



## Forestry and Land Scotland (FLS) Strategic Advisory Board

**Date of Meeting: 19 September 2024**

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

### **Present:**

- Kevin Quinlan, Chief Executive (Chair)
- Alan Hampson (Director of Policy and Practice)
- David Leven (Director of Commercial Development)
- Graeme Hutton (Director of Business Services)
- Graeme Prest (Director of Land Management and Regions)
- Douglas Knox (Head of Technical Services)
- Jo Ellis (Head of Planning and Environment)
- Clea Warner (Non-Executive Advisor)
- Jo O'Hara (Non-Executive Advisor)
- Lyndon Jones (Non-Executive Advisor)
- Therese O'Donnell (Non-Executive Advisor)

### **Others:**

- Jason Hubert (Head of Forest Sector Development, Scottish Forestry)
- Alan Hampson (Director of Policy and Practice, Scottish Forestry)
- Helen McKay (Chief Forester for Scotland, Scottish Forestry)
- Kate Moffat (Senior Internal Audit Manager)

### **Apologies:**

- Michael Hymers (Director of Corporate Services)
- Mark Pountain (Non-Executive Advisor)

### **1. Welcome and Introductions**

Kevin Quinlan welcomed everyone to the meeting and outlined the focus of the meeting which was on Strategic Futures. Kevin framed the session in the context of the FLS corporate plan being due for review and that it would be published in spring 2025.

Kevin stated that the wider transformation programme over the next 3 years will seek to ensure FLS is financially sustainable and ensures that it is fully funded through commercial activities and much clearly defined public outcomes with ringfenced funded attached from government and partners. The purpose of this session of the strategic Advisory Board (SAB) was to help identify the major strategic issues which need to be considered as FLS shapes its corporate plan whilst delivering organisational best value and financial sustainability.

## 2. Strategic Challenges Facing FLS

Jo Ellis led a discussion on an analysis of issues that has been circulated in the paper for this meeting. She stated that FLS have the subject matter expertise to deal with many of the challenges however it was the challenges that need broader insight and strategic thinking that the SAB were asked to use their expertise to assist FLS today.

A 'gallery walk' occurred which allowed all present to review each others' PESTLE table suggestions that had been shared in advance of the meeting. This provided an opportunity to provide additional insights with a focus on the following statements:

- a) FLS needs a sustainable and skilled supplier base for forestry operations, otherwise it cannot deliver anything. *What can FLS (and the sector) do to address this lack of capacity?*
- b) FLS needs to position itself to navigate shifting political priorities (globally and in Scotland). *How is the landscape changing and what are the threats and opportunities this brings?*
- c) FLS needs to develop commercial models for funding woodland creation and habitat management. *How can we do this?*

Attendees highlighted their top three opportunities and threats which they considered vital to the success of FLS as an organisation and which should be carried forward for discussion into this and the subsequent SAB meetings.

### A. Sustainable and Skilled Supplier Base

The SAB noted that that a supply of sustainable and skilled workers is a cross-sector issue, and that the forestry industry as a whole are looking towards apprenticeship schemes. Within FLS 'growing our own' has seen success and ideally FLS would like to see apprentices promoted into the organisation but currently that there is considerable loss of apprentices to the private sector. The SAB agreed that FLS should aim for a return on investment in apprenticeships by offering permanent positions at end of the apprenticeship term.

**AP 7/24: FLS to consider what contribution is most appropriate in its role as a national organisation that has a major dependency on access to a larger and more resilient skills base in Scotland. Also consider how FLS and SF can stimulate the wider sector to engage and support skills capacity building with reference to apprentices.**

FLS has identified the shortage in machine operators and timber transport as a specific challenge to be addressed by focussing on these roles and ensuring training is in place.

SAB also noted that there may be benefit to FLS if staff are made available to provide input on higher education courses (for example, as guest lecturers) as FLS may have very specific expertise in certain areas.

In England there is a successful graduate training scheme underpinned by levy money (money spent within sector retained within sector) whereas this does not happen in Scotland.

