



Forestry and
Land Scotland
Coilltearachd agus
Fearann Alba

Forestry and Land Scotland Annual Report and Accounts 2021-2022



Scottish Government
Riaghaltas na h-Alba
gov.scot



Forestry and
Land Scotland
Coilltearachd agus
Fearann Alba

Forestry and Land Scotland
**Annual Report
and Accounts
2021-2022**



Photograph showing

Forests and land that Scotland can be proud of



Contents

Performance Report: Overview	02
A snapshot of our third year	03
Introduction by Simon Hodgson, FLS Chief Executive and Accountable Officer	04
Facal-toisich Le Simon Hodgson, Àrd-oifigear is Oifigear Cunntachail Coilltearachd agus Fearann Alba	05
Performance Overview – Statement by the Chief Executive	07
About Forestry and Land Scotland	08
Performance Summary	14
Key Performance Indicators	16
Key Issues and Risks	17
Performance Report: Performance Analysis	20
Performance Analysis	21
Performance and Achievements	28
Environmental Matters	39
Health and Safety	41
Accountability Report	42
Corporate Governance Report	43
Remuneration and Staff Report	61
Parliamentary Accountability and Audit Report	77
Independent Auditor’s Report	78
Forestry and Land Scotland Financial Statements	81

Performance Report: Overview

The purpose of this section is to provide an overview of Forestry and Land Scotland, 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 2021-2022.

A snapshot of our third year

38 apprenticeships and student placements in place

93 Community Groups in recognised partnerships or agreements

94% of notified features on designated sites in favourable (or unfavourable recovering position)

Maintained our **area of high conservation value** forests and land

Over **950** people employed full time at the end of March 2022

Rollout of a new **Acquisition and Disposal Strategy**

96% of FOI requests responded to on time

Area of Land Awaiting Restocking reduced by **1018 ha**

89 ha of vacant and derelict land restored

Launched a **Climate Change Plan**

with a focus on **reducing emissions, capturing carbon and adapting to change** to help support Scotland's response to the global climate change emergency

603 ha of peatland restoration work undertaken

UKWAS Certification Maintained

Introduction

by Simon Hodgson, FLS Chief Executive and Accountable Officer

2021-22 has been another challenging year for Forestry and Land Scotland.

During this, our third year as an executive agency of the Scottish Government we continue to deal with the impact of the COVID-19 pandemic and the related restrictions that were in place throughout the year. This meant preparing for re-opening of offices while staff worked at home, and then closing them again with the emergence of the Omicron variant. At the time of writing most of our buildings have reopened, some with reduced capacity and where possible, staff have the option to work in FLS workplaces or at home.

We also faced challenges with major weather events including Storm Arwen, which affected around 4000 hectares of forests, resulting in the felling of around 1 million m³ of trees and led to the closure of hundreds of miles of trails for inspection and repair.

Within our Business Plan for 2021-22 I set out that we would strive to deliver on all of our commitments, but that an agile approach would be required as recovery from the pandemic continued. As anticipated, and demonstrated within this Annual Report, this approach was necessary meaning we have not been able to fully meet all of our commitments. We have however, made progress on key areas including: completion and roll out of a new Acquisition and Disposal Strategy; developing and publishing a number of new plans including our Corporate Plan and Climate Change plan and; supporting the Scottish Government's commitment to double the opportunities for young people in support of green and rural economy by employing 13 apprentices.

Despite the challenges faced over this further difficult year, our capability and capacity to keep delivering is evident throughout this Annual Report and it is thanks to the remarkable efforts of our employees and suppliers, who have also been facing challenges caused by the pandemic. I am hugely proud of the tremendous effort that has been, and continues to be made and I take this opportunity to once more thank them for their continued dedication and commitment.

Over this very difficult year, our national forests and land have proven to be an incredible and invaluable resource that the people of Scotland can be exceptionally proud of.



Facal-toisich

Le Simon Hodgson, Àrd-oifigear is Oifigear Cunntachail Coilltearachd agus Fearann Alba

Bha 2021-22 na bliadhna dhùbhlanaich eile do Coilltearachd agus Fearann Alba.

Tron bhliadhna seo, an treas bliadhna againn mar bhuidheann-gnìomha aig Riaghaltas na h-Alba, tha sinn air leantainn oirnn a' dèiligeadh ri buaidh a' ghalair lèir-sgaoilte COVID-19 agus ris na cuingealachaidhean co-cheangailte a bha an sàs tron bhliadhna. Bha seo a' gabhail a-steach a bhith ag ullachadh gus oifisean ath-fhosgladh fhad 's a bha luchd-obrach ag obair aig an taigh, agus an uair sin a bhith gan dùnadh a-rithist nuair a nochd Omicron. Aig àm sgrìobhaidh tha a' mhòr-chuid de na togalaichean againn air fosgladh a-rithist, cuid le comas-libhrighidh nas lugha agus far an gabh sin dèanamh, tha roghainn aig luchd-obrach a bhith ag obair ann an àiteachan-obrach aig Fearann is Coilltearachd Alba no aig an taigh.

Bha dùbhlain romhainn cuideachd bho fhìor dhroch shìde, a' gabhail a-steach Stoirm Arwen, a thug buaidh air timcheall air 4000 heactair de choilltean, a leag mu thimcheall air 1 millean m³ de chraobhan agus dh'fhàg gun deach na ceudan de mhiltean de shlighean a dhùnadh airson sgrùdadh agus càradh.

Anns a' Phlana Gnothachais againn airson 2021/22 chuir mi an cèill gun dèanamaid ar dicheall gus na geallaidhean uile againn a choileanadh, ach gum biodh feum air dòigh-obrach shùbailte fhad 's a bha an t-ath-bheothachadh bhon ghalar lèir-sgaoilte a' dol air adhart. Mar a bhathar an dùil, agus mar a chithear san Aithisg Bhliadhnail seo, bha an dòigh-obrach seo a dhìth agus mar sin, cha b' urrainn dhuinn na geallanasan againn uile a choileanadh gu h-iomlan. Ach, tha sinn air adhartas a dhèanamh air prìomh raointean a' gabhail a-steach a

bhith a' sgrìobhadh agus a' cur an gnìomh Ro-innleachd Faighinn is Cuidhtas ùr; a' sgrìobhadh agus a' foillseachadh grunn phlanaichean ùra a' gabhail a-steach a' Phlana Corporra agus nam planaichean Atharrachadh Gnàth-shìde againn agus; a' cumail taic ri gealltanas Riaghaltas na h-Alba dùblachadh a dhèanamh air na cothroman do dhaoine òga gus taic a chumail ris an eaconamaidh uaine is dùthchail le bhith a' fastadh 13 preantasan.

A dh'aindeoin nan dùbhlain mu ar coinneamh sa bhliadhna dhoirbh eile seo, tha ar comas a bhith fhathast a' libhrigeadh ri fhacinn tron Aithisg Bhliadhnail seo agus 's ann mar thoradh air oidhirpean iongantach an luchd-obrach agus nan solaraichean, a tha seo, a tha cuideachd air a bhith a' cur aghaidh air na dùbhlain a dh'adhbhraich an galair lèir-sgaoilte. Tha mi air leth moiteil às an oidhirp iongantach a rinneadh agus a tha fhathast a' dol air adhart agus bu toil leam an cothrom seo a ghabhail gus taing a thoirt dhaibh aon uair eile airson an cuid dealais leantainnich.

Tron bhliadhna dhoirbh seo, tha ar coilltean nàiseanta agus ar fearann air a bhith nan goireas air leth luachmhor às am faod muinntir na h-Alba a bhith air leth moiteil.



Performance Overview – Statement by the Chief Executive

As set out in my introduction, 2021-22 has been another challenging year for Forestry and Land Scotland and we have done well despite the continuing impact of the COVID-19 pandemic and major weather events.

We have maintained UK Woodland Assurance Standard (UKWAS) certification and brought 2.88 million m³ obs of timber to the market, making a significant contribution to the rural economy. Although short on our targets, we have maintained our area of high conservation valued forests and land and responded to over 96% of FOI requests within 20 working days.

Our visitor management approach in 2021-22 saw improved partnership work nationally across a broad spectrum of public bodies and third sector. We continued to work with 93 community groups in recognised partnerships or agreements and have validated 7 asset transfer requests. One particularly exciting project was the 'Stay the night campervan project.' Our West Region has also supported and enabled the community on the west coast of Scotland to launch the UK's largest community owned hydropower scheme, which is on FLS land in Movern (Lochaber).

Climate change and the biodiversity crisis has been at the forefront of the organisation's decision making processes in 2021-22 given the major weather events. We have successfully launched our Climate Change Plan, with a Climate Change Manager recruited and an organisational Climate Change Assurance group is being formed to take forward the plan. Our Land Management & Regions Directorate has worked closely with the organisation Adaptation Scotland and their public sector Capability Framework to make improvements across the Directorate.

We have also worked to continue to increase the diversity of our workforce and by working with Further Education Colleges we have recruited eight forestry students for placements and thirty-two apprenticeships to work in various parts of the organisation, equating to forty opportunities for young people over the period.

We were also delighted to feature in a BBC deer management broadcast where we shared the organisation's work in relation to deer management.

The work of the organisation was recognised throughout the year with the following nominations and awards:

- 'Cairngorms Connect', a partnership FLS is involved with, was awarded the prestigious 'Nature and the Environment Award' at the Holyrood COP26 Green Giant Awards.
- 'Borders Forest Trust', another partnership FLS is involved with, won 'Highly Commended' at the Scotland's Finest Woods Awards for Balgownie Woods.
- Two FLS apprentices were shortlisted for the Lantra 'Apprentice of the Year' Award resulting in one winner and one runner up.
- The FLS Adaptation Plan was commended by an independent Climate Change Committee.

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

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 Ministers' forests and land commonly known as 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:

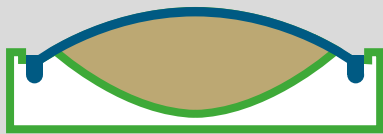
“To look after Scotland's forests and land, for the benefit of all, now and for the future.”

Scotland's National Forests and Land

FLS is responsible for managing Scotland's national forests and land, an area that in total covers 630,000 hectares, 9% of Scotland's land area.



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



Taking action to restore over **910 ha of habitat and species** through **peatland restoration**...

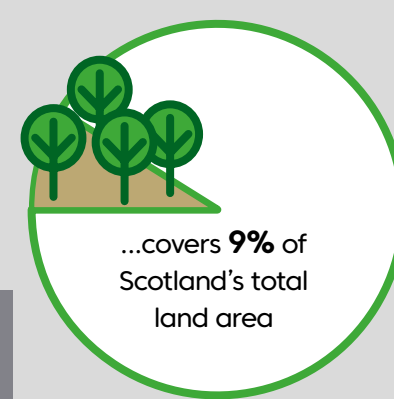
...and hosts **enough renewable energy** infrastructure to produce over one billion watts of energy and sufficient to **power 600,000 homes**.



Scotland's National Forests and Land...



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



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

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



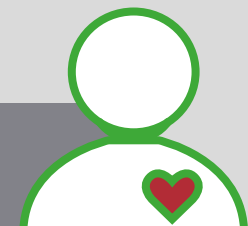
...are home to over **1,000 species**, **172 of which are protected species** including **lichen, moths, capercaillie and red squirrels**



...welcomes **10.6 million visits**



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



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.



The Chief Executive is supported in discharging his responsibilities by the Strategic Board and Audit and Risk Committee.

*Please note the above organisational structure was in place from the 1 April 2021 – 31 January 2022, please see page 43 for details on the changes to directorate responsibilities.

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 1000 staff in a variety of occupations across Scotland.





Financial Resources

We earn a large proportion of our income, **£122.240 m**, 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 through the Annual Subsidy Limit and other funds of **£43.690 m** which helps FLS fund specific government programmes.

As a public corporation FLS is permitted through the FLS Framework Document to retain a financial reserve to enable essential investment and to protect against trading cycles across financial years. FLS is aiming for a long term sustainable financial plan with provision for reserves that protects liquidity and allows for investment in the protection and enhancement of the national forests and land.

¹ More on the alignment of the Corporate Outcomes to the National Performance Framework can be found in the [FLS Corporate Plan 2019-2022](#).

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 Government's outcomes and purpose as set out within the National Performance Framework¹.



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.



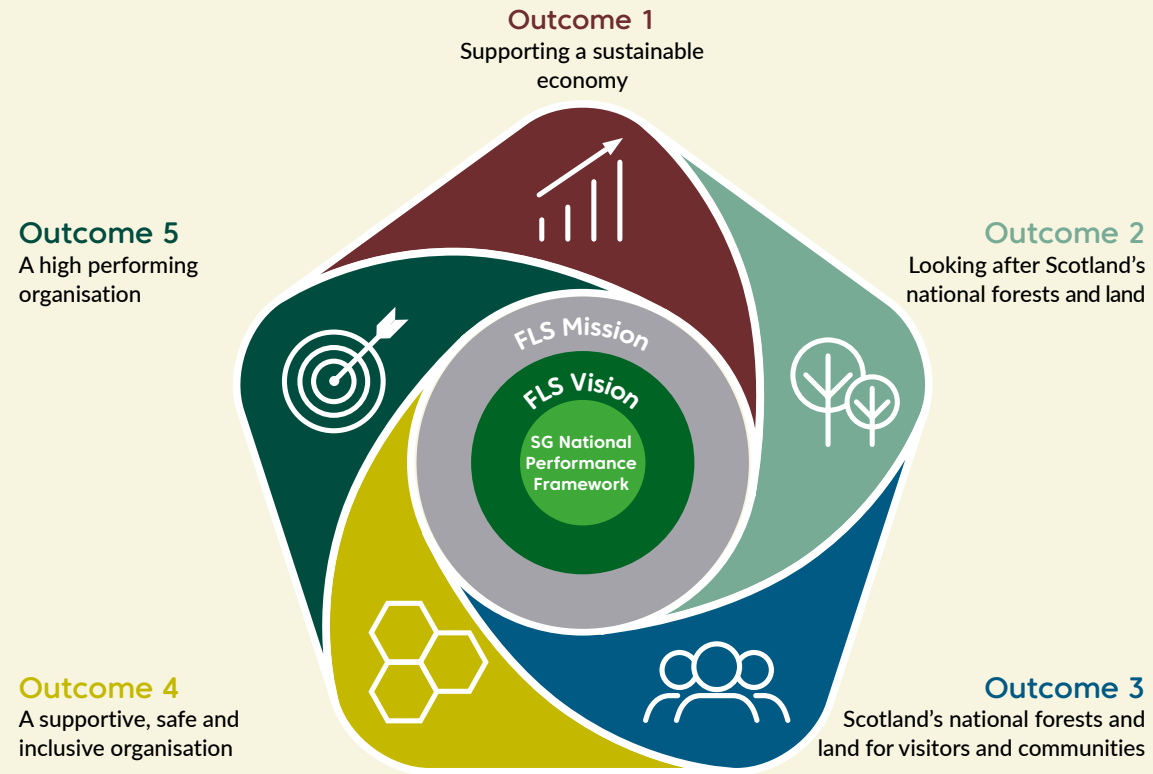
Outcome 4: A Supportive, Safe and Inclusive Organisation

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.



Performance Summary

This Annual Report is the third 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 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. We published our third annual FLS Business Plan in April 2021. The impact of COVID-19 remained dominant into and throughout the financial year and along with major weather events including Storm Arwen, this meant that our priorities changed. As such performance in some areas has not matched our ambitions at the time of writing our Business Plan. However we did meet eight Key Performance Indicators and fully completed 46 of the 60 Key Work Areas as set out in the Business Plan. The other 14 Key Work Areas will be completed in FY 22/23.

Corporate Performance is managed by the Corporate Services Directorate and monitored by the FLS Executive Team which receives outcome focussed quarterly Corporate Performance Reports including information on our Key Performance Indicators.

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 2021/22 Key Work Areas:

- **Preparation of a new Acquisition & Disposal Strategy to support a full Asset Management approach to the FLS portfolio:** Strategy developed and rolled out in Q3 of FY21/22.
- **Review the performance of FLS's visitor attractions; identify investment and rationalisation priorities:** A preferred option for visitor centres and cafés has been agreed and portfolio analysis work is ongoing.
- **Implement the Timber Marketing Framework and Timber Governance Statement in order to maximise net returns from timber assets, in particular long term contracts and open market competitive sales:** The timber marketing framework and timber governance statement have been implemented.



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

FLS Business Plan 2021/22 Key Work Areas:

- **Invest in FLS plant supply infrastructure and capacity to increase the overall plant supply market in order to help the sector meet woodland creation targets through access to more trees:** Progress has been made on this including successful approval for stage one of the Newton Nursery project.
- **Co-ordinate climate change action in FLS, and create a credible plan for achieving net zero greenhouse gas emissions and a mature rating against Adaptation Scotland's Public Sector Capability Framework:** A number of actions have been implemented including the recruitment of a Climate Change Manager and launch of the Climate Change Plan.
- **Ongoing work across the organisation to ensure UKWAS certification is maintained:** UKWAS certification was achieved and maintained.



Outcome 3: National Forests and land for visitors and communities

FLS Business Plan 2021/22 Key Work Areas:

- **Principle “incentives” are the payment of Community Benefits and Community participation as part of the agreement package with developers. FLS will facilitate this through legal agreements and financial structures:** The principle incentives remain a key pillar of FLS option agreements.
- **Continue to support engagement in land management decisions despite restrictions on face-to-face meetings due to COVID-19:** Engagement with community groups on specific projects has continued.
- **Continue to operate the Community Asset Transfer Scheme:** Seven requests were approved in FY21/22.



