Estate Development	60-65	-	10	70-75
<b>Carol McGinnes</b> Regional Manager, Central	65-70	-	25	90-95
<b>Paul Minto</b> Regional Manager, West <sup>3</sup> 16/09-22/11/2019	10-15 (60-65 FTE)	-	5	15-20
<b>Donna Mortimer</b> Head of Finance & Procurement	60-65	-	35	95-100
<b>Trefor Owen</b> Director of Land Management	70-75	-	31	105-110
<b>Graeme Prest</b> Regional Manager, North	60-65	-	62	125-130
<b>John Thomson</b> Regional Manager, East	60-65	-	57	120-125
<b>Nicola Whitaker</b> <sup>1</sup> Interim Head of Business Services until 14/07/2019	25-30 (90-95 FTE)	-	10	35-40
<b>Phil Whitfield</b> Interim Head of Communities <sup>2</sup> & Visitor Services until 31/10/2019	35-40 (60-65 FTE)	-	82	115-120
<b>Mark Pountain</b> Non-executive Advisor	5-10	-	-	5-10
<b>Lisa Tennant</b> Non-executive Advisor	5-10	-	-	5-10
<b>Pamela Zielinski</b> Non-executive Advisor	5-10	-	-	5-10

**Notes to the salary and pension table:**

1. Nicky Whitaker was employed by Scottish Forestry but on loan to FLS to undertake the Interim Head of Business Services post until her permanent appointment with FLS in a post out with the Executive Team in August.
2. Effective from 01/11/2019, the Head of Communities and Visitor Services post ceased being an Executive Team role. It continues as an operational management role within the Land Management directorate.
3. Cross over in dates for the Regional Manager, West post are on account of temporary, then permanent appointments being made following the retirement of David Jardine to support hand over periods between individual post holders.

**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 loans.

Benefits in kind are also provided under the following schemes:

- Advances of salary for house purchase (see Note 12);
- 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
- Car provision for employees' scheme.

Each scheme is subject to conditions and financial limits.

**Transactions with Executive Team Member(s)**

Four members of the Executive Team received benefits in kind during the period. With the exception of an advance of salary for a house purchase described below, all were for use of a hired vehicle.

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

Name & Title	Balance at 1 April 2019 £'000	Balance at 31 March 2020 £'000	Maximum Balance During the Year £'000
Michael Hymers Director of Corporate Services	3	1	3

**Compensation for Loss of Office**

No member of the Executive team received payment for loss of office during the reporting period.

**Exit Packages – Audited**

No exit packages were paid during 2019-20.

**Highest paid Director and Median Salary Cost Disclosure – Audited**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the workforce.

The FTE banded remuneration of the highest paid director in FLS in the financial year 2019/20 was £110 k-£115 k. This was 3.68 times the median remuneration of the workforce, which was £30,595.

In 2019/20, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £17.7 k to £112.5 k.

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. Remuneration paid to all staff in 2019/20 was £28.983 m.

## Pension Benefits – Audited

Name & Title	Accrued Pension at Pension age at 31/03/2020 and Related Lump Sum (LS) £'000	Real Increase in Pension and Related Lump Sum at Pension age £'000	CETV at 31/03/2020 £'000	Real Increase in CETV £'000	Employer Contribution to Partnership Pension Account Nearest £100
<b>Sallie Bailey</b> Regional Manager, South	15-20 plus LS of 25-30-	2.5-5 plus LS of 2.5-5	271	35	-
<b>Rosetta Forbes</b> Head of People & Organisational Development	-	-	-	-	10,900
<b>Simon Hodgson</b> Chief Executive	45-50 plus LS of 105-110	7.5-10 plus LS of 17.5-20	976	167	-
<b>Andrew Hunt</b> Regional Manager, West 09/08-27/09 & from 11/11/2019	15-20 plus LS of 25-30	0-2.5 plus LS of 0-2.5	197	15	-
<b>Graeme Hutton</b> Director of Business Services from 15/07/2019	25-30 plus LS of 75-80	0-2.5 plus LS of 5-7.5	587	35	-
<b>Michael Hymers</b> Director of Corporate Services	25-30	2.5-5	350	38	-
<b>David Jardine</b> Regional Manager, West until 09/08/2019	35-40 plus LS of 50-55	2.5-5 plus LS of 2.5-5	793	57	-
<b>John Mair</b> Director of Estate Development	-	-	-	-	9,800
<b>Carol McGinnes</b> Regional Manager, Central	0-5	0-2.5	31	16	-

(continued on next page)

## Pension Benefits – Audited (continued)

Name & Title	Accrued Pension at Pension age at 31/03/2019 and Related Lump Sum (LS) £'000	Real Increase in Pension and Related Lump Sum at Pension age £'000	CETV at 31/03/2020 £'000	Real Increase in CETV £'000	Employer Contribution to Partnership Pension Account Nearest £100
<b>Paul Minto</b> Regional Manager, West 16/09-22/11/2019	0-5	0-2.5	4	3	-
<b>Donna Mortimer</b> Head of Finance & Procurement	30-35	0-2.5	363	18	-
<b>Trefor Owen</b> Director of Land Management	50-55	0-2.5	1,006	19	-
<b>Graeme Prest</b> Regional Manager, North	25-30 plus LS of 60-65	2.5-5 plus LS of 2.5-5	504	45	-
<b>John Thomson</b> Regional Manager, East	25-30 plus LS of 30-35	2.5-5 plus LS of 0-2.5	631	58	-
<b>Nicola Whitaker</b> Interim Head of Business Services until 14/07/2019	30-35 plus LS of 70-75	0-2.5 plus LS of 0	608	3	-
<b>Phil Whitfield</b> Interim Head of Communities & Visitor Services until 31/10/2019	25-30 plus LS of 55-60	2.5-5 plus LS of 7.5-10	480	70	-

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and thirteen years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022.

All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership.

At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is sixty for members of classic, premium and classic plus, sixty-five for members of nuvos, and the higher of sixty-five or State Pension Age for members of alpha.

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

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Staff Report

### Number of Senior Civil Servants by Band

SSG Band	No. of SCS 2019/20
2	1
1	2

### Staff Numbers and Costs – Audited

#### Number of Persons Employed at the Year End

The headcount of persons employed as at 31 March 2020 was as follows:

	2019/20 Total Headcount
Directly employed	951
Other	10
<b>Total</b>	<b>961</b>



Staff costs comprise:

	2019/20 £'000
Salaries	28,983
Social security costs	3,024
Other pension costs	7,511
Temporary/agency	1,087
	<b>40,605</b>
Less recoveries in respect of outward secondments	(65)
	<b>40,540</b>

Employer contributions of £7.438 m for 2019/20, were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the reporting year, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The Government Actuary's Department completed the quadrennial actuarial valuation of the pension scheme as at 31 March 2016, details of which may be found on the website: <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £0.07 m were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.002 m of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

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

## Policy

FLS's first People Strategy covers the period 2020-2022 and sets out our ambitions as a supportive, safe, inclusive and high-performing workplace. It will help us to achieve our corporate outcomes, specifically:

- FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.
- FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.

