



Forestry and
Land Scotland
Coilltearachd agus
Fearann Alba

Annual Report and Accounts 2022-2023



Scottish Government
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Forests and land
that Scotland can
be proud of



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Performance Report: Overview

This section provides 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 2022-2023.



A snapshot of our fourth year

2.7 million m³ obs
of timber brought
to the market

96
Community Groups
in recognised partnerships or agreements

2022-2025
Corporate Plan
Published

Over
1,100
people employed full time
at the end of March 2023

100%
of FOI requests
responded to on time

100% of
complaints
closed in full
at stage 2 within 20 working days

New Visitor Strategy
published

Increased our area of
high conservation value
forests and land by
1,966 ha

918 ha
of peatland
restoration
work undertaken

UKWAS Certification
Maintained

Introduction

by Simon Hodgson, FLS Chief Executive and Accountable Officer

This past year, our fourth year as an executive agency of the Scottish Government, has continued to present challenges for Forestry and Land Scotland.

Although 2022-23 saw the pandemic restrictions significantly reduce, Covid has continued to impact on the business as a result of staff absences due to illness or their provision of support and care to dependants. We have dealt with the impact of weather events caused by our changing climate, including severe flooding, record-breaking temperatures across Scotland giving rise to droughts and wildfires, and all while we continued the clean up from major storms, such as Storm Arwen.

Within our Business Plan for 2022-23 I said that it would be necessary to adopt an agile and financially sustainable approach as we responded to the impact of world events and strove to deliver on all of our commitments. As anticipated and as demonstrated within this Annual Report, taking this demanding approach has meant that we have not been able to fully meet all of those commitments. I continue to challenge our efficiency and effectiveness to address the on-going economic uncertainties and improve our performance against our targets for forthcoming years.

Despite the challenges we have faced, our capability and capacity to deliver on priority activities is evident throughout this Annual Report. That we have been able to achieve this is thanks to the remarkable efforts of our employees and of our suppliers, who have also faced obstacles caused by the pandemic and by wider economic pressures. I am hugely proud of the tremendous effort they have made and continue to make and I take this opportunity to again thank them for their continued dedication and commitment.

Our national forests and land continue to be an incredible and invaluable resource from which the people of Scotland benefit and of which they can be exceptionally proud.



Ro-ràdh

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

Tha a' bhliadhna a dh'fhalbh, an ceathramh bliadhna againn mar bhuidheann-gnìomha aig Riaghaltas na h-Alba, air a bhith dùbhlanaich do Choilltearachd agus Fearann Alba.

Ged a chaidh cuingealachaidhean a' ghalair lèir-sgaoilte a lùghdachadh gu mòr ann an 2022-23, tha Covid air leantainn air adhart a' toirt buaidh air a' ghnìomhachas mar thoradh air neo-làthaireachd luchd-obrach air sgàth tinneis no bho bhith a' toirt taic is cùram do luchd-eisimeilich. Tha sinn air dèiligeadh ris a' bhuaidh aig droch shìde mar thoradh air atharrachaidhean sa ghnàth-shìde againn, a' gabhail a-steach fìor dhroch thuiltean, teothachd nas àirde na bha e riamh air feadh na h-Alba ag adhbharachadh tart agus teintean fiadhaich, agus seo fhad 's a bha sinn fhathast a' cur rudan ceart às dèidh stoirmean mòra, leithid Stoirm Arwen.

Anns a' Phlana Gnothachais againn airson 2022-23 thuirt mi gum biodh e riatanach gabhail ri dòigh-obrach shùbailte agus seasmhach a thaobh ionmhais fhad 's a bha sinn a' dèiligeadh ri buaidh thachartasan an t-saoghail agus a' feuchainn ri ar

gealltanasan uile a libhrigeadh. Mar a bhathar an dùil, agus mar a chithear san Aithisg Bhliadhnail seo, tha a bhith a' gabhail na dòigh-obrach dùbhlanaich seo a' fàgail nach robh e comasach dhuinn na gealltanasan uile seo a choileanadh gu h-iomlan. Tha mi a' leantainn air adhart a' feuchainn ri piseach a thoirt air ar èifeachdais agus tarbhachd gus dèiligeadh ris na mì-chinntean eaconamach leantainneach agus gus ar piseach a thoirt mu choinneamh ar targaidean airson nam bliadhnaichean ri teachd.

A dh'aindeoin nan dùbhlana a bha romhainn, tha ar comas agus ar comas-libhrigidh gus na prìomh ghnìomhan againn a libhrigeadh soilleir tron Aithisg Bhliadhnail seo. Bha sinn comasach air seo a choileanadh mar thoradh air oidhirpean air leth ar luchd-obrach agus ar solaraichean, a bha cuideachd a' fulang bho bhacaidhean bhon ghalar lèir-sgaoilte

agus bho chuideaman eaconamach san fharsaingeachd. Tha mi air leth moiteil às an oidhirp iongantach a rinn iad agus a tha iad fhathast a' dèanamh agus bu toil leam an cothrom seo a ghabhail gus taing a thoirt dhaibh aon uair eile airson an cuid dealais leantainnich.

Tha ar coilltean agus fearann nàiseanta fhathast nan goireasan air leth le luach gun choimeas às a bheil muinntir na h-Alba a' faighinn buannachd agus às an urrainn dhaibh a bhith fìor mhoiteil.



Performance Overview – Statement by the Chief Executive

As set out in my introduction, 2022-23 has been another challenging year for Forestry and Land Scotland. Nevertheless, we have done well despite dealing with the continuing impact of major weather events and the cost of living crisis.

We maintained UK Woodland Assurance Standard (UKWAS) with our auditors, the Soil Association, praising the level of commitment and professionalism of our staff. We made a significant contribution to the rural economy by bringing 2.70 million m³ of timber to the market. The ongoing acquisition of land is central to the delivery of an exciting vision for woodland creation and landscape-scale habitat restoration across Scotland that will bring benefits for nature, climate and people. To this end, we purchased the Glen Prosen estate in the Angus Glens to join up FLS land in the area, which together with other neighbouring landholdings has created a 10,400 ha block of publicly owned land, much of it within the Cairngorms National Park.

The value of our biological assets has continued to grow and as part of this we increased the area of high conservation value forests and land in our care by 1,966 ha and restored 918 ha of peatland.

Major weather events have served to further sharpen our focus on climate change and the biodiversity crisis in our decision making considerations throughout the year. We successfully launched our Climate Change Plan that will be taken forward and monitored by our Climate Change Manager and a newly established organisational Climate Change Assurance group. Two of our Directorates – Land Management & Regions, and Net Zero – have worked closely with Adaptation Scotland and its public sector Capability Framework to make improvements

across our organisation. Scottish Government funding has allowed us to begin an ambitious programme to restore or conserve the rainforests that we manage, which includes employing staff who will prepare and initiate works on rhododendron clearance, Plantations on Ancient Woodland Sites (PAWS) restoration and deer management.

Over the course of the year our focus on visitor management saw improved partnership work across a broad spectrum of public bodies and third sector organisations, and with the 96 community groups that are currently in recognised partnerships or agreements. Collaborating and liaising with those communities and partners was enhanced by the 26 Seasonal Rangers, who we employed in partnership with NatureScot. Over the course of the summer season those Rangers spoke to over 22,650 visitors (helping to encourage responsible behaviour), compiled over 4,600 reports and collected over 2,100 bags of litter. Their efforts, together with those of our Forest Craftspeople, to both provide a friendly welcome to our visitors and to make a positive contribution to visitor experiences, were widely complimented at all of the destinations where the Rangers were stationed.

The work of the organisation was recognised throughout the year with the following accolades:

- finalist in the UK Smarter Working Live Awards 2023 competition.
- A82 Project felling operations featured on BBC Landward. The piece was extremely well received and did much to raise the profile of the A82 Project.

We were also delighted that Cairngorms Connect, of which FLS is a partner, featured on the BBC 'Wild Isles' online programme as a case study.

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

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

As leaders of sustainable forest management and sustainable development, FLS supports Scottish Ministers through its stewardship of these national forests and land.

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:

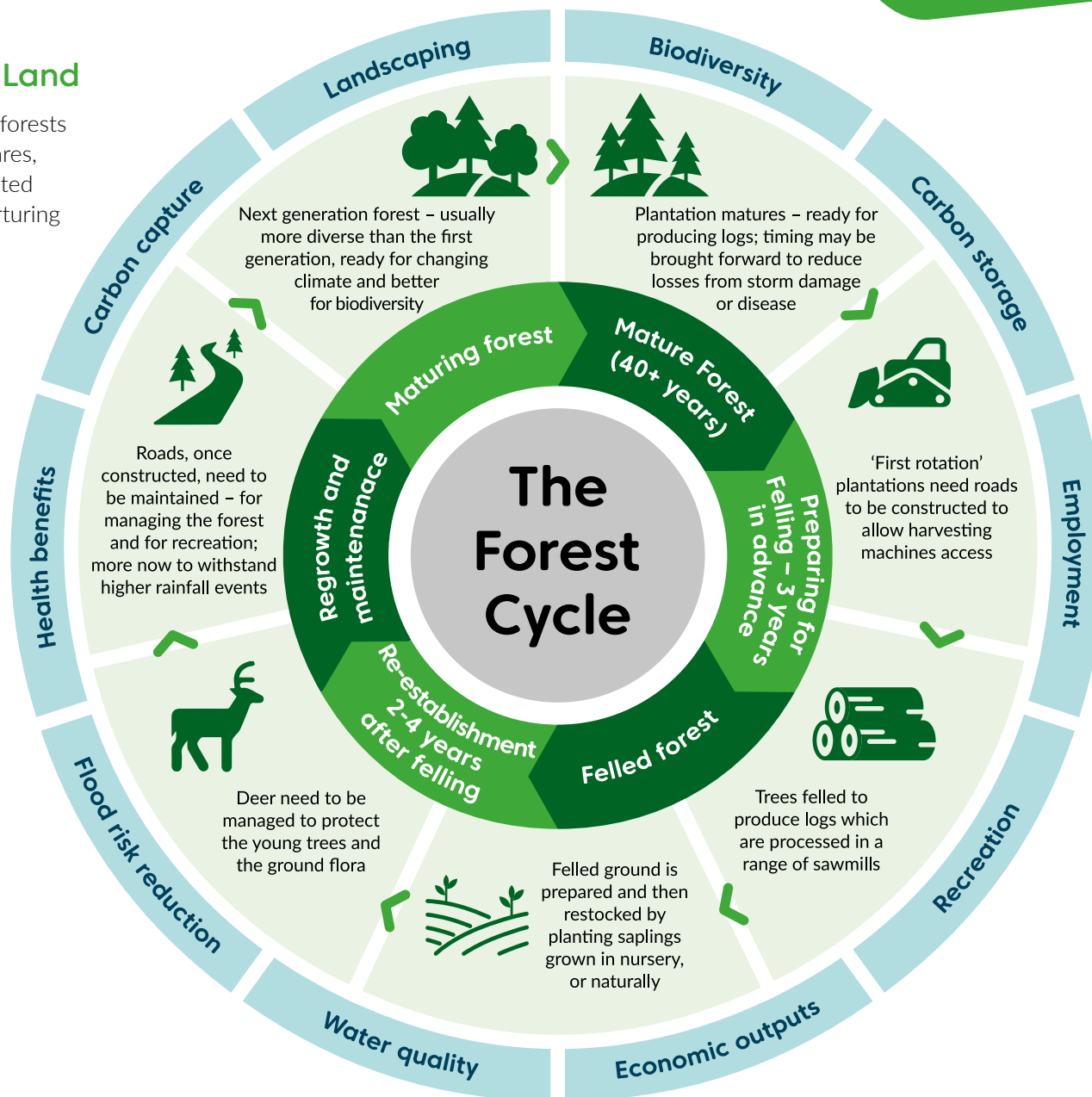
“Forests and land that Scotland can be proud of.”

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. A lot of this area is forested and we follow the 'forest cycle' from planting to nurturing to protecting to felling to planting.



Organisational Structure

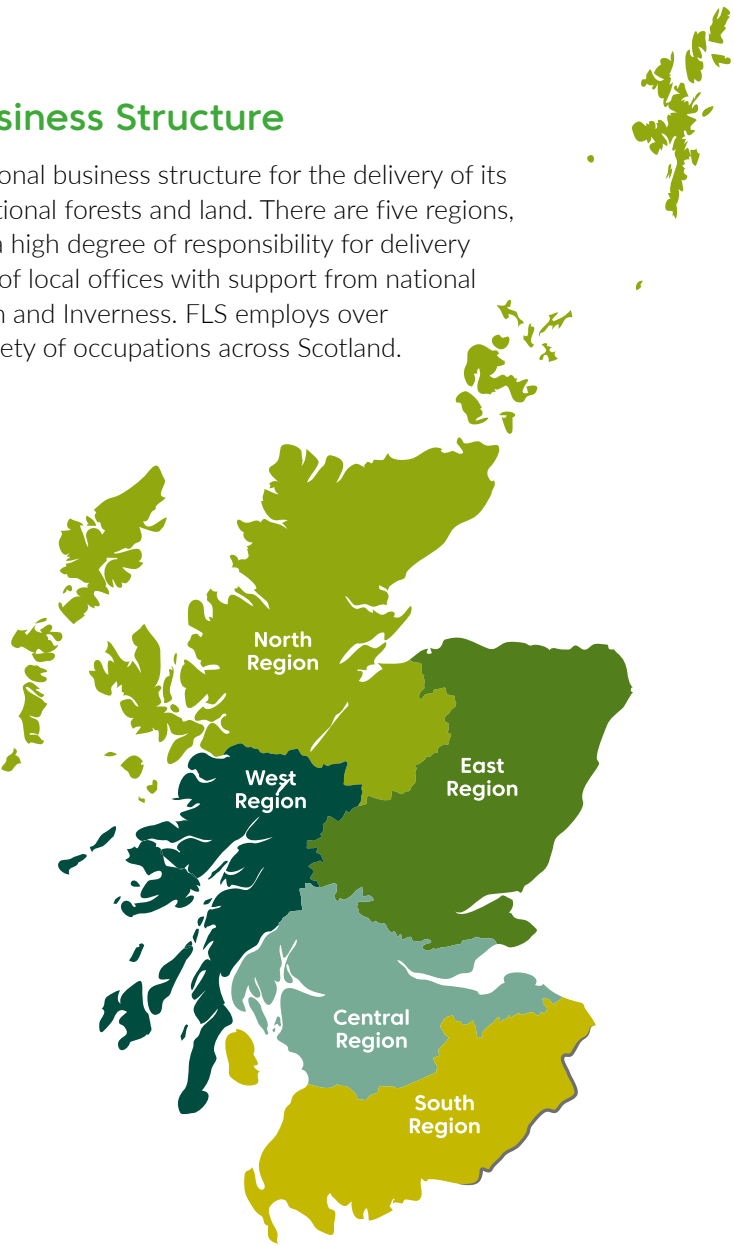
Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates and are accountable to the Scottish Parliament for FLS' functions and performance. they are accountable to the Scottish Parliament for its functions and performance. The Director General 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.