**AP 8/24: Helen McKay, Jason Hubert and David Leven to discuss with Skills Development Scotland and look at whether levy funding / budget relief is available for apprenticeships and how ICF might assist as a verifying body similar to their role in England.**

### **B. Political priorities –**

The SAB noted that there is some uncertainty regarding Net Zero and that political views on this may be changing and the hard reality is that nature is being deprioritised; FLS may receive reduced resources from the Scottish Government whilst increased demands are made. SAB also noted that **political instability** is likely over the next 3-4 years and that FLS will need to navigate this whilst recognising a more influential Labour party seeks to reset cross-border relationships and with Europe including a keenness for alignment with the continent which would have implications re EU Nature Restoration policy. Thinking about implications for FLS of potential different ‘colours’ of governments in Scotland and who the influencers are for each party will be important.

SAB recognised that FLS needs to have the confidence to set out its **direction of travel in the interests of sustainable forest management on public land**. SAB recognised that a great deal of energy and resources are required to engage in the political scene, however a considerable amount may be learned from Forestry England – and their investigations into alternative and more effective uses of wood.

**Political priorities in England and Scotland around housing** could be helpful re stimulating demand for wood but this would be a slow burn over a couple of years for FLS. However, a small increase in house construction would have big impact and may create knock-on effects.

In summary regarding Scottish Government priorities on social housing it will be important for FLS to understand the land available and if there is a role for FLS to facilitate. FLS to also consider where there is a role that FLS needs to play in buying/selling land for housing.

**Energy policy** from UK and Scottish governments has notable consequences for FLS as a threat and opportunity – e.g. renewable energy and establishment of Great British Energy. Within this space there is much that is good for business with regards to windfarms, pumps, hydro storage, timber substitution, planning, among other things.

**AP 9/24: Maintain vigilance regarding political circumstances both in Scotland and the United Kingdom, engage with influencers and consider doing so jointly with Forestry England on cross border matters.**

**AP 10/24: Consider if FLS can assist the government's housing agenda and whether to proactively position the organisation on this.**

### **C. Commercial models and partnerships with contractors/charities/investors –**

The SAB recognised the need to **allocate time for networking and building potential investment relationships** which is essential is FLS is to be ready to strike when opportunities arise because this area is fast paced and resource intensive.

SAB noted FLS should not be 'blinkerred' on partnerships and take a broad view on what investment funding could be accessed whilst being clear about **principles and tolerances for dealing with private companies and individuals who would like to invest** i.e. work with good economic, social and governance (ESG) investment principles in mind to guard against reputational damage to FLS. FLS should seek to learn from others EUSTAFOR members about how these established ethical investment partnerships and the impact of 'green hushing' on this market. There is also a possibility to do partnerships at a local level e.g. Boeing at RAF Lossiemouth might be interested in skills partnerships associated with machinery at the new FLS glasshouse at Newton.

There is a need for FLS to **be proactive to understand what investors can offer and present FLS accordingly** e.g. developing a narrative that FLS is not simply 'bank rolled' by government but rather we are self-funding and are the largest land manager in Scotland with opportunities to get stuff done at scale and add value. Part of the narrative should also be that that our USP for attracting investment is the long-term thinking and management that we practice i.e. we are safe hands and here for the long term. The European project SUPERB is looking at monetising forest management improvements and selling these to investors so there is a lead to follow up here.

SAB also noted the potential to secure 'budget relief' through investment partnerships e.g. companies sponsoring car parks and trails on a multi-year basis like a ten-year time horizon.

Such approaches to ‘budget relief’ could yield extra funds e.g. for tree planting and environmental involvement and badged by investors as contributions to saving the planet so creating stories may be useful to drive this. Generating new narratives to sell investment in visitor experience and engagement with outdoors could also generate budget relief.

**AP 11/24: Consider new perspectives and ways to shift to preferential narratives on current FLS operations, and how investment frameworks can be developed to approach investors and create partnerships or generate budget relief.**

**AP 12/24: Investigate which areas of operational activity FLS is currently undertaking that could be candidates for investment that creates ‘budget relief’**

**AP 13/24: Assess feasibility of partnerships (where/why/how) with publicly prominent companies and learn from other to develop framework(s) for investment and assurance.**