Our People Strategy Action Plan details activities and measures to ensure that we deliver our People Promises, as well as the key performance indicators in our Corporate Plan. Future People Strategies will align with our three year Corporate Plan cycle. Thereafter, we will fully review our People Strategy at least every three years 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 (HR Operations, Organisational Development & Change, Reward and Policy)

Activity during 2019/20 has included:

- Implementation of a new integrated HR & Payroll system and a new Learning Management System, i-learn;
- Managers' Academy workshops run to supplement i-learn courses;
- Leadership Programme: senior managers have access to a Leadership Exchange programme and access to the Scottish Coaching Collaborative, with further bespoke sessions run;

- Funding secured from the Flexible Workforce Development Fund for a variety of training events; and
- A Resourcing and Talent Team has been created with the purpose of developing and improving our recruitment processes; enhancing the candidate experience and developing and managing our talent.

Activity during 2020-2022 will include:

- Establishing a new partnership agreement with our Trade Union colleagues and embedding fair work practices across FLS;
- Creating a positive employee experience through detailed induction programmes; developing our aspiring, new and existing managers; investing in new digital systems, practices & policies;
- Reaching out to under-represented groups, so that they view FLS as a progressive organisation they would want to be part of;
- A planned review of HR Policies: a review schedule for 2020-2022 has been agreed and priority areas identified;
- Introducing a new, simplified approach to performance management; and
- Whilst working within Scottish Government's pay policy, we will maximise our reward package, expand our offering of employee benefits and continue to reduce our gender pay gap.

## Equality, Diversity and Inclusion

FLS are committed to embedding diversity and inclusion in all that we do and to fulfilling and promoting the Scottish Government's public sector equality duties. We want to create an environment that is accessible, open and welcoming to people from all backgrounds and communities across Scotland – as a place to work, to visit and to participate. We will continue to integrate diversity and inclusion by identifying and removing barriers, enabling us to build an inclusive organisation, services and facilities.

Areas of specific focus this year have included:

- We aspire to not only meet, but exceed our legal obligations underpinned by the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. This is a work in progress and agreement has been reached with our colleagues in Scottish Government and Equality and Human Rights Commission (EHRC) that we will be fully compliant with the regulations by 31 March 2021. We actively seek to work with partners including Equate Scotland and Developing the Young Workforce (DYW) to develop the profile of our workforce.
- We recognise a need to greater demonstrate inclusiveness to support individuals with protected characteristics. An initial focus has been in creating an environment and opportunity whereby the number of women applying for and

accessing roles in certain occupational groups and leadership roles grows. Reviewing job descriptions to ensure that only gender neutral language is used, applying the "Happy to Talk Working Flexibly" logo on recruitment communications and working with Equate Scotland to support targeted internships for women are two examples of our work in this area.

- We recognise that our current age profile is one of an ageing workforce and are taking steps to encourage more young people to join the organisation. This can be seen through the development of our modern apprenticeship programme which, amongst other areas, offers opportunities for young people to work and train in front line forestry roles across Scotland. We also continue to work with local authorities' Developing Young Workforce (DYW) coordinators to support this agenda.
- Working on bettering the accessibility of the forests and land that we manage has seen some positive improvements and exposure through working with Euan's Guide, the disabled access review site. This work has had the impact of opening up and advertising our accessible sites to new audiences whilst allowing us to receive support and feedback on developments.

## 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 annual monitoring exercises are reported retrospectively every two years within our Equality Mainstreaming Report. The most recent report covers the period 2017-2018 and was published in April 2019 and can be found [here](#). Our next report will be published in April 2021.

Gender Split	Director	Senior Manager	Employee	Agency	2019/20
Male	3	21	625	6	655
Female	-	14	289	3	306
<b>Total</b>	<b>3</b>	<b>35</b>	<b>914</b>	<b>9</b>	<b>961</b>

## Modern Slavery

The Modern Slavery Act 2015 makes it a legal requirement to produce an annual Slavery and Human Trafficking Statement setting out the steps taken to prevent slavery and human trafficking in any part of the business and supply chain. The statement relates to actions and activities undertaken during the first full financial year of FLS and will shortly be published on our external site [here](#).

With a significant presence in the forestry sector, it is recognised that our corporate and legal responsibility is to take a robust approach to human trafficking. As civil servants, employees already have safeguards incorporated into their terms and conditions of employment that assist in preventing some of the

activities characteristic of human trafficking. Salaries, for example are paid into individual bank accounts, hourly rates are above the National Minimum Wage and the National Living Wage.

A risk based approach to consider potential or necessary safeguards when programming our activities and related Procurement is taken by teams at a local and corporate level. Our Procurement Team plays a key role in making sure these wider corporate activities are undertaken correctly and that our contracts and supply chains are risk assessed in respect of human trafficking, with appropriate mitigations taken to reduce or eradicate these risks within our supply chains, as far as possible.

Actions taken in the period 2019-20 included:

- Members of our procurement team have undertaken annual CIPS refresher training on Ethical Procurement and Supply; including topics such as human trafficking, forced labour, bribery and corruption;
- An internal communications campaign has been created to increase staff awareness of the issue and advise team members on how to build in a risk based approach to our activities and action to take should suspicions be raised;
- Targeted roll out of the 'Unseen UK' App planned for Forest Management, Harvesting and Marketing and Civil Engineering contract managers and supervisors;
- Bidder due diligence carried out as part of the Procurement Process when tendering for work assessed as carrying a higher human trafficking risk involving supply chains both within and outside the EU;
- Closer links with other Scottish Government departments and others to share information;
- A questionnaire on human trafficking was issued to our civil engineering suppliers as part of a wider piece of work to develop a civil engineering category strategy. Questionnaire responses will help to inform the actions and recommendations within the category strategy; and
- Whistleblowing Policy was updated to take account of the legislation.

## 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 know who to report it to.

## Sickness absence data

FLS proactively manages sickness absence; an average number of working days lost per person amounting to 11.5 during 2019-20.

## Employee consultation and trade union relationship

We continue to build a strong and supportive relationship with our Trade Union partners, Forestry Trade Unions Scotland. In the coming year we will establish a new Partnership Agreement committing to building trust, collaborating and working together to ensure that FLS is felt and seen to be a great place to work.

We are 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. Plans are being developed to implement key actions to embed Fair Work across FLS and align to the Scottish Government's Fair Work Agreement within the next three years.

Trade Union Statistics		2019/20
Headcount of TU Officials		13
FTE of TU Officials		12.5
No. of Employees by % of working hours spent on FT	0-1%	5
	1-50%	8
	51-99%	0
	100%	0
Percentage of the total pay bill spent on facility time		0.08%
Time spent on trade union activities as a percentage of total paid facility time hours		100%

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# Parliamentary Accountability and Audit Report

## Losses and Special Payments

During 2019/20, there were no losses or special payments that meet the criteria for disclosure in accordance with the Scottish Public Finance Manual (SPFM).


## Fees & Charges

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 p62 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 (p77). Other material income sources relate largely to rental income from wind and hydro schemes.