Outcome 4: A Supportive, Safe and Inclusive Organisation

FLS Business Plan 2021/22 Key Work Areas:

- **Delivery of the Mental Health and Wellbeing Action plan:** A project to improve wellbeing in high risk occupations (such as chainsaw operators) was initiated in Q4. A review of mental health first aid provision in FLS and Scottish Forestry has also been initiated.
- **Undertake positive action as part of recruitment to increase applications and successful appointments of applicants from under-represented groups:** The HR Team continues to work with hiring managers to create more inclusive adverts and improve where our posts are advertised to attract a diverse range of applicants. Women are being specifically targeted where they are under-represented although the market remains challenging across all groups.
- **Provide opportunities for young people within the organisation in line with our Programme for Government commitments:** Learning & Development continue to support the delivery of apprentice and student programmes.








Outcome 5: A High Performing Organisation

FLS Business Plan 2021/22 Key Work Areas:

- **Develop and publish FLS Corporate Plan for 2022-2025:** The plan was developed in Q2/Q3, consulted on in Q3 and successfully published on target on 1 April 2022.
- **Continue the development of the Gaelic Language Plan and submit draft to Bòrd na Gàidhlig:** A consultation on the draft plan was held over Q3/4, with the final draft submitted to Bòrd na Gàidhlig within agreed timescales in January 2022.
- **Monitor FLS actions within the Forestry Strategy Implementation Plan and provide regular updates on contribution to delivery:** Actions were monitored and progress was reported to Scottish Forestry as required.

Key Performance Indicators

Key Performance Indicators for 2021/22 were agreed by the FLS Executive Team and published in the FLS Business Plan 2021/2022. The FLS Executive Team acknowledges that seven KPI targets were not met this year. Further information is provided in the Performance Analysis section.

Outcome	Key Performance Indicator	Target	Target Met?	Actual Outcome
	Volume of Timber Brought to the Market	3.2 million m ³	No	2.9 million m ³
	Area of Land Awaiting Restocking	Reduce from 31,728 ha	Yes	Reduced to 30,710 ha
	Area of Woodland Creation	650 ha	No	529.20 ha
	Area Of High Conservation Value Forests and Land	Maintain 258, 928 ha	Yes	257, 969 (within +/-5% tolerance)
	Cumulative total area of peatland with initial restoration action (ha)	Increase by 10%	No	9.1% increase
	% of Notified Features on Designated Sites in Favourable (or Unfavourable Recovering) Condition	94%	Yes	94%
	Maintain UKWAS Certification	Maintain	Yes	UKWAS successfully achieved
	Number of Community Groups Engaged in Recognised Partnerships and Agreements	90	Yes	93
	% of women/females in senior roles (SCS-PB2)	40%	No	30.77%
	Ratio of near miss reporting to total accidents and incidents reported	20%	No	14%
	Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	70%	No	55%
	Average number of working days lost per FTE (excluding COVID-19 Related Absence)	9 days	Yes	6.4 days
	% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes	96%
	% of Ministerial and Corporate Correspondence System (MACCS) queries responded to within agreed timescales	95%	Yes	96%
	% of complaints closed at frontline resolution stage (stage 1) within 5 working days	80%	N/A	N/A

Key Issues and Risks

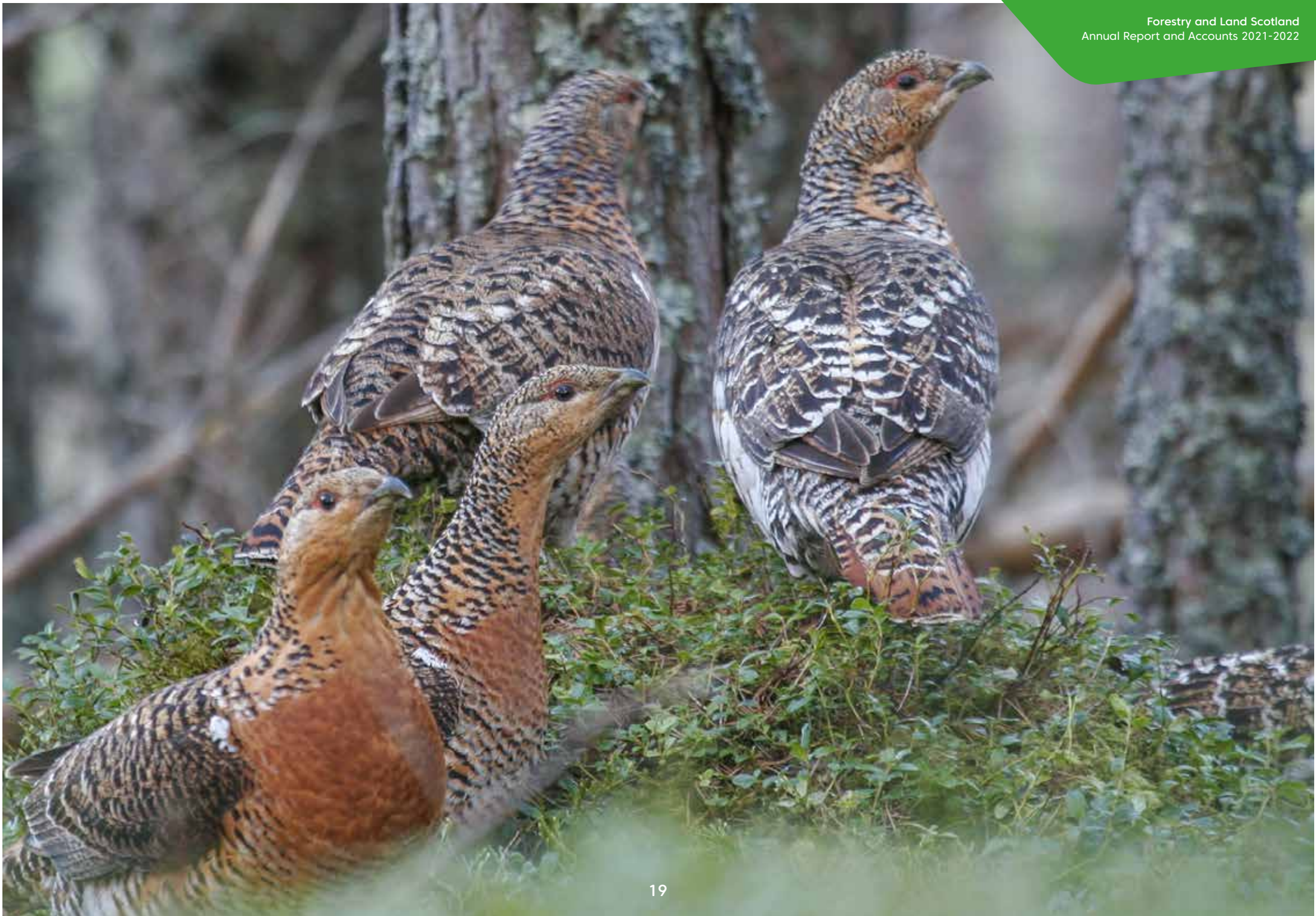
FLS faced a number of key issues and risks over the 2021/22 financial year.

Like many organisations, one of the continued key issues experienced by FLS over the last 12 months was in response to and operating during COVID-19, including ceasing non-essential outdoor work and closing of offices/sites. As restrictions were eased the organisation faced new challenges in safely restarting works and associated contracts; continuing to support staff working remotely, including a focus on health and wellbeing; and managing a significant increase in new visitors to our forests and land from “staycationers”.

The key issues and risks affecting the delivery of the organisation’s targets and corporate outcomes can be summarised as follows along with an example of how they were mitigated against:

- Health and Safety:** Our continuing 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 due to the serious nature of activities undertaken. Although this has not fundamentally affected the delivery of our organisational outcomes or objectives, we ensure that it is considered and incorporated in to all appropriate policies, processes, activities and actions. We continue to utilise assurance activity to identify where we can strengthen and build upon our approach. This has included consideration of induction materials, mandatory training and guidance relating to the safe completion of activities. We also recognise, assess and monitor impacts on staff wellbeing, providing materials, direct support and contracted resources to meet the needs of our diverse workforce. This moves the organisation closer towards implementation of ISO 45001.
- Complexity and Capacity for Change:** There are a number of fluctuating risks rolled into this area arising from the amount and complexity of internal and external change and/or potential impacts. Where possible we consider the interdependencies across a number of organisational risks to ensure that mitigating controls and planned action do not have an indirect impact on other business areas and associated risks. We have also looked to strengthen our consideration of risk in key business processes, including Strategic Business and Finance Planning, to ensure that they continue to support the achievement of outcomes. We have in place an effective change management programme to ensure that appropriate governance, interdependencies and impacts are identified, mapped, considered and reported via Region/Directorate leads to the Executive Team for further consideration and response.

- **Financial Sustainability:** Work continues to move FLS to a longer-term planning model to support and enable financial and business sustainability. As a Public Corporation with limited financial support through the Annual Subsidy Limit (ASL) from Scottish Government, our ability to remain operational and achieve our outcomes is based on the ability to understand and plan effective and efficient use of limited resources, whilst continuing to reflect and respond to often volatile markets. Alongside this, work continues to understand and model impacts from external factors, including increased fuel and utility costs, etc and how this impacts directly on the organisation as well as our contractors and partners. Work is ongoing to adopt new ways of working to deliver against our Business Sustainability Action Plan.
- **Regulatory Compliance:** Meeting our statutory, regulatory and legal responsibilities and requirements is core to our strategies, policies and procedures, ensuring that our activities are built on a solid foundation of compliance. We continue to test compliance through mandatory and voluntary assessment through both advisory and auditable assurance activity, as well as self-assessment in relation to business and international standards. Work continues to raise awareness of and ensure regulatory compliance across the organisation through embedding the Assurance Framework. We share learning from activity as part of our commitment to continuous improvement to inform future approaches, including monitoring and reporting progress of related outcomes and targets.
- **Business Continuity:** Following initiation of the Business Continuity Plan in response to the outbreak of COVID-19, opportunities have been taken to undertake lessons learned activity to review and inform our future approach to continuity planning. In addition, an internal audit has been undertaken alongside the review to help strengthen our approach going forward. We have identified a small number of opportunities to take forward additional actions, including for example improved staff training that will further help mitigation of business risks.
- **Suppliers:** A secure and effective supplier base is key to supporting FLS deliver core business and achieve our outcomes, particularly in relation to forestry and land based activities. We continue to engage with and listen to our contractors to, where possible, take mitigating action to address areas of risk and maintain a strong supplier base. In addition, where possible we have flexed our approach to help mitigate risks or to help us take forward opportunities to work differently to achieve our outcomes.
- **Staff Recruitment and Retention:** The organisation is experiencing a period of significant turnover of staff in some key functions and delivery areas. Extensive work is being undertaken by the organisation and in partnership with wider Scottish Government and sector leads to fully understand the risk and impacts. We have put in place a Recruitment Project to expedite key actions in relation to mitigation in this area. In addition work is being prioritised and existing staff redeployed to focus on these areas until further solutions are in place or posts filled. This work is at an early stage, but appropriate monitoring and reporting arrangements are in place to continue to test and adapt our approach to ensure that risks are mitigated and outcomes achieved.
- **Cyber Security:** We have identified that an ongoing and escalating risk is in relation to organised and cyber related crime, creating a significant threat to the organisation and wider Scottish Government. Failure to maintain access to and safety of delivery of key systems and processes could have a significant impact on delivery across key business areas, with wider impacts including financial sustainability; health, safety and wellbeing; and achievements of targets and outcomes. We continue to work with specialists across Scottish Government and beyond to ensure we are embedding appropriate controls.



Performance Report: Performance Analysis

The purpose of this section is to provide a detailed analysis of the development and performance of the organisation in 2021-2022.



Performance Analysis

This section looks in detail at the performance of FLS, in our third year as an Executive Agency of the Scottish Government and how we have performed in the final year of our Corporate Plan. In 2021-22, restrictions from the COVID-19 pandemic continued to impact on operations, with access to buildings restricted in many cases. In addition, there were several adverse weather events such as Storm Arwen that caused significant damage, resulting in the premature felling of trees. Although a number of commitments have not been fully met, FLS generated strong income from its timber operations and has continued to provide a quality service, maintaining our UK Woodland Assurance Standard (UKWAS) certification.

Funding and Financial Outturn

The purpose of this section is to summarise financial performance against targets for the year. 2021-22 saw continued restrictions from the COVID-19 pandemic as well as significant damage from storms, both of which caused operational challenges. The impact of accelerating inflation and the beginning of the conflict in Ukraine started to impact supply chain and contracts in the latter part of the year. Despite this, our earned income has remained high as a result of the sustained demand for timber together with a strong unit price. Contribution from our renewable energy partners added to this robust financial performance.

Funding

FLS received funding from two main sources in 2021-22, the Scottish Government allocation, £43.690 m (detailed below) and the income from FLS's own trading activities £122.240 m.

Scottish Government

Scottish Government funding received by FLS in 2021-22 is broken down as follows:

Unrestricted

- Annual Subsidy Limit (ASL) – **£15.200 m**.

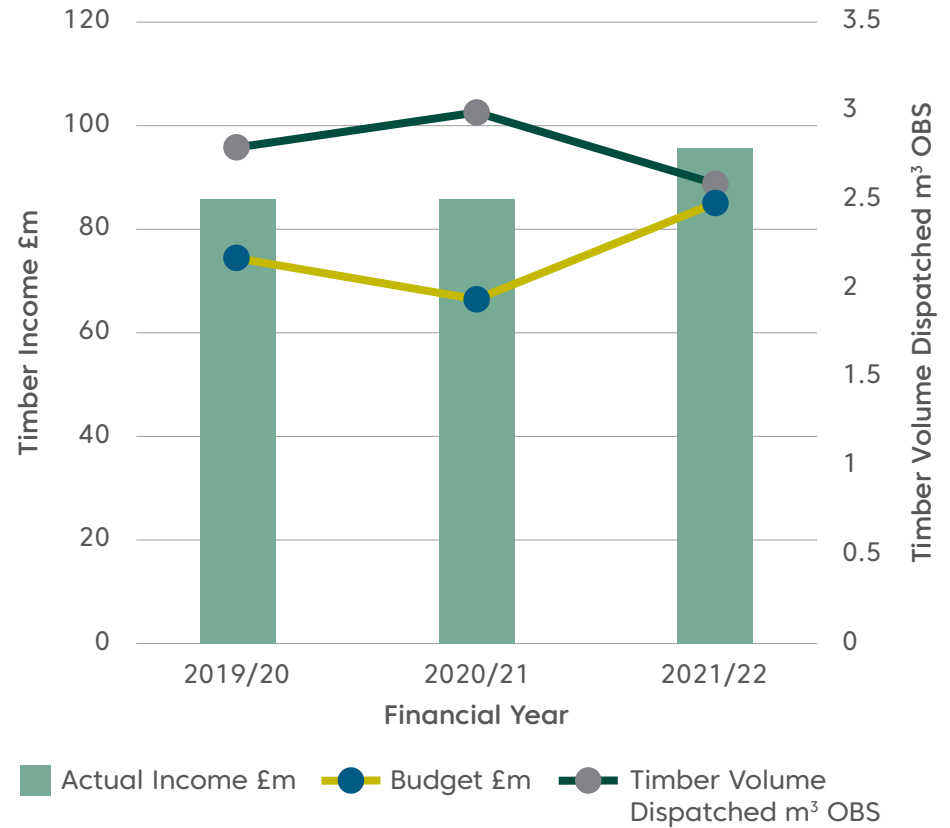
Restricted

- Newton Nursery development and build – **£14.500 m** will allow FLS to implement its Plant, Seed and Supply Strategy, expanding the nursery to grow more trees, reducing costs and risks associated with the supply chain.
- Apprenticeship funding – **£1.750 m** is supporting the development of talent in several disciplines, in particular FLS is working in partnership with Higher and Further Education providers to train forestry students. This will help ensure that FLS can develop a workforce for the future.
- Woodland creation and peatland restoration – **£6.000 m** and **£3.590 m**, respectively are exciting initiatives to restore our native woodlands and peatland, contributing to the Scottish Government fulfilling its targets on climate change and bio-diversity and ensuring the supply of sustainable wood products.
- Mountain bike trail development – **£0.150 m**, which will be used to upgrade mountain bike trails and visitor services at Glentress.
- Capital acceleration funding of **£2.5 m** to assist with funding opportunities in managing Scotland's national forests and lands with a focus on delivering carbon offsetting projects in 2021-22. View the Acquisition Strategy [here](#).

Restricted income covers specific projects, some of which extend over multiple years. Where appropriate restricted funds have been deferred for use in future years. The following table discloses the Government Grant received during the year and the accounting treatment applied.

Government grants	Grants received £000	SoCNE £000	Deferred/ (Released) £000
Annual Subsidy Limit - revenue	13.60	13.60	-
- capital	1.60	1.60	-
	15.20	15.20	-
Newton nursery development	14.50	-	14.50
Apprenticeship funding	1.75	1.05	0.70
Carbon capture funding	-	1.47	(1.47)
Woodland creation funding	6.00	6.19	(0.19)
Peatland restoration funding	3.59	2.58	1.01
Mountain bike trail development	0.15	-	0.15
Capital acceleration funding	2.50	2.50	-
	43.69	28.99	14.70

FLS Timber Income and Dispatched Volumes 2019/20-2021/22



Note: The timber volume dispatched is the timber that has been delivered to customers and corresponds to the amount invoiced. This may vary with the amount brought to market.

Financial outturn

Maintaining financial stability in a time of economic uncertainty continues to be a key focus for FLS. The main income streams are sensitive to the unit price of the relative commodities i.e. timber and electricity and as such budgeting and forecasting can be challenging. The final outturn for 2021-22 on trading activities was a surplus of **£1.614 m** for the year, compared to a budgeted deficit of **£0.410 m**.

The table on page 24 sets out the income and expenditure generated through commercial and non-commercial activities to support FLS's objectives compared to the original budget for 2021-22. This analysis is a summary of the final management report that is presented to FLS Executive Team. It has been compared to the SoCNE to demonstrate the link to the financial statements.

All cash surpluses are earmarked or restricted to cover already committed obligations. FLS budgets also include capital purchases.