**Date of Next Meeting: 27<sup>th</sup> November 2024**

Annex 1 – Gallery notes

	Political	Environmental	Social	Technical	Legal	Economic
Commercial models: We need to develop commercial models for funding woodland creation and habitat management. How can we do this?	Opportunities	Cashflow models that allow more investment in early years. (Tagged with Paper no 8 – Taskforce on Nature)	Gainshare / Painsshare. Longer-Term Contracts. Risk (high cost of machinery) and opportunity (volume bonus) currently all sit with the contractor.	Blending natural models with targeted management (using long term cost reduction to outweigh sales = bottom line)		Partnerships with commercial sector. Possibility of larger contracts leading to lower overall costs.
		For habitat management - develop market for wider range of species. Dimensions, quality to enable more active or ambitious habitat management. This could be for renewable aviation fuels (the process seems to be agnostic to species) or by creating market pull (e.g. by promotion of the FSC Ecosystem Services Impact Verification) for diverse species where there is no real reason for the current focus on SS.	Some industry sectors grants (some of a partnership with the contractor, aligned with the contractor's business plan) - to allow longer term contracts to be let, removing uncertainty but also allowing risk to be shared (reducing contract cost).	Higher prices for long-lived materials with low embedded carbon.	Map out accelerator patches nationally (where can you use local/regional/national plans)	
		Carbon sequestration - partnerships long term	Monetisation of visitors to reduce the draw on central FLS funds	Renewables focus on energy storage and distribution.		The work on powerlines and the compensatory planting needed would be a good place to start.
		Investors in ecosystem services looking for carbon +		Any scope for selling expertise?		Similarly FLS could develop a carbon market approach with a full end to end service.
		Ability to offer high quality of sets if English market opens up.				Philanthropy/fundraising and comms - both grants (say HLF) and private donations must have people and places at the heart of them - long term. EG NHLF Landscape Connections fund.

	Political	Environmental	Social	Technical	Legal	Economic
Commercial models: We need to develop commercial models for funding woodland creation and habitat management. How can we do this?	Threats/risks	Restrictive SG Commercial rules. Public sector rules restrict commercial innovation.	The 'drive' for carbon offsets reduces. With financial constraints looming large in the public sector the private sector also loses momentum in gaining offsets.	May not be achievable within the 3 years of the corporate plan		Can FLS do compensatory planting or carbon market development competitively compared to established private sector companies? What would be the FLS USP if not?
		There is a risk with working with a private company of reputational damage. FLS could be seen as assisting 'Green Lords' or supporting a company that it turns out isn't very acceptable publicly.	Investors in ecosystem services (commercial and philanthropic) focusing on global south, continued undermining of certification schemes, offsets and wood as sustainable product	Will take significant effort		
		Land reform - how will that influence how FLS can use its land	Loss of confidence in forestry due to risk of 'natural' catastrophes globally			Strong steering
		Being seen as part of the Government establishment (and therefore funded)				

	Political	Environmental	Social	Technical	Legal	Economic
Sustainable Supplier Base: FLS needs a sustainable and skilled supplier base for forestry operations otherwise it cannot deliver anything. What can FLS (and the sector do) to address this lack of capacity?	Opportunities	Exploit the Climate Change Agenda. Actively communicate to ensure that forestry is seen not just as timber production but also biodiversity and climate beneficial.	Improved Worker Conditions. (Tagged with Paper no 11 - New technologies improve worker health and safety).	Improve retention. Work with regulator to reduce paperwork burden (eg. 2 yrs to approve a management plan)		Work on a more local approach to procurement to give smaller companies confidence to invest in training.
			Social Media / Influencers. Coordinated (ICF) paper 'Can't see the skills for the trees - critical shortages in forestry workforce skills put climate targets at risk' at link, and others campaign to generate awareness and opportunities available in forestry.	Over the last 3 years there has been an increase in the general interest in forestry (so lots for applicants for jobs) but only limited success in getting people on appropriate training/education. So: - Continue to support improvements at Scottish School of Forestry and SRUC. - Continue to support the Technical Training Hub - Develop in-house machine operators' course - Progress careers events - perhaps more targeted at rural areas - Be clear why people are leaving and consider if causes can be addressed - Agreements to host employees from other state forestry organisations		How is/ can FLS explore and use new technologies/AI and set it up for future?
		Partnerships with private sector companies - this is not something just impacting FLS	Be seen as the expert organisation nationally - helping set standards and being a trusted supplier.	The private sector is very aware of the skills shortage issue and through Confor has set up the technical training hub engage and support that approach.		
		Increase status of professionalisation of more manual roles - tree planting, ICF technical, re-training / mid-career workforce.		Technology (drones to airships):		