## Remote contingent liabilities

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.



**Simon Hodgson**  
Accountable Officer

13 October 2020

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# Independent Auditor's Report

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

## Report on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2020 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2020 and of its net income for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### Basis for opinion

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

### Emphasis of matter: valuations of biological assets, forest estate, land, dwellings and other buildings and financial assets

I draw attention to Note 2: Critical Accounting Estimates and Judgements in the financial statements which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation reports for biological assets, forest estate, land, dwellings and other buildings and financial assets. My opinion is not modified in respect of this matter.

### Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

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

### **Risks of material misstatement**

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

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

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

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

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is

a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

### **Other information in the annual report and accounts**

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on regularity of expenditure and income

### Opinion on regularity

In my opinion in all material respects:

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

### Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Report on other requirements

### Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

### Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

## Use of my report

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



**Mark Taylor CPFA**

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

**13 October 2020**



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# Forestry and Land Scotland Financial Statements



## Statement of Comprehensive Net Expenditure For the year ended 31 March 2020

	Note	2019/20 £'000
<b>Operating Income</b>		
Sales of timber		(85,422)
Forest protection and maintenance		(2,658)
Management & development of estate		(23,088)
		(111,168)
<b>Operating Expenditure</b>		
Forest planning		11,646
Timber operations		22,511
Forest protection and maintenance		47,043
Management & development of estate		11,785
Value of felled timber	8	58,043
		151,028
<b>Net sustainable land management</b>		<b>39,860</b>
<b>Communities, recreation and tourism</b>		
Income		(2,251)
Expenditure		13,182
		10,931
<b>Environment and heritage</b>		
Income		(1,825)
Expenditure		7,800
		5,975
<b>Estate improvements</b>		
Income		-
Expenditure		8,649
		8,649
<b>Management services</b>		
Income		(26)
Expenditure		812
		786

	Note	2019/20 £'000
<b>Net expenditure before (Gain)/Loss on revaluation of biological assets</b>		<b>66,201</b>
(Gain)/Loss on revaluation of biological assets transferred to NCAHFS	8	589
(Gain)/Loss on revaluation of biological assets	8	(937,290)
		(936,701)
<b>Net expenditure/(income) after (Gain)/Loss on revaluation of biological assets</b>		<b>(870,500)</b>
Government grant		(15,875)
(Gain)/Loss on fixed asset investments		443
(Gain)/Loss on sale of properties	5	(7,818)
<b>Net (income)/expenditure for the year</b>		<b>(893,750)</b>
Transferred to general fund		(893,750)

All income and expenditure is derived from continuing operations.

### Other Comprehensive net expenditure

	Note	2019/20 £'000
Transfer of assets and liabilities from Forest Enterprise Scotland		(2,466,929)
Net (gain)/loss on revaluation of property plant and equipment		(150,182)
<b>Total other comprehensive net (income)/expenditure</b>		<b>(2,617,111)</b>
<b>Comprehensive net (income)/expenditure for the year</b>		<b>(3,510,861)</b>

## Statement of Financial Position As at 31 March 2020

	Note	2019/20 £'000
<b>Non current assets</b>		
Property, plant and equipment	6	1,471,793
Biological assets	8	1,962,078
Financial assets	7	2,618
Trade and other receivables	12	1,929
<b>Total non current assets</b>		<b>3,438,418</b>
<b>Current assets</b>		
Non-current assets held for sale	9	3,069
Inventories	11	11,470
Trade and other receivables	12	27,890
Cash and cash equivalents	13	62,098
<b>Total current assets</b>		<b>104,527</b>
<b>Total assets</b>		<b>3,542,945</b>
<b>Current liabilities</b>		
Provisions	15	(10,095)
Trade and other payables	14	(18,405)
<b>Total current liabilities</b>		<b>(28,500)</b>
<b>Total assets less current liabilities</b>		<b>3,514,445</b>
<b>Non current liabilities</b>		
Provisions	15	(3,039)
Trade and other payables	14	(1,804)
<b>Total non current liabilities</b>		<b>(4,843)</b>
<b>Assets less liabilities</b>		<b>3,509,602</b>
<b>Taxpayers' equity</b>		
General fund		2,318,215
Revaluation reserve		1,191,387
<b>Total taxpayers' equity</b>		<b>3,509,602</b>

The notes on pages 66 to 97 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 13 October 2020.

*Simon Hodgson*

**Simon Hodgson**  
Accountable Officer

**13 October 2020**

## Statement of Cash Flows As at 31 March 2020

	Note	2019/20 £'000
<b>Net operating (expenditure)/income</b>		
Net operating expenditure		893,750
Adjustments for non cash transactions:		
Transfer by absorption from FES to FLS		2,466,929
Depreciation charges	6	3,699
(Profit)/loss on disposal of buildings, forest estate and land		(8,121)
(Profit)/loss on disposal of other PPE		(213)
(Gain)/loss on revaluation of biological assets	8	(936,701)
Book value of felled timber	8	58,044
Revaluation financial assets	7	443
Revaluation reserve written off		21
Impairment of PPE	6	1,080
Other non cash transactions		69
Movement in provisions	15	13,133
(Increase)/decrease in inventories		(11,470)
(Increase)/decrease in trade and other receivables	12	(29,819)
Increase/(decrease) in trade and other payables	14	20,208
Use of provisions	15	(32)
Decrease/(increase) in plant & seed (biological assets)		(1,862)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>2,469,158</b>

	Note	2019/20 £'000
<b>Cash flows from investing activities</b>		
Transfer of PPE by absorption	6	(1,326,969)
Transfer of Biological assets by absorption	8	(1,086,780)
Transfer of Financial assets by absorption	7	(3,060)
Purchase of property, plant and equipment	6	(7,303)
Proceeds of disposal of properties	5	15,663
Proceeds of disposal of other property, plant and equipment	5	784
Disposal of biological assets	8	605
<b>Net cash inflow from investing activities</b>		<b>(2,407,060)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>62,098</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>62,098</b>

## Statement of Changes in Taxpayers' Equity As at 31 March 2020

2019/20	General Fund £'000	Revaluation Reserve £'000	Total £'000
<b>As at 1 April 2019</b>			
<b>Changes in taxpayers' equity</b>			
Transfer of assets and liabilities from Forest Enterprise Scotland	1,420,512	1,046,417	2,466,929
Net gain/(loss) on revaluation of property, plant and equipment	-	150,182	150,182
Net gain/(loss) on revaluation of NCAHFS	-	(1,869)	(1,869)
Realised element of reserves	3,953	(3,953)	-
Revaluation loss taken to SOCNE	-	610	610
Net operating income/(expenditure)	893,750	-	893,750
<b>Total recognised income and expenditure</b>	<b>2,318,215</b>	<b>1,191,387</b>	<b>3,509,602</b>
<b>At 31 March 2020</b>	<b>2,318,215</b>	<b>1,191,387</b>	<b>3,509,602</b>

## 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 2019/20 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

#### 1.2 Accounting convention

The 2019/20 accounts will be prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets at fair value through profit or loss.