Earned Income

Overall trading has been positive and operating income of **£122.240 m** was achieved against an original budget of **£108.690 m**. Harvesting and renewable energy operations performed strongly in 2021-22 while other income streams such as venison sales continue to be adversely impacted by COVID-19 and the hospitality sector continues to recover.

Income from the sale of timber was **£95.468 m**, (**£85.083 m**, 2020-21,) against original budget of **£85.320 m**, leading to a positive variance of **£10,148 m**. Continuing global timber supply shortages have sustained a high unit price. The graph on the previous page shows the income compared to original budget and the volume of timber dispatched over the three financial years since FLS's inception. Although 2021-22 saw a reduced volume of timber dispatched to market compared to 2020-21, income achieved was higher, illustrating the sensitivity to global events that FLS has to manage.

A commitment by Scottish Government to achieve Carbon Net Zero status by 2045 is, in part, supported by increasing capacity in renewable energy. FLS continues to support this objective through its renewable energy activities; similar to timber, this commodity is sensitive to global events. Additionally, the unpredictable nature of the weather and complexity of volume calculations to determine income explains the favourable variance this year of **£3.073 m**. This is a result of income of **£17.973 m** (**£17.017 m**, 2020-21) against an original budget of **£14.900 m**.

Expenditure

In 2021-22 expenditure was **£120.626 m** against an original budget of **£109.100 m**. Additional earned income referred to below was managed and allocated to relieve identified pressures or for specific priorities.

- **Forest protection and maintenance**

Additional restocking was completed in 2021-22 amounting to circa £1.700 m to meet a backlog carried forward from 2020-21. A landslip caused traffic disruption and funding of £1.000 m was approved to consolidate the area to prevent future landslips. During the winter, costs increased due to maintenance issues associated with storms. Accordingly, forest protection and maintenance had an adverse variance of £4.100 m.

- **Estate Improvements**

Investment to reduce pressures in future years is part of FLS's financial strategy. Additional income was partly used to fund new roads to support harvesting in future years and to access areas that had received Statutory Plant Health Notices. This extra investment led to an adverse variance £3.912 m.

- **Visitor Services and Communities**

£1.369 m of extra funds were spent on visitor services and community facilities in the year. This was a result of more people making use of the forests and land open to them as the impact of COVID-19 suppression measures eased.

Budget compared to Actual performance 2021-22

Budget to Actual Performance	Budget £000	Outturn £000	Variance £000	SoCNE £000	Note
Income					
Sales of timber	85,320	95,468	10,148	95,468	
Forest protection & maintenance	2,230	1,354	(876)	1,354	
	87,550	96,822	9,272	96,822	
Renewable energy income	14,900	17,973	3,073		
Estate development	3,130	4,325	1,195		
Management & development of estate	18,030	22,298	4,268	22,298	
Communities recreation & tourism	2,150	2,987	837	2,987	
Environment and heritage	10	112	102	112	
Management services	950	21	(929)	21	
	108,690	122,240	13,550	122,240	
Expenditure					
Forest planning	9,809	9,563	246	9,563	
Timber operations	25,324	26,159	(835)	22,488	2
Forest protection and maintenance	37,552	41,652	(4,100)	50,801	3
Value of felled timber				70,178	4
	72,685	77,374	(4,689)	153,030	
Renewable energy	995	963	32		
Management and development of estate	2,907	4,246	(1,339)	5,192	5
	3,902	5,209	(1,307)	5,192	

Budget to Actual Performance	Budget £000	Outturn £000	Variance £000	SoCNE £000	Note
Communities, recreation and tourism	10,833	12,202	(1,369)	12,202	
Environment and heritage	6,291	5,279	1,012	5,279	
Estate improvements	13,539	17,451	(3,912)	14,461	3
Acquisition expenses/management services		323	(323)	323	
Capital expenditure	1,850	2,788	(938)		6
	109,100	120,626	(11,526)	190,487	
Net income/(expenditure) for year before gains and revaluations	(410)	1,614	2,024	(68,247)	

1. This schedule is intended to illustrate management performance to budget and the extent to which management reporting aligns with financial reporting as disclosed in the SoCNE. Differences arise due to items that are monitored for internal reporting purposes and the application of accounting policies adopted for financial reporting disclosures.
2. The change in timber stock of £3.7 m is not included within management reporting but is included in the SoCNE.
3. FLS manages its acquisitions for carbon, woodland creation and peatland restoration separately from its other operations. The aggregate of Forest protection and maintenance and Estate improvement expenditure in the management outturn is £59.1 m and in the SoCNE £65.2 m. The difference of £6.1 m reflects expenditure on peatland restoration, woodland creation and carbon capture activities of £2.6 m, £3.4 m, and £0.1 m respectively.
4. The £70.2 m cost attributed to felled timber is not included within management reporting.
5. Apprenticeship income has been netted off expenditure for management reporting purposes in the outturn.
6. Expenditure of £2.8 m on capital items is monitored within management reporting but not charged to the SoCNE.



Reserves

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

Two types of reserves are held, restricted and unrestricted

- Restricted with a specific purpose – **£47.4 m** (2021: £28 m). Of this, **£15.690 m** relates to the redevelopment of Newton Nursery and **£14.526 m** to the Strategic Asset Acquisition fund and carbon projects.
- Unrestricted reserves:
 - Earmarked – **£53.5 m** (2021: £38 m). Earmarked to specific projects for protecting and enhancing the National Forests and Land in 2022-23 and beyond and are allocated by the Chief Executive to protect the future sustainability of the organisation.
 - Liquidity reserves - **£13 m** (2021: £10.8 m). These are funds that enable the agency to manage the risks it faces from trading and timber price and demand fluctuations. The reserves service an unexpected need for funds, covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise.

Looking to the future

Timber and renewable energy operations have continued throughout the pandemic but in other operational areas, FLS is still recovering from the impact of COVID-19, and there have been associated unavoidable costs. Like all organisations, monitoring the volatile economic position and actively assessing the impact on the viability of our operations is a key priority now and in the near and midterm. Timber demand for FLS timber has weakened in 2022-23, with high stocks of timber being imported to the UK from Russia prior to the impact of sanctions. Timber stocks have built up across Scotland following the processing of windblow due to the storms in 2021-22. A recovery in demand for home grown timber is expected towards the end of the financial year as stocks reduce and the high energy price leads to an increasing reliance on bio-mass products. However, on the expenditure side inflation, increased fuel costs, labour shortages and supply issues with some raw materials are all impacting adversely on the cost base.

In 2021-22 FLS began to implement a series of Business Principles and a Business Sustainability Action Plan to help achieve business improvements and savings alongside growing and sustaining earned income. In 2022-23, continued development of a five year Business and Financial Planning approach will build on work done to embed a financial sustainability agenda to ensure that priorities are affordable, linked to corporate objectives and offer value for money. Scenario planning is underway to identify actions that can be triggered to mitigate, as far as possible, swings in income and associated expenditure in this continuing time of economic uncertainty.

In 2020-21 it was reported that investment in four key areas would be taken forward in 2021-22 however, the unprecedented challenges described here have slowed progress while business cases and affordability of transformation projects are reviewed. Meantime, the commitment remains to improve and transform to deliver the Corporate Plan under the previously reported headings. Scenario planning will be used to assess the potential impacts of the economic conditions we face with remedial actions put in place as necessary to ensure we remain on course to deliver our priorities.

The four priority areas remain:

- Priority 1** – Review of key business areas and plans, taking a more commercial approach to decision making
- Priority 2** – Transform, sustain or contribute
- Priority 3** – Working and procuring differently
- Priority 4** – Establishing our Target operating model

Investment in these four priority areas will ensure that FLS is in a financially sustainable position and continues to protect and enhance the national forests and land.

The going concern basis has been used in preparation of this Annual Report and Accounts as all activities performed by FLS are expected to continue for the foreseeable future.

Plans for 2022/23

Over the past year we have continued to deliver despite the continuing difficulties with the COVID-19 pandemic restrictions and staff absences. We have also faced a number of weather events including Storm Arwen, which affected around 4000 hectares of forests and led to the closure of hundreds of miles of trails for inspection and repair. Clearly 2022/23 will be another challenging year as we carry on with the clean-up from storm events and the recovery from the pandemic continues.

We have now published our second Corporate Plan, which sets out the direction of travel and priorities for our organisation over the period 2022-2025. We have set an ambitious plan to help meet our five corporate outcomes, however we are mindful of the need to be ready to change plans in order to respond to unknown challenges and the impact of world events including the current war in Ukraine. As we continue to recover from the pandemic and storm events we can look forward with a degree of confidence about delivering our programmes and also build on our work to help address the climate emergency.

Priorities and actions set out in the Business Plan for 2022/23 include:

- Creating 650 hectares of new woodland
- Providing 3 million m³ obs of timber to the market
- Increasing the cumulative total area of peatland with initial restoration action by 1300 hectares
- Publishing our first Gaelic Language Plan

Work will also be undertaken on programmes carried forward or not fully completed in the previous year due to the impact of the pandemic and storm events.

Camping in the Forest

In February 2022, Forestry and Land Scotland (FLS) in conjunction with Forestry England (FE) acquired the Camping and Caravanning club's interest in the operations of Camping in the Forest LLP (CiTF). As a result the FLS share of the CiTF operation increased to 24.8% (Note 9). The transaction was structured so as to give FLS full strategic and operational control of the three Scottish sites while FE has effective control of the sites located in England.

Under a management agreement the day to day running of the sites will continue to be undertaken by CCC until the end of November 2022. CCC will receive a management fee based on turnover achieved. In the period to November FLS will seek alternative tenants for the Scottish sites.

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?	3 Year Trends
Volume of Timber Brought to the Market	3.2 million m ³	No: 2.9 million m ³ OBS was brought to the market equating to 92.6% of the sales plan. Shortfall due to environmental constraints, planning and programmed road works.	Timber brought to the market has reduced between FY19/20, FY20/21 and FY21/22 due to a combination of COVID-19 in FY20/21 and environmental constraints / planning and programmed road works in FY21/22.
Area of Land Awaiting Restocking	Reduce from 31,728 ha	Yes: The area has reduced by 1,018 ha since April 2021.	The area of land awaiting restocking has reduced over the three year period, reducing by 814 Ha in FY 19/20 and 1018 Ha in FY 21/22, outweighing a 822 Ha increase in FY 20/21, which was driven by a reduced restocking programme during COVID-19 restrictions.

FLS Business Plan 2021/22 Key Work Areas	Progress
Preparation of a new Acquisition & Disposal Strategy to support a full Asset Management approach to the FLS portfolio.	Complete: Strategy complete and rolled out.
Develop a long term timber access strategy identifying an outline 10 year programme for road construction.	Not complete: Consultation with area engineers will be carried out in FY 22/23 Q1.
Implement the Timber Marketing Framework and Timber Governance Statement in order to maximise net returns from timber assets, in particular long term contracts and open market competitive sales.	Complete: The Timber Marketing Framework and Timber Governance Statement have been implemented and a number of actions/trials/projects are ongoing to support this key work area including but not limited to; roadside contracts, CivTech projects and harvester data trials.
Work with Scottish Forestry to streamline the regulatory processes associated with obtaining approval for felling and other land management activities.	Complete: Regular liaison and overview of Land Management plan approvals maintained.
Take action to provide approximately 3.2M m ³ of timber to the market.	Not complete: Environmental constraints, planning and programmed roading continue to create challenges for Regions and this is particularly evident from the significant shortfalls declared in the first two sale events of 2022. However, 2.9 k m ³ OBS was brought to the market equating to 92.6% of the sales plan.
Improve our Work Planning processes to bring consistency to the identification and mitigation of constraints to timber harvesting and other programmes.	Completed: Lean process analysis of Work Planning system complete and an update report was produced in Q4.

FLS Business Plan 2021/22 Key Work Areas	Progress
Enable the continued delivery of the Restocking Strategy via a secure supply of trees resulting from a finalised Plant & Seed Supply strategy that combines new procurement models with enhanced and expanded direct delivery of plant supply from Newton nursery.	Complete: A Target Operating Model (TOM) for Plant and Seed Supply has been developed and is now being implemented through the nursery redevelopment project and beyond however, difficulties with contractor and staff resource continue to affect regions in delivering the restocking programme. A plan is in place to tender and award five year contracts in Q1 of 22/23 to alleviate this pressure.
Work with Forest Holidays to ensure a development programme for commencement of a Cabin Development at both Glentress and Nevis.	Complete: Work is continuing with Forest Holidays with the cabin developments at Glentress and Nevis.
Review the performance of FLS's visitor attractions; identify investment and rationalisation priorities.	Complete: A preferred option for visitor centres and cafés has been agreed. Portfolio analysis work is ongoing.
Completion of strategies for Agriculture and Commercial Development.	Not Complete: Agricultural strategy: Baseline work is ongoing. Overarching business position on starter farms crystallised, with farm by farm strategies now being developed as a priority. Development Strategy: on hold pending further work on the FLS financial planning process, Regional priority work and definition of future Development Manager role.
Support the sector to adjust to changes resulting from EU exit by developing the market through introducing 'spot sales' for venison.	Complete: 36,000 quality deer carcasses presented for sale into the food chain.
As members of Scottish Venison Association (SVA) and also the Scottish Quality Wild Venison (SQWV) scheme support the delivery of the SG's 'Beyond The Glen' venison strategy.	Complete: FLS continues to fully support the venison industry by being active members of SQWV and SVA and by allowing access to and sharing our deer larder facilities.
Continue to work with Arran Community Trust in order to complete the disposal of land at Dyemill on Arran for 14 Self-build housing plots.	Not Complete: Limited progress – Further meetings to be arranged in FY 22/23 with Arran Development Trust.
Continue to work with Communities Housing Trust (CHT) in order to complete the disposal of land at Ardochy, Highland Region, for two affordable housing units.	Complete: Glengarry Community Woodlands now have community asset transfer & Scottish Land fund approval for areas 2,3 &4 and the appropriate legal actions have been instructed for disposal of Area 1 to the CHT.
Work with the chosen developers from the recent 2020 Energy Offering (EO2020) to finalise option agreements. Where possible, facilitate the delivery of existing pipeline projects which are at various stages of planning and feasibility.	Complete: A number of EO2020 projects are in the process of agreeing Lease Term Agreements and are awaiting comments from stakeholders. Legacy projects continue to make progress towards construction. There is now a general renewed optimism within the wind sector. Many projects are starting to regain traction after several years of inactivity following the removal of onshore subsidies.
Managing mineral leases to support continuation of minerals extraction, enabling lease extensions where relevant.	Complete: Mineral leases continue to operate well and provide income with successful management.
Review registered titles to verify at least 60% of all titles by year end.	Not Complete: Figure amended from 80% to 60% in Q1 of FY 21/22 due to the unexpected complexity of the verification process. Verification ongoing; currently over 50% verified.



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?	3 Year Trends
Area of Woodland Creation	650 ha	No: 529.20 ha achieved. Below target due to the removal of a coalfield site from the programme.	The target has not been met over the three year period due to COVID-19 restrictions on contractor capacity, poor weather conditions and removal of a coalfield site from the programme.
Area of High Conservation Value Forests and Land	Maintain 258,928 ha	Yes: Within +/-5% tolerance, totalling 257,969 ha	The area of high conservation value forests and land increased between FY19/20 and FY20/21 before dipping slightly in FY21/22, however this reduction was within the tolerance bands set in the target.
Cumulative total area of peatland with initial restoration action (ha)	Increase by 10%	No: The total area was increased by 9.1% equating to 603.33ha. The target was not met for a number of reasons, notably contractual issues.	Initial restoration work was undertaken on 900 ha of peatland in FY20/21 with a further 603 ha in FY21/22. This was however below the target in FY21/22 due to contractual issues.
Percentage of Notified Features on Designated Sites in Favourable (or Unfavourable Recovering) Condition	94%	Yes: 94% was achieved	This target was not met in FY19/20 but was achieved in both FY20/21 and FY21/22.
Maintain UKWAS Certification	Maintain	Yes: The Soil Association undertook audits at the FLS Central and South Regions in November 2021. Certification against UKWAS was successfully achieved.	The target has been met in each year over the three year period.

FLS Business Plan 2021/22 Key Work Areas	Progress
Invest in FLS plant supply infrastructure and capacity to increase the overall plant supply market in order to help the sector meet woodland creation targets through access to more trees.	Complete: Progress made with projects such the Newton Nursery with a successful approval for stage one.
Present an analysis of the cumulative impacts of current commitments.	Not Complete: Baseline analysis carried out and scenarios in development with Forest Research. Initial presentation will now be delivered in Q1 FY22/23.
Co-ordinate climate change (CC) action in FLS, and create a credible plan for achieving net zero greenhouse gas emissions and a mature rating against Adaptation Scotland's Public Sector Capability Framework.	Complete: Climate Change manager recruited and now in post. Climate Change Plan now launched with more granular action plan formation under way. CC governance/assurance group in the process of formation. Improvements against Adaptation Scotland's Public Sector Capability Framework made for the Land Management and Regions Directorate.
Ongoing work across the organisation to ensure UKWAS certification is maintained.	Complete: UKWAS certification was successfully achieved for the year.
Contribute to the delivery of the Scottish Government's priorities from the Deer Working Group Report and ensure these are reflected in a refreshed and published FLS deer management strategy.	Not Complete: Work continues on refreshing the strategy. Scottish Government are in the process of setting up strategic deer group to take forward recommendations with NatureScot. Draft project initiation documentation to be created in FY 22/23 Q1.
Progress and complete acquisition of pipeline former opencast coal sites.	Complete: The pipeline is complete however the pipeline of available sites has been reduced as our principal partner is now taking forward development of vacant and derelict land sites independently.
Review the National Spatial Overview.	Not Complete: Unable to be undertaken due to COVID-19 restrictions – on hold until larger, regional meetings can take place.
Review guidance and support for Land Management Plans (LMP) to maintain pace and affordability.	Complete: Guidance and template on 5 year reviews are now updated and available on the intranet, along with new content of LMP guidance, note on accessibility and new list of specialist advisors.
Prepare an outline plan for the restoration of the peatlands on the national forests and land, and undertake an additional 10% (660 ha) of peatland restoration work.	Not Complete: 603.33 ha achieved in 21/22, 55% of the overall target of 1,100 ha. This has been caused by several issues including securing the services of contractors.
Support NatureScot's Strategic Projects Alliance to identify landscape scale priorities for National Heritage Lottery Fund investment.	Complete: Work is ongoing; possible emerging candidate projects emerging in FLS, such as building on Loch Katrine in Central Region and some potential projects in East Region (Angus Glens) and West Region (Morven).
Take specific and ongoing conservation action for vulnerable priority species.	Complete: During 21/22 FLS has continued to implement the national Squirrel Licence arrangements agreed with NatureScot to protect red squirrels; and has also supported the national survey of capercaillie populations.
Facilitate the progression of pipeline sites where these are brought forward by developers.	Complete: Ongoing and market dependent. FLS remain reactive to new approaches.
Work with the chosen developers from the recent 2020 Energy Offering (EO2020) to finalise option agreements.	Complete: Second stage Lease Term Agreements for the EO2020 are now entering the pipeline, with seven completed documents now awaiting stakeholder consultation and determination. Work is currently ongoing to prepare LTA drafts for the remaining sites, at various stages of advancement.