	Political	Environmental	Social	Technical	Legal	Economic
Sustainable Supplier Base: FLS needs a sustainable and skilled supplier base for forestry operations otherwise it cannot deliver anything. What can FLS (and the sector do) to address this lack of capacity?	Threats/risks	Once trained by FLS, staff move to private sector	Private sector leave all the training to FLS	Further reduction in Forestry courses. Bangor, Inverness and Cumbria reduce capacity.	Increased regulation. Would have a negative effect on retention.	The procurement system is driving FLS towards bigger and bigger companies, that is potentially making this issue worse by not supporting small local companies.
		Continued competition for labour and lack of migrant labour to take up the slack urbanisation, low status work	Capacity (to set up/guide a new model)	May not show significant improvement within the 3 years of the corporate plan	Initiation funding	Is it lack of capacity or lack of competitiveness (i.e. others in the market place are more attractive, provide different career paths/opportunities and more competitive and aggressive in seeking out and developing talent)

	Political	Environmental	Social	Technical	Legal	Economic
Shifting political priorities: FLS needs to position itself to navigate shifting political priorities (globally and in Scotland). How is the landscape changing and what are the threats and opportunities this brings?	Opportunities	Coordinate the problem across the UK. Has devolution broken some of the links that would help. The launch of the webinars at Link, is coordinated by ICF and Forestry Commission - where is Scottish Forestry involved?	NetZero: As 2042 fast approaches, the links that forestry has with biodiversity and carbon capture may intensify funding and desire to proceed quickly.	House building in England. Dec 2023 Paper at link (Timber in Construction Roadmap) cites low house wood construction in England (9% compared to Scotland (32%). Also addresses C16 grading (vs C24). This political intervention may increase demand.	Asset Review - requirements for rural housing etc. Is there an opportunity to increase reserves through asset sales? *Also links into supplier base as without the ability for people to live in Scotland this compounds that issue.	Sustainable aviation fuel could be the next big user of wood fibre. It will need >1 m tonnes p.a. and be species agnostic. The current UK government's growth agenda is likely to maintain support for this.
		Reduced political interference in running of the estate / greater freedom to operate and innovate? Greater opportunities for partnerships beyond Scotland.	A lot of the rural developments in green energy are limited by lack of suitable housing so consider proactive discussions about use of FLS land for skilled worker housing at an appropriate scale. Because it aligns with several key priorities (net-zero, rural development, just transition), this should get significant long-term support from both SNP and Labour politicians.	Pathfinder for renewable aviation fuels, especially to ensure this is not sourcing timber with existing markets.	Threat & Opportunity: Long term domestic sawmilling based on Sitka spruce appears to be on a slow decline and struggles to compete internationally, this will only change if international transport becomes very expensive.	
		Aging population and also poor mental health - identify a small number of key sites to provide for these groups	People, Communities and places - FLS touch upon them everywhere across Scotland, this is becoming increasingly a focus for SG but funders/philanthropists			Threat & Opportunity: The government might decide that the sequestration capacity of the forests is their primary function in order to meet net zero targets, that would change silviculture and product priorities.

	Political	Environmental	Social	Technical	Legal	Economic
Shifting political priorities: FLS needs to position itself to navigate shifting political priorities (globally and in Scotland). How is the landscape changing and what are the threats and opportunities this brings?	Threats/risks	The priorities can change very quickly so useful to select the ones closest to 'no regrets' initiatives	EU laws changing (nature restoration law, deforestation law, forest monitoring law) with unclear knock-on implications.	It usually takes a lot of energy, determination and resource to establish the networks to tap into the key players in setting political priorities	Regulators becoming more dysfunctional	Reducing resource from SG. Reduction in funding which places additional pressures on FLS.
		Changing views of net-zero governmental aims in light of financial challenges/priorities. Govs think and act in short term and put longer term, more unachievable milestones on the back burner. In view of potentially not being in power. The focus will always be shorter term and what will get them elected in 4-5yr period.	Short term practicalities v longer term ambition. Budget usually dictates what will win.	Also a challenge around how SG view FLS - taken for granted that FLS will deliver rather than being a critical partner it is willing to invest in to transform and move forward.	Short-termism and dash for cash to plug deficit - distraction caused by public sector reform (direct and indirect).	Threat & Opportunity: The government might decide that the sequestration capacity of the forests is their primary function in order to meet net zero targets, that would change silviculture and product priorities.