Regional Business Structure

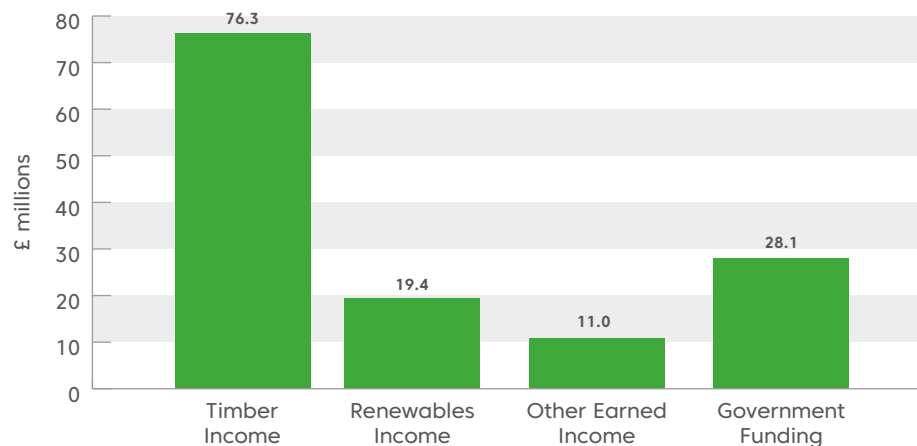
FLS operates a regional business structure for the delivery of its work across the national forests and land. There are five regions, each of which has a high degree of responsibility for delivery through a network of local offices with support from national offices in Edinburgh and Inverness. FLS employs over 1,100 staff in a variety of occupations across Scotland.



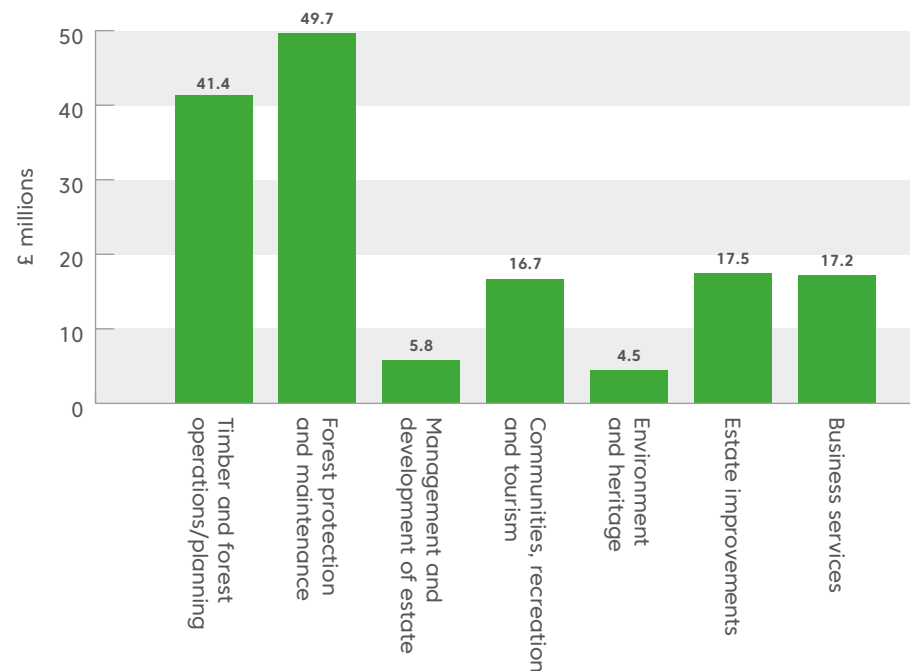
Financial Resources

We earn a large proportion of our income, **£106.8 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 received Scottish Government funding through the Annual Subsidy Limit and other funds of **£28.1 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 protect liquidity and allow for investment in the protection and enhancement of the national forests and land.

How we raised our money



How we spent our money

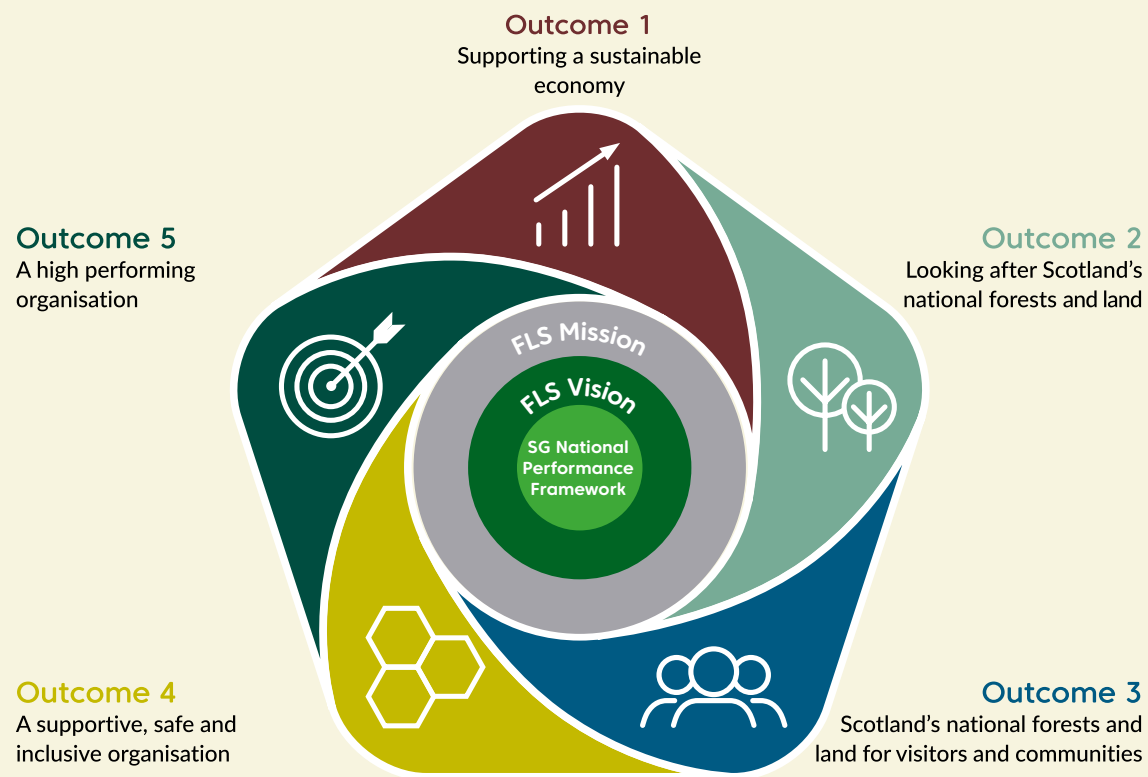


Total expenditure for 2022-23 is **£152.9 million**. (This excludes the value of felled timber).

Corporate Outcomes

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

FLS Corporate Outcome	National Performance Framework National Outcome
 FLS supports a sustainable, low-carbon economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs, tourism and investments.	 • We have a globally competitive, entrepreneurial, inclusive and sustainable economy • We value, enjoy, protect and enhance our environment
 Scotland's national forests and land are looked after, playing their part in tackling climate change, and their biodiversity is protected and enhanced.	 • We value, enjoy, protect and enhance our environment • We are healthy and active
 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.	 • We are healthy and active • We live in communities that are inclusive, empowered, resilient and safe • We are well educated, skilled and able to contribute to society
 Forestry and Land Scotland is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.	 • We are well educated, skilled and able to contribute to society • We have thriving and innovative businesses, with quality jobs and fair work for everyone
 Forestry and Land Scotland is recognised as a high performing, efficient and effective, sustainable organisation that continues to transform and adapt.	 • We have thriving and innovative businesses, with quality jobs and fair work for everyone





Performance Summary

This Annual Report provides information on our fourth year of operation since our establishment as an executive agency of the Scottish Government in 2019. It is also the first report that relates to performance and progress made in the implementation of our second Corporate Plan, which was published in April 2022.

The Corporate Plan sets out the direction of travel for the organisation over a three year period (2022-2025). 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.

To support the delivery of the over-arching Corporate Plan we have annual Business Plans that steer the delivery of our Corporate Outcomes. We published our fourth annual FLS Business Plan in April 2022.

Due to the cumulative impact of the issues noted above (weather events, major storms, and the long-term issues relating to the COVID pandemic) organisational performance in some areas has not matched our ambitions at the time of writing our Business Plan.

Nevertheless, we delivered on **eight** Key Performance Indicators and fully completed **61** of the **72** Key Work Areas set out in the Business Plan. The remaining **11** Key Work Areas will be completed in 2023-24.

Corporate Performance is managed by the Corporate Services Directorate and is monitored by the FLS Management Board, which receives outcome focussed, quarterly Corporate Performance Reports that include 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 2022-23 Key Work Areas:

- **Continue to develop visitor experience plans and strategies for key destinations to deliver a good quality visitor experience for everyone:** This work is ongoing with the most recent addition being the development of a brief for Glen Prosen to deliver benefits for nature, climate and people.
- **Work proactively with new, existing and potential customers to manage contracts while promoting venison to catering managers and procurement staff in order to grow the market:** In the last year, we presented for sale into the food chain 36,000 quality deer carcasses. We continue to support the Scottish Venison Association and Scottish Quality Wild Venison scheme.
- **Continue to engage with network operators to facilitate the delivery of priority power grid infrastructure and digital and mobile connectivity reports:** This work is ongoing and to date we have had significant engagement with operators to facilitate the roll out of the Scottish Government promoted Shared Rural Network (SRN), a programme to deliver reliable mobile broadband to 95% of the UK and address the digital divide by improving 4G coverage. We are currently engaging on 80 sites with five Operators.



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

FLS Business Plan 2022-23 Key Work Areas:

- **Deliver the new FLS Acquisition Strategy to acquire land that is suitable for woodland creation and climate change mitigation:** This work is ongoing, with the most recent example being the strategic purchase of Glen Prosen, (supported by Scottish Government funding for Low Carbon Investment).
- **Continue to increase our peatland restoration programme by taking initial restoration action on approx 900 ha of peatland:** We have exceeded our target of 900 ha and achieved 918 ha in FY22-23.
- **Finalise guidance for undertaking Historic Asset Risk Assessments:** This guidance has been finalised and will be rolled out at individual sites over the next year.
- **Ensure effective implementation of the Climate Change Action Plan:** A series of actions have been completed, including undertaking energy efficiency surveys of our buildings, and a waste management strategy is in development. A Climate change report has also been produced.



Outcome 3: National Forests and land for visitors and communities

FLS Business Plan 2022-23 Key Work Areas:

- **Engage with our partners in relation to strategic projects such as the Borderlands, Glentress and Nevis Masterplan:** We worked with Nevis Range and UCI to host and deliver the 2023 UCI Cycling World Championship events at both Nevis and Glentress. We continue to work with our partners, Forest Holidays, which has begun developing cabins at Glentress and discussions are ongoing about implementing their planning consent at the Nevis site. The Nevis Range has expanded its site on FLS land via the development of low-cost hotel accommodation and retail. Work is ongoing with our partners in relation to the Borderlands project and an outline business case is in preparation.
- **Develop and roll out guidance to regions on good practice/examples of engaging and encouraging participation from under-represented groups:** Guidance has been developed and was issued to staff during Q3 of 2022-23.
- **Participate in the Scottish Government Visitor Services Operational group and explore potential strategic infrastructure projects which could improve active travel to key visitor designations:** This work is ongoing and plans are in place for the 2023 visitor season.



Outcome 4: A Supportive, Safe and Inclusive Organisation

FLS Business Plan 2022-23 Key Work Areas:

- **Develop and deliver the Staff Survey:** The survey was completed and results analysed during 2022-23.
- **Capture formal and informal flexible working arrangements for accurate reporting of working patterns:** All formal and informal working patterns are recorded in iTrent.
- **Continue to offer targeted professional training and support staff through e.g. Royal Institute of Chartered Surveyors (RICS) accredited courses/seminars:** A number of staff attended training courses throughout the year. Focus group training continues with a session on residential tenancies undertaken in February and a further one planned for June.



Outcome 5: A High Performing Organisation

FLS Business Plan 2022-23 Key Work Areas:

- **Undertake work across the organisation to ensure UKWAS certification is maintained:** The Soil Association undertook audits at the FLS North and East Regions and UKWAS certification was successfully achieved.
- **Publish the new FLS Corporate Plan 2022-2025:** The new corporate plan was published on the 1 April 2022. Implementation is monitored via the Corporate Performance Reports. The Q3 report was developed and published in Q4. Details for Q4 are published within this report and the full report is due to be published in Q1 2023-24.
- **Roll out the new Complaints Handling System and training:** The Complaints System went live in Q3. Training and support sessions were delivered across the organisation in Q3 and Q4.
- **Develop a Smarter Working Strategy and Associated Action Plan to support the wider roll out of smarter working:** The Smarter Working Strategy was approved by the FLS Management Board in September 2022. The action plan and framework were endorsed in November 2022.

Key Performance Indicators

Key Performance Indicators for 2022-23 were agreed by the FLS Management Board and published in the FLS Business Plan 2022-2023. The FLS Management Board acknowledges that seven KPI targets were not met this year. Further information is provided in the Performance Analysis section.