FLS Business Plan 2021/22 Key Work Areas	Progress
Carry out field trials of products developed under the CivTech 4.0 challenge including work with TreeTape, SilviBio and Elsoms.	Complete: Field trials were designed, implemented and written up with all three companies.
Develop an action plan and start to implement the recommendations of the Review of Rhododendron Management carried out in 2020.	Complete: 26 priority areas identified, all within the rainforest zone. FLS have worked alongside Scottish Government to progress the rainforest bid. Further work in FY 22/23 to promote stem injection in the forthcoming tender.
Ensure the implementation of the Larch strategy across the organisation.	Complete: Current larch strategy being implemented as per plan including Statutory Plant Health Notices and pre-emptive felling.



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?	3 Year Trends
Number of Community Groups Engaged in Recognised Partnerships and Agreements	90	Yes: 93 Community Groups are currently engaged in recognised partnerships and agreements. Community interest in agreements remains steady.	The target has been achieved each year over the three year period (FY19/20 target was 70), with 93 community groups engaged in recognised partnerships and agreements.

FLS Business Plan 2021/22 Key Work Areas	Progress
Develop and publish a Visitor Strategy Action Plan.	Not Complete: The plan is close to being finalised – feedback has been summarised and final amendments are being made to the strategy which will be published in FY 22/23.
Develop a strategic approach for volunteers and review procedures and volunteer handbook.	Not Complete: Initial work has begun on this however due to staff capacity and resource issues this has not yet been completed.
Provide guidance to Regions on good practice/examples of engaging and encouraging participation from under-represented groups.	Not Complete: Due to COVID-19 restrictions in previous year, analysis of demographics was not completed and therefore other work stalled. Good practice examples and guidance is being considered as part of the Visitor Strategy action plan.
Rollout of mandatory learning on Unconscious Bias and Diversity Training.	Not Complete: Scottish Government (SG) have mandated further diversity training referred to as Inclusive Culture training. This is being delivered through the new SG learning platform called Pathways. A pilot implementation has been agreed with the Pathways Project Manager and completion for this training is anticipated for Q2 22/23.



FLS Business Plan 2021/22 Key Work Areas	Progress
Continued delivery of the Inclusion Action Plan.	Complete: Work to actively encourage under-represented groups to visit will continue in FY 22/23.
Principle “incentives” are the payment of Community Benefits and Community participation as part of the agreement package with developers. FLS will facilitate this through legal agreements and financial structures.	Complete: This remains a key pillar of FLS option agreements.
Continue to support engagement in land management decisions despite restrictions on face-to-face meetings due to COVID-19.	Complete: Regions report 21 ongoing relationships/engagement with community groups on specific location/projects. Specific support on wider stakeholder engagement continues for both East and South Region post storms.
Continue to operate the Community Asset Transfer Scheme.	Complete: Seven requests approved in FY21/22.



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?	3 Year Trends
Percentage of women in SCS-PB2 roles	40%	No: Numbers of women recruited is increasing, particularly in lower and middle graded positions; the number of women in senior roles is, however, still below target at 30.77%. A few women in senior leadership roles left the organisation and were replaced by men.	N/A, this is a new KPI for FY 21/22, the previous KPI related to % women/females in senior roles (SCS-PB4).
Ratio of near miss reporting to total accidents and incidents reported	20%	No: The current figure is 14%. This ratio has been below the target over the year, due in part to ongoing underreporting of near misses.	This ratio increased between FY19/20 and FY20/21 before falling by 5% in FY21/22.
Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	70%	No: The 2021 People Survey reported that 55% of employees would recommend FLS as a great place to work.	In FY19/20 the figure was 56%, in FY 20/21 it was 59% and in FY 21/22, 55%.
Average number of working days lost per FTE (full time employee) (excluding COVID Related Absence)	9 days	Yes: Excluding absences due to COVID-19, the figure is 6.4 days. Including COVID-19 related sickness the figure is 7.8 days. This KPI was amended from 9.5 days in 20/21 to 9 days in 21/22.	The average number of working days lost per FTE (excluding COVID-19 related absences) has fallen year on year between FY19/20 and FY21/22, reducing by 4.7 between FY19/20 and FY20/21 before falling again slightly by 0.2 days in FY21/22.

FLS Business Plan 2020/21 Key Work Areas	Progress
Delivery of the health, safety and wellbeing improvement plan.	Complete: Roles and responsibilities project completed in Q4. However, some remapping is required to reflect recent changes in organisational structure. Project will be rolled out across FLS in Q2 2022/23.
Delivery of the Mental Health and Wellbeing Action Plan.	Complete: Work continues to progress well. Wellbeing 'commitment' completed for consideration by ET in 2022/23. A project to improve wellbeing in high risk occupations (such as chainsaw operators) was also initiated in Q4. A review of mental health first aid provision in FLS and SF has also been initiated with initial discussions and survey completed.
Undertake positive action as part of recruitment to increase applications and successful appointments of applicants from under-represented groups.	Complete: The HR Team continues to work with hiring managers to create more inclusive adverts and improve where our posts are advertised to attract a diverse range of applicants. Women are being specifically targeted where these are under-represented although the market remains challenging across all groups.
Coordinate and monitor implementation of the FLS Corporate Parenting Plan to ensure that the way we work and how we look after and manage Scotland's national forests and land can have a positive impact on the lives and aspirations of everyone who has a care experienced background.	Complete: Implementation of the Corporate Parenting Plan has been monitored via the quarterly Corporate Performance Reports. Due to resourcing pressures, the annual review of corporate parenting plan will be completed in Q2 of 22/23.
Provide opportunities for young people within the organisation in line with our Programme for Government commitments.	Complete: 20 apprentices and student placements created within FY21/22. Our Learning and Development team continue to support the delivery of apprentice and student programmes with apprentices in Forestry, Mechanical Engineering, Finance and Procurement and Data Science.
Continue to expand the provision of digital learning and development opportunities in order to reduce the need to travel.	Complete: Work continued with development of environmental online learning courses.



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?	3 Year Trends
% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes: 79 FOI requests received over the year, 76 of which were processed within the required timescales, which equates to over 96%.	A metric of >95% has been achieved each year over the three year period.
Percentage of Ministerial and Corporate Correspondence System (MACCS) queries responded to within agreed timescales	95%	Yes: 53 MACCS queries received over the year, 51 of which were responded to within agreed timescales, which equates to over 96%.	A metric of >95% has been achieved each year over the three year period.
Percentage of complaints closed at frontline resolution	80%	N/A: 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.	N/A

FLS Business Plan 2021/22 Key Work Areas	Progress
Ensure effective implementation of the Corporate Planning Framework (developing and implementing Business Plans) taking account of financial sustainability planning.	Complete: Business and sustainability planning processes in place across the business.
Develop and publish FLS Corporate Plan for 2022-2025.	Complete: The FLS Corporate Plan for 2022-25 was published 1 April 2022.
Continue to build on and implement the Business Sustainability Action Plan.	Complete: Work has continued to support the Executive Team and wider business on building and delivering the action plan. Further work will be undertaken to link business transformation activity agreed through the Change and Investment Board to the plan going forward.
Implement and maintain a revised Corporate Risk Management Policy and Framework, including risk registers.	<p>Complete: The Corporate Risk Register is updated and discussed with the Executive Team on a monthly basis to identify any emerging or increasing areas of risk.</p> <p>In January 2022 the Corporate Risk Register underwent a quarterly review with the Executive Team to horizon scan emerging risks and their potential impact on the agency, including emerging changes to Scottish Government policy, economic position, global disruption and ongoing recovery from COVID-19.</p> <p>We continue to report Risk Management on a quarterly basis to the Audit and Risk Committee.</p>

FLS Business Plan 2021/22 Key Work Areas	Progress
<p>Promote the organisation and its activities, both internally and externally, and communicate the significance and benefits that the national forests and land bring to the people of Scotland.</p>	<p>Complete: Our staff communications delivered a number of key internal announcements and updates including working with the Land Management National Team to provide an update on the 2021 storms and the clear-up efforts.</p> <p>Our PR and Media work continued to reach millions of people externally.</p> <p>Within our Digital estate we saw a 63% increase (year-on-year) in the number of pages in our website viewed per session and our Facebook page increased its reach by 20.2% with posts reaching almost 500,000 people combined.</p> <p>Our recently launched Future Forest Podcast, now available on Spotify and Google Podcasts, has also attracted universally positive reactions on social media.</p>
<p>Continue the development of the Gaelic Language Plan and submit draft to Bòrd na Gàidhlig.</p>	<p>Complete: An internal working group was set up during the creation of the FLS draft plan prior to a public consultation that lasted for six weeks – six responses were received. Draft submitted to Bòrd na Gàidhlig in January 2022 (Q4). FLS are currently awaiting feedback from the Bord.</p>
<p>Continued development and implementation of a Digital and IT Strategy.</p>	<p>Not Complete: The Digital Action Plan, which accompanied the Digital Strategy, was agreed in FY 21/22 Q4. Business Cases were developed to support the priority actions contained within the Strategy. However implementation has been deferred due to capacity constraints across the organisation.</p>
<p>Continued development and implementation of strategies for Fleet and Buildings.</p>	<p>Complete: The National Building strategy was approved and regional building strategies plans are under development. A Fleet strategy has been developed and a working group is being created to assess the impact of the proposed changes.</p>
<p>Meet and where possible exceed our legislative duties.</p>	<p>Complete: Throughout FY21/22 FLS has undertaken a review of implementation of legislative requirements, ensuring where possible, all programmes, plans, strategies and policies take account of legislative obligations, including impact assessments.</p>
<p>Develop and ensure effective implementation of the Best Value Implementation Plan.</p>	<p>Complete: Implementation is continuing across the organisation.</p>
<p>Monitor FLS actions within Forestry Strategy Implementation Plan and provide regular updates on contribution to delivery.</p>	<p>Complete: FLS actions were monitored via the quarterly Corporate Performance Reports with updates provided to Scottish Forestry as and when required.</p>
<p>To provide secretariat support and assistance to appropriate governance channels within FLS, including the Executive Team, Strategic Board and Audit and Risk Committee.</p>	<p>Complete: Work continues to support the Executive Team, Strategic Board and Audit & Risk Committee as appropriate.</p>
<p>To implement and maintain a Corporate Governance Framework, including appropriate schemes of delegation that support and embedded assurance across the organisation.</p>	<p>Complete: Work is ongoing with Internal Audit to consider and develop an appropriate approach to wider corporate governance. This will include intended changes to governance to support business transformation activity and integrating the Change and Investment Board.</p>

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 to reduce our emissions in key areas.

Our aim is to adapt how we manage our land, reduce our emissions and capture more carbon, leading the way for the land-based sector.

We are already major contributors to efforts to capture carbon and reduce emissions: leading the way in creating new woodlands; balancing timber production and replanting programmes; improving the condition of peatlands and other degraded soils; and working with the wind and hydro sectors to realise the renewable energy potential of the national forests and land. However, there are more opportunities to tackle climate change right across the national forests and land, but only by putting nature at the heart of our response can we truly make a difference. To do this, we are using nature-based solutions to many issues and ensuring that protecting biodiversity in our forests and land is foremost in all our work.

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

Our targets and our work to achieve them are detailed in annually published reports. Our Annual Sustainability Report for 2021/22 will be available on our [website](#) in due course.

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

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 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 and plays a major role in the work of FISA. FLS has played a major part in developing FISA's new strategy and continues to lead within FISA through its involvement in FISA's Steering Group, and through both leading or providing input into the range of FISA working groups.

Activity

FLS is continuing to implement 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. The project to set our clear roles and responsibilities for health safety and wellbeing within the agency has been completed and will be implemented in the coming year.

Significant focus has remained on supporting staff safely through the COVID-19 crisis, continuing the 'plan-do-check-act' approach and ensuring guidance for safe working, both for the agency and forestry and environmental management sectors across the UK, evolved in line with government advice. Regular checks on control measures on site continued to ensure the safety of staff across a range of key risk areas including COVID-19, the management of public access near

operational sites, the control of risks associated with the use of vibrating tools, the safe use of chainsaws and managing the risks associated with lone working.

Supporting good mental and physical health at work has continued to be a key priority for FLS. The mental health action plan has been reviewed and a new approach is being developed which takes a holistic approach (mental and physical health) to the wellbeing of our staff. Specific projects have included a review of mental health first aider provision across FLS and a wellbeing framework for chainsaw operators. Both these work streams will be delivered in the coming year. There has been a significant focus of providing wellbeing support to all staff during COVID-19 particularly as we continue to operate in a virtual working environment.

Accidents

The number of Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations 2013 (RIDDOR) reportable accidents (over seven days and specific injuries) in 2021/22 was five. The following table details this information and comparable data for FY 20-21.

RIDDOR Reportable Accidents	2021/22	2020/21
Employee	5	5
Contractor	0	1
Total	5	6

Simon Hodgson

Simon Hodgson
Accountable Officer
28 September 2022

Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2021/22. This report has three sections:

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



Corporate Governance Report

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

Directors' 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. Mairi McAllan MSP was appointed as the Minister for Environment and Land Reform in May 2021 and was responsible for FLS during the reporting year. Ms McAllan supports Michael Matheson MSP who was appointed Cabinet Secretary for Net Zero, Energy and Transport in May 2021.

The Scottish Government's Director of Environment and Forestry, Kevin Quinlan, was responsible for farming and environment, rural economy and climate change over the reporting period. 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 Forestry and Land Scotland 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.

Review of Directorate Responsibilities

A review of directorate responsibilities took place in the early part of the financial year. This was to ensure that the directorates were better aligned and able to more effectively support the long term performance and sustainability of the organisation.

The review led to the realignment of responsibilities to create four new directorates and directors were appointed to lead the new directorates from 1 February 2022:

Land Management & Regions is responsible for national land management services including Planning and Environment; Technical Services; Marketing and Sales; and Visitor Attraction. The directorate is also accountable for operational delivery across the five regions.

Commercial Development is responsible for managing income and added value opportunities on Scotland's forests and land through: Acquisitions and Disposals; Renewables; Land Agency, including community elements; Procurement and Contract Management and Strategic Commercial Development, including partnerships and recreation opportunities.

Net Zero is responsible for transforming our infrastructure, balancing our net zero and financial sustainability aspirations, reviewing our buildings, streamlining our fleet, harnessing technology and enabling business process re-engineering.

Corporate Services is responsible for Finance; People Team & Organisational Development; Corporate and Business Planning; Portfolio/ Project Management Office; Change Management; Communications, Brand and Media; Corporate Governance and Assurance.

Strategic Board



Simon Hodgson
Chief Executive



Graeme Hutton
Director of Net Zero



Michael Hymers
Director of Corporate Services



John Mair
Director of Commercial
Development



Trefor Owen
Director of Land Management
& Regions



Mark Pountain
Non Executive Advisor



Lisa Tennant
Non Executive Advisor



Pamela Zielinski
Non Executive Advisor

Pamela Zielinski's term as a Non-Executive Advisor ended on 31 March 2022.

Executive Team



John Dougan
Regional Manager, South



Rosetta Forbes
Head of People &
Organisational Development



Simon Hodgson
Chief Executive



Andy Hunt
Regional Manager, West



Graeme Hutton
Director of Net Zero



Michael Hymers
Director of Corporate Services



David Leven
Regional Manager, East



John Mair
Director of Commercial
Development



Carol McGinnes
Regional Manager, Central



Donna Mortimer
Head of Finance
and Procurement



Trefor Owen
Director of Land Management
& Regions



Graeme Prest
Regional Manger, North

The information above represents the composition of the Executive Team at 31st March 2022. Graeme Prest was appointed as Regional Manager, North after the year-end. There were two changes to the Executive Team due to a change of leadership for Regional managers in both the South and East Region for FY 21/22; Full details are provided in the Remuneration report from page 61 onwards. Biographies for our Strategic Board and Executive Members can be found on our [website](#).

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 nine non-reportable and zero reportable personal data incidents for FLS in 2021-22. This compares with eight non-reportable and zero reportable personal data related incidents in 2020-21.

Supplier Payment Policy

Forestry and Land Scotland 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 2021/22 indicates that 83% were paid within the ten day target (2020/21 - 97.5%). 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 Forestry and Land Scotland Resource Accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. This can be found at page 118.

Departmental Accounting Boundary

Forestry and Land Scotland 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 Forestry and Land Scotland. 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 to 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 Forestry and Land Scotland, the income and expenditure, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by Scottish Ministers, including relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole 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 of FLS as Accountable Officer of FLS. The FLS Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the FLS activities and for the economical, efficient and effective use of all associated resources. The Accountable Officer is also responsible for signing the accounts of FLS.