#### 1.3 Transfer of balances from Forest Enterprise Scotland

The functions and activities of FES have continued in the new Agency, Forestry & Land Scotland (FLS), with the carrying values of all assets and liabilities of FES transferring to FLS on 1st April 2019. The transfer has been accounted for as a Transfer by Absorption, with all assets and liabilities, as stated in the FES 31 March 2019 Annual Report, being transferred to FLS on the 1st of April which are detailed in Note 23.

#### 1.4 Employee benefits

##### Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. FLS accounts for the PCSPS 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 employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. 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

Payments to recognise staff performance are not made. Where appropriate, a liability and expense is recognised for performance payments due under the Senior Staff Grade scheme. Details of the scheme 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.

#### 1.5 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 economic benefits is remote.

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

#### 1.6 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 1.8 and 1.14 below.

Property, plant and equipment, excluding OME, is revalued professionally every 5 years as at 31 March with indexation carried out in intervening years.

#### **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 fair value. External professional valuers undertake a full external professional valuation of the Forest Estate at five

yearly intervals. The Valuation Office Agency's (VOA) appointment as external valuers continues with FLS until the next tender exercise in 2022.

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 Fair Value models as appropriate for obtaining a fair value. In the intervening years between Red Book compliant valuations, a combination of values and custom indices are used to restate land and other asset values. These are provided by VOA who are contracted to undertake the work.

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 (Agriculture). 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 at five yearly intervals. The valuation and intervening indexations are carried out by VOA.

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 or indexation.

#### **Non-Forest land**

Non-forest land is shown at fair value. Valuation Office Agency (VOA), and other valuers were employed by FES to undertake a full revaluation of non-forest land coinciding with that for the Forest Estate (31 March 2018). They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value.

Agricultural land, open land and car parks are restated annually using indices provided by VOA with full professional revaluation taking place every 5 years. Within non-forest land there are areas classified as other land. These comprise land types for open land,

car parks, other minor land and agricultural land. Revaluation reserve balances are applied and apportioned to individual assets using the average value per hectare by forest district as per annual indexations or professional revaluation. Individual revaluation reserve accounts have been put in place to account correctly for the movements in each land use. Further information on the accounting estimates and judgements involved are detailed in Note 2.

### **Dwellings and other buildings**

Dwellings and other buildings are shown at fair value. The threshold for capitalisation of buildings is £10,000.

VOA undertook a full desktop revaluation of dwellings and other buildings in the 'North Region' in the year 2019/2020. This was based on valuation data provided by professionally qualified staff within FLS. Due to the impact of the COVID-19 Pandemic it was only possible to carry out a desktop review. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value.

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 VOA.

The revaluation threshold applied in the revaluation of buildings, excluding deer larders, is £30,000. When the Net Book Value of the building falls below this threshold they are 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 Forest & Land Scotland as they occur. Forest & Land Scotland takes the view that the professional valuations of its land and timber within the Accounts of Forest & Land Scotland properly recognise the contribution that infrastructure items make to land values. It also considers that the annual revaluation by indexation 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 fair value. Assets are revalued professionally every five years, with indices provided by the Office of National Statistics used in the intervening years. An index-linked revaluation took place on 31 March 2020. The normal threshold for capitalisation of vehicles, machinery and equipment is £3,000



### Office, machinery and equipment (OME)

Information technology is shown at fair value less subsequent depreciation. Information technology (IT) values are restated to current value each year using indices provided by the Office for National Statistics. The normal threshold for capitalisation of assets is £2,000.

### 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 revaluation reserve is transferred directly to the general fund upon disposal.

## 1.7 Depreciation

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

Assets under construction are not depreciated until the asset under construction 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 valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

- Land held under a finance lease – unexpired term of the lease.
- Lease premium – unexpired term of the lease.
- Freehold buildings – over 1 to 60 years.
- Buildings held under a finance lease – lesser of unexpired term of lease and 60 years.
- Plant and machinery – over 3 to 58 years.
- Plant and machinery held under a finance lease – unexpired term of lease.
- Information technology – over 4 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.

## 1.8 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.

## 1.9 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 other assets.

### 1.10 Funding paid to FLS

Forestry & 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.

### 1.11 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.

### 1.12 Inventories

Consumable materials and supplies are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

Timber is stated at its net realisable value in line with IAS 2.

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 'forwarder' unit cost as at 31st March is deducted from Timber stock valuations to arrive at the Work in Progress value.

### 1.13 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.

### 1.14 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a Finance Lease) are borne by FLS, the right to use the asset is initially recorded as property, plant and equipment. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5%.

Assets held under Finance Lease are depreciated over the shorter of the useful life of the asset and the term of the lease. 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 1.6 above.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Comprehensive Net Expenditure over the lease period so as to produce a constant

periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

### 1.15 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.

### 1.16 Value added Tax (VAT)

FLS is part of the VAT Scottish Government 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.

### 1.17 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.

## 1.18 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.

#### (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. Fair value assets comprise investments in ordinary shares.

#### (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 sets 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 represents

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, assess the expected credit losses associated with its debt instruments carried out 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 required 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, which requires lifetimes losses to be recognised from initial recognition.

### 1.19 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.

### 1.20 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.

### 1.21 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2020 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

### 1.22 Effective for future financial years

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments, and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to FLS are outlined below. None have been adopted early, and all will be applied once adopted formally by the FReM.

The following standards will be applied upon formal adoption in the FReM.

- IFRS 16 – Leases. This standard is effective from 1 January 2021. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. IFRS 16 is expected to have some impact in the financial reporting term.

## 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.

In so far as was possible, with the information available at the time, the potential impact of the COVID-19 outbreak has been considered and incorporated in calculations and other considerations in arriving at accounting estimates and judgements within the accounts. Where this has not been possible it has been identified. As is the case across all sectors, industries and indeed countries the unknown outcome and impact of the pandemic means that there is little historic evidence

on which assumptions or judgements can be made, however extra consideration is being made.

The professional valuation reports provided by the Valuation Office Agency (VOA), Galbraith, Wardell and Armstrong, Johnson, Poole & Bloomer and Avison Young include material uncertainty clauses as a result of the COVID-19 pandemic. These valuation reports have been used to inform the measurement of the following assets in these financial statements: biological assets, forest estate, land, dwellings and other buildings and financial assets. The Royal Institution of Chartered Surveyors (RICS) advised on the use of standard material uncertainty paragraph in valuations which were subject to uncertainty as a result of the COVID-19 pandemic. The RICS Valuation Global Standards ('Red Book'), defines a material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected or accepted.' Consequently, less certainty and a higher degree of caution should be attached to the valuations reported than would normally be the case. Although the professional valuers have reported on the basis of a material valuation uncertainty, professional judgement was exercised in preparing the valuations and, therefore, is the best information available to FLS as at 31 March 2020. FLS are satisfied the values reflected in the financial statements remain accurate and have not been materially impacted as a result of the COVID-19 pandemic.