Corporate Outcome	Key Performance Indicator	Target	Target Met?	Actual Outcome
Supporting a Sustainable Rural Economy	Volume of Timber Brought to the Market	3 million m ³ obs	No	88.7% of target
	Area of Land Awaiting Restocking	Reduce from 30,710 ha (2021-22 figure)	No	311 ha increase (from 30,710 – 31,021)
Looking after Scotland's National Forests and Land	Area of Woodland Creation	650 ha	No	170 ha
	Area of high conservation value forests and land	Maintain 2021-22 Area (257,969 ha)	Yes	259,935 ha (increase of 1,966 ha)
	Cumulative total area of peatland with initial restoration action (ha)	900 ha	Yes	918 ha
	Percentage of Notified Features on Designated sites in favourable (or unfavourable recovering) Condition	94%	No	92%
	Maintain UKWAS Certification	Maintain	Yes	Maintained
Scotland's National Forests and Land for Visitors and Communities	Number of community groups engaged in recognised partnerships and agreements	90	Yes	96
A Supportive, Safe and Inclusive Organisation	Percentage of women in senior roles (SCS – PB2)	40%	No	30.9%
	Ratio of near miss/hazard reporting to total accidents and incidents reported	20%	Yes	20%
	Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	70%	No	51%
	Average number of working days lost per FTE	9 days	Yes	2.1
A High Performing Organisation	Percentage of requests for information (Freedom of information – FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes	100%
	Percentage of Ministerial and Corporate Correspondence System (MiCase) queries responded to within agreed timescales	95%	Yes	100%
	Number of complaints closed in full at stage 1 within five working days as % of all stage 1 complaints responded to in full	80%	Unknown	Unknown
	Number of complaints closed in full at stage 2 within 20 working days as % of all stage 2 complaints responded to in full	80%	Yes	100%

Key Issues and Risks

FLS faced a number of key issues and risks over the 2022-23 financial year that affected the delivery of the organisation's targets and corporate outcomes.

As with many organisations, the key issues have been responding to the cost of living crisis and inflation, and competing with others to attract and retain staff.

The key issues and risks – and examples of mitigation - can be summarised as follows:

- Health and Safety:** Due to the hazardous nature of some forestry and recreational activities on the land that we manage, our main risk remains a serious accident or the loss of life of an employee, contractor or member of the public. Preventing this risk, or minimising it as far as is possible, is a consideration that informs all pertinent policies, processes, activities and actions. Our progress towards the implementation of ISO 45001 continues, although at a slower than anticipated pace due to the redeployment of staff to help manage severe storm damage or to take on priority activities relating to vacant posts. For example, we endeavour to support every member of our diverse workforce whose wellbeing might be adversely affected by a range of issues, such as the cost-of-living crisis, by raising awareness of available assistance and advice and providing materials – as well as direct support and contracted resources – to help meet their needs. Other areas of progress in addressing key priorities and actions include supporting chainsaw management and learning, and re-establishing HS&W committees in the regions and directorates.
- 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 Scottish Government financial support via the Annual Subsidy Limit (ASL), our ability to remain operational and achieve our outcomes is based on the ability to understand and plan the effective and efficient use of limited resources, while continuing to reflect and respond to often volatile markets. Alongside this, work continues to understand and model impacts from external factors, such as increased fuel and utility costs, and how these affect 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 underpins everything we do. Embedding the Assurance Framework across the organisation is helping ensure regulatory compliance, which we test through appropriate assessment. Sharing 'lessons learned' from these activities with Cost Centre managers and the wider staff group improves our monitoring and reporting processes and drives continuous improvement, including progress towards related outcomes and targets. Consolidating key assurance processes and controls will provide further opportunity to improve and streamline our processes.
- Business Continuity:** Having established our Business Continuity Plan in response to the outbreak of COVID-19, we have since taken the opportunity to develop and strengthen it further to better inform the decisions we take that will ensure that our business is able to withstand and respond to future challenges. We anticipate that activity in response to a recent Internal Audit assurance report will also generate a series of further improvements to our approach that will complement the already identified need for a greater focus on staff training as a key aspect of risk mitigation.

- **Suppliers:** A secure and effective supplier base is key in supporting FLS to deliver core business and to achieve our outcomes, particularly in relation to forestry and land based activities. We liaise closely with our contractors and monitor markets so that we can identify areas of risk and, where possible, take early action to mitigate those risks and maintain a strong supplier base. For example, some suppliers are concerned about their ability to deliver scheduled programmes of work because of the impact of issues such as recruitment, product availability, distribution difficulties and increased costs (fuel, products, energy, etc). We are working with those contractors to investigate concerns raised and consider appropriate solutions, including working differently to achieve our outcomes.
- **Staff Recruitment and Retention:** The organisation is experiencing both a period of significant turnover of staff in key posts and difficulty in recruiting new personnel. This is largely down to there being a lack of skilled/experienced workers for specialist roles/grades, and private sector salaries being more attractive to potential employees. The rural nature of forestry work adds further complications such as sourcing affordable housing, and fuel and travel costs. We continue to work with Scottish Government colleagues and forestry leaders to try and address the issue and in the interim we are redeploying existing staff to focus on priority areas. Our Recruitment & Retention project aims to identify how we can attract and retain key staff and improve support and learning requirements. Early outcomes are encouraging but many of the factors that need to be addressed are outwith our control. However, we are considering where we would could work in partnership with others to identify and test potential short, medium and long-term solutions.
- **Cyber Security:** An ongoing and escalating threat to the organisation and wider Scottish Government is the risk of organised and cyber related crime. Failure to maintain secure access to and the safe delivery of key systems and processes could have a significant impact on the business' ability to function routinely. It could also have more far-reaching impacts on financial sustainability; health, safety and wellbeing; and achieving targets and outcomes. We continue to work with specialists across Scottish Government and beyond to ensure we are embedding appropriate controls.
- **Complexity and Capacity for Change:** The amount and complexity of internal and external change and any consequent impacts generates a number of fluctuating risks. In a bid to address these and to minimise disruption we make every effort to ensure that attempts to mitigate risks in one area of business do not generate unintended consequences that adversely affect other areas. To ensure that key business processes, such as Strategic Business and Finance Planning, continue to support the achievement of outcomes, we have reinforced and embedded the importance of robust risk management. By improving our governance we are making better decisions, using our resources more economically, streamlining appropriate processes and sharing learning, products and materials both internally and externally. We continue to align our priorities and activities with Scottish Government in order to make greater use of existing services, products and information and to minimise duplication. Our effective change management programme provides the Management Board with information on the breadth of activity across Directorates and Regions that enables them to consider, respond to and report on emerging challenges and risks.



Performance Report: Performance Analysis

This provides a detailed analysis of the development and performance of the organisation in 2022-2023.



Performance Analysis

Our fourth year as an Executive Agency of the Scottish Government has been a challenging year.

Storms at the end of 2021-22 affected 4,000 hectares of forest and led to the closure of hundreds of trails. Diverting resources to help with the clean-up has had a knock-on effect on harvesting, where missed targets have reduced the profitability of operations, particularly in the East. Continuing high inflation and supply chain issues impacted our cost base, driving up unit costs while at the same time income fell compared to the previous year.

FLS's net worth has increased for the fourth consecutive year, with a buoyant market in high conservation value forests and land that has grown over the four years. Since FLS' inception, biological assets have increased in value by £2.2 billion and the forestry estate by £0.9 billion. These values are partly attributable to the rise in interest in natural capital associated with carbon capture.

FLS continues to contribute to carbon capture with the restoration of Scotland's peatlands and the purchase of the Glen Prosen estate will lead to the development of an exciting vision for woodland creation and landscape-scale habitat restoration in the Angus Glens. We successfully launched our Climate Change plan in 2022-23, and the 'FLS Adaptation Plan' was commended by an independent Climate Change Committee.

Renewable energy schemes on FLS land are contributing to Scotland's green agenda and in financial terms are performing strongly, with new schemes planned to come on line over the next few years.

Despite reduced income and increased costs, we continued to provide a quality service and maintain our UK Woodland Assurance Standard (UKWAS) certification.

Funding and Financial Outturn

Trading has been challenging this year, partly due to the cyclical nature of the timber business with demand for timber weakening, and a corresponding fall in prices partly due to reduced harvesting volumes caused by difficulties in securing resources. When trading is positive, as it was in 2021-22, FLS builds up reserves to offset future cyclical trading deficits. Contribution from our renewable energy partners continues to perform strongly, with high energy prices and new schemes coming on line.

Funding

FLS received funding from two main sources in 2022-23: the Scottish Government allocation, **£30.1 m** (detailed below); and the income from FLS's own trading activities, **£106.8 m**.

Scottish Government

Core Scottish Government (SG) funding received by FLS in 2022-23 was **£23.7 m**. In addition FLS received **£6.4 m** from other SG bodies.

Unrestricted

- Annual Subsidy Limit (ASL) – **£16.5 m**.

Restricted

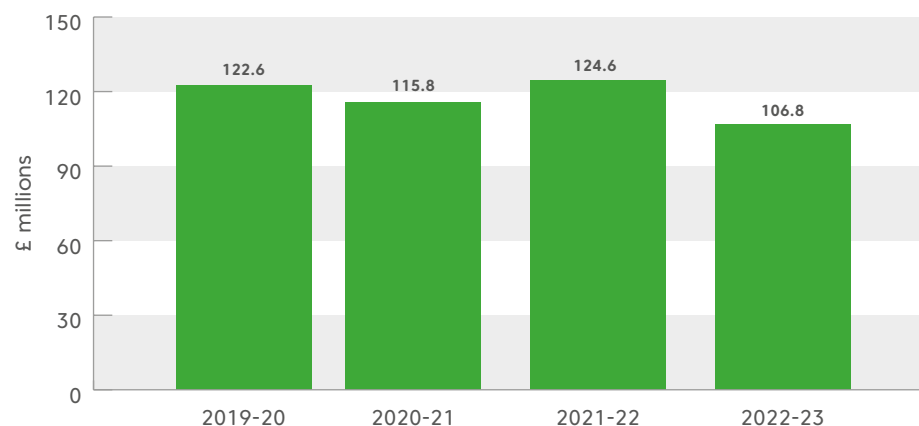
- Newton Nursery development and build and equipment – **£4.5 m** will allow FLS to implement its Plant, Seed and Supply Strategy, expanding the nursery to grow more trees, reducing costs and risks associated with the supply chain.
- Woodland creation – **£1.7 m** to fund initiatives to restore our native woodlands and peatland, contributing to the Scottish Government fulfilling its targets on climate change and bio-diversity and ensuring the supply of sustainable wood products.

- The Environmental and Forestry Directorate (ENFOR) contributed **£4.4 m** to peatland restoration. ENFOR also contributed **£1.3 m** to the Alliance for Scotland's Rainforest to secure the long-term sustainability of Scotland's globally significant collection of temperate rainforests along its western seaboard.
- NatureScot contributed **£0.7 m** for 26 seasonal rangers providing valuable collaboration with our communities and partners and encouraging responsible behaviour to all visitors to our forests.

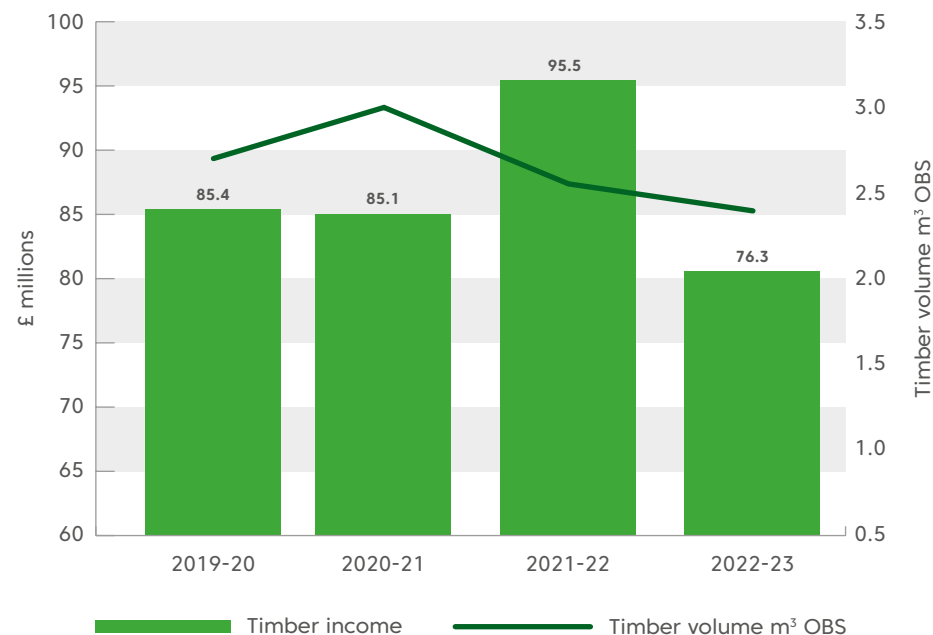
Restricted income covers specific projects, some of which extend over multiple years. Where appropriate restricted funds have been deferred for use in future years.

Earned and Other Income

Operational and trading income



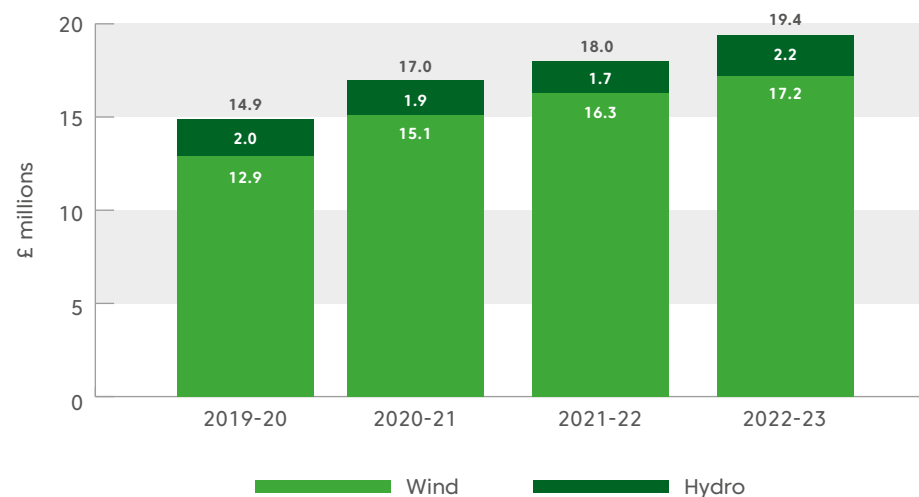
Timber income and volumes



Overall, trading has been challenging this year, largely due to the reduction in timber income. High timber prices in 2021-22 led to a record year for timber income but lower volumes and a less competitive timber market has seen timber income reduce in 2022-23.

