



# Forestry and Land Scotland (FLS) Strategic Advisory Board

**Date of Meeting: 30 May 2023**

**Location: Silvan House, Edinburgh and MS Teams**

## **Present:**

- Simon Hodgson, Chief Executive (Chair)
- Michael Hymers, Director of Corporate Services
- John Mair, Director of Commercial Development
- Mark Pountain, Non-Executive Advisor
- Graeme Hutton, Director of Net Zero
- Graeme Prest, Director of Land Management and Regions
- Jo O'Hara, Non-Executive Advisor
- Clea Warner, Non-Executive Advisor
- Therese O'Donnell, Non-Executive Advisor
- Matthew Henderson, Administrative Officer (Minutes)

## **Apologies:**

- Rhondda Salmond, Change Manager (Secretariat)

## **1. Welcome and Introductions**

Simon Hodgson welcomed everyone to the meeting and outlined the agenda.

## **2. Matters Arising**

### **Minutes and Action Points**

It was agreed that the minutes for the last meeting held on 4<sup>th</sup> April 2023 were a true and accurate reflection.

### **Action Point Update:**

- **AP1/23:** Complete – updates will be incorporated in the ongoing updates and as a standing agenda item for future meetings.
- **AP2/23:** Complete – taken forward through agenda item 4.

Jo queried the absence of the revised Framework Document for review. Michael Hymers advised that the revised document will be progressed over the summer to reflect ongoing discussions on finance with Scottish Government (SG). The revised document will also be subject to review and agreement with Ministers, therefore all revisions need to be accurately represented to avoid duplicating this process.

## **Conflicts of Interest**

There were no conflicts of interest declared.

### **3. CEO/Organisational Update**

Simon Hodgson advised that the Organisational Update has been circulated for the Non-Executives, providing a brief overview of key points.

Michael Hymers provided further information on changes to SG Ministerial portfolios and Special Advisers, explaining how FLS is navigating a new portfolio, ministerial responsibilities and new arrangements within SG.

Since the circulation of the update, Dave Signorini, Chief Executive of Scottish Forestry, has been confirmed in post to temporarily cover Kevin Quinlan's role of Director of Environment & Forestry role. The process to backfill Dave Signorini's role is underway.

Michael further explained that efforts were ongoing to support increasing awareness of FLS's purpose and responsibilities across the new portfolio. Effort is being focussed on building links and explaining how we operate in order for FLS to be understood, as it is in a unique position as an executive agency and public corporation.

Graeme Prest reiterated that being a trading body and carrying money across years is essential in order for FLS to operate effectively, due to the nature of our operational programmes and seasonal activities. Fundamentally FLS is a long term business, the timber market is historically quite cyclical and understanding these aspects, background and consistency is critical in order to operate effectively as a business within the public sector. Simon further emphasised that FLS's ability to plan over multiple years is undermined if there is uncertainty over certain programmes, whether self-funded or otherwise.

The Non-Executives reflected on the update, seeking further information on the current financial situation. Michael added that originally FLS had been allocated £12m Annual Subsidy Limit (ASL) from SG for 23/24, with £6m recalled as part of budget challenges and the remaining £6m on hold. ASL allocation for future years remains at risk, as SG facing an ongoing deficit.

Simon briefly reflected on the Public Sector Reform and explained that within Environment, Forestry and Biodiversity, the likelihood is the outcome will not be quick, especially if any organisational change is needed as this usually requires legislation, planning and implementation stages.

At this stage Simon's advice to SG has been to look at how outcomes can be delivered differently rather than restructuring / merging. All attendees agree that the aims should be to ensure any changes SG make are well informed and suggested that engaging stakeholders differently may provide less resistance to change.

The Non-Executives raised caution regarding sale and lease of land as some areas are protected by legislation and ensure FLS requirement to be an agency (unless legislation is changed) which provides good risk mitigation but there is a potential loophole regarding lease of property/land.

#### **4. Strategic Advisory Board – In-depth Review Programme**

Michael advised that the potential options for in-depth reviews programme was circulated for the Non-Executives consideration and sought confirmation that they were content with the collated prioritisation as outlined.

He highlighted that the feedback on the deep dive on the financial sustainability/directors review is that the preference, with it becoming a standing agenda item that Non-Executives feed into rather than a one-off review. The other deep dives however remain as they are on the list. The Non-Executives discussed the priorities given to the various deep dives, settling with the list remaining as it is. Simon advises the aim is for Strategic Communications and Skill Development and Training to be prioritized concurrently but Strategic Communications is a smaller piece of work so should be complete by Christmas with Skill Development and Training being the first topic to be completed in 2024.

Michael explained that while FLS would like all the Non-Executives involved in all the topics, in order to be mindful of their time and create focus, it would be better if 1-2 Non-Executives took the lead with a Director and then when presented, all four give feedback. The Non-Executives agreed with this approach with a view to review effectiveness in a year.

Michael explained that Skills Development and Training can be done as one deep dive, through effective development of the scope. Initially procurement was considered, but that would make the scope too large. Following feedback internally, it was felt that this was not a good time for a deep dive on procurement as there is already a review in process combined with the work that will be done on the Directors Review and planned Internal Audit assurance. Non-Executives agreed that once there is feedback and an action plan from that review it can be added back for discussion and look at implementing changes based on recommendations.

#### Non-Executive sponsor allocation for topics –

Strategic Communications: Mark Pountain and Jo O’Hara

Skill Development and Training: Terese O’Donnell and Clea Warner

**AP3/23: Non-Executives to engage with Director of Corporate Services on scoping and timing for in-depth review of Strategic Communications and Skills Development and Training.**

#### **5. Setting the Future Agency Strategy and Direction Delivering Our Long-term Financial Sustainability**

Michael reflected that delivering our long-term financial sustainability is the purpose of the Director's Review. Graeme Pest and John Mair are leading on this work programme and gave a brief overview of how this affects this years financial plan and priorities for 24/25.

The aim of the review is to identify and improve the effectiveness and efficiency of the delivery of FLS's key outputs and develop an operationally and financially sustainable future business model.

A small team will support the initial stages of this work, with further details on the scope, approach and timing to be shared at the next meeting. The Non-Executives agreed this was an organisational imperative and offered their input at the appropriate stage to help inform and progress the review.

### **Setting The Future Direction**

Simon Hodgson reflected that there was a number of increasing external strategies and policies the FLS need to deliver against as part of delivering it's responsibilities as a public sector organisation, balanced alongside our commercial aspects.

In the short term, we have completed significant scenario modelling on financial projections to inform direction, taking in to consideration as far as possible, requirements of current and future strategies and policies without overwhelming the business.

### **Maximising our Business Planning Priorities**

The Non-Executives commented on the financial breakdown outlined within the organisational update and how it is the right direction, providing stark but clear and open observations on areas for improvement. They also sought assurance that appropriate risk management and contingency planning was in place, should there be any future catastrophic events in addition to the current financial pressures, to ensure appropriate testing and response models were in place.

Simon advised that although difficult, appropriate consideration was being given to ensuring that we have sufficient resource allocations to respond to any future events, with the Management Board ensuring contingency requirements were identified and managed should they be required.

## **6. AOB**

There were no matters raised as AOB

**Date of Next Meeting: 5<sup>th</sup> September 2023**