### 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 a five-yearly external professional valuation of all areas of woodland, including those with Biological Assets. Following advice from its professionally qualified statisticians, 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, age 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 factors to consider are location, species, age 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 valuations based on groups of factors provide robust valuations. The groups used are Location (Forest Region), Species (Conifer crop or Broadleaved crop), Age (in 10-yearly age bands) 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. To ensure compliance with RICS valuation standards, external professional valuers review any work carried out by internal valuers for consistency and appropriateness. 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.

### 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 2020. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2020.

As per the requirements of IAS 16 the realised element of revaluation reserve is transferred to general fund upon disposal of these assets. The realised element of 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 revaluation reserve to be transferred.

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

### Vehicles and Mechanical Equipment (VME)

In 2019/20 VME assets have been revalued using with indices provided by the Office of National Statistics used in the intervening years. An index-linked revaluation took place on 31 March 2020. Assets are revalued professionally every five years and internally generated fair values have been produced based on FLS's specialist expertise and knowledge of the forestry sector.

### Dwellings and other Buildings

Other Buildings primarily includes specialist buildings held for operational activities and for which there are no active external markets. External professional valuers carry out all work to ensure consistency and appropriateness. Where appropriate, management ensures that external professional valuations of Dwellings and Other Buildings are obtained where active markets operate.

### Biological assets

In applying IAS 41 (Agriculture) management considered the detailed criteria for classifying forestry activities as Agricultural. This determined that not all forestry activity carried out by FLS could be regarded as Agriculture under the standard. It is considered that woodlands and forests that are primarily held and managed to meet the social and environmental objectives set out in "A Strategy for Scotland's Trees, Woods and Forests" do not meet the criteria for agricultural activity.

Management considers that it would not be cost effective to carry out a comprehensive analysis of the estate to determine whether areas are primarily held and managed to meet social and environmental objectives. It judges that areas included within its forecasts of commercial sales production are wholly attributable to Agricultural activity under IAS 41. Areas out with the forecasts are judged to fall outside the scope of IAS 41.

### 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	2019/20 £'000
Hire of plant and equipment		1,614
<b>Operating lease rentals:</b>		
Land and buildings	18	1,811
Plant & machinery	18	93
Auditors' remuneration – audit work		90
Auditors' remuneration – non-audit work		-
<b>Provisions:</b>		
Provided in year	15	5,127
Provisions released	15	-
Provisions not required written back	15	(351)
Provisions utilised in year	15	(33)
Depreciation of property, plant and equipment	6	3,699

Expenditure includes staff costs, which amounted to £40.540 m for 2019/20. A full analysis of these costs, are included within the Remuneration and Staff Report.

The Forest Research Agency provides research development and survey services to FLS through a service level agreement and charges internal FLS customers in the year. The Forest Research Agency is charged for shared services and Business Unit costs where appropriate.



## 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 committees 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 below.

### 4(a) Contract Revenue

	2019/20 £'000	2019/20 £'000
<b>Segment Revenue</b>		
	<b>Timber</b>	<b>Venison</b>
<b>Major goods/services</b>		
Sale of goods	81,666	1,675
<b>Contract Duration</b>		
Transactional contracts	254	-
Short term contracts	33,408	-
Long term contracts	48,004	1,675
	<b>81,666</b>	<b>1,675</b>
<b>Contract pricing</b>		
Fixed price	47,352	1,675
Variable price	34,314	-
	<b>81,666</b>	<b>1,675</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	81,666	1,675
Services transferred over time	-	-
	<b>81,666</b>	<b>1,675</b>

	2019/20 £'000	2019/20 £'000
<b>Reconciliation to SOCNE</b>		
<i>Sales of timber</i>		
Compensation		3,056
Other sales		700
		<b>3,756</b>
<b>Sales of Timber</b>		<b>85,422</b>
<i>Forest protection and maintenance</i>		
Forest Planning		2
Deer Management (Ex Venison)		76
Restocking		67
Other Forest Maintenance		497
Roads upgrade		41
Roads maintenance etc		300
		983
<b>Forest protection and maintenance</b>		<b>2,659</b>

## 4(b) Contract Balances

	2019/20 £'000	2019/20 £'000
	Timber	Venison
Receivables	17,978	374

## 4(c) Performance Obligations

### Timber

Long term contracts have an overarching agreement lasting between five and ten years where the annual contracted volume of timber is set.

Volume is monitored on a continual basis. At the end of the year if there is a variance between the contract volume and the volume supplied it is corrected for in subsequent years.

The contract volume outlined in the contracts is an estimate based on assessment of the site, as a result there is a contingency in the long term contracts where the contract volume can vary by 10%.

The volume of timber delivered can vary from the contractual amount due to the fact timber is a natural product that is subject to weather, disease and other variable factors.

All other contract volumes are fixed when the contract is negotiated. Excluding the 10% contingency in long term contracts the volume of timber provided is in line with the contracts negotiated.

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 5 years. The customer has the option to purchase all deer culled as part of the deer management programme, however FLS have 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 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 £150,000. During the high season, winter months, the guarantee is £300,000.

**Transaction price:****Timber**

Transaction prices are negotiated with each customer and fixed for each contract. The only exception is for Roadside sawlog contracts which have quarterly or 6 monthly price reviews written into the contract.

Transaction price is set based on a review of market conditions at the time of negotiation. Factors which can impact the market prices of timber include; exchange rates, weather, tree disease, 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.

**Note 5: Gain/(Loss) On Sale of Properties**

	2019/20 £'000
Income	16,447
Book value	(8,112)
Gain/(loss)	8,335
Disposal costs:	
External costs	(517)
Administrative expenses	-
	(517)
<b>Surplus/(deficit) on sale of properties</b>	<b>7,818</b>

## Note 6: Property, Plant and Equipment

2019/20	Forest Estate £'000	Land £'000	Dwellings & Other Buildings £'000	VME £'000	OME £'000	Assets Under Construction £'000	Total £'000
<b>Valuation:</b>							
<b>At 1 April 2019</b>	-	-	-	-	-	-	-
Transferred from FES to FLS	961,050	318,827	51,142	23,372	473	1,154	1,356,018
Additions	3,465	-	25	3,387	28	469	7,374
Transfers	-	-	244	-	-	(244)	-
Transfers to NCAHFS	(4,521)	(737)	(455)	-	-	-	(5,713)
Transfers from NCAHFS	4	-	-	-	-	-	4
Disposals	(1,032)	(164)	(1,033)	(2,810)	(117)	-	(5,156)
Write-off / impairment	-	-	(123)	(22)	-	(936)	(1,081)
Revaluations	127,052	21,968	1,527	171	5	-	150,723
<b>At 31 March 2020</b>	<b>1,086,018</b>	<b>339,894</b>	<b>51,327</b>	<b>24,098</b>	<b>389</b>	<b>443</b>	<b>1,502,169</b>
<b>Depreciation:</b>							
<b>At 1 April 2019</b>	-	-	-	-	-	-	-
Transferred from FES to FLS	-	-	18,160	10,562	327	-	29,049
Provided during year	-	-	1,293	2,360	46	-	3,699
Transfers to NCAHFS	-	-	(84)	-	-	-	(84)
Disposals	-	-	(472)	(2,243)	(114)	-	(2,829)
Write-off / impairment	-	-	-	-	-	-	-
Revaluations	-	-	565	(27)	3	-	541
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>19,462</b>	<b>10,652</b>	<b>262</b>	<b>-</b>	<b>30,376</b>
<b>Net Book Value :</b>							
<b>At 1 April 2019</b>	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>1,086,018</b>	<b>339,894</b>	<b>31,865</b>	<b>13,446</b>	<b>127</b>	<b>443</b>	<b>1,471,793</b>
Transferred from FES to FLS	961,050	318,827	32,982	12,810	146	1,154	1,326,969
<b>Asset Financing</b>							
Owned	1,086,018	339,894	31,865	13,347	127	443	1,471,694
Finance leased	-	-	-	99	-	-	99
<b>At 31 March 2020</b>	<b>1,086,018</b>	<b>339,894</b>	<b>31,865</b>	<b>13,446</b>	<b>127</b>	<b>443</b>	<b>1,471,793</b>