Through our commercial rent agreements, the renewable energy schemes on the FLS estate benefited from the rise in global power prices over the last two years. While prices have fallen recently, they are still much higher than they were before the war in Ukraine, and the forecast is that they will remain high for the rest of the decade.

Renewables income

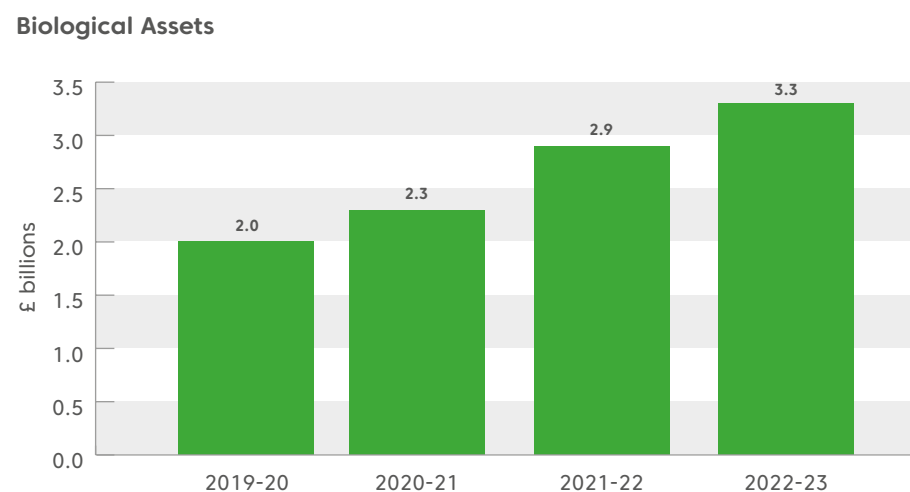


A commitment by Scottish Government to achieve Carbon Net Zero status by 2045 is, in part, supported by increasing capacity in renewable energy. FLS continues to support this objective through its renewable energy activities; similar to timber, this commodity is sensitive to global events.

Significant acquisitions

The strategic purchase of Glen Prosen, **£17.6m** (supported by Scottish Government funding for Low Carbon Investment) was our largest acquisition this year, which is described in the 'Performance Overview – Statement by the Chief Executive' on page 07 of this report.

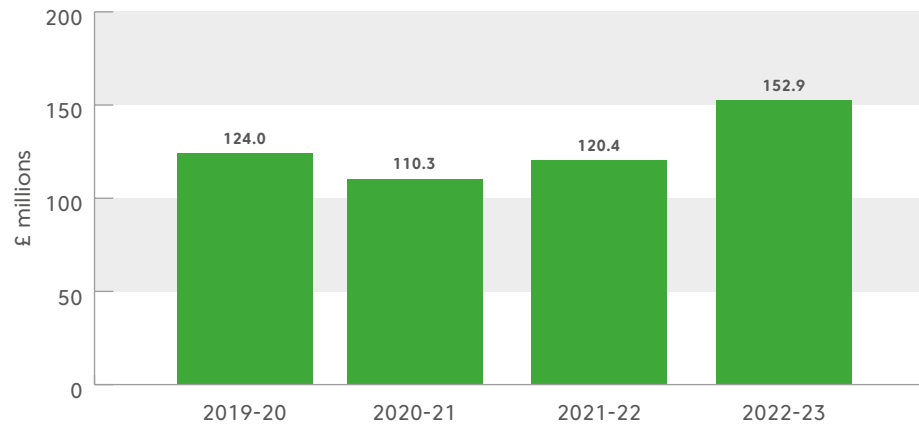
Biological assets



The holding of biological assets has increased by **£1.3 billion** (65%) in the three year period since the end of 2019-20, due to a very strong market in the purchase of forests and the natural capital.

Operational and trading expenditure

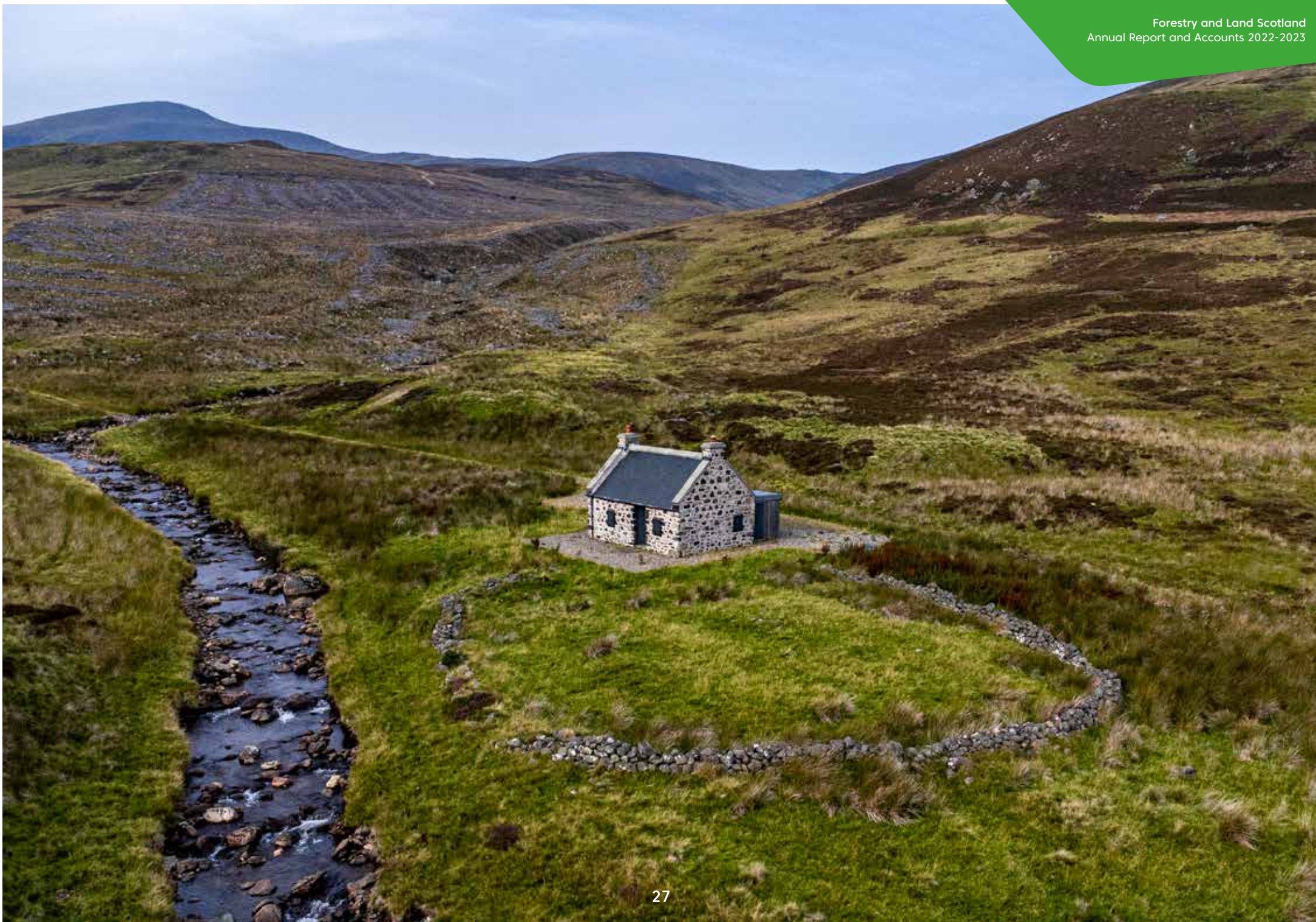
Operational and trading expenditure



There has been an increase in expenditure in 2022-23, of **£32.5m**. (2022: £10.1m). The 2023 increase was impacted by timber stocks movements of £12.8m and an adjustment relating to leased land that ensures all land on FLS estate is now treated consistently of **£3.1m**.

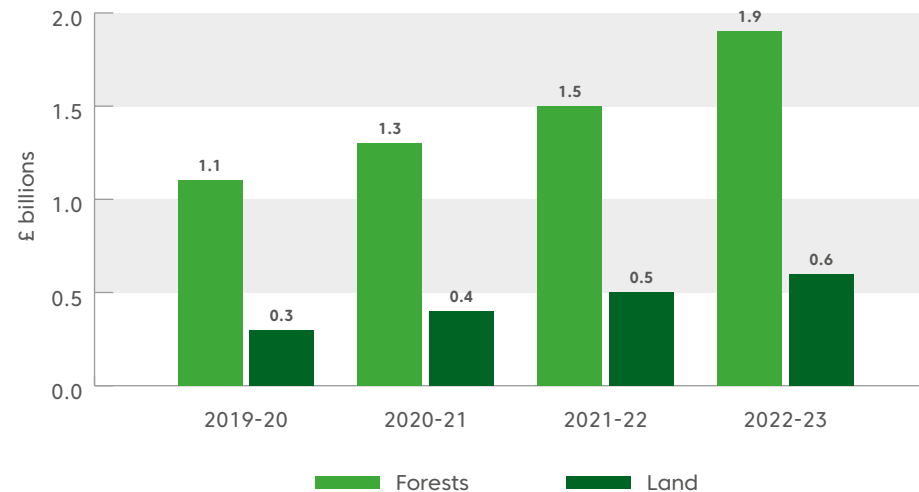
Other areas where there have been significant increases in expenditure are:

- Communities Recreation and Tourism expenditure has increased by **£6.7 m** to **£16.7 m**. (2022: £10 m). This is due to the investment at our sites for the UCI (Union Cycliste Internationale) mountain bike championships which will be taking place in 2023-24 and the leased land adjustment discussed above.
- Expenditure on salaries has increased by **£5 m**, from **£45 m** to **£50 m** in 2022-23. This is due to the pay award, including provision for £0.8m to reflect an agreement for those paid less than £36,000 per annum. Headcount has also increased from 1,065 to 1,116. This impacts all the Statement of Comprehensive Net Expenditure (SOCNE) expenditure lines.
- Estate improvements has increased by **£4.1 m** to **£17.5 m**. Additional spending on peatland restoration accounts for **£1.4 m**, which is a direct result of Scottish Government funding. The cost of new roads has increased by **£1.5 m** to **£9.9 m** (2022-23: 47.82 km; 2021-22: 40.5 km).



National forests and land

NBV of national forests and land



The net book value (NBV) of national forest and land has increased from **£2 billion** in 2021-22 to **c£2.5 billion** in 2022-23.

In general, the market factors driving value include:

- The forestry market in Scotland represents the largest proportion (average 75% over the period) of the total commercial forest market across the UK. Since 2019 demand has significantly exceeded supply, resulting in significant annual growth in market values over the period.
- High levels of demand for forestry in Scotland have been driven by limited supply of forest assets, high timber prices, ambitious government targets for afforestation and the strong long-term returns from forestry in contrast with other property asset classes.
- Other factors include - global timber shortages, increased emphasis on domestic timber production, global policies to achieve net zero, and strong long-term drivers for afforestation
- Also, since 2019 demand has increased substantially from institutional investors and financial institutions, with several new rural-investment funds entering the market, driven by increasing demand for environmental investments – more commonly referenced as the natural capital market.

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 – £40 m (2022: £47.4 m). Of this, £18.5 m relates to the redevelopment of Newton Nursery.
- Unrestricted reserves – £0 m
- Earmarked – £43 m (2022: £53.5 m). Earmarked to specific projects for protecting and enhancing the National Forests and Land in 2023-24 and beyond, these funds are allocated by the Chief Executive to protect the future sustainability of the organisation.
- Liquidity reserves - £13 m (2022: £13 m). These are funds that enable the agency to manage the risks it faces from trading and timber price and fluctuations in demand. The reserves service any unexpected need for funds, such as covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise.

Looking to the future

Maintaining financial stability in a time of economic uncertainty continues to be a key focus for FLS. Although there is a substantial level of cash reserves at the end of 2022-23, these are forecast to be almost fully utilised over the next three years. The completion of restricted projects and the funding of projected trading deficits coming from challenging economic conditions and the reduction of the annual subsidy limit (ASL) in 2023-24 means that FLS has to become more effective and efficient in delivering its outputs to become financially sustainable.

A Business Review is underway to improve the effectiveness and efficiency of the delivery of FLS' key priorities and outputs, and to develop an operationally and financially sustainable business model. Although primarily focussed on improving financial performance, the benefits will extend further in that we will identify and remove waste, which will help deliver key operational outputs.

The Business Review will be a process of continuous improvement, exploring new sources of income, external benchmarking and profitability analysis. It will implement changes in a timely manner to minimise waste. The implementation of 'leading' KPIs and scorecard measurements is already taking place, giving the Board and Regions earlier access to information and tools to improve the timeliness of decision making.

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

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

Plans for 2023/24

The current financial situation in the UK with increasing inflation, high energy prices and rising interest rates, is putting considerable pressure on public sector budgets. FLS and the wider forestry sector is not immune to this pressure and 2023-24 will be another difficult year. However, we have set an ambitious Business Plan for the year based on the current financial outlook, with key activities that will help deliver against our five corporate outcomes.