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.

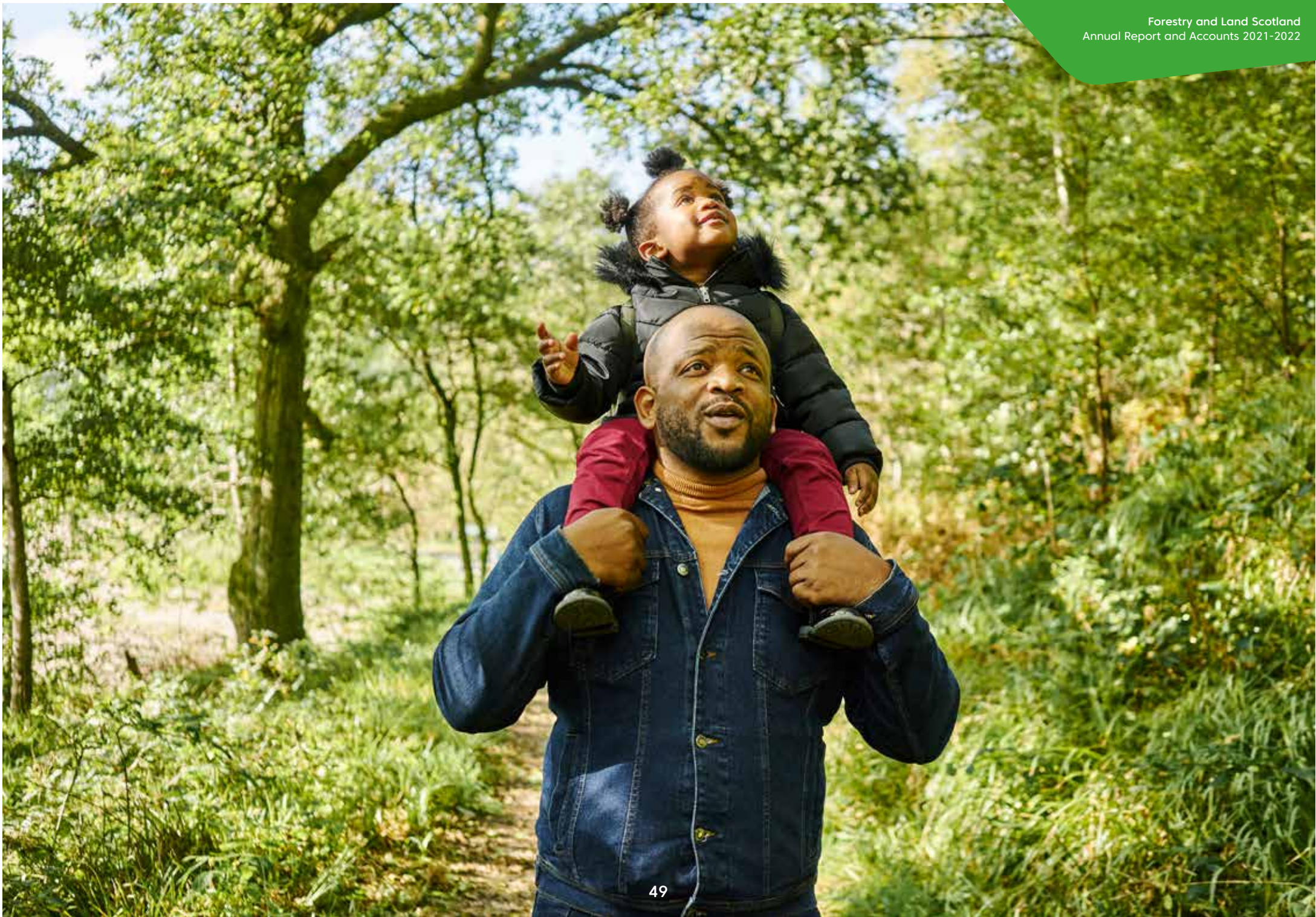
The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which Forestry and Land Scotland (FLS) is directed, controlled and led. It enables FLS to monitor the achievement of its corporate outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of FLS policies, aims and outcomes, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

The governance framework has been in place at FLS for the year ended 31 March 2022 and up to the date of approval of the Annual Report and Accounts, and accords with Scottish Public Finance Manual Guidance.



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 April, June, September and December and discussed a wide range of topics. Topics for discussion included the agency's response to COVID-19, financial sustainability, carbon management and visitor services.

A further meeting of the Strategic Board was planned for February, but did not take place. However, the Chief Executive continued to engage with the Non-Executive Advisers and Executive Directors over this period to inform and engage with them on relevant organisational matters, seeking appropriate input and advice. The next meeting is scheduled for December 2022.

Minutes from meetings of the Strategic Board are published on the [FLS website](#) although it should be noted that whilst meetings took place in June and September, minutes were not produced due to Covid-related absences.

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 Net Zero (Attended all meetings)
- **Michael Hymers** – Director of Corporate Services (Attended all meetings)
- **John Mair** – Director of Commercial Development (Attended all meetings)
- **Trefor Owen** – Director of Land Management and Regions (Attended all meetings)
- **Mark Pountain** – Non-Executive Advisor (Attended all meetings)
- **Lisa Tennant** – Non-Executive Advisor (Attended all meetings)
- **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.

Topics for discussion included the agency's response to COVID-19, financial planning and smarter working principles. 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 in place throughout the year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board
- **John Dougan** – Regional Manager, South (partial year – details in remuneration report)
- **Sallie Bailey** – Regional Manager, South (partial year – details in remuneration report)
- **Rosetta Forbes** – Head of People and Organisational Development
- **Andy Hunt** – Regional Manager, West
- **Graeme Hutton** – Director of Net Zero
- **Michael Hymers** – Director of Corporate Services
- **John Mair** – Director of Commercial Development
- **Carol McGinnes** – Regional Manager, Central
- **Donna Mortimer** – Head of Finance and Procurement
- **Trefor Owen** – Director of Land Management and Regions
- **Graeme Prest** – Regional Manager, North
- **David Leven** – Regional Manager, East (partial year – details in remuneration report)
- **John Thomson** – Regional Manager, East (partial year – details in remuneration report)

Please note that responsibilities of the directors changed from 1 February 2022 as a result of a change to the organisational structure. From 1 April to 31 January, Graeme Hutton was Director of Business Services, John Mair was Director of Estate Development and Trefor Owen was Director of Land Management. Although Michael Hymers was Director of Corporate Services throughout this period, his responsibilities increased from 1 February 2022.

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 September, 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 all meetings)
- **Pamela Zielinski** – Non-Executive Advisor (Attended all meetings)

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

We 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 aims to identify risks and their cause at the earliest opportunity through pro-active discussion and analysis across our Directorate and Regional management teams; measure the risk effect on the organisation by considering the cumulative impact of identified risk, including monthly consideration of emerging risk by the FLS Executive Team (ET) ; and put in place appropriate controls to mitigate risk at all appropriate levels across the organisation. We seek to obtain assurance of effective controls to mitigate risks through our Assurance Framework. Full details of our 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 remain operational and structure the organisation, including our internal business process and delivery model, and the use of supporting equipment
- **People and Culture** – we provide a safe and inclusive workplace and service provision to internal and external customers and stakeholders
- **Innovation and Adaption** – we will continue to encourage an innovative environment, maximising opportunities and adapting our business model and approach where required
- **Environment and Social Responsibility** – the organisation aims to make a significant, sustainable, and socially responsible contribution to Scotland and its people, including contributing towards addressing the Climate Emergency and social inequalities.



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

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

Key Risks

Throughout the financial year 2021/22 we continued to identify and manage organisational risks. The nature of our business means that health, safety and wellbeing remains an area of high risk across the organisation with regard to our staff, contractors and visitors and we continue to 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 the impacts of climate change and pests and diseases. These are important areas for us to monitor and take appropriate action on now as these risks impact on our ability to maintain a future timber supply and generate income to enable the organisation to continue to operate in a financially sustainable way.

The Key Risks over the financial year were as follows:

- **Health and Safety:** The main risk remains a serious accident or loss of life on the national forests and land relating to an employee, contractor or member of the public. Significant progress has been made in addressing the Internal Audit report recommendations on Health and Safety Management Arrangements, with the recommendations made in part 1 completed. This moves the organisation closer towards implementation of ISO 45001.
- **Complexity of Change:** There are a number of risks rolled into this arising from the amount and complexity of change including Brexit; organisational capacity for change; and the introduction of new legislation and regulations. Together these risks combine to produce risks of business failure, issues with staff retention and recruitment and potential impact on staff morale and productivity. Work is progressing on "Moving to Business Sustainability" and the overall cumulative impact of change and organisational capacity will need to be considered as those actions are developed. We have in place an effective change management programme to ensure that appropriate governance, interdependencies and impacts are identified, mapped, considered and reported via Regional/Functional leads to the Executive Team.
- **Financial Sustainability:** Work continues to move FLS to a longer-term planning model to support and enable financial and business sustainability. The Annual Subsidy Limit (ASL) provided to FLS by Scottish Government will continue to be under pressure as the demand on public finances grows post COVID-19. Work is ongoing to adopt new ways of working to deliver against our Business Sustainability Action Plan.
- **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 ensure that the appropriate information is included, and outcomes shared with Cost Centre managers and the wider staff groups.

- **Suppliers:** A proportion of suppliers are reporting issues with being able to deliver scheduled programmes and/or rising costs associated with contracts. This is due to a number of factors including recruitment, product availability, distribution issues and increased costs (fuel, products, etc). Work continues to engage with contractors to investigate concerns raised and consider appropriate solution.
- **Business Continuity:** The outbreak of COVID-19 has significantly increased organisational risk and contingency arrangements were initialised. Response continues in line with recommendations from the NHS and wider Scottish Government, including the new tiered approach affecting local areas. We continue to take steps to reduce potential impacts, and develop policies and processes with guidance that supports recovery planning and implementation. Work is also underway to apply impending changes in response to exiting the EU and developments in Eastern Europe, and this will continue to develop as wider impacts emerge.
- **Staff Recruitment and Retention:** The organisation is experiencing a period of significant turnover of staff in some key functions and delivery areas. This has been further impacted by sector and civil service wide recruitment challenges, which includes higher salaries in the private sector and lack of skilled/experienced workers for specialist roles/grades. Extensive work is being undertaken by the organisation and in partnership with wider Scottish Government and sector leads to try and address the issue. At present work is being prioritised and existing staff redeployed to focus on these areas until further solutions are in place or posts filled.

Significant Governance and Risk Issues

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

COVID-19

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

We have continued to observe and apply Scottish Government and NHS guidelines during the period of the pandemic, including responding to easement of restrictions and reopening of facilities and offices.

We have worked to keep our employees, contractors, suppliers and the public continually informed of changes. We have also supported employees by altering working hours and workloads of those with caring responsibilities and provided a range of resources in relation to wellbeing.

Economic Recovery

As an agency of Scottish Government we recognise the substantial societal and economic impacts of COVID-19 and the long-term response required to support recovery across Scotland and beyond.

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



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

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

Information Assurance

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

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

The work of the SIRAB is supported on a day to day basis by the Data Protection Officer and the Digital Security Officer. The Board members include the Security Information Risk Owner, Data Protection Officer, Digital 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.

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

Certifications

FLS successfully renewed Cyber Essentials Plus certification in March 2022 following an extensive cyber-testing and accreditation process. In addition, certification in ISO27001, the international standard for information security management, was successfully renewed by FLS Digital Services in December 2021.

Data Protection

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

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

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

Public Records (Scotland) Act 2011

The Records Management Plan was submitted to the National Records of Scotland in August 2020, as per section 1(1) of the Public Records (Scotland) Act 2011 – to assess, with a view to agreeing, the records management plans of named public authorities. The Keeper of the Records of Scotland agreed the FLS Records Management Plan in October 2021.

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.

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

An example includes work to develop a revised National Business Continuity Plan, incorporating Regional Plans available for all staff to use. We have then undertaken an assurance review to identify where we can strengthen our approach, particularly in relation to escalating cyber security threats.

A Continuity Lead has been assigned and tasked to deliver accreditation for FLS (ISO:22301: Security and Resilience - Business Continuity management systems). The aim is to achieve accreditation in 2023. This should provide further confidence in FLS' ability to respond to any future business or service interruption.

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), have been developed and were operational over the year ended 31 March 2022 and up to the date of approval of the Annual Report and Accounts.

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

Internal Audit

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

The annual rating of Reasonable Assurance - Controls are adequate but require improvement' was provided by DIAA. This is defined as 'some improvements are required to enhance the adequacy and effectiveness of procedures. There are weaknesses in the risk, governance and/or control procedures in place but not of a significant nature.' The annual rating was based on the assurance reviews and advisory activity undertaken over the year, the findings and actions put in place to address recommendations. A total of six assurance reviews were completed in-year as follows:

- IT Cyber Security – Reasonable Assurance (1 high and 2 medium recommendations)
- Payroll - Reasonable Assurance (2 high, 1 medium and 3 low recommendations)
- Firearms Policy and Practice - Limited Assurance (3 high and 4 medium recommendations)
- Organisational Change Management (Capacity) - Reasonable Assurance (1 high and 2 medium recommendations)
- Self-billing - Limited Assurance (2 high and 5 medium recommendations)
- Business Continuity Planning - Limited Assurance (3 high and 3 medium recommendations)

We continue to engage with DIAA on progress and build actions to implement recommendations, received in-year and those carried forward from previous years, in to our future work programme. An example of how we are achieving this is detailed on p72 where we outline work to continue implementation of our Health, Safety and Wellbeing Improvement Strategy.

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.

External Audit

Audit Scotland prepared an Annual Audit Report in November 2021 as part of their audit of the Annual Report and Accounts 2020/21 for FLS. Matters/recommendations were raised and have either been addressed by management or actions have been put in place to address these within FLS.

As part of their 2021/22 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 2022/23.

Whistleblowing

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

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

One case was reported under the Whistleblowing Policy in this financial year. The case was considered not to fall within the Policy and was managed under the organisation's Grievance Policy/Procedure with appropriate resulting actions.

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



Remuneration and Staff Report

Remuneration Policy

Forestry and Land Scotland'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 four other Senior Civil Servants in Forestry and Land Scotland; the Director of Net Zero, Director of Commercial Development (from 1 February 2022), Director of Corporate Services (from 1 February 2022) and Director of Land Management and Regions.

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/scottish-public-sector-pay-policy-2021-2022-revised>

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 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 was borne by FLS.

Remuneration Report

Salary and Pension Information – Audited

The salary and pension entitlements of the FLS Executive Team were as follows:

Name & Title	Salary £000		Benefits in kind £		Pension Benefits £000		Total £000	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Sallie Bailey Regional Manager, South (01/04/21 to 31/05/21)	70-75	10-15 (70-75 FTE)	-	-	44	5	110-115	15-20
John Dougan Regional Manager, South (11/06/21 to 31 03/2022)	-	55-60 (70-75 FTE)	-	-	-	29	-	85-90
Rosetta Forbes Head of People & Organisational Development	70-75	80-85	-	-	11	14	80-85	90-95
Simon Hodgson Chief Executive	115-120	110-115	-	-	45	-	160-165	110-115
Andrew Hunt Regional Manager, West	65-70	70-75	2,400	-	60	32	130-135	100-105
Graeme Hutton Director of Net Zero	80-85	80-85	-	-	57	3	140-145	85-90
Michael Hymers Director of Corporate Services	70-75	75-80	1,100	-	53	33	125-130	105-110
David Leven Regional Manager, East (12/07/2021 to 31/03/2022)	-	50-55 (70-75 FTE)	-	-	-	20	-	70-75
John Mair Director of Commercial Development	65-70	70-75	-	-	10	11	75-80	80-85
Carol McGinnes Regional Manager, Central	70-75	75-80	-	-	27	29	95-100	100-105
Donna Mortimer Head of Finance and Procurement	65-70	75-80	-	-	59	35	125-130	110-115

Name & Title	Salary £000		Benefits in kind £		Pension Benefits £000		Total £000	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
Trefor Owen Director of Land Management and Regions	85-90	80-85	-	-	45	6	130-135	85-90
Graeme Prest Regional Manager, North	65-70	70-75	-	-	66	38	135-140	110-115
John Thomson Regional Manager, East (01/04/2021 to 11/07/2021)	70-75	20-25 (70-75 FTE)	-	-	49	8	115-120	25-30

Trefor Owen's CSOPS contributions included in last years' disclosures were lower than the true figures, these have now been corrected. Therefore, the pension benefit figure will not match that from last year as at 31/03/2021, which was £48k.

The remuneration of the FLS Non Executive Directors were as follows:

Name & Title	Fees £000	
	2020/21	2021/22
Mark Pountain Non-executive Advisor	5-10	5-10
Lisa Tennant Non-executive Advisor	5-10	5-10
Pamela Zielinski Non-executive Advisor	5-10	5-10

Salary

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

Bonuses

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

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 14);
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Repayment of visa fees
- Advances of salary for purchase of IT and sports/health equipment; including bicycles and childcare vouchers; and,

- Car provision for employees' scheme.

Each scheme is subject to conditions and financial limits.

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 2021/22.

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.