## National Forests and Land

The Valuation Office Agency carried out a professional valuation of the Forest Estate including biological assets, non-forest land, houses and other buildings as at 31 March 2020.

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. It was prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards 2017 and the RICS Valuation – Professional Standards UK (January 2014, revised April 2015, commonly known as the Red Book). 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.

2019-20 was a full revaluation year, the next full professional revaluation is due as at 31 March 2025.

## 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 2020. 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 – VOA

Hydro Schemes – VOA

Mineral Sites – Johnson Poole & Bloomer *or*  
Wardell Armstrong LLP

Telecoms Masts - Galbraith

## Buildings

Buildings assets comprise both freehold and leasehold assets.

## VME

Vehicles, Machinery and Equipment (VME) are valued professionally at five-year intervals, with the last professional revaluation having taken place on 31 March 2016. An index-based valuation took place on 31 March 2020, which revalued assets to their fair value of £13.446 m.

Professionally qualified staff employed by the FLS undertook the valuation which was approved by the Head of Mechanical Engineering. Index-based revaluations use either appropriate indices provided by the Office of National Statistics, or internal professional staff as appropriate.

## OME

Office Machinery and Equipment (OME) was restated to a current value of £0.127 m as at 31 March 2020 using an index provided by the Office for National Statistics.

## Depreciation

Depreciation expense of £3.699 m has been charged in the Statement of Comprehensive Net Expenditure.

## Note 7: Financial Assets

	2019/20 £'000
<b>At 1 April 2019</b>	-
Transferred from FES to FLS	3,060
Revaluation	(442)
<b>At 31 March 2020</b>	<b>2,618</b>

The investment represents FLS's share in the Limited Liability Partnerships between the Forest Enterprise England and National Resources Wales, the Camping and Caravanning Club and Forest Holidays to operate holiday facilities within their respective land holdings.

On 21 September 2012, Forest Holidays LLP restructured its business and created two new Limited Liability Partnerships (LLP's). The two new LLP's are the Camping in the Forest (CITF) LLP and Forest Holidays LLP. The majority investor in Forest Holidays LLP is Phoenix Equity Partners after a refinancing exercise in 2017.

The fair value of FLS's investments in CITF LLP and Forest Holidays LLP were £0.933 m and £1.685 m at 31 March 2020 respectively. The fair values were determined by Avison Young, specialist leisure consultants and chartered surveyors.

The investments in Forest Holidays Group Limited and Camping in the Forest (CITF) LLP are accounted for under the requirements of IFRS 9 and are treated as financial assets.

The valuation of the investments in the two entities complies with IFRS 13, insofar as the valuers have considered the valuation techniques and valuation hierarchy specified in IFRS 13. In arriving at their opinion, the valuers used a combination of the 'market approach', 'cost approach' and 'income approach' to valuing the investments. Meanwhile, the inputs used to arrive at fair value are consistent with the fair value hierarchy defined within IFRS 13; specifically the inputs constitute 'level 3' inputs, which is consistent with the accounting standard.

## 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 out-with 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 2020 was £1.962 m.

The next full revaluation is due at 31 March 2025.

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

	2019/20 £'000
<i>Trees</i>	
<b>At 1 April 2019</b>	-
Transferred from FES to FLS	1,085,376
Purchases during the period	-
Transfers in from PPE	-
Disposals	(605)
Fellings	(58,043)
Transferred to NCAHFS	(3,801)
Transferred from NCAHFS	-
Gains and losses arising from changes in fair values	937,290
<b>At 31 March 2020</b>	<b>1,960,217</b>
<i>Plant &amp; Seed</i>	
<b>At 1 April 2019</b>	-
Transferred from FES to FLS	1,404
<b>At 31 March 2020</b>	<b>1,861</b>
<b>Biological Assets at 31 March 2020</b>	<b>1,962,078</b>
Biological assets transferred to NCAHFS and revalued down	(589)

## Note 9: 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 2021.

\*Biological assets revaluation loss of £0.589 m is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £0.048m is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

Losses on the revaluation of other land of £0.296m have also been included in impairments and taken to the Statement of Comprehensive Net Expenditure.

	Note	Forest Estate & Biological Assets £'000	Other Land £'000	Buildings £'000	Total £'000
<b>At 1 April 2019</b>		-	-	-	-
Transferred from FES to FLS		399	170	124	693
Transfers from PPE & Biological Assets	6,8	8,321	736	371	<b>9,428</b>
Transfers to PPE & Biological Assets	6,8	123	(127)	-	<b>(4)</b>
Disposals		(4,596)	(149)	(434)	<b>(5,179)</b>
Impairments*		(1,525)	(296)	(48)	<b>(1,869)</b>
<b>At 31 March 2020</b>		<b>2,722</b>	<b>334</b>	<b>13</b>	<b>3,069</b>



## Note 10: Financial Instruments

### 10(a) Investments in non-public sector bodies (Available for sale financial assets)

	2019/20 £'000
At 1 April 2019	-
Transferred from FES to FLS	3,060
Revaluation	(442)
<b>Balance at 31 March 2020</b>	<b>2,618</b>

### 10(b) Financial instruments by category

	Loans and receivables £'000	Available-for- sale £'000	2019-20 Total £'000
<b>Assets</b>			
Available-for-sale financial assets	-	2,618	2,618
Trade and other receivables	23,602	-	23,602
Cash and cash equivalents	62,098	-	62,098
<b>Total</b>	<b>85,700</b>	<b>2,618</b>	<b>88,318</b>

### 10(b) Financial instruments by category – continued

	Liabilities at fair value through the profit and loss £'000	Other financial liabilities £'000	2019-20 Total £'000
<b>Liabilities</b>			
Finance lease liabilities	-	99	99
Trade and other payables excluding statutory liabilities	-	12,909	12,909
<b>Total</b>	<b>-</b>	<b>13,008</b>	<b>13,008</b>

### 10(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 stock market movements.

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 12 for further analysis of credit risk.