Some of these priorities and actions set out in the Business Plan for 2023-24 include:

- Marketing up to 2.9 million m³ of timber;
- Creating 500 ha of new woodland;
- Increasing the total area of peatland with initial restoration action by 1,800 hectares;
- Continuing to develop and implement the Net Zero Strategy and Climate Change Plan;
- Supporting major sporting events including the UCI Cycling World Championships in August;
- Exploring ways in which community acquisitions can be more proactively supported;
- Continuing to mainstream equality across our organisation to create an inclusive workplace where staff from all backgrounds feel valued; and
- Supporting the delivery of key Scottish Government strategies, including the forthcoming Energy Strategy and Just Transition Plan.

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

Performance and Achievements

This analysis groups performance and achievements over the financial year under the appropriate Corporate Outcomes. Further information on performance, achievements and opportunities for improvement can be found in the quarterly Corporate Performance Reports published on the FLS website.



Outcome: FLS supports a sustainable, low-carbon economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs, tourism and investments.

Key Performance Indicator	Target	Target Met?	Three Year Trends
Volume of Timber Brought to the Market	3 million m ³	No: 2.7 million m ³ obs was brought to the market equating to 88.7% of the sales plan. The shortfall can be mainly attributed constraints on planning and programmed roading.	Timber brought to the market has reduced between 2020-21, 2021-22 and 2022-23 due to a combination of COVID-19 in 2020-21 and environmental constraints/planning and programmed road works in both 2021-22 and 2022-23.
Area of Land Awaiting Restocking	Reduce from 30,710 ha (2021-22 figure)	No: The area of Land Awaiting Restocking has increased by 311 ha (from 30,710 – 31,021).	The area of land awaiting restocking increased by 822 Ha in 2020-21 before falling by 1018 ha in 2021-22. This metric has increased by 311 ha in 2022-23.

FLS Business Plan 2022-23 Key Work Areas	Progress
Increase sales of harvesting residues (fibre recovery) by developing new contracts, exploring new markets and building on our understanding of customer future fibre requirements.	Complete: Policies were discussed with Forest Research and there is a plan in place to undertake training/coaching with staff. Exploration of new markets and development of new contracts remains ongoing.
Finalise the Firewood Strategy in order to outsource domestic firewood sales, encouraging local and community business ventures into the sector.	Complete: The Firewood strategy is complete and awaiting approval from the Management Board.
Bring approximately 3 million m ³ obs of timber to the market via targeted long term contract offers, open market sales, linking timber availability with emerging developments within the sector.	Not complete: Constraints on planning and programmed roading continue to create challenges for Regions. However, 2.7 million m ³ obs was brought to the market equating to 88.7% of the sales plan.
Complete the Business Case and make formal decisions for investment in FLS nursery production.	Complete: Outline business case completed, externally reviewed and signed off. Full business case due for sign off on 13th of June.
Continue to develop visitor experience plans and strategies for key destinations to deliver a good quality visitor experience for everyone.	Complete: Visitor experience plans and strategies continue to be developed for key destinations. Most recently a brief has been developed for Glen Prosen which will bring benefits for nature, climate and people.
Facilitate the progression of pipeline sites where these are brought forward by developers.	Complete: Staff resource delayed this key work area initially however successful recruitment allowed for legacy sites to continue to be progressed, with one new site at North Kyle now in construction.
Continue work to validate 100% of registered titles, agreeing future strategy in instances where title anomalies still exist.	Complete: Work continues to validate 100% of registered titles. Regular sessions are being held to discuss errors and anomalies and to track progress of titles returned for amendment. Engagement is also ongoing to assist with queries and advise on resolution of issues that are continually arising.

FLS Business Plan 2022-23 Key Work Areas	Progress
Continue to facilitate and promote organised events such as the UCI Cycling World Championships 2023, motorsports, the Enchanted Forest, ensuring agreements for these events deliver best value.	Complete: We continue to facilitate and promote organised events. The UCI Cycling World Championships will take place in the summer of 2023.
Work with the chosen developers from the recent 2020 Energy Offering to finalise option agreements.	Complete: Work continues to finalise option agreements, Three option agreements were undertaken during 2022-23 with three more sites to be taken forward into 2023-24. Staff capacity caused some delays to this key work area throughout the year.
Where possible, facilitate the delivery of existing pipeline projects which are at various stages of planning and feasibility.	Not Complete: Whilst work remains ongoing, no further sites have entered lease. We remain engaged with developers to facilitate and, where possible, speed up their project timeline.
Work proactively with new, existing and potential customers to manage contracts while promoting venison to catering managers and procurement staff in order to grow the market.	Complete: 36,000 quality deer carcasses were presented for sale into the food chain in 2022-23. We continue to support the Scottish Venison Association and Scottish Quality Wild Venison scheme.
Work with Regional teams to review opportunities for releasing land for development opportunities, moving sites to market where appropriate.	Complete: Six monthly meetings are in place to assist regional teams with releasing rural development opportunities to the market.
Continue to engage with network operators to facilitate the delivery of priority power grid infrastructure and digital and mobile connectivity reports.	Complete: We continue to engage with network operators. To date, we have had significant engagement with operators to facilitate the roll out of the Scottish Government promoted Shared Rural Network (SRN). We are currently engaging on 80 sites with five Operators.



Looking after Scotland's National Forests and Land

Outcome: Scotland's national forests and land are looked after; playing their part in tackling climate change, and their biodiversity is protected and enhanced.

Key Performance Indicator	Target	Target Met?	Three Year Trends
Area of Woodland Creation	650 ha	No: 170 ha planted in 2022-23.	The target has not been met over the three year period due to COVID-19 restrictions on contractor capacity, poor weather conditions and storm events.
Area of high conservation value forests and land	Maintain 2021-2022 Area (257,969 ha)	Yes: 259,935 ha (increase of 1,966 ha)	The target has been met for the last three years (and exceeded in 2022-23).
Cumulative total area of peatland with initial restoration action (ha)	900 ha	Yes: 918 ha achieved. 18 ha above target of 900 ha.	Initial restoration work was undertaken on 900 ha of peatland in 2020-21 with a further 603 ha restored in 2021-22. This was however below the target in 2021-22 due to contractual issues. 918 ha of restoration work was undertaken in 2022-23, surpassing the target by 18 ha.
Percentage of Notified Features on Designated sites in favourable (or unfavourable recovering) condition	94%	No: 92% achieved.	This target was met in both 2020-21 and 2021-22 but not in 2022-23. This was due to a delay in the resolution of historic cases in combination with a number of new unfavourable features arising.
Maintain UKWAS Certification	Maintain	Yes: The Soil Association undertook audits at the FLS North and East Regions. 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
Create at least 650 ha of new woodland.	Not complete: 170 ha in total was planted over the year. The main area of woodland creation was planned for Natural Regeneration at Loch Katrine however delays out-with our control has meant this key work area was not able to be met. Work will continue in 2023-24.
Deliver the new FLS Acquisition Strategy to acquire land that is suitable for woodland creation and climate change mitigation.	Complete: Work continues to deliver the new FLS Acquisition Strategy. The strategic purchase of Glen Prosen, was supported by Scottish Government funding for Low Carbon Investment, which will play a strong role in the development of an exciting vision and opportunity for woodland creation and landscape-scale habitat restoration in the Angus Glens intended to bring benefits for nature, climate and people. The acquisition will join up FLS land in the area along with other neighbouring landholdings which together creates a 10,400 ha block of publicly owned land, much of it within the Cairngorms National Park.

FLS Business Plan 2021/22 Key Work Areas	Progress
Restock sites to ensure the area of land awaiting restocking is reduced.	Not Complete: Work relating to ground preparation and forest management was tendered in 2022-23 however no contractor was appointed. Tenders will be re-run in 2023-24 taking a different approach to structuring the tender and engaging suppliers.
Maintain links with potential partners and continue to explore restoration opportunities both on FLS land (new and existing) and land owned by others.	Complete: Regular networking and meetings ongoing.
Continue to increase our peatland restoration programme by taking initial restoration action on approx 900 ha of peatland.	Complete: We have exceeded our target of 900 ha and achieved 918 ha in 2022-23.
Maintain the area of high conservation value forests and land.	Complete: Area of high conservation value forests and land not only maintained but increased by 1,966 ha in 2022-23. Work has commenced to improve the link between the Land Management plan identification of the high conservation value forests and work required, with input to the Environment Programme Layer, Business Planning and Delivery.
Publish a pilot indicator of the value of the national forests and land for biodiversity.	Not Complete: Development of the pilot indicator is in progress but is delayed due to competing priorities.
Work with partners to identify potential landscape-scale habitat management & restoration project opportunities centred on FLS priority areas.	Complete: Significant efforts have been made to align our contributions to Scotland's Rainforest Project, with a range of landscape-scale actions underway.
Review the effectiveness of recent rhododendron control and deer management to re-prioritise action to maximise benefit.	Complete: A review was undertaken and resulted in a revised rhododendron prioritisation. This prioritisation is now mainstreamed.
Undertake and support survey work for key species to provide updated information on population trends, and identify priorities for future conservation work.	Complete: Survey work for key species is ongoing to provide updated information on population trends, and identify priorities for future conservation work.
Finalise guidance for undertaking Historic Asset Risk Assessments.	Complete: Historic Asset Risk Assessments guidance has been finalised and will be rolled out at individual sites over the next year..
Support Regions with strategic approaches, funding opportunities and technical support.	Complete: Work in this key work area continues. Funding for ancient woodland restoration has been secured as part of Scotland's Rainforest Project.
Ensure effective implementation of the Climate Change Action Plan.	Complete: A series of actions have been completed including undertaking energy efficiency surveys of our buildings, and a waste management strategy in development. A Climate change report has also been produced.
Support the Scottish Government Programme Board and Technical Forums, providing expert advice and drafting support to the newly established Wildlife Management Bill Team.	Complete: Ongoing work supporting the Scottish Government implementing the panels recommendations. FLS are on the Strategic Deer Board, lead on one of the sub groups (operational) and we continue to feed into three other support groups. We are also parts of other groups supporting the change i.e. Commons Ground Steering Group.

FLS Business Plan 2021/22 Key Work Areas	Progress
Deliver the FLS Deer Improvement Plan Actions.	Complete: Work is continuing on implementation of the improvement plan. Discussions are ongoing with Staff and Police Scotland in regards to relinquishing our rights to operate our firearms under crown exemption.
Develop an ambitious and integrated programme of invasive species removal, deer management and PAWS restoration in the Atlantic Rainforest area, and seek funding to deliver.	Complete: The Programme is underway with funding secured.
Implement the Larch Strategy and bring additional larch long term contracts to the market.	Complete: New long term contracts (LTC's) have been developed in the worst effected area, the Central Region. Two steep ground LTC's have been compiled, competitively tendered and awarded. Other regions are looking at options for working infected coupes.
Create a spatial monitoring programme to identify SPHNs and cross reference with pending and operational contracts to prioritise management and completion of larch sales.	Complete: A Spatial monitoring programme has been created to identify SPHNs and cross reference with pending and operational contracts to prioritise management and completion of larch sales.



Scotland's National Forests and Land for Visitors and Communities

Outcome: 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?	Three Year Trends
Number of community groups engaged in recognised partnerships and agreements	90	Yes: There are currently 96 community groups in recognised partnerships and agreements.	The target has been achieved each year over the three year period, with 96 community groups currently engaged in recognised partnerships and agreements.

FLS Business Plan 2021/22 Key Work Areas	Progress
Develop an Action Plan to support the implementation of the communities strategy.	Not Complete: The Visitors strategy was published in 2022-23 however work is still ongoing to develop specific actions to support the implementation of the communities strategy. Work was delayed due to a number of issues including staff capacity.
Develop and implement a Visitor Services Action Plan including reviewing charging arrangements for Commercial Agreements; rationalisation of visitor services offer and facilities.	Complete: A Visitor services action plan was completed with ongoing actions in implementation. Master Agreements have been concluded for motorsports and motorcycling events as well as the UCI Cycling world championships. An event agreement template has also been finalised..



FLS Business Plan 2021/22 Key Work Areas	Progress
Engage with our partners in relation to strategic projects such as the Borderlands, Glentress and Nevis Masterplan.	Complete: We are working with Nevis Range and UCI to host and deliver the 2023 UCI Cycling World Championship events at both Nevis and Glentress. We continue to work with our partners, Forest Holidays who have commenced a cabin development at Glentress and discussions are ongoing about implementing their planning consent at the Nevis site. The Nevis Range have expanded their site on FLS land via the development of low cost hotel accommodation and retail. Work is ongoing with our partners in relation to the Borderlands project with an outline business case being prepared.
Develop new and existing commercial partnerships to deliver a high quality visitor experience that helps to financially support the management of the national forests and land.	Complete: We are building new commercial partnerships with our new tenants on the Former CITF campsites (Glenmore, Cashel and Coblelands). The new operators are now trading and making investments in the campsites. New catering contracts have been awarded at a number of visitors sites around the country and discussions are ongoing with the local community about the operation of another.
Develop and roll out guidance to regions on good practice/examples of engaging and encouraging participation from under-represented groups.	Complete: Guidance has been developed and was issued to Regions during Q3 of 2022-23.
Work with the Regions to build entry level and accessible experiences as a core part of major developments and upgrades such as the 7stanes borderland mountain bike project.	Complete: The entry level principle which advocates for entry level and accessible experiences has been built into the 7 Stanes Outline Business Case that was submitted to Scottish Government in January 2023.
Develop an outdoor learning plan to support outdoor educators to make best use of the national forests and land.	Complete: An outdoor learning plan has been developed and is awaiting approval from the leadership team. Once approved the plan will be made available on our website.
Working with developers on new renewable projects to ensure delivery of community benefit and investment opportunities.	Complete: Community benefit and community investment opportunities remain a central requirement in all contract negotiation. In addition, we ensure representation when CB (Community Benefit) and CI (Community Involvement) is being developed by our tenants.
Facilitate community acquisition of land through sales and transfer requests.	Complete: Work continues to progress sites which are subject to community asset transfer interest.
Work with the Scottish Land Commission to explore ways in which community acquisitions can be more proactively supported/managed.	Complete: While Crown Estate Scotland are now taking the lead on work with the Scottish Land Commission we continue to facilitate community acquisition of land through sales and transfer requests, including alerting communities to land sales in advance of marketing and providing support through the CATS process.
Participate in the Scottish Government Visitor Services Operational group and explore potential strategic infrastructure projects which could improve active travel to key visitor designations.	Complete: We continue to participate in the Scottish Government Visitor Services Operational group and plans are in place for the 2023 visitor season.