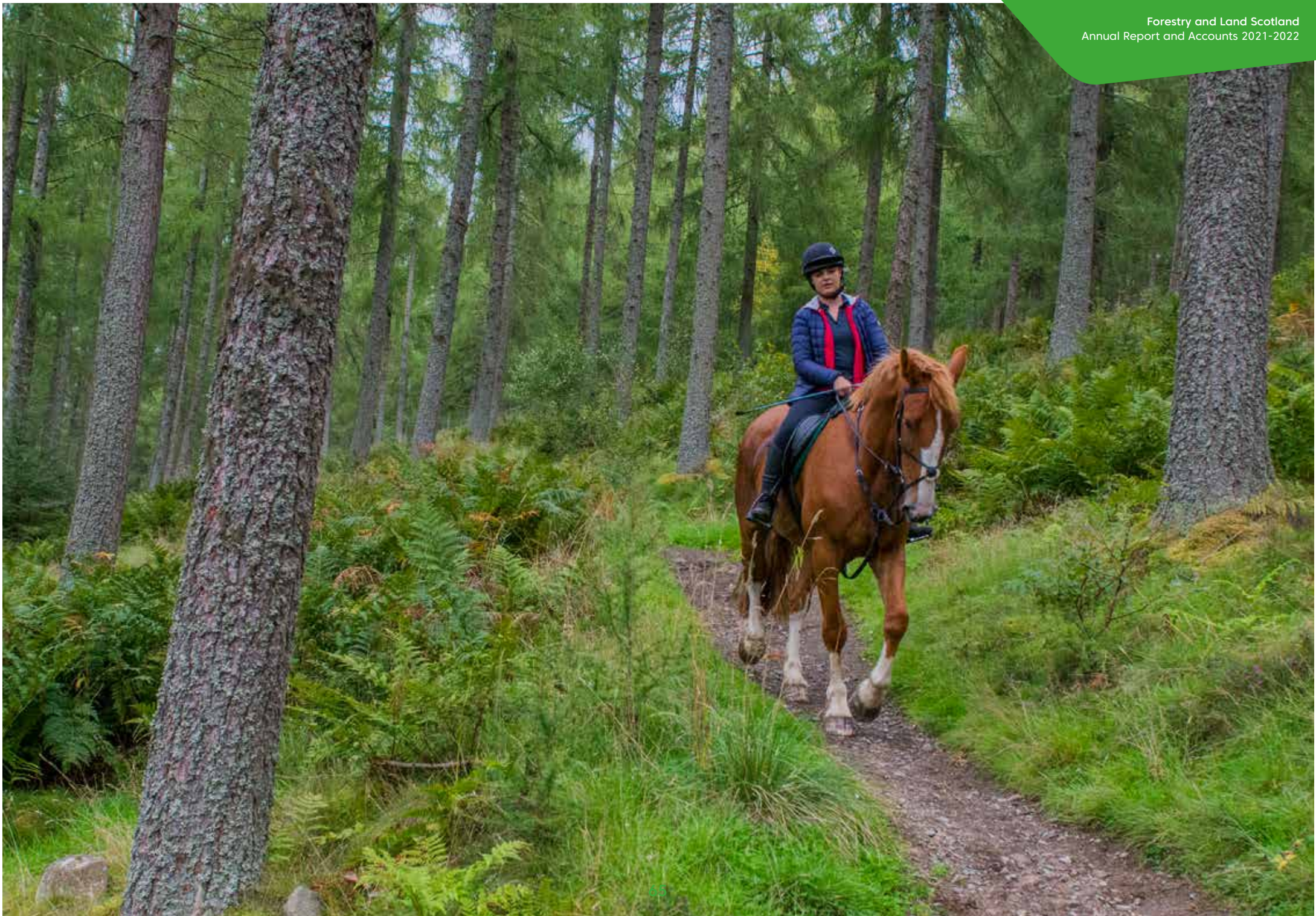
The FTE banded remuneration of the highest paid director in Forestry and Land Scotland in the financial year 2021/22 was £110 k-£115 k (2020-21 - £115 k -£120 k). This was 3.75 times (2020-21 - 3.83 times) the median remuneration of the workforce, which was £30,021 (2020-21 - £30,057). The table below shows the 25th, median and 75th percentile pay ratios:

	25th percentile		Median		75th percentile	
	Pay	Ratio	Pay	Ratio	Pay	Ratio
2020/21	£25,639	4.49	£30,057	3.83	£35,641	3.23
2021/22	£25,941	4.34	£30,021	3.75	£36,698	3.07

Decrease in the salary of the highest paid director: 4%
Average decrease in staff salaries: 4%

In 2021/22, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £14.8 k to £115 k (2020-21 - £17.7 k-£117 k). The salary of the highest paid director fell by 4%, compared to that paid in the previous year, as the result of a non-consolidated award made in 2020/21; no award was made in 2021/22. This reduction in earnings year-on-year has contributed to a contraction of the pay ratios between the highest paid director and the general staff group. The average salary of the employees of the organisation taken as whole, also fell by 4% compared to the previous year. Factors affecting this average include changes in the distribution of staff numbers both across and within pay bands, arising from length of service and staff turnover.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Remuneration paid to all staff in 2021-22 was £32.669 m (2020-21 was £30.741 m).



Pension Benefits – Audited

Name & Title	Accrued Pension at Pension age at 31 March and Related Lump Sum £000 2021/22	Real Increase in Pension and Related Lump sum at Pension age £000 2021/22	CETV at 31 March £000		Real Increase in CETV £000 2021/22	Employer Contribution to Partnership Pension Account Nearest £100 2021/22
			2020/21	2021/22		
Sallie Bailey Regional Manager, South (01/04/21 to 31/05/21)	15-20 plus a lump sum of 30-35	0-2.5 plus a lump sum of 0-2.5	315	318	3	
Rosetta Forbes Head of People & Organisational Development	-	-	-	-	-	13,700
Simon Hodgson Chief Executive	40-45 plus a lump sum of 125-130	0-2.5 plus a lump sum of 0-2.5	861*	869	-5	
Andrew Hunt Regional Manager, West	20-25 plus a lump sum of 30-35	0-2.5 plus a lump sum of 0-2.5	242	271	14	
Graeme Hutton Director of Net Zero	25-30 plus a lump sum of 85-90	0-2.5 plus a lump sum of 0-2.5	669	715	4	
Michael Hymers Director of Corporate Services	30-35	0-2.5	397	437	16	
John Dougan Regional Manager, South (11/06/21 to 31/03/2022)	30-35 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0-2.5	492	538	18	
John Mair Director of Commercial Development	-	-	-	-	-	11,200
Carol McGinnes Regional Manager, Central	5-10	0-2.5	56	82	19	
David Leven Regional Manager, East (12/07/2021 to 31/03/2022)	0-5	0-2.5	-	13	10	
Donna Mortimer Head of Finance and Procurement	35-40	0-2.5	412	454	18	
Trefor Owen Director of Land Management and Regions	55-60	0-2.5	1,074	1,132	-5	
Graeme Prest Regional Manager, North	30-35 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0-2.5	576	635	25	
John Thomson Regional Manager, East (01/04/2021 to 11/07/2021)	30-35 plus a lump sum of 30-35	0-2.5 plus a lump sum of 0-2.5	706	721	8	

Notes to the Pension Benefit Table

* Simon Hodgson's CETV was quoted as £867,000 for 20/21. This has been amended to £861,000 because there was a retrospective update to his service history.

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. In April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From 1 April 2015 all newly appointed civil servants and the majority of those already in service, joined alpha.

Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation.

In 2015, the UK Government introduced reforms to public service pensions which meant most civil servants were moved from classic, classic plus, premium and nuvos pension schemes into an alpha pension.

The reforms included:

- a move from (mostly) final salary to career average pension schemes
- increased normal pension ages
- the introduction of a cost control mechanism

These were regarded as important steps to protect against unsustainable increases in costs, most of which fell to the taxpayer.

As part of the 2015 reforms, those within 10 years of retirement remained in their legacy pension schemes. This transitional protection, provided following negotiations with member representatives, was intended to protect and give certainty to people who were close to retirement. 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 switched 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).



McCloud Judgment

In December 2018, the Court of Appeal found that part of the 2015 reforms unlawfully discriminated against younger members of the judicial and firefighters' pension schemes, as transitional protection was only offered to older scheme members. This is known as the McCloud judgment.

The government has now set out how it will remove this discrimination. All members of civil service pensions who continue in service from 1 April 2022 onwards will do so as members of alpha. Classic, classic plus, premium and nuvos will be closed in relation to service after 31 March 2022.

Any eligible members will receive a choice at retirement of which pension scheme benefits they would prefer to take for the period from 2015 to 2022. The choice will be between their pre-2015 pension scheme or their alpha pension. Not all members will be better off in the pre-2015 scheme, so individual members will be able to choose which benefits are better for them.

Pensions Contributions

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 their 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 which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 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

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 2021/22	No. of SCS 2020/21
2	1	1
1	4	2

Staff Numbers and Costs – Audited

Number of Persons Employed at the Year End

The headcount of persons employed as at 31 March 2022 was as follows:

	2021/22 Total Headcount	2020/21 Total Headcount
Directly employed	1,046	992
Other	19	7
Total	1,065	999

Staff costs comprise:

	2021/22 £000	2020/21 £000
Salaries	32,669	30,741
Social security costs	3,423	3,182
Other pension costs	8,481	8,009
Temporary/agency	427	477
	45,000	42,409

Employer contributions of £8.368 m for 2021/22 (£7.917 m for 2020/21), 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 £0.110 m (£0.089 m in 2020/21) 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 £0.003 m (£0.003 m in 2020/21) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at 31 March 2022 were £0.012 m (£0.0004 m in 2020/21). Contributions prepaid at that date were £nil (£nil in 2020/21).

Policy

Our Corporate Plan sets out five corporate outcomes that guide all of our work to 2022, supporting the delivery of our Vision and Mission and contribution to Scotland's National Performance Framework. Our new Corporate Plan has been approved by Scottish Ministers and was published on 1st April 2022.

Our People Strategy covers the period 2020-2022, and sets out our ambitions as a supportive, safe, inclusive and high-performing workplace. It provides a framework to help us achieve our corporate outcomes, focusing on:

- FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice; and
- 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. Our next People Strategy 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 2021-22 has included:

- Implementation of a new approach to managing employee performance with an increased focus on development;
- Implementation of a new recruitment system;
- Doubling our Work Based Learning programme to extend our range of apprentice opportunities to support the Scottish Government's 'Green Recovery';

- Expansion of our flexible working offering and implementation of smarter working principles to better support work/life balance and enhance our employee experience;
- Maintaining a full suite of COVID-19 related guidance covering all aspects of HR, Health, Safety & Wellbeing to assist compliance with Scottish Government restrictions; enabling safe operational activity where permitted and supporting staff mental health and wellbeing during the pandemic
- Continued development and rollout of functionality for our self-serve HR and Learning Management systems; and
- Review of HS&W roles and responsibilities across the agency, including mapping HS&W competencies to individual roles; and
- Recognise long service and exceptional work achievements by our colleagues.

Activity during 2022-2023 will include:

- Launch of new probation and performance improvement policies;
- Review and development of new policies around bullying and harassment and dispute resolution;
- Converting our existing Health, Safety and Wellbeing (H,S&W) guidance into Standing Operating Procedures;

- Maximising and promoting our benefits package, while continuing to work to reduce our gender pay gap;
- Establishing a Trade Union office for FLS and Scottish Forestry; developing a new partnership agreement with our Trade Union colleagues and embedding fair work practices across FLS;
- Reaching out to under-represented groups, so they view FLS as a progressive organisation they would want to be part of; and
- Whilst working within the 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.
- Enhance our ability to attract, recruit, select and retain talent to ensure we have the skills, capability and capacity to drive organisational performance;
- Develop our health screening programme, in partnership with our Occupational Health provider, to include respiratory and other conditions to better support a healthy and safe working environment; and
- Put in place improved and modernised People Management policies that will enable our managers to do their job well and support our people at work.

Equality, Diversity and Inclusion

We 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 mainstream inclusion by identifying and removing barriers, enabling us to build an inclusive organisation, services and facilities.

Areas of specific focus this year have included:

- **Improved equality data:** collecting equality monitoring data is required under Scottish Public Sector Specific Equality Duties. We reviewed processes to capture equality data for all groups. Care was taken to explain how and why we collect this sensitive personal information, including data handling and confidentiality. Disclosure rates have increased across the organisation, which we can use to better support our people.
- **Delivered training across the organisation:** there is now mandatory training on Diversity & Inclusion for all staff, including automatic refresh notifications. After the pilot last year, we have progressed our commitment to fostering an inclusive and welcoming workplace through our delivering of Engaging the Bystander training. The training raises awareness of inappropriate behaviours and micro-aggressions and gives learners practical tools and advice on how to tackle these when they see or hear it, both in and out of the workplace.
- **Targeted recruitment using positive action:** we recognise a need to attract under-represented groups to our workplace and reach a wider pool of talent. An initial focus has been on women and young people, which we are keen to build on in future years.
- **Increased our intake of work based learning placements:** we have expanded the number and types of apprenticeships we offer, this year including graduate apprentices for the first time. Apprenticeships are becoming more embedded within the organisation, as we welcomed apprentices this year in trees and timber, data science, business administration, mechanical engineering, finance, and procurement.
- **Expanded our flexible working offer:** we want to ensure diversity and inclusion is naturally woven into our normal working practices. Our flexible working offer includes options to work from home and work with compressed hours or other working patterns. We have also implemented smarter working principles to better support work-life balance and enhance our employee experience.
- **Raised awareness of specific aspects of diversity and inclusion:** we have run various webinars and workshops to enable staff and managers to better understand particular diversity and inclusion challenges. A focus this year included workshops on dyslexia.

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 2019-2021 and can be found on our website at <https://forestryandland.gov.scot/diversity-and-inclusion>.

2020/21

	Director	Senior Manager	Employee	Agency	2020/21
Male	3	22	638	2	665
Female	0	15	315	4	334
Total	3	37	953	6	999

2021/22

	Director	Senior Manager	Employee	Agency	2021/22
Male	5	24	655	8	692
Female	0	12	350	11	373
Total	5	36	1,005	19	1,065

The number of directors has increased as a result of corporate functions review.

Staff who consider themselves disabled		
No	946	90%
Not known	53	6%
Yes	47	4%
Total	1,046	100%

(Figure excludes non-executive directors and agency workers).

Through strong leadership, we encouraged and reassured staff about the benefits of declaring their equality data. As a result, there is now a truer representation of our workforce, and we have a better understanding of support that staff need.

Modern Slavery

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

With a significant presence in the forestry sector, we recognise our corporate and legal responsibility to take a robust approach to the issue of human trafficking. We consider our highest risk areas for human trafficking within our business to be in the areas of civil engineering, haulage, new planting, restocking and spraying which are mostly now all carried out on contract. During 2021 we rolled out a training package, specifically targeting employees working in those areas to enable them to spot the signs of human trafficking and to know where to get help.

There are also some organisations providing FLS with goods, with a mixture of simple and complex supply chains ranging from clothing, digital hardware, chemicals, equipment and other items, where exploitation can be a supply chain risk.

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

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 mitigate these risks within our supply chains, as far as possible.

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 the reporting mechanisms.

Staff turnover

Staff turnover during 2021-22 was 12% (8.5% for 2020-21). Retaining staff, while maintaining a healthy turnover, is important for efficiency and to keep the organisation 'fresh'. Measuring turnover is becoming less prevalent now, however, with the focus shifting to retention rates, therefore, it has been difficult to find comparator information for this statistic.

Staff survey participation'

FLS participated in the Civil Service People Survey for the third time in 2021. The response rate for FLS was 68% (70% for 2020 survey).

Sickness Absence Data

FLS proactively manages sickness absence. Excluding absences due to COVID-19, an average number of 6.4 working days were lost per person during 2021/22. This is a significant decrease from the 11.5 days reported in 2019/20 and a further decrease from the 6.6 days per person recorded in 2020/21. Including COVID-19 related absences the figure is 7.8 days per person which is a significant reduction from the 2020/21 figure which was 13.3 days, this figure includes absence due to COVID-19 illness as well as associated absences due to caring commitments, self isolation etc. The percentage of employees with no recorded sickness absence has decreased slightly from 70% to 65% since last year, however is still up from 45% pre COVID-19.

Employee Consultation and Trade Union Relationship

We continue to build a strong and supportive relationship with our Trade Union partners, Forestry Trade Unions Scotland. We have worked closely together to support our staff over the course of the COVID-19 pandemic and beyond as we capitalise on the opportunities presented by working more flexibly. In the coming year we will establish a new Partnership Agreement committing to building trust, collaborating and working together to make FLS a great place to work.

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

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

Trade Union Statistics	2021-22	2020-21
Headcount of TU Officials	11	10
FTE of TU Officials	10.5	9.26
No. of Employees by % of working hours spent on FT	0-1%	10
	1-50%	1
	51-99%	0
	100%	0
Percentage of the total pay bill spent on facility time	0.07%	0.07%
Time spent on trade union activities as a percentage of total paid facility time hours	100%	100%

Parliamentary Accountability and Audit Report

Losses and Special Payments

During 2021/22 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 p82 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 (p97). Other material income sources relate largely to rental income from wind and hydro schemes.

Gifts and Hospitality

Forestry and Land Scotland has a policy setting out the criteria for refusal or acceptance of gifts and hospitality. There were no instances of gifts or hospitality being received in 2021/22.

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
28 September 2022

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2022 under the Public Finance and Accountability (Scotland) Act 2000.

The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2022 and of its net income for the year then ended;

- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such

as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

In my opinion in all material respects:

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Mark Taylor CPFA
Audit Director



Audit Scotland, 102 West Port, Edinburgh EH3 9DN

28 September 2022

Forestry and Land Scotland Financial Statements



Statement of Comprehensive Net Expenditure As at 31 March 2022

	Note	2021/2022 £000	2020/2021 £000
Operating Income			
Sales of timber		(95,468)	(85,083)
Forest protection and maintenance		(1,354)	(1,118)
Management & development of estate		(22,298)	(22,611)
		(119,120)	(108,812)
Operating Expenditure			
Forest planning		9,563	9,227
Timber operations		22,488	23,609
Forest protection and maintenance		50,801	43,335
Management & development of estate		5,192	7,224
Value of felled timber	8	70,178	61,718
		158,222	145,113
Net sustainable land management		39,102	36,301
Communities, recreation and tourism			
Income		(2,987)	(1,816)
Expenditure		12,202	11,044
		9,215	9,228
Environment and heritage			
Income		(112)	(2,226)
Expenditure		5,279	7,089
		5,167	4,863
Estate improvements			
Income		-	-
Expenditure		14,461	8,360
		14,461	8,360
Management services			
Income		(21)	(101)
Expenditure		323	423
		302	322

	Note	2021/2022 £000	2020/2021 £000
Net expenditure before (Gain)/Loss on revaluation of biological assets		68,247	59,074
Loss on revaluation of biological assets transferred to NCAHFS	8	55	39
Gain on revaluation of biological assets	8	(583,817)	(413,244)
		(583,762)	(413,205)
Net income after net gain on revaluation of biological assets		(515,515)	(354,131)
Government grant		(28,994)	(20,884)
Gain on sale of properties, plant and equipment	6	(1,156)	(2,628)
Gain on revaluation of fixed asset investments	10	(1,100)	(209)
Net income for the year		(546,765)	(377,852)
Transferred to general fund		(546,765)	(377,852)

All income and expenditure is derived from continuing operations.