#### **Liquidity risk**

The Scottish Government makes provision for FLS's use of resources in a Consolidated Fund Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Consolidated Fund Act. The Act also specifies an overall cash authorisation to operate for the financial year. FLS is not therefore exposed to significant liquidity risks.

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 the 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.

### 10(c) Exposure to risk – continued

2019/20	Less than 1 year £'000	Between 1 and 5 years £'000	Over 5 years £'000
Finance lease liabilities	45	54	-
Trade and other payables excluding statutory liabilities	12,909	-	-
<b>Total</b>	<b>12,954</b>	<b>54</b>	<b>-</b>

### 10(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.

### 10(e) Fair value estimation

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

### Note 11: Inventories

	2019/20 £'000
Timber	11,001
Consumable materials, supplies and livestock	469
	<b>11,470</b>

## Note 12: Trade And Other Receivables

### 12(a) Analysis by type

	2019/20 £'000
<b>Current</b>	
Trade receivables	21,884
Less provision for impairment of trade receivables	(337)
<hr/> Trade receivables - net	<hr/> 21,547
Other receivables	-
Partnership lease	123
House purchase loans to employees	4
Prepayments and accrued income	6,216
<b>Total current receivables</b>	<b>27,890</b>
<b>Non current</b>	
Partnership lease	1,909
House purchase loans to employees	20
Prepayments and accrued income	-
<b>Total non-current receivables</b>	<b>1,929</b>
<b>Total receivables</b>	<b>29,819</b>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more relating to 3 members of staff at 31 March 2020.

The total outstanding value of all loans was £0.031m. Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

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

As of 31 March 2020, trade receivables of £14.489 m were fully performing and not past due or impaired and provided for.

As of 31 March 2020, trade receivables of £7.058 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:

	2019/20 £'000
Less than one month	14,489
One to two months	5,667
More than two months	1,391
<hr/>	<hr/>
	<b>21,547</b>

As of 31 March 2020, trade receivables totalling £0.337m were impaired and also provided for. This relates to two debts analysed as follows:

	2019/20 £'000
Advanced legal proceedings underway	-
Other	337
<hr/>	<hr/>
	<b>337</b>

The ageing of the trade receivables provided for is as follows:

	2019/20 £'000
Less than one month	-
One to two months	87
More than two months	250
<hr/>	<hr/>
	<b>337</b>

## 12(a) Analysis by type – continued

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

	2019/20 £'000
<b>At 1 April 2019</b>	-
Transferred from FES to FLS As at 1 April 2019	250
New provisions	87
Provisions utilised	-
Unused provision reversed	-
<b>At 31 March 2020</b>	<b>337</b>

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.

## 12(b) Intra-Government Receivables Balances

	Current 2019/20 £'000	Non current 2019/20 £'000
Balances with other central government bodies	114	-
Balances with local authorities	12	-
Balances with public corporations and trading funds	-	-
Intra-government balances	126	-
Balances with bodies external to government	27,764	1,929
<b>Total trade and other receivables</b>	<b>27,890</b>	<b>1,929</b>

## Note 13: Cash and Cash Equivalents

	2019/20 £'000
<b>At 1 April 2019</b>	-
Transferred from FES to FLS	40,404
Net change in cash and cash equivalent balances	21,694
<b>Balance at 31 March</b>	<b>62,098</b>

	2019/20 £'000
The following balances were held at:	
Balance with the Government Banking Service	62,098
	<b>62,098</b>

All balances held are denominated in GBP Sterling.

Cash balances that transfer as reserves are as follows:

### **Restricted with a specific purpose - £29 m.**

These funds include those relating to land sales and reinvestment programmes.

### **Earmarked for investment in 2020/21 and beyond - £10.8 m.**

Earmarked reserves will be reinvested in the business and primarily used for protecting and enhancing the national forests and land. These funds are allocated by the Chief Executive based upon recommendations made by the Executive Team.

**Liquidity reserves - £10.5 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 14: Trade and Other Payables

### 14 (a) Analysis by type

	2019/20 £'000
<b>Current</b>	
Trade payables	6,499
Other payables	176
Taxation and social security costs	329
Accruals and deferred income	11,356
Current part of finance leases	45
<b>Total current payables</b>	<b>18,405</b>
<b>Non current</b>	
Other payables	-
Accruals and deferred income	1,750
Finance Leases	54
<b>Total non-current payables</b>	<b>1,804</b>
<b>Total payables</b>	<b>20,209</b>

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

The carrying amounts of trade and other payables are denominated in the following currencies:

	2019/20 £'000
GBP Sterling	20,209
	<b>20,209</b>

### 14(b) Intra-Government Balances

	Current 2019/20 £'000	Non 2019/20 £'000
Balances with other central government bodies	387	-
Balances with local authorities	1	-
Balances with public corporations and trading funds	268	-
Intra-government balances	656	-
Balances with bodies external to government	17,749	1,804
<b>Total trade and other payables</b>	<b>18,405</b>	<b>1,804</b>

## Note 15: Provisions for Liabilities and Charges

	Early Departure Costs £'000	Injury related benefits £'000	Dilapidations & rental void £'000	Legal Claims £'000	Total £'000
<b>At 1 April 2019</b>	-	-	-	-	-
Transferred from FES to FLS As at 1 April 2019	43	5	-	8,340	8,388
Provided in year	-	72	2,967	2,088	5,127
Provisions released	-	-	-	-	-
Provisions not required written back	-	-	-	(350)	(350)
Utilised in year	(28)	(3)	-	-	(31)
Unwinding of discount	-	-	-	-	-
<b>At 31 March 2020</b>	<b>15</b>	<b>74</b>	<b>2,967</b>	<b>10,078</b>	<b>13,134</b>

Analysis of expected timing of discounted cash flows for balance at 31 March 2020:

	Early Departure Costs £'000	Injury related benefits £'000	Dilapidations & rental void £'000	Legal Claims £'000	Total £'000
Within one year	15	2	-	10,078	<b>10,095</b>
Between 1 April 2019 and 31 March 2023	-	12	2,967	-	<b>2,979</b>
Between 1 April 2023 and thereafter	-	60	-	-	<b>60</b>
	<b>15</b>	<b>74</b>	<b>2,967</b>	<b>10,078</b>	<b>13,134</b>

### Early departure costs

FLS meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

The remaining early departure costs are due to be settled in the next financial year.

### Injury benefit costs:

A provision has been made to reflect the cost of any injury related benefits to FLS.

Assumptions have been made on the duration of the commitment based on the information available to FLS at the date of preparation. The provision is reviewed on an annual basis based on information provided by MYCSP.

### Dilapidations and rental void:

FLS have made a provision for the dilapidation costs associated with returning a leased office building to its original condition at the end of the lease term in 2022. The provision is based on a professional survey and valuation of the works required, the valuation was carried out in 2017.

As a primary leaseholder, FLS is responsible for the rent payable for the entire building, provision has been made for the known rental void costs for the remaining period of the lease.



### 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.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities. 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 16: Segmental Reporting

Segmental reporting is currently reported within FLS as per the headings in the Statement of Comprehensive Net Expenditure. Future portfolio objectives are under review and may be applied in future years.