A Supportive, Safe and Inclusive Organisation

Outcome: Forestry and Land Scotland 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?	Three Year Trends
Percentage of women in senior roles (SCS – PB2)	40%	No: 30.9% There has been a positive trend for this key performance indicator (KPI) throughout Q4 with a 0.6% increase however the target has not been met for 2022-23.	A three year trend is not available because the KPI was created in 2021-22. This KPI has not been met in the year two year reporting period.
Ratio of near miss/hazard reporting to total accidents and incidents reported	20%	Yes: 20%	Target met in 2020-21 before falling by 5% in 2021-22 due in part to under reporting of near misses. The issue was resolved and the target has been met in 2022-23.
Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	70%	No: 51% This KPI has demonstrated a downward trend from the previous survey (-3pp), which runs annually.	This key performance indicator has demonstrated a downward trend over the last three years. The metric has reduced from 59% in 2020-21 to 55% in 2021-22 and finally to 51% in 2022-23. Work is ongoing to address this decline.
Average number of working days lost per FTE	9 days	Yes: 2.1 days sickness average reported at end of Q4.	The average number of working days lost per FTE has fallen year on year between 2020-21 and 2022-23, declining by 0.2 days between 2020-21 and 2021-22 and by a further 4.3 days in 2021-22.

FLS Business Plan 2020/21 Key Work Areas	Progress
Develop the new People Strategy.	Not complete: Progress has been made with a project team set up and a first meeting held as well as discussions with the Land Management Leadership Team and Trade Unions. The project team are attending an agile working course and the strategy should be completed by end of Q1 2023-24.
Develop and deliver the Staff Survey.	Complete: The survey was completed and results analysed for 2022-23. All directorates have action plans based on three agreed priorities: personal development, addressing any bullying and harassment issues/ behaviours/ trends and change management.

FLS Business Plan 2020/21 Key Work Areas	Progress
Develop and implement an action plan to increase staff engagement and satisfaction.	Not Complete: Action plans are currently being developed to take forward the priorities identified through the People Survey results, at both corporate and local levels however due to a number of reasons including staff capacity implementation has not been possible. This work will be completed in 2023-24.
Deliver 'Engaging the Bystander' training to staff across the organisation.	Not Complete: Approximately 50% of staff have been through the training. Training provider issues have been addressed and all staff should be trained by September 2023.
Undertake a 'desktop options review' to ensure technology can be used optimally across FLS.	Not Complete: Delayed due to emerging requirements.
Capture formal and informal flexible working arrangements for accurate reporting of working patterns.	Complete: All formal and informal working patterns are recorded in iTrent.
Take positive action measures across all protected characteristics, with particular attention given to gender and age.	Not complete: A paper and actions have been agreed at the Management board and include positive actions however these actions are still to be undertaken and therefore this key work area has not been met.
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: Work has continued on the implementation of the Corporate Parenting Plan, including regular engagement with Who Cares Scotland and SG colleagues. Work has also continued on the development of the new Corporate Parenting Plan.
Explore with Regions the opportunity to recruit five graduate apprentices in Civil Engineering funded by Skills Development Scotland.	Complete: The process has started to recruit six Wildlife Apprentices.
Continue to offer targeted professional training and support staff through e.g. Royal Institute of Chartered Surveyors (RICS) accredited courses/seminars.	Complete: A number of staff attended training courses throughout the year. Focus group training continues with a session on residential tenancies undertaken in February and a further one planned for June.
Promote membership of accredited institutions.	Complete: We continue to promote membership of accredited institutions to our staff. In Q4 a workshop was held to encourage membership of Institute of Chartered Foresters.
Undertake regular reviews of work programmes and priorities, supported by regular bilateral and team check-ins.	Complete: Regular reviews of work programmes and priorities take place and are monitored via corporate performance reporting. Regular bilateral and team check-ins continue to take place when needed.
Provide an effective and high quality Health, Safety and Wellbeing (HS&W) support service through a team of regional and national HS&W advisors, taking into account the Forest Industry Safety Accord.	Complete: An enhanced support model has been fully implemented and feedback on advisor's performance continues to be excellent.



A High Performing Organisation

Outcome: Forestry and Land Scotland is recognised as a high performing, efficient and effective, sustainable organisation that continues to transform and adapt.

Key Performance Indicator	Target	Target Met?	Three Year Trends
Percentage of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes: 100%	A metric of >95% has been achieved each year over the three year period.
Percentage of Ministerial and Corporate Correspondence System (MiCase) queries responded to within agreed timescales	95%	Yes: 100%	A metric of >95% has been achieved each year over the three year period.
Number of complaints closed in full at stage 1 within five working days as % of all stage 1 complaints responded to in full	80%	Unknown: Due to a system error data could not be retrieved and therefore this analysis has not been undertaken.	This was a new KPI for 2022-23 and therefore no trend data is available.
Number of complaints closed in full at stage 2 within 20 working days as % of all stage 2 complaints responded to in full	80%	Yes: 100%	This was a new KPI for 2022-23 and therefore no trend data is available.

FLS Business Plan 2021/22 Key Work Areas	Progress
Undertake work across the organisation to ensure UKWAS certification is maintained.	Complete: The Soil Association undertook audits at the FLS North and East Regions. Certification against UKWAS was successfully achieved.
Develop a Smarter Working Strategy and Associated Action Plan to support the wider roll out of smarter working.	Complete: The Smarter Working Strategy was approved by the FLS Management Board in September 2022. The action plan and framework were endorsed in November 2022.
Developing and implementing a Digital Action Plan which underpins the business transformation programme to enable business process improvements and efficiencies.	Complete: A Digital action plan has been developed and actions will be taken forward in 2023-24.
Publish the new FLS Corporate Plan 2022-2025.	Complete: The new corporate plan was published on the 1 April 2022. Implementation is monitored via the Corporate Performance Reports. The Q3 report was developed and published in Q4. Details for Q4 are published within this report and the full report is due to be published in Q1 2023-24.
Continue to implement the Best Value Action Plan	Complete: Best value actions have been embedded in the business planning process for 2023-24, with sections and actions to help deliver on best value included in the FLS Business Plan, Directorate and Regional Business Plans published in Q4.

FLS Business Plan 2021/22 Key Work Areas	Progress
Take opportunities to review and improve corporate strategies, policies and procedures to enable and deliver business efficiencies and/or increase effectiveness.	Complete: The Audit and Risk Committee (ARC) agreed the revised agency Risk Appetite Statement in March 2023. This will be incorporated in to a revision of the Risk Management Policy and Framework, which will also reflect changes to the governance structure, for publication on the website
Publication and rollout of the Gaelic Language Plan following approval by Bòrd na Gàidhlig	Complete: Bòrd na Gàidhlig approved the FLS Gaelic Language Plan in November 2022. Translation also took place in November in preparation for publication. The plan was published in February in line with timelines instructed by Bòrd na Gàidhlig.
Rollout the new Complaints Handling System and training.	Complete: The Complaints System went live in Q3. Training and support sessions were delivered across the organisation in Q3 and Q4.
Continue to promote the organisation and its activities both internally and externally.	Complete: Our website continues to drive engagement, reaching 224,447 users and achieving 1.14 million page views. Our most viewed web pages were our home page (91,142 views) and our jobs page (48,774 views). Our social media content continues to raise visibility of key messages, with our Facebook posts collectively reaching 375,000 users, and generating 7,500 click-throughs to our website during the same time period. We continue to use LinkedIn advertising to aid recruitment of new talent, with our job adverts driving 450 applications in December. Our social media channels are also attracting growing audiences, and we now have more than 10,000 followers on Instagram. We appeared in 336 pieces of print and broadcast media coverage, with the potential to reach 136 million people. The two most widely covered stories were: research into the effectiveness of current red squirrel protection strategies (20 articles, 8.65 million potential audience) and new techniques in capercaillie conservation (23 articles, 18.5 million potential audience).
Provide secretariat support and assistance to appropriate governance channels within FLS, including the Management Board, Strategic Board and Audit and Risk Committee.	Complete: Work continues to support the Management Board, Strategic Board and Audit & Risk Committee as appropriate.
Provide support in order to develop effective responses to ministerial enquiries and FOI requests.	Complete: Work continues to provide support to colleagues across the organisation to develop effective responses.
Ensure effective implementation of the Corporate Planning Framework (developing and implementing Business Plans) taking account of financial sustainability planning.	Complete: The FLS Business Plan for 2023/24 was developed and received ministerial approval in Q4. This was then published on the FLS website. All Directorate and Regional Business Plans were completed and published on Saltire in Q4.
Consider options to secure long-term renewable energy contracts to supply FLS through a development(s) on FLS land.	Complete: Ongoing work around a number of sites including the hydro at Glen Prosan.

FLS Business Plan 2021/22 Key Work Areas	Progress
Developing opportunities for commercial external funding of carbon captured on the national forests and land.	Complete: Work in this area continues, with a recent launch of a two-year habitat improvement partnership funded by Network Rail and delivered by FLS at Glenfinnan.
Undertake energy efficiency surveys of our buildings to inform our investment and rationalisation plans.	Complete: Surveys are ongoing with an external contractor and are due to be completed by Q2 2023-24.
Development of our electric charging point network across key sites to support the transition from fossil fuelled fleet and equipment.	Complete: Prioritised plans are in place and progress has been made on installations. The first phase is completed with 57 charging points across FLS. The second phase comprising 87 chargers will continue in 2023-24. An App is also in place.
Development of a waste management strategy	Complete: Waste Management Policy and Guidance has been drafted and the strategy is currently under development. Training materials for the policy will be published in 2023-24.

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

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

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 in the Governance Statement in these accounts.

Staff are required at all times to act with honesty and integrity, adhering to the Civil Service Code and safeguard the public resources for which they are responsible. They are also encouraged to raise concerns about improprieties in the conduct of FLS business whether in matters of financial, regulatory or other malpractices including fraud, and bribery. Our policies and reporting mechanisms encourage staff to raise concerns without fear of suffering retribution, ensuring there is a transparent and confidential process for dealing with concerns.



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

FLS has also focused resource on preventing serious and fatal chainsaw accidents with improvements to risk assessment, maintaining operator competence and operator wellbeing. Looking forwards, our research collaboration with Aberdeen University into the importance of non-technical skills and fatigue on safety puts FLS at the forefront of safety in the forestry sector. A new system for managing lone working has also been rolled out across the agency.

Supporting good mental and physical health at work has continued to be a key priority for FLS. The review of mental health first aider provision across FLS was completed, with recommendations made and an action plan drawn up. We have also successfully launched further wellbeing resources such as Able Futures, a wellbeing framework for chainsaw operators, and menopause champions and guidance.

FLS has played a central role in developing a revised mountain bike trail grading scheme, to be rolled out across Great Britain, and has been reviewing existing trails, checking the grading on them and updating the signage in line with the new system.

Accidents

The number of Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations 2013 (RIDDOR) reportable accidents (over seven days and specific injuries) in 2022-23 was seven, including three reported by contractors. The following table details this information and comparable data for 2021-22.

RIDDOR Reportable Accidents	2022/23	2021/22
Employee	4	5
Contractor	3	-
Total	7	5



Simon Hodgson
Accountable Officer

Date: **6 December 2023**

Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2022-23. 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 supported Michael Matheson MSP who was appointed Cabinet Secretary for Net Zero, Energy and Transport in May 2021. Ms McAllan was appointed as Cabinet Secretary for Net Zero, Energy and Transport on March 29th 2023.

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 Management Board (previously known as the Executive Team).

Following a change to Directorate responsibilities in January 2022, the CEO commissioned a review of FLS' governance arrangements to ensure it aligned with empowering business areas to take forward agreed business plans and deliver Corporate Outcomes. From July 2022 this included transitioning to the FLS Management Board, replacing the Executive Team.

Full details of the governance structure, including further changes to be implemented during 2023-24, and risk management arrangements in operation in FLS, are provided as part of the Governance Statement.

Strategic Board



Simon Hodgson
(Chairperson)
Chief Executive



John Mair
Director of Commercial
Development



Lisa Tennant
Non Executive Advisor



Therese O'Donnell
Non Executive Advisor



Graeme Hutton
Director of Net Zero



Graeme Prest
Director of Land Management
and Regions



Jo O'Hara
Non Executive Advisor



Michael Hymers
Director of Corporate Services



Mark Pountain
Non Executive Advisor



Clea Warner
Non Executive Advisor

FLS Management Board (Changed from Executive Team as of July 2022)



Simon Hodgson
Chief Executive



Graeme Hutton
Director of Net Zero



Michael Hymers
Director of Corporate
Services



John Mair
Director of
Commercial
Development



Graeme Prest
Director of Land
Management and
Regions



Andy Hunt
Regional Manager,
West



Carol McGinnes
Regional Manager,
Central



Alex Macleod
Regional Manager,
North



David Leven
Regional Manager,
East



John Dougan
Regional Manager,
South



Julie Fitzpatrick
Head of People and
Organisational
Development



Donna Mortimer
Head of Finance
and Procurement



Tom Greenan
Interim Head
of Finance
(from May 2022)

The information above represents the composition of the Management Board at 31 March 2023. There have been two permanent and one temporary change to the Management Board due to a change of personnel for the Director of Land Management and Regions, and the Head of People and Organisational Development, together with a period of absence for the Head of Finance and Procurement during 2022-23. Full details are provided in the Remuneration report from page 65 onwards. Biographies for our Strategic Board and Management Board can be found on our [website](#).

Register of Interests

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

Other Disclosures

Personal Data Related Incidents

There were 11 non-reportable and no reportable personal data incidents for FLS in 2022-23. This compares with nine non-reportable and no reportable personal data related incidents in 2021-22.

Supplier Payment Policy

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

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

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

An analysis of bill payments for 2022-23 indicates that 78% were paid within the ten working days target (2021-22 - 83%). 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.

Departmental Accounting Boundary

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

Auditors

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

Statement of Accountable Officer's Responsibilities

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

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

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

The Accountable Officer has taken all the steps that he ought to have taken to make himself and auditors aware of all 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. 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.