Other comprehensive income

	Note	2021/2022 £000	2020/2021 £000
Net gain on revaluation of property plant and equipment		(281,158)	(311,550)
Total other comprehensive net income		(281,158)	(311,550)
Comprehensive net income for the year		(827,923)	(689,402)

Statement of Financial Position As at 31 March 2022

	Note	2021/2022 £000	2020/2021 £000
Non current assets			
Property, plant and equipment	7	2,072,407	1,788,067
Biological assets	8	2,825,614	2,313,677
Investment in joint ventures	9	3,048	-
Financial assets	10	2,875	2,865
Trade and other receivables	14	3,128	2,340
Total non current assets		4,907,072	4,106,949
Current assets			
Financial assets	10	75	-
Non-current assets held for sale	12	2,898	811
Inventories	13	16,362	12,650
Trade and other receivables	14	29,590	25,313
Cash and cash equivalents	16	115,114	84,764
Total current assets		164,039	123,538
Total assets		5,071,111	4,230,487
Current liabilities			
Trade and other payables	17	(34,231)	(18,738)
Provisions	19	(9,655)	(9,958)
Total current liabilities		(43,886)	(28,696)
Total assets less current liabilities		5,027,225	4,201,791
Non current liabilities			
Trade and other payables	17	(1,165)	(1,787)
Provisions	19	-	(1,970)
Total non current liabilities		(1,165)	(3,757)
Assets less liabilities		5,026,060	4,198,034
Taxpayers' equity			
General fund		3,244,889	2,696,811
Revaluation reserve		1,781,171	1,501,223
Total taxpayers' equity		5,026,060	4,198,034

The notes on pages 86 to 117 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 28 September 2022.

Simon Hodgson

Simon Hodgson
Accountable Officer

28 September 2022

Statement of Cash Flows As at 31 March 2022

	Note	2021/2022 £000	2020/2021 £000
Net operating income			
Net income for the year		546,765	377,852
Adjustments for non cash transactions:			
Depreciation charges	7	4,180	3,959
Gain on disposal of buildings, forest estate and land		(1,943)	(3,129)
(Gain)/loss on disposal of other PPE		11	(95)
Impairment of PPE	7	7	113
Gain on revaluation of biological assets	8	(583,817)	(413,244)
Decrease/(increase) in plant & seed (biological assets)	8	245	(538)
Book value of felled timber	8	70,178	61,718
Gain on revaluation of financial assets	10	(1,100)	(209)
Revaluation reserve written off		-	38
Non-cash charges: auditor's remuneration		103	100
Other non cash transactions		198	232
Increase in inventories	13	(3,712)	(1,180)
(Increase)/decrease in trade and other receivables	14	(5,065)	2,166
Increase/(decrease) in trade and other payables	17	14,829	(754)
Use of provisions	19	(2,453)	(539)
Increase/(decrease) in provisions	19	180	(668)
Net cash inflow from operating activities		38,606	25,822

	Note	2021/2022 £000	2020/2021 £000
Cash flows from investing activities			
Proceeds of disposal of properties	6	3,779	6,396
Proceeds of disposal of other property, plant and equipment	6	680	355
Purchase of property, plant and equipment	7	(10,916)	(9,956)
Disposal of biological assets	8	234	49
Investment in joint venture	9	(1,958)	-
Other investments – options purchased	10	(75)	-
Net cash outflow from investing activities		(8,256)	(3,156)
Net increase in cash and cash equivalents in the period		30,350	22,666
Cash and cash equivalents at the beginning of the period		84,764	62,098
Cash and cash equivalents at the end of the period	16	115,114	84,764

Statement of Changes in Taxpayers' Equity As at 31 March 2022

2020/2021	General Fund £000	Revaluation Reserve £000	Total £000
At 1 April 2020	2,317,144	1,191,387	3,508,531
Changes in taxpayers' equity			
Net gain on revaluation of property, plant and equipment	-	311,591	311,591
Net loss on revaluation of NCAHFS	-	(40)	(40)
Realised element of reserves	1,715	(1,715)	-
Net operating income	377,852	-	377,852
Non-cash charges: auditor's remuneration	100	-	100
Total recognised income and expense	379,667	309,836	689,503
At 31 March 2021	2,696,811	1,501,223	4,198,034
2021/2022	General Fund £000	Revaluation Reserve £000	Total £000
At 1 April 2021	2,696,811	1,501,223	4,198,034
Changes in taxpayers' equity			
Net gain on revaluation of property, plant and equipment	-	281,429	281,429
Net loss on revaluation of NCAHFS	-	(271)	(271)
Realised element of reserves	1,210	(1,210)	-
Net operating income	546,765	-	546,765
Non-cash charges: auditor's remuneration	103	-	103
Total recognised income and expense	548,078	279,948	828,026
At 31 March 2022	3,244,889	1,781,171	5,026,060

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 2021/22 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 FLS for the purpose of giving a true and fair view will be selected. The particular policies selected by FLS are described below. They will be applied consistently in dealing with items considered material in relation to the accounts.

1.2 Accounting convention

The 2021/22 accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and financial assets at fair value through profit or loss.

1.3 Revenue recognition

Income comprises the fair value of the consideration received or receivable from forestry and other activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

FLS recognises revenue in line with IFRS 15.

1.4 Government grants receivable

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and FLS will comply with all attached conditions.

Government grants in respect of capital expenditure are credited to the Statement of Comprehensive Net Expenditure, where UK and EU grants will be disclosed separately.

Grants received as a contribution towards an asset are also credited to the Statement of Comprehensive Net Expenditure and will not be treated as a deduction from the cost of acquiring the asset.

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

1.5 Funding paid to FLS

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

1.6 Land and buildings leased to customers

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

1.7 Employee benefits

Pensions

Past and present employees are covered by the provisions of the 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 employees 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.

1.8 Property, plant and equipment

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

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

Dwellings & Other Buildings are revalued professionally every 5 years as at 31 March with indexation carried out in intervening years. Forest Estate and Land are revalued professionally annually.

Forest estate

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

Forest estate land and trees not apportioned to Biological assets are shown at fair value. External professional valuers undertake a full professional valuation of the Forest Estate annually. The Valuation Office Agency's (VOA) appointment as external valuers continues with FLS until the next tender exercise in 2022/23.

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. These are provided by the 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. Other trees are classed as Other Timber and are out-with the scope of IAS 41.

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

Non-Forest land

Non-forest land is shown at fair value. The VOA, and other valuers undertake a full external professional valuation annually. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, 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 revalued annually by the VOA. 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 £30,000.

The VOA undertook a revaluation of dwellings and other buildings in East Region in the year 2021/2022, using a combination of desktop valuation and physical inspection of assets. 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 physical inspections on a voluntary basis, and in certain geographical areas, however the approach taken remains compliant with RICS Red Book Valuation principles. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT Treasury Financial Reporting Manual (FReM). The valuation has been prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards and RICS UK National Supplement, commonly known together as the Red Book. UK VPGA 5 addresses the valuation of central government assets for accounting purposes.

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

Expenditure on Infrastructure

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

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to FLS and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred.

Non-current assets held for sale

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

Vehicles, machinery and equipment

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

In previous years vehicles, machinery and equipment were valued using the revaluation model. The cost model has now been adopted as the use of the revaluation model had a negligible impact on asset values.

Office, machinery and equipment (OME)

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

In previous year's office, machinery and equipment were valued using the revaluation model. The cost model has now been adopted as the use of the revaluation model had a negligible impact on asset values.

Assets under construction

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

Revaluation reserve

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation reserve in taxpayers' equity. Decreases arising from fluctuations in market conditions are first charged directly to revaluation reserve to offset any previous increases for the same asset. Amounts in excess of previous increases are expensed to the Statement of Comprehensive Net Expenditure. Decreases arising from other factors are expensed directly to the Statement of Comprehensive Net Expenditure. Any revaluation surplus held on an asset within the revaluation reserve is transferred directly to the general fund upon disposal.

1.9 Depreciation

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

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

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

Asset lives are as follows:

- Land held 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 (owned) – over 3 to 20 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.

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

1.10 Impairment of non-financial assets

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

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

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

1.11 Financial assets

Classification

FLS classifies its financial assets in the following categories:

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

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Fair value

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

(b) Amortised cost

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

Recognition and measurement

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

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

(a) Fair value

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

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

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

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

(b) Amortised cost

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

Impairment

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

For credit exposures where there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within 12 months. For those credit exposures for which there has been a significant

increase in credit risk since initial recognition, a loss allowance is raised for credit losses expected over the remaining life of the exposure, irrespective of the timing of default. For trade receivables the simplified approach, permitted by IFRS 9, is adopted which requires lifetimes losses to be recognised from initial recognition.

1.12 Investment in Joint Ventures

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

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

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

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

1.13 Inventories

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

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

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

1.14 Leases

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 0.95%.

Assets held under a 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 1.8 above.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the lease payment 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.

In 2022/23, FLS will implement IFRS 16 Leases. This standard will change the accounting for leases with most operating leases recognised on the Statement of Financial Position as a Right of Use asset with a corresponding liability to make payments under the leasing contract. Further detail on the anticipated financial effect of the implementation of IFRS 16 is provided at 1.22.

1.15 Cash and cash equivalents

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

1.16 Financial liabilities

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

1.17 Provisions

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

1.18 Contingent liabilities

FLS discloses contingent liabilities in accordance with IAS 37. It also discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of an outflow of economic resources is remote.

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

1.19 Public corporation dividend

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

1.20 Value added Tax (VAT)

FLS is part of the Scottish Government VAT registration.

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

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

1.21 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2022 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 standard will be applied from 1 April 2022.

IFRS 16 – Leases.

IFRS 16 Leases supersedes IAS 17 Leases and will be implemented from 1 April 2022. IFRS 16 provides a single lessee accounting model and requires a lessee to recognise assets and liabilities for leases which extend beyond twelve months, largely eliminating the current “off balance sheet” treatment of operating leases under IAS 17.

Impact of the new standard

FLS has assessed the likely impact that the application of IFRS 16 will have on the comprehensive net expenditure for the financial year ending 31 March 2023 and on the statement of financial position at that date. The figures below are for existing leases as at 31 March 2022.

The standard is expected to increase net expenditure by approximately £0.2 m. The right of use asset is expected to be increased by approximately £4.8 m and the net investment in lease receivables is expected to increase by approximately £1.7 m. The associated lease liability will be increased by approximately £5.5 m.

Expected impacts of IFRS 16 in 2022/23	£000
SoCNE	
Increased depreciation	779
Increased lease interest	52
Reduction in operating lease rentals	(668)
Increased Expenditure	163
SoFP	
Assets	
Right of Use assets recognised	4,832
Increase in Net Investment in Sub-Leases	1,703
	6,535
Liabilities	
Increase in lease liabilities	(5,454)

The above figures include leased assets held under peppercorn leases which are required to be fair valued at 1 April 2022.

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 the two financial years to 31 March 2021 the professional valuation reports provided by Galbraith, Wardell and Armstrong, and Avison Young included material uncertainty clauses as a result of the COVID-19 pandemic. The material uncertainty clause is no longer included as there is sufficient evidence of market transactions not to require its inclusion.

FLS is satisfied that the values reflected in the financial statements are 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 an annual 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, and is revalued annually by the VOA. Where appropriate, management ensures that external professional valuations are obtained where active markets operate.

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

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

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 2022. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2022.

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

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

Dwellings and other Buildings

Other Buildings primarily 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.

Revenue from wind and hydro schemes

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

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

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

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	2021/2022 £000	2020/2021 £000
Hire of plant and equipment		299	194
Auditors' remuneration – audit work		103	100
Auditors' remuneration – non audit work		-	-
Depreciation of property, plant and equipment	7	4,180	3,959
Operating lease rentals:			
Land and buildings	18	1,922	1,926
Plant & machinery	18	48	58
Provisions:			
Provided in year	19	180	2,350
Provisions not required written back	19	(331)	(3,017)
Provisions utilised in year	19	(2,122)	(539)

Expenditure includes staff costs, which amounted to £45.000 m for 2021/22 (2020/21 – £42.409 m). A full analysis of these costs is 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 Team in order to evaluate the financial performance of the entity.

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

4(a) Contract Revenue

	2021/2022		2020/2021	
	£000	£000	£000	£000
Segment Revenue	Timber	Venison	Timber	Venison
Major goods/services				
Sale of goods	93,036	1,230	84,866	713
Contract Duration				
Transactional contracts	197		173	-
Short term contracts	39,309		34,062	-
Long term contracts	53,530	1,230	50,631	713
	93,036	1,230	84,866	713
Contract pricing				
Fixed price	66,156	1,230	66,153	713
Variable price	26,880		18,713	-
	93,036	1,230	84,866	713
Timing of revenue recognition				
Goods transferred at a point in time	93,036	1,230	84,866	713
Services transferred over time			-	-
	93,036	1,230	84,866	713
Reconciliation to SOCNE				
<i>Sales of timber</i>				
Compensation	2,107		162	
Other sales	325		55	
	2,432		217	
Sales of Timber	95,468		85,083	
<i>Forest protection and maintenance</i>				
Forest Planning	36		-	
Deer Management (Ex Venison)	50		122	
Restocking	22		236	
Other Forest Maintenance	19		(39)	
Roads upgrade	(35)		4	
Roads maintenance etc	32		82	
	124		405	
Forest protection and maintenance	1,354		1,118	

4(b) Contract Balances

	2021/2022		2020/2021	
	£000	£000	£000	£000
	Timber	Venison	Timber	Venison
Receivables	9,419	152	9,479	228

4(c) Performance Obligations

Timber

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

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

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

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

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

Venison

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

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

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

Venison

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

Note 5: Segmental Reporting

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

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

The results of each operational unit include the direct salaries and administration costs of the unit which are allocated to each of the principal activities using pre-determined percentages set at the start of each financial year. In addition, the units include the salaries and administration costs of the central service functions using agreed percentages and applied at the end of each financial year. The application of central services costs at the end of the year ensures budget responsibility for the management of central services costs lies with the appropriate managers throughout the year.

Currently a Directorate restructure is being consulted on within FLS. This is expected to be completed and implemented in the latter part of the 2022/23 financial year at which point segmental analysis will be reviewed.

Note 6: Gain on Sale of Properties, Plant and Equipment

	2021/2022 £000	2020/2021 £000
Sales proceeds	4,459	6,751
Book value	(2,759)	(3,527)
Gain	1,700	3,224
Disposal costs:		
External costs	(544)	(596)
	(544)	(596)
Gain on sale of assets	1,156	2,628

Note 7: Property, Plant and Equipment

2021/2022	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
Valuation :							
At 1 April 2021	1,320,056	421,875	51,346	26,609	398	737	1,821,021
Additions	1,696	5,697	883	1,539	90	1,053	10,958
Transfers	-	-	1,447	-	-	(1,447)	-
Transfers to NCAHFS	(508)	(46)	(2,930)	-	-	-	(3,484)
Disposals	(224)	(133)	(1,041)	(2,574)	-	-	(3,972)
Write-off/impairment	-	-	-	(7)	-	-	(7)
Revaluations	226,821	52,467	3,804	-	-	-	283,092
At 31 March 2022	1,547,841	479,860	53,509	25,567	488	343	2,107,608
Depreciation:							
At 1 April 2021	-	-	20,443	12,245	266	-	32,954
Provided during year	-	-	1,291	2,856	33	-	4,180
Transfers to NCAHFS	-	-	(897)	-	-	-	(897)
Disposals	-	-	(816)	(1,883)	-	-	(2,699)
Revaluations	-	-	1,663	-	-	-	1,663
At 31 March 2022	-	-	21,684	13,218	299	-	35,201
Net Book Value :							
At 1 April 2021	1,320,056	421,875	30,903	14,364	132	737	1,788,067
At 31 March 2022	1,547,841	479,860	31,825	12,349	189	343	2,072,407
Asset Financing							
Owned	1,547,841	479,860	31,825	12,282	189	343	2,072,340
Finance leased	-	-	-	67	-	-	67
At 31 March 2022	1,547,841	479,860	31,825	12,349	189	343	2,072,407

2021	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
Valuation :							
At 1 April 2020	1,086,018	339,894	51,327	24,098	389	443	1,502,169
Additions	4,808	207	83	3,835	45	978	9,956
Transfers	-	-	571	-	-	(571)	-
Transfers to NCAHFS	(151)	(4)	(515)	-	-	-	(670)
Disposals	(88)	(62)	(538)	(1,324)	(36)	-	(2,048)
Write-off/impairment	-	-	-	-	-	(113)	(113)
Revaluations	229,469	81,840	418	-	-	-	311,727
At 31 March 2021	1,320,056	421,875	51,346	26,609	398	737	1,821,021
Depreciation:							
At 1 April 2020	-	-	19,462	10,652	262	-	30,376
Provided during year	-	-	1,262	2,660	37	-	3,959
Transfers to NCAHFS	-	-	(198)	-	-	-	(198)
Disposals	-	-	(393)	(1,067)	(33)	-	(1,493)
Revaluations	-	-	310	-	-	-	310
At 31 March 2021	-	-	20,443	12,245	266	-	32,954
Net Book Value:							
At 1 April 2020	1,086,018	339,894	31,865	13,446	127	443	1,471,793
At 31 March 2021	1,320,056	421,875	30,903	14,364	132	737	1,788,067
Asset Financing							
Owned	1,320,056	421,875	30,903	14,297	132	737	1,788,000
Finance leased	-	-	-	67	-	-	67
At 31 March 2021:	1,320,056	421,875	30,903	14,364	132	737	1,788,067

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 2022.