### Note 17: Capital Commitments

	2019/20 £'000
Property, plant and equipment	483

Amounts contracted for but not provided in the accounts amounted to £0.483 m at 31 March 2020.

## Note 18: Commitments Under Leases

### 18(a) Operating leases

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

	2019/20 £'000
<b>Obligations under operating leases for the following periods comprise:</b>	
<b>Buildings</b>	
Not later than one year	1,743
Later than one year and not later than five years	2,670
More than five years	457
	<b>4,870</b>

	2019/20 £'000
<b>Land</b>	
Not later than one year	68
Later than one year and not later than five years	186
More than five years	674
	<b>928</b>

	2019/20 £'000
<b>Plant and Machinery</b>	
Not later than one year	93
Later than one year and not later than five years	57
More than five years	-
	<b>150</b>

### 18(b) Finance leases

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

	2019/20 £'000
<b>Obligations under finance leases for the following periods comprise:</b>	
<b>Plant and Machinery</b>	
Not later than one year	45
Later than one year and not later than five years	54
More than five years	-
	<b>99</b>
Less: interest element	(9)
<b>Present value of obligations</b>	<b>90</b>

### Note 19: Other Financial Commitments

There no other financial commitments as at 31 March 2020.

## Note 20: Lease Receivables

### 20(a) Operating leases

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

	2019/20 £'000
Not later than one year	8,024
Later than one year and not later than five years	31,999
More than five years	131,121
	<b>171,144</b>

FLS leases land and buildings under agreements that terminate between April 2020 and December 2099.

### 20(b) Finance leases

Total future minimum lease receivables under the Forest Holiday partnership buildings lease are given in the table below for each of the following periods:

	2019/20 £'000
Less than one year	84
Later than one year and not later than five years	336
More than five years	5,457
	<b>5,877</b>
Less: interest element	(3,884)
<b>Present value of receivables</b>	<b>1,993</b>

## 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 Forest and Land Scotland has had dealings are Scottish Government and its Agencies, Paymaster General's Office and HM Revenue and Customs.

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, is a Director of Forest Industry Safety Accord (FISA).

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

There were no purchases from FLS in the year to 31 March 2020.

The value of sales to FLS in the year to 31 March 2020 was:

	2019/20 £'000
Forest Industry Safety Accord (FISA)	17
	<b>17</b>

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

There were no amounts owing to or from FLS at 31 March 2020.

### 21(d) Key management compensation

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

### 21(e) 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 repaid for the purpose of restoring the land to its original condition.

In the event that the lessee fail 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.

At 31 March 2020 the 'Gross Inflows' listed below were yet to be transferred to 3rd party accounts. At the year-end a corresponding liability has been recognised for the funds received, this is included within 'Other payables' in Note 14. These balances have been transferred post year end.

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

	Opening Balance £'000	Amounts transferred from FES to FLS £'000	Gross Inflows £'000	Gross Outflows £'000	Closing Balance £'000
Lael	-	10	-	-	10
Nevis Range	-	5	-	-	5
Garrygualach	-	5	-	-	5
Blackcraig Windfarm	-	401	-	-	401
Farr Hydro	-	23	-	-	23
Allt Druidhe Hydro	-	6	-	-	6
Blary Hill	-	-	75	-	75
Allt Muic Hydro	-	-	50	-	50
Cuil Burn Hydro	-	-	10	-	10
Littleburn	-	-	10	-	10
<b>Total</b>	-	<b>450</b>	<b>145</b>	-	<b>595</b>

## Note 23: Transfers in from Forest Enterprise Scotland (FES) on 1 April 2019

	FES £'000	IFRS 9 Transition £'000	Total £'000
<b>Non current assets</b>			
Property, plant and equipment	1,326,969	-	1,326,969
Biological assets	1,086,780	-	1,086,780
Financial assets	3,060	-	3,060
Trade and other receivables	1,843	-	1,843
<b>Total non current assets</b>	<b>2,418,652</b>	<b>-</b>	<b>2,418,652</b>
<b>Current assets</b>			
Non-current assets held for sale	693	-	693
Inventories	9,325	-	9,325
Trade and other receivables	26,903	-	26,903
Cash and cash equivalents	40,404	-	40,404
<b>Total current assets</b>	<b>77,325</b>	<b>-</b>	<b>77,325</b>
<b>Total assets</b>	<b>2,495,977</b>	<b>-</b>	<b>2,495,977</b>
<b>Current liabilities</b>			
Provisions	(5,119)	-	(5,119)
Trade and other payables	(18,859)	-	(18,859)
<b>Total current liabilities</b>	<b>(23,978)</b>	<b>-</b>	<b>(23,978)</b>
<b>Total assets less current liabilities</b>	<b>2,471,999</b>	<b>-</b>	<b>2,471,999</b>
<b>Non current liabilities</b>			
Provisions	(3,269)	-	(3,269)
Trade and other payables	(1,801)	-	(1,801)
<b>Total non current liabilities</b>	<b>(5,070)</b>	<b>-</b>	<b>(5,070)</b>
<b>Assets less liabilities</b>	<b>2,466,929</b>	<b>-</b>	<b>2,466,929</b>
<b>Taxpayers' equity</b>			
General fund	1,418,877	1,635	1,420,512
Revaluation reserve	1,048,052	(1,635)	1,046,417
<b>Total taxpayers' equity</b>	<b>2,466,929</b>	<b>-</b>	<b>2,466,929</b>

In accordance with accounting policy 1.8, financial assets are valued at fair value through profit and loss, under IFRS 9 – Financial Instruments. IFRS 9 has been applied retrospectively to the transfer of financial assets from FES. The revaluation reserve associated with financial assets has been re-classified as general reserve in accordance with IFRS 9.

## Note 24: Events After the Reporting Period

In March 2020 the COVID-19 Pandemic, and subsequent restrictions enforced by the Scottish Government, resulted in the temporary suspension of the majority of FLS's operations. Despite these challenges we are satisfied the ongoing events do not have any material impact on the figures included in the Financial statements.

All Receivables included in the Statement of Financial Position have been reviewed for potential impairment at the date of submission of the accounts. We are content that the valuations included in the financial statements at 31 March 2020 remain accurate and have not been materially impacted by the ongoing Pandemic. Lastly we are not aware of any other commitments, which have not already been disclosed in the financial statements, which have arisen as a result of the Pandemic.

The long term impact of the Pandemic on FLS is difficult to accurately predict at this moment in time, however we are satisfied there is no Going concern risk to the organisation given the liquidity reserves held and the work undertaken to minimise our contractual exposure on contract expenditure during the lockdown period. The majority of our facilities, including visitor centres and car parks have now reopened as part of the careful and gradual lifting of the COVID-19 restrictions as laid out in Phase 3 of the Scottish Government route map.

## **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 2020, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated

SG/2020/210





Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

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If you need this publication in an alternative format please contact [enquiries@forestryandland.gov.scot](mailto:enquiries@forestryandland.gov.scot)

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