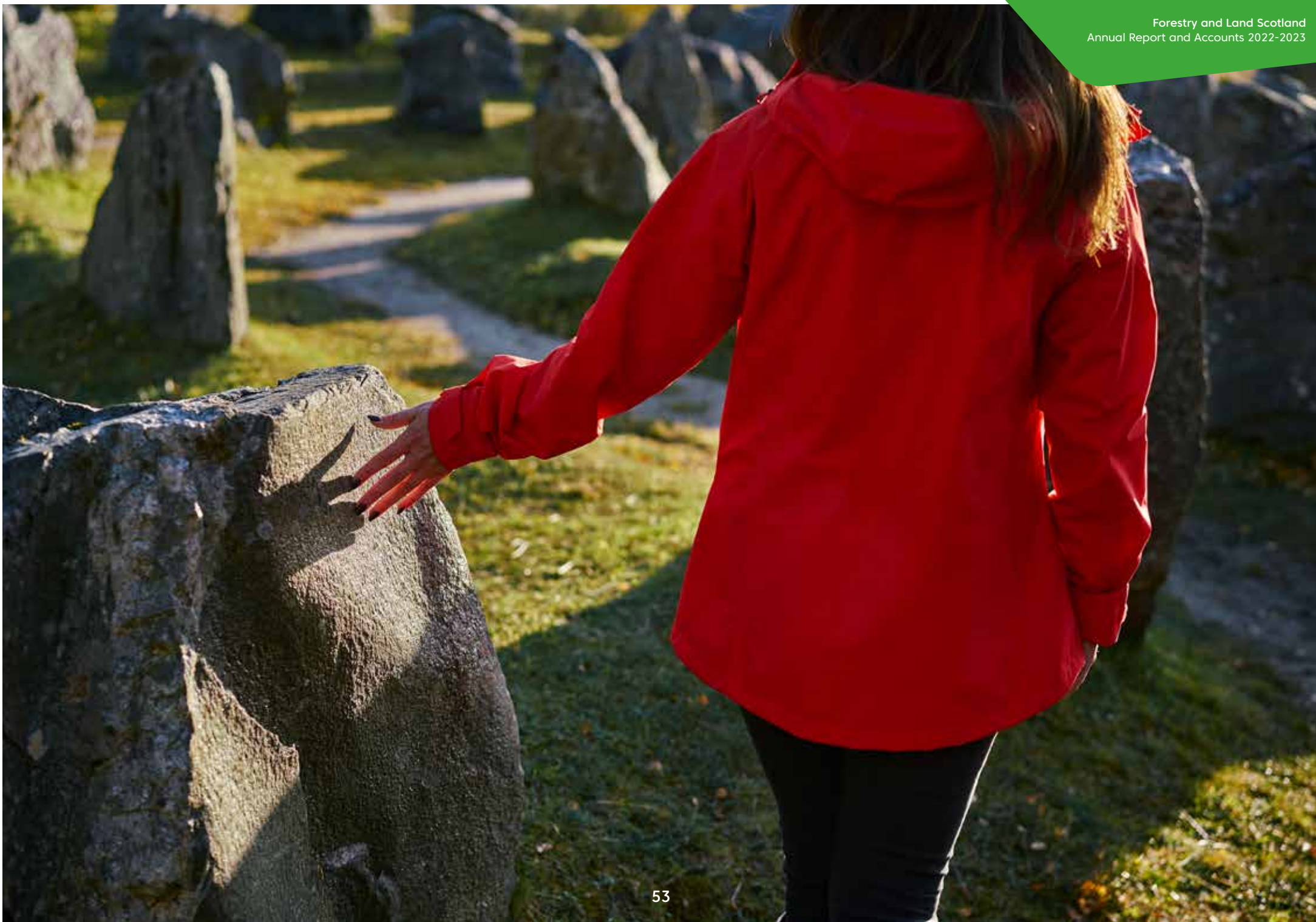
The Purpose of the Governance Framework

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 2023 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 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.

Over the summer we undertook a recruitment exercise to replace the existing Non-Executive Advisor vacancy and in anticipation of the existing terms for another post holder completing in March 2023. Following completion of the recruitment process we welcomed three new Non-Executive Advisors to the agency from November 2022.

The Strategic Board met once during the reporting period in December and in addition to supporting the induction of new members discussed a wide range of topics. Topics for discussion included the agency's recovery from COVID-19, impacts of the cost of living crisis and inflation increase, long-term financial sustainability, and the review of governance arrangements.

Further meetings of the Strategic Board were planned for June and September, 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. A further meeting was held in early April 2023, and the next is scheduled for May.

Minutes from meetings of the Strategic Board are published on the [FLS website](#).

Members of the Strategic Board during the year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board (Attended all meetings)
- **Graeme Hutton** – Director of Net Zero (Attended all meetings)
- **Michael Hymers** – Director of Corporate Services (Attended all meetings)
- **John Mair** – Director of Commercial Development (Attended all meetings)
- **Graeme Prest** – 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)
- **Clea Warner** – Non-Executive Advisor (Attended all meetings)
- **Therese O'Donnell** – Non-Executive Advisor (Attended all meetings)
- **Jo O'Hara** – Non-Executive Advisor (Attended all meetings)

Following the completion of the review of governance arrangements, we will be transitioning to the introduction of a Strategic Advisory Board that will replace the Strategic Board during 2023-24. The Strategic Advisory Board will still act in an advisory capacity to the Chief Executive, with the revised responsibilities including identifying, through consideration of strategic themes and associated risks and issues, and participating in bi-annual in-depth reviews.

Management Board (previously known as the Executive Team)

The Management Board supports the Chief Executive with the day-to-day running of FLS and provides advice and knowledge on professional, technical and regional matters. It comprises the Executive Directors, Regional Managers, Head of People and Organisational Development and Head of Finance. Meetings have taken place on a monthly basis over the reporting period.

Topics for discussion included financial planning, the strategic assessment framework and equality mainstreaming. Financial reporting, Health, Safety and Wellbeing and emerging risks are standing items on the agenda of each meeting. Minutes from meetings of the Management Board are published on the FLS website. Members of the Management Board in place throughout the year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board
- **John Dougan** – Regional Manager, South
- **Julie Fitzpatrick** – Head of People and Organisational Development (as of July 2022)
- **Rosetta Forbes** – Head of People and Organisational Development (left June 2022)
- **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
- **Tom Greenan** – Interim Head of Finance (from May 2022)
- **Graeme Prest** – Director of Land Management and Regions
- **Alex Macleod** – Regional Manager, North
- **David Leven** – Regional Manager, East

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 Non-Executive Advisors. The Chief Executive, Director of Corporate Services and Interim Head of Finance routinely attend the ARC, along with representatives from Internal and External Audit. However the terms of reference, set out in Annex C of the [FLS Framework Document](#), provide for the ARC to sit privately without Executives present for all or part of a meeting if required.

The ARC met four times over the reporting period in July, September, December 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)
- **Clea Warner** – Non-Executive Advisor (Attended December and March meetings)
- **Therese O'Donnell** – Non-Executive Advisor (Attended December and March meetings)
- **Jo O'Hara** – Non-Executive Advisor (Attended December and March 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 Management Board (MB); 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 Management Board and Audit and Risk Committee (ARC) as to the appropriate risk appetite level. This provides a framework to help inform decision making. This looks at the level of risk which is deemed to be 'manageable' i.e. where the risks will need careful management but are considered to be worth taking. Where potential risks could breach the 'manageable' level assurance should be provided to the Management Board and ARC that these can be appropriately controlled.

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

In March 2023 a revised risk appetite statement was presented to the MB and then ARC for consideration and agreement. This introduced a number of new categories that were assessed to guide and inform decision making across the agency going forward. The new information will be incorporated in to the Risk Management Policy and Framework for implementation across the agency during 2023-24.

Key Risks

Throughout the financial year 2022-23 we continued to identify and manage organisational risks. The nature of our business means that health, safety and wellbeing remains an area of high risk across the organisation with regard to our staff, contractors and visitors and we continue to proactively monitor controls and identify opportunities to further reduce risk through future planned actions and improvements.

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

The key risks over the financial year were as follows:

- **Health and Safety:** The main risk remains a serious accident or loss of life on the national forests and land relating to an employee, contractor or member of the public. We have continued to take opportunities to review and revise ways of working to support improved health and safety practices, for example introducing an app that enables monitoring of chainsaw use and includes reminders and actions relating to safe working practices and use of equipment. 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 Management Board.

- **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 in relation to recovery from Covid-19, the cost of living crisis, increased inflation and upsurge in supplier and material costs. Work continues 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. 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 and recovery from COVID-19 has significantly increased organisational risk and contingency arrangements were initialised and continue to be utilised where appropriate. We continue to progress recommendations and actions from a recent audit, seeking to review and improve the related policies and processes. Work is also underway to apply impending changes in response to exiting the EU and ongoing 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 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.

Significant Governance and Risk Issues

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

Economic Recovery

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

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

As we develop our plans going forward we know that we must also consider how they are impacted by wider societal, economic and international changes and 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 Management Board through the SIRO and updates are provided to the Audit and Risk Committee.

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

Certifications

FLS successfully renewed Cyber Essentials Plus certification in March 2023 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 November 2022.

Data Protection

A Memorandum of Understanding between FLS and the Scottish Ministers outlines the roles, responsibilities and the relationship between the Agency and the Scottish Ministers in relation to compliance with data protection laws. It also provides 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. FLS were invited to voluntarily submit a Progress Update Review (PUR) and submitted the assessment in February 2023.

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 Management Board 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 improve our approach to forecasting, monitoring and reporting on key operational programmes, which are at the heart of delivering our mission, i.e. looking after Scotland's forests and land, for the benefit of all, now and for the future. Six of our Key Performance Indicators are dependent on the in-year delivery of operational programmes.

At the end of 2022-23 a review of programmes was carried out across all regions. This has helped us to understand the factors that need to be in place to ensure success, and enabled us to start building a monitoring approach through the use of appropriate lagging and leading indicators.

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 2023 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 "Limited Assurance - Controls are developing but are weak" was provided by DIAA. This is defined as 'There are weaknesses in the current risk, governance and/or control procedures that either do, or could, affect the delivery of any related objectives. Exposure to the weaknesses identified is moderate and being mitigated.' The annual rating was based on the assurance

reviews and advisory activity undertaken over the year, the findings and actions put in place to address recommendations. A total of four assurance reviews were completed in-year as follows:

- Asset Management – Limited Assurance (two high and two medium recommendations)
- Financial Governance and Management – Substantial Assurance (four medium recommendations)
- Contract Management – Limited Assurance (three high and two medium recommendations)
- Data Governance and Management – Limited Assurance (three high and three 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.

DIAA in their annual report provided a limited assurance report based on audit activity and information available to date on risk management, control and governance arrangements. We have already begun to implement a number of actions to address the weaknesses highlighted, some of which include:

- Ensuring all assurance review outcomes and recommendations are presented to and discussed with the Management Board, enable wider ownership and progression of agreed actions and reporting
- Completing the review of Governance Arrangements, with the focus now on implementing the revised responsibilities. This will include reflecting arrangements in our Ministerially approved Framework Document
- Engaging Internal Audit colleagues directly as a stakeholder in key work programmes, to ensure we gain valuable insights at an early stage to inform development and implementation plans

External Audit

Audit Scotland prepared an Annual Audit Report in September 2022 as part of its audit of the Annual Report and Accounts 2021-22 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.

During 2022-23 we welcomed a new External Auditor, Grant Thornton UK LLP.

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 is currently in the process of being investigated.

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, Director of Corporate Services 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 on the government [website](#).

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

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

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 Management Board were as follows:

Name & Title	2021-22 £000					2022-23 £000				
	Salary	Bonuses	Benefits in Kind	Pension Benefits	Total	Salary	Bonuses	Benefits in Kind	Pension Benefits	Total
John Dougan Regional Manager, South (11/06/21 - 31/03/23)	55-60 (70-75 FTE)	-	-	29	85-90	75-80	-	-	1	75-80
Julie Fitzpatrick Head of People & Organisational Development (joined 11 July 2022)	-	-	-	-	-	50-55 (70-75 FTE)	-	-	19	70-75 (90-95 FTE)
Rosetta Forbes Head of People & Organisational Development (left 24 June 2022)	80-85	-	-	14	90-95	15-20	-	-	4	20-25
Simon Hodgson Chief Executive	110-115	-	-	-	110-115	115-120	2	-	-	115-120
Andrew Hunt Regional Manager, West	70-75	-	-	32	100-105	75-80	-	-	23	95-100
Graeme Hutton Director of Net Zero	80-85	-	-	3	85-90	85-90	2	-	-	85-90
Michael Hymers Director of Corporate Services	75-80	-	-	33	105-110	85-90	-	-	31	115-120
David Leven Regional Manager, East (12/07/21 - 31/3/23)	50-55 (70-75 FTE)	-	-	20	70-75	75-80	-	-	30	105-110
John Mair Director of Commercial Development	70-75	-	-	11	80-85	80-85	-	-	12	90-95
Carol McGinnes Regional Manager, Central	75-80	-	-	29	100-105	80-85	-	-	30	110-115
Donna Mortimer Head of Finance and Procurement	75-80	-	-	35	110-115	60-65	-	-	1	60-65
Alex Macleod Regional Manager (from 3 May 2022)	-	-	-	-	-	65-70	-	-	32	95-100
Trefor Owen* Director of Land Management and Regions	80-85	-	-	6	85-90	80-85	2	-	-	80-85
Graeme Prest Director of Land Management and Regions	70-75	-	-	38	110-115	80-85	-	-	38	115-120

* from 1 May 2022 on loan to Scottish Government, then left 31 January 2023

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

Name & Title	Fees £000	
	2021/22	2022/23
Mark Pountain – Non-executive Advisor	5-10	5-10
Lisa Tennant – Non-executive Advisor	5-10	5-10
Jo O'Hara – Non-executive Advisor (joined 01/11/2022)	-	0-5
Therese O'Donnell – Non-executive Advisor (joined 01/11/2022)	-	0-5
Clea Warner – Non-executive Advisor (joined 01/11/2022)	-	0-5
Anna Lawrence – CATS Non-executive Advisor (left 19/02/2023)	0-5	0-5
Courtney Peyton – CATS Non-executive Advisor	0-5	0-5
Judith Webb – CATS Non-executive Advisor (left 19/02/2023)	0-5	0-5
Patrick Hunter Blair – CATS Non-executive Advisor (left 19/02/2023)	0-5	0-5
Richard Slee – CATS Non-executive Advisor	0-5	0-5
Gemma Campbell – CATS Non-executive Advisor (joined 01/08/2022)	-	0-5
Peter Crane – CATS Non-executive Advisor (joined 01/08/2022)	-	0-5
Lucille Black – CATS Non-executive Advisor (joined 01/02/2023)	-	0-5
Ed Pybus – CATS Non-executive Advisor (joined 01/02/2023)	-	0-5
Eilidh Todd – CATS Non-executive Advisor (joined 01/02/2023)	-	0-5

Salary

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

Bonuses

Forestry and Land Scotland does not generally give non-consolidated performance payments; however, one-off payments were made to some of the Senior Civil Servant members of the Management Board in 2022-23 based on specific criteria provided by Scottish Government Pay Policy team. The payments were backdated to 1 April 2022 and details can be found on the above table.

Benefits in Kind

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

Benefits in kind are also provided under the following schemes:

- Advances of salary for house purchase;
- Advances of salary for purchase of public transport and car park season tickets;
- Advances of salary for purchase of sports/health club membership;
- Advances of salary for purchase of IT and sports/ health equipment; including bicycles and childcare vouchers; and,
- Car provision for employees' scheme.

Each scheme is subject to conditions and financial limits.

Compensation on Early Retirement or for Loss of Office

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

Exit and Compensation Packages – Audited

Exit packages of £39.4k were made in 2022-23 (2021-22 - £14.6k).

Value of package	No of employees	
	2022-23	2021/22 Restated
<£10K		
£10-25K	2	1
Total number of exit packages	2	1
Total cost of agreed departures during the year	£39.4K	£14.6K

Previous year numbers have been restated as the basis of calculation has changed in the current year. This enables a direct comparison year on year.

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 2022-23 was £115 k-£120 k (2021-22 – £110 k-£115 k). This was 3.73 times (2021-22 – 3.75 times) the median remuneration of the workforce, which was £31,522 (2021-22 – £30,021). There has been a contraction of the pay ratios between the highest paid director and the general staff group as illustrated in the table below:

	25th percentile		Median		75th percentile	
	Pay	Ratio	Pay	Ratio	Pay	Ratio
2021-22	£25,941	4.34	£30,021	3.75	£36,698	3.07
2022-23	£27,238	4.31	£31,522	3.73	£38,533	3.05

In 2022-23, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £11.3 k to £117 k (2021-22 – £14.8 k-£115 k).

The median average salary of the employees of the organisation taken as whole, rose by 5% compared to the previous year. However the median ratio fell by 5%. Factors affecting this median ratio include changes in the distribution of staff numbers both across and within pay bands, arising from length of service and staff turnover.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. Remuneration paid to all staff in 2022-23 was £36.678m (2021-22 was £32.669 m).



Pension Benefits – Audited

Name & Title	Accrued Pension at Pension age at 31 March and Related Lump Sum £000 2022-23	Real Increase in Pension and Related Lump sum at Pension age £000 2022-23	CETV at 31 March £000 2021-22 2022-23		Real Increase in CETV £000 2022-23	Employer Contribution to Partnership Pension Account Nearest £100 2022-23
Julie Fitzpatrick Head of People & Organisational Development (joined 11 July 2022)	0-5	0-2.5	-	14	10	
Rosetta Forbes Head of People & Organisational Development (01/04/22 to 24/06/22)	-	-	-	-	-	3,300
Simon Hodgson* Chief Executive	45-50 plus a lump sum of 125-130	0 plus a lump sum of 0	869	862	-77	
Andrew Hunt* Regional Manager, West	20-25 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	271	312	7	
Graeme Hutton* Director of Net Zero	30-35 plus a lump sum of 90-95	0 plus a lump sum of 0	715	763	-32	
Michael Hymers* Director of Corporate Services	35-40	0-2.5	437	507	14	
John Dougan Regional Manager, South	30-35 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0-2.5	538	593	-9	
John Mair Director of Commercial Development	-	-	-	-	-	12,500
Carol McGinnes Regional Manager, Central	5-10	0-2.5	82	112	20	
David Leven Regional Manager, East	0.5	0-2.5	13	34	15	
Donna Mortimer* Head of Finance and Procurement	40-45	0-2.5	454	503	-3	
Trefor Owen Director of Land Management and Regions	50-55	-	1,132	1,046	-94	
Graeme Prest Director of Land Management and Regions	35-40 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0-2.5	635	737	24	
Alex Macleod Regional Manager, North (from 3 May 2022)	30-35 plus a lump sum of 65-70	0-2.5 plus a lump sum of 0-2.5	492	570	18	

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

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 ten 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 up until 31 March 2022. Those who were between ten years and thirteen years and five 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 were 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 alpha. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.32% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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](#).

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 (SCS) by Band

SSG band	Number of SCS 2022-23	Number of SCS 2021-22
2	1	1
1	4	4

Staff Numbers and Costs – Audited

Number of Persons Employed at the Year End

The headcount of persons employed as at 31 March 2023 was as follows:

	2022-23 Headcount	2021-22 Headcount
Directly employed	1,103	1,046
Other	13	19
Total	1,116	1,065

Staff costs comprise:

	2022-23 £000	2021-22 £000
Salaries	36,678	32,669
Social security costs	4,057	3,423
Other pension costs	9,663	8,481
Temporary/agency	968	427
Consultancy	187	78
Total	51,553	45,078

Employer contributions of £9.663m for 2022-23 (£8.481 m for 2021-22), 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 2020, 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 £0.107 m (£0.110 m in 2021-22) 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 2021-22) 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 2023 were £0.0002 m (£0.0004 m in 2021-22). Contributions prepaid at that date were £nil (£nil in 2021-22).

Off Payroll

Highly paid off-payroll workers engagements as at 31 March 2023, earning £245 per day or greater:

Number (No) of existing engagements as of 31 March 2023 of which, no. that existed:	
Less than one year	4
For between one and two years	1
For between two and three years	-
For between three and four years	-
For four or more years	1
Total	6

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater:

Number of temporary off-payroll workers engaged during the year ended 31 March 2023 of which, no. that existed:	
Not subject to off-payroll legislation	9
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
No. of engagements reassessed for compliance or assurance purposes during the year	-
Of which: No of engagements that saw a change to IR35 status following review	-
Total	9

For any off-payroll engagements of board members and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023:

No. of off-payroll engagements of board members and/or, senior officials with significant financial responsibility, during the financial year.	1
Total no. of individuals on payroll and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility" during the financial year. This figure includes both on payroll and off-payroll engagements.	14

Policy

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

Our People Strategy which sets out our ambitions as a supportive, safe, inclusive and high-performing workplace is currently under review. 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 is also under review 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 2022-23 has included:

- Continued development of our HR System including: the launch of a new annual leave module, improvements to the recruitment module and single-sign on authentication
- Establishment of a Trade Union Office
- Enhanced our ability to attract, recruit and select talent by reviewing our approach to attraction and selection as well as the employee induction process
- Significant reduction in our gender pay gap
- Good progress on converting our existing Health, Safety and Wellbeing (H,S & W) guidance into Standard Operating Procedures

- Establishment of a Technical Training team
- Establishment of Policy Approval Committee to prioritise and support enhanced policy development in partnership with key stakeholders
- Implementation of Resource Approval Board to strengthen workforce planning and achieve a consistent approach across cost centres

Activity during 2023-24 will include:

- Continuation of the HR Transformation Plan to fully align service provision to service requirements through enhanced engagement with cost centres in line with professional standards of best practice
- Further HR systems development via Itrent, iLearn and our Business Objects reporting tools
- Implementation of an e-system which will support the onboarding of new recruits, thereby significantly reducing time between offer and joining FLS
- Developing a new Partnership Agreement with our Trade Union colleagues and further embed fair work practices across FLS
- Further development of HR policies including: Discipline, Grievance, Working Flexibly and Harassment and Bullying
- Introducing Scottish Government Employee Passport to all FLS staff which provides a framework for staff to discuss circumstances,

disabilities, health conditions or commitments which might impact their work and to agree adjustments that will support staff to perform their best

- Developing our brand as employer of choice
- Continuing to convert our existing Health, Safety & Wellbeing guidance into Standard Operating Procedures
- Continuing to develop and expand our technical training provision plus development of non-technical training
- Reviewing and expanding our Work Based Learning programme to develop opportunities across the range of specialisms in FLS
- Developing and delivering foundation training for line managers and plan for leadership management development

Equality, Diversity and Inclusion

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

In 2022-2023 we launched a Menopause Initiative. Twenty-five Menopause Champions have been trained to support and provide advice to staff and managers about managing menopausal symptoms and having open and honest conversations about the menopause at work. In conjunction with the Champions, we have released guidance for all staff about the menopause.

We also renewed our commitment to the Disability Confidence scheme, ensuring that we continue to take action to improve how we recruit and retain disabled people. In 2023-24 we look forward to introducing the Scottish Government Employee Passport Scheme, which supports disabled and other staff to share their circumstances with their managers and receive the right workplace adjustments.

'Engaging the Bystander' training continues to provide staff with the confidence and tools to challenge inappropriate behaviours should they occur, and to ensure we create an inclusive and welcoming workplace. We have also run tailored diversity and inclusion training for specific staff groups in varied topics such as digital accessibility frameworks, working with LGBT+ visitors and supporting ethnic minority staff.

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

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

Equality Monitoring

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

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

2021-22

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

2022-23

	Director	Senior Manager	Employee	Agency	2022-23
Male	5	23	697	5	730
Female	-	13	365	8	386
Total	5	36	1,062	13	1,116

Staff who consider themselves as disabled

Staff who consider themselves as disabled		
No	980	88.8%
Not Known	73	6.7%
Yes	50	4.5%
Total	1,103	100%

(Figure excludes Non-executive advisors and agency workers).

Modern Slavery

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

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

During 2022 we continued to monitor the uptake of staff training to enable them to spot the signs of human trafficking and to know where to get help, specifically targeting employees working in our high risk activity areas. We also carried out internal communications with our staff on anti-slavery day to highlight this important issue.

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).

Anti-Bribery and Anti-Corruption

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

Staff turnover

Staff turnover during 2022-23 was 12.5% (12% for 2021-22). Retaining staff, while maintaining a healthy turnover, is important for efficiency and to keep the organisation 'fresh'.

Staff survey participation'

FLS participated in the Civil Service People Survey for the fourth time in 2022. The response rate for FLS was 68% (also 68% for 2021 survey). The Management Board has selected three key themes to prioritise from the People Survey: Leadership and Change; Skills Development and Equality Diversity & Inclusion. Specific actions have been set by each business area to encourage progressive action plans and these are monitored monthly.

Sickness Absence Data

FLS proactively manages sickness absence. From April 2022 absences due to COVID-19 were no longer excluded from absence data. An average of 6.9 (2.67%) working days were lost per person during 2022-23. This is a decrease from the 2021-22 figure which was 7.8 days (2.7%). The percentage of employees with no recorded sickness absence has decreased from 65% to 55% since last year.

Employee Consultation and Trade Union Relationship

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

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

Fair work is work that offers effective voice, opportunity, security, fulfilment and respect. Over the next two 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		2022-23	2021-22
Headcount of TU Officials		14	11
FTE of TU Officials		13.15	10.5
No. of Employees by % of working hours spent on FT	0-1%	3	10
	1-50%	11	1
	51-99%	1	-
	100%	-	-
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 2022-23 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 p86 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 (p103). 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 2022-23.

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

Date: 6 December 2023

Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Taxpayers' Equity and notes to the financial statements, including 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 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and

- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using our understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;

- inquiring of the Accountable Officer and management as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer and management concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects:

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept; or

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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



Angela Pieri

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

Date: 6 December 2023

Forestry and Land Scotland Financial Statements



Statement of Comprehensive Net Expenditure As at 31 March 2023

	Note	2022-23 £000	2021-22 £000 Restated
Operating Income			
Sales of timber		(76,344)	(95,468)
Forest protection and maintenance		(1,719)	(1,354)
Management & development of estate		(24,357)	(22,298)
		(102,420)	(119,120)
Operating Expenditure			
Forest planning		8,033	7,494
Timber operations		33,319	19,731
Forest protection and maintenance		49,651	48,351
Management & development of estate		5,834	2,598
Value of felled timber	8	57,048	70,178
		153,885	148,352
Net sustainable land management		51,465	29,232
Communities, recreation and tourism			
Income		(2,385)	(2,987)
Expenditure		16,723	10,035
		14,338	7,048
Environment and heritage			
Income		(74)	(112)
Expenditure		4,533	4,047
		4,459	3,935
Estate improvements			
Income		(1,098)	-
Expenditure		17,505	13,403
		16,407	13,403
Management services			
Income		(20)	(21)
Expenditure		117	323
		97	302

	Note	2022-23 £000	2021-22 £000 Restated
Business Services – Overheads		17,015	14,413
Net expenditure before (Gain)/Loss on revaluation of biological assets		103,718	68,333
Loss on revaluation of biological assets transferred to NCAHFS	8	64	55
Gain on revaluation of biological assets	8	(535,124)	(583,817)
		(535,060)	(583,762)
Net income after net gain on revaluation of biological assets		(431,279)	(515,429)
Government grant		(28,108)	(28,995)
Share of Profit from Joint Venture		(176)	-
Interest expense	15	35	-
Financial Guarantee Scheme	24	80	-
Loss/(gain) on sale of properties, plant and equipment	6	81	(1,241)
Gain on revaluation of fixed asset investments	10	(673)	(1,100)
Net income for the year		(460,040)	(546,765)
Transferred to general fund		(460,040)	(546,765)

All income and expenditure is derived