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

Revaluations are carried out annually.

Other Land-Related Assets

Professional valuations of other land-related assets such as windfarms, hydro schemes, leased mineral sites and telecoms masts were also undertaken as at 31 March 2022. 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.

Depreciation

Depreciation expense of £4.180 m (2020-21 - £3.959 m) has been charged in the Statement of Comprehensive Net Expenditure.

Note 8: Biological Assets

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

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

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

The carrying value of total Biological Assets at 31 March 2022 was £2,826 m (2020-21 - £2,314 m).

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

	2021/2022 £000	2020/2021 £000
Trees		
At 1 April	2,311,278	1,960,217
Disposals	(234)	(49)
Fellings	(70,178)	(61,718)
Transferred to NCAHFS	(1,223)	(416)
Gains and losses arising from changes in fair values	583,817	413,244
At 31 March	2,823,460	2,311,278
Plant & Seed		
At 1 April	2,399	1,862
Movement in year	(245)	537
At 31 March	2,154	2,399
Biological Assets at 31 March	2,825,614	2,313,677
Biological assets transferred to NCAHFS and revalued down	(55)	(39)

Note 9: Investment in Joint Ventures

Until 28 February 2022, FLS accounted for its interest in Camping in The Forest (CiTF) as an available for sale asset as it had no significant influence over the activities of CiTF as disclosed in note 10 below. On 28 February 2022, FLS, together with Forestry England, took joint control of the net assets of CiTF, and the investment in CiTF is being included in the financial statements using the equity method at 31 March 2022.

Investment in joint venture	£000
At 1 April 2021	1,090
Additional investment	1,958
At 31 March 2022	3,048

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

As at 28 February	£000
Non-current assets	8,677
Current assets	2,863
Current liabilities	(2,204)
Non-current liabilities	(1,500)
Net assets (100%)	7,836
FLS share of net assets (24.8%)	1,943
Included in the above amounts are:	
Cash and cash equivalents	2,797
Current financial liabilities (excluding trade payables)	1,528

Note 10: Financial Assets

Financial Instruments	Non Current Assets		Current Assets	Total £000
	Forest Holidays £000	Camping in the Forest £000	Purchase Options £000	
At 1 April 2020				
Opening balance	1,685	933	-	2,618
Additions	38	-	-	38
Revaluation	52	157	-	209
At 1 April 2021	1,775	1,090	-	2,865
Additions	-	-	75	75
Transfer to investments in joint ventures	-	(1,090)	-	(1,090)
Revaluation	1,100	-	-	1,100
At 31 March 2022	2,875	-	75	2,950

The investment in Forest Holidays LLP represents FLS's share in the Limited Liability Partnership between the Forestry 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 (LLPs). The two new LLPs are the Camping in the Forest (CITF) LLP and Forest Holidays LLP. The majority investor in Forest Holidays is Phoenix Equity Partners after a refinancing exercise in 2017.

The fair value of FLS's investment in Forest Holidays LLP at 31 March 2022 was £2.875 m (2020/21 – £1.775 m). The fair value was determined by Avison Young, specialist leisure consultants and chartered surveyors.

The valuation of the investment in Forest Holidays LLP 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.

The investment in Forest Holidays is accounted for in accordance with IFRS 9 and is treated as a financial asset.

Until 28 February 2022, Camping in the Forest LLP (CiTF) was a limited liability partnership between the Forestry Commissioners, the Scottish Government, Natural Resources Wales and the Camping and Caravanning Club (CCC). The combined interest of the government bodies was held within a limited liability partnership with designated members representing each public organisation. On 28 February 2022, there was a restructuring of the arrangement where FLS and Forestry England purchased CCC's interest in CiTF for which FLS paid consideration of £1.9 m. On the same day, the limited liability partnership transferred its only asset, being its interest in CiTF, to its remaining members under a member interest transfer agreement. As a result of their restructuring, the interest in CiTF at year end is accounted for as an investment in a joint venture and disclosed in note 9 above.

The option represents an option to acquire land at an agreed price. Should the acquisition proceed the purchase price of the option will be deducted from the purchase price of the land. If the acquisition does not proceed the purchase price of the option is not refundable and will be charged to the SoCNE upon expiry of the option period.

Note 11: Financial Instruments

11(a) Investments in non-public sector bodies

	2021/2022 £000	2020/2021 £000
At 1 April	2,865	2,618
Additions	75	38
Transfer to investment in associates	(1,090)	-
Revaluation	1,100	209
Balance at 31 March	2,950	2,865
Represented by:		
FVTPL investments	2,875	2,865
Options	75	-
Total	2,950	2,865

11(b) Financial instruments by category

	Loans and receivables £000	Financial assets at FVTPL £000	2021-22 Total £000	Loans and receivables £000	Financial assets at FVTPL £000	2020-21 Total £000
Assets						
Financial assets at fair value through profit or loss	-	2,875	2,875	-	2,865	2,865
Options		75	75	-	-	-
Trade and other receivables	17,557	-	17,557	16,072	-	16,072
Cash and cash equivalents	115,114	-	115,114	84,764	-	84,764
Total	132,671	2,950	135,621	100,836	2,865	103,701

	Liabilities at FVTPL £000	Other financial liabilities £000	2021-22 Total £000	Liabilities at FVTPL £000	Other financial liabilities £000	2020-21 Total £000
Liabilities						
Finance lease liabilities	-	66	66	-	67	67
Trade and other payables excluding statutory liabilities	-	11,030	11,030	-	11,386	11,386
Total	-	11,096	11,096	-	11,453	11,453

11(c) Exposure to risk

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

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

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

Credit risk

Credit risks arise from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and parameters set by FLS.

Refer to Note 14 for further analysis of credit risk.

Liquidity risk

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

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

The tables below analyse the financial liabilities into relevant maturity groupings based on the remaining period at 31 March 2022 to contractual maturity date.

The amounts disclosed in the tables are the contractual undiscounted cash flows as the impact of discounting is not significant.

Market risk

The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the Agency in undertaking its activities. However, under the Public Services Reform (Scotland) Act 2010 FLS may form or participate in the forming of, a body corporate, invest in a body corporate, provide loans, establish charitable trusts and act or appoint a person to act, as an officer of a body corporate or as a trustee of a charitable trust. To date this power has not been exercised.

i) Cash flow and fair value interest rate risk

FLS has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of market interest rates.

ii) Foreign Currency Risk

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

2021/2022	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000
Finance lease liabilities	26	41	-
Trade and other payables excluding statutory liabilities	11,030	-	-
Total	11,056	41	-

2020/2021	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000
Finance lease liabilities	30	37	-
Trade and other payables excluding statutory liabilities	11,386	-	-
Total	11,416	37	-

11(d) Capital risk management

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

11(e) Fair value estimation

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

Note 12: Non-Current Assets Held for Sale

The following assets related to surplus properties have been presented as held for sale following the approval for sale by the management of FLS. The completion dates for sale are expected to be within the 12 months to 31 March 2023.

*Biological assets revaluation loss of £0.055 m (2020/21 - loss £0.039) is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £0.142 m (2020/21 - £0.025 m) is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

Losses on the revaluation of other land of £0.001 m (2020/21 - £nil) 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
At 1 April 2020		2,722	334	13	3,069
Transfers from PPE & Biological Assets	7, 8	567	4	317	888
Disposals		(2,722)	(335)	(12)	(3,069)
Impairments*		(52)	-	(25)	(77)
At 31 March 2021		515	3	293	811
Transfers from PPE & Biological Assets	7, 8	1,731	46	2,033	3,810
Disposals		(703)	(27)	(525)	(1,255)
Impairments*		(85)	(1)	(382)	(468)
At 31 March 2022		1,458	21	1,419	2,898

Note 13: Inventories

	2021/2022 £000	2020/2021 £000
Timber - Work in progress	6,303	4,874
Timber - Felled stock	9,368	7,127
Consumable materials, supplies and livestock	691	649
	16,362	12,650

Note 14: Trade And Other Receivables

14(a) Analysis by type

	2021/2022 £000	2020/2021 £000
Current		
Trade receivables	14,223	12,711
Less provision for impairment of trade receivables	-	-
Trade receivables - net	14,223	12,711
Other receivables	120	936
Partnership lease	84	84
House purchase loans to employees	2	1
Prepayments and accrued income	15,161	11,581
Total current receivables	29,590	25,313
Non current		
Partnership lease	3,116	2,337
House purchase loans to employees	12	3
Total non-current receivables	3,128	2,340
Total receivables	32,718	27,653

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more relating to 2 members of staff at 31 March 2022 (2020-21 – 1 staff member).

The total outstanding value of all loans was £0.014m (2020-21 – £0.004 m). 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 2022, trade receivables of £11.692 m (2020-21 – £9.612 m) were fully performing and not past due or impaired or provided for.

As of 31 March 2022, trade receivables of £2.531 m (2020-21 – £3.099 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:

	2021/2022 £000	2020/2021 £000
Less than one month	11,692	9,612
One to two months	1,468	1,892
More than two months	1,063	1,207
	14,223	12,711

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

	£000
At 1 April 2020	337
Provisions utilised	(337)
At 31 March 2021	-
New provisions	-
Provisions utilised	-
At 31 March 2022	-

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

The carrying amounts above are all denominated in GBP Sterling.

14(b) Intra-Government Receivables Balances

	Current 2021/2022 £000	Non current 2021/2022 £000	Current 2020/2021 £000	Non current 2020/2021 £000
Balances with other central government bodies	132	-	907	-
Balances with local authorities	-	-	-	-
Balances with public corporations and trading funds	234	-	31	-
Intra-government balances	366	-	938	-
Balances with bodies external to government	29,224	3,128	24,375	2,340
Total trade and other receivables	29,590	3,128	25,313	2,340

Note 15: Lease Receivables

FLS leases land and buildings under agreements that terminate between April 2022 and February 2114.

15(a) Operating leases

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

	2021/2022 £000	2020/2021 £000
Not later than one year	9,132	8,153
Later than one year and not later than five years	38,193	34,676
More than five years	138,964	136,540
	186,289	179,369

15(b) Finance leases: (Forest Holidays buildings)

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

	2021/2022 £000	2020/2021 £000
Less than one year	91	85
Later than one year and not later than five years	365	340
More than five years	5,929	5,519
	6,385	5,944
Less: interest element	(3,185)	(3,523)
Present value of receivables	3,200	2,421

Note 16: Cash and Cash Equivalents

	2021/2022 £000	2020/2021 £000
At 1 April	84,764	62,098
Net change in cash and cash equivalent balances	30,350	22,666
Balance at 31 March	115,114	84,764

The following balances were held at:	2021/2022 £000	2020/2021 £000
Balance with the Government Banking Service	115,114	84,764
	115,114	84,764

All balances held are denominated in GBP Sterling.

Cash balances that transfer as reserves are as follows:

Restricted with a specific purpose – £47.4 m (2021: £28 m). These funds include those relating to land sales and reinvestment programmes.

Earmarked for investment in 2022-23 and beyond – £53.5 m (2021: £38 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 – £13 m (2021: £10.8 m). The level of liquidity reserves has been aligned to roughly three times the monthly salary bill of FLS. The reserve is held to ensure that the risks can be managed in a timely and effective manner and is under continuous review.

Note 17: Trade and Other Payables

17(a) Analysis by type

	2021/2022 £000	2020/2021 £000
Current		
Trade payables	4,644	4,814
Other payables	48	26
Taxation and social security costs	341	173
Accruals and deferred income	29,172	13,695
Current part of finance leases	26	30
Total current payables	34,231	18,738
Non current		
Accruals and deferred income	1,125	1,750
Finance Leases	40	37
Total non-current payables	1,165	1,787
Total payables	35,396	20,525

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

17(b) Intra-Government Balances

	Current 2021/ 2022 £000	Non current 2021/ 2022 £000	Current 2020/ 2021 £000	Non current 2020/ 2021 £000
Balances with other central government bodies	439	-	225	-
Balances with local authorities	177	-	5	-
Balances with public corporations and trading funds	184	-	553	-
Intra-government balances	800	-	783	-
Balances with bodies external to government	33,431	1,165	17,955	1,787
Total trade and other payables	34,231	1,165	18,738	1,787

Note 18: Commitments Under Leases

18(a) Operating leases

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

	2021/2022 £000	2020/2021 £000
Buildings		
Not later than one year	1,786	1,808
Later than one year and not later than five years	954	1,196
More than five years	57	227
	2,797	3,231

	2021/2022 £000	2020/2021 £000
Land		
Not later than one year	136	118
Later than one year and not later than five years	469	421
More than five years	3,782	3,733
	4,387	4,272

	2021/2022 £000	2020/2021 £000
Plant and Machinery		
Not later than one year	48	58
Later than one year and not later than five years	50	27
More than five years	-	-
	98	85

18(b) Finance leases

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

	2021/2022 £000	2020/2021 £000
Plant and Machinery		
Not later than one year	26	30
Later than one year and not later than five years	41	37
More than five years	-	-
	67	67
Less: interest element	(1)	(1)
Present value of obligations	66	66

Note 19: Provisions for Liabilities and Charges

	Early Departure Costs £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
At 1 April 2020	15	74	2,967	10,078	13,134
Provided in year	-	-	-	2,350	2,350
Provisions not required written back	-	(65)	(523)	(2,429)	(3,017)
Utilised in year	(15)	(3)	(474)	(47)	(539)
At 1 April 2021	-	6	1,970	9,952	11,928
Provided in year	-	-	-	180	180
Provisions not required written back	-	-	-	(331)	(331)
Utilised in year	-	(3)	-	(2,119)	(2,122)
At 31 March 2022	-	3	1,970	7,682	9,655

Analysis of expected timing of discounted cash flows for balance at 31 March 2022:

	Early Departure Costs £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
Within one year	-	3	1,970	7,682	9,655
	-	3	1,970	7,682	9,655

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.

All early departure costs were settled by 31 March 2021.

Injury benefit costs

Provision has been made to reflect the cost of injury related benefits payable.

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 2023. The provision is based on a professional survey and valuation of the works required, the valuation was carried out in 2017.

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; there were no such contingent liabilities at 31 March 2022. 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 20: Capital Commitments

	2021/2022 £000	2020/2021 £000
Property, plant and equipment	3,278	273

At the 31 March 2022 amounts contracted for but not provided in the accounts amounted to £3.278 m (2020-21 £0.273m).

Note 21: Other Financial Commitments

There were no other financial commitments as at 31 March 2022 (2020-21– £nil).

Note 22: Related Party Transactions

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

Transactions for timber and sales

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

- Simon Hodgson, Chief Executive of FLS, is the Chair of Forest Industry Safety Accord (FISA). He also represents Scottish Ministers in his capacity as a member of Camping in the Forest LLP and Forest Holidays LLP.
- Lisa Tennant, a Non Executive Advisor, is contracted for business support to East Ayrshire Council.
- Trefor Owen is a member of the Institute of the Chartered Foresters Professional and Educational Committee and a Steering Group Member of the Forest Industry Safety Accord.

22(a) Sales & Purchases of goods and services

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

	2021/2022 £000	2020/2021 £000
Forest Industry Safety Accord (FISA)	16	14
Forest Holiday LLP	15	4
Camping in the Forest LLP	15	-
East Ayrshire Council	3	3
Institute of Chartered Foresters	11	1
	60	22

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

	2021/2022 £000	Restated 2020/2021 £000
Forest Holidays LLP	206	314
Camping in the Forest LLP	121	93
	327	407

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

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

	2021/2022 £000	2020/2021 £000
Forest Holidays LLP	104	102
Camping in the Forest LLP	74	47
	178	149

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

	2021/2022 £000	2020/2021 £000
East Ayrshire Council	-	3
	-	3

22(c) Key management compensation

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

22(d) Loans to related parties

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

Note 23: Third Party Assets

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

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

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

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

	Opening Balance £000	Gross Inflows £000	Gross Outflows £000	2021/22 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 Hydro	10	-	-	10
Schoolhouse Burn Hydro	10	-	-	10
Feorline Burn Hydro	13	-	-	13
Barr River Hydro	-	50	-	50
Duror 2 Hydro	-	75	-	75
Allt Na Sidhean	-	50	-	50
Hydro Ludens Holdings Limited	-	75	-	75
Total	618	250	(50)	818

Note 24: Events after the balance sheet date

In accordance with the requirements of IAS 10, events after 31 March 2022 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer.

On 27 April 2022, Forestry and Land Scotland disposed of its minority interest in Forest Holidays to Sykes Holiday Cottages for £3.5 m. In line with IAS 10, no adjustment to these accounts is required for this transaction.

Forestry and Land Scotland

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 hereby give the following direction.
2. The statement of accounts for the financial period ended 31 March 2021, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (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 19/05/2021

SG/2020/210



Forestry and
Land Scotland
Coilltearachd agus
Fearann Alba

If you are a British Sign Language (BSL) user, you can contact us via the national BSL video relay service Contact Scotland-BSL. For more information, please visit [Contact Scotland-BSL](#).

If you need this publication in an alternative format please contact enquiries@forestryandland.gov.scot

Published by – Forestry and Land Scotland – October 2022
© Crown Copyright 2022

All photography from Forestry and Land Scotland picture library unless otherwise stated.
Designed in-house by Forestry and Land Scotland.

FLS-PDF-OCT2022
SG/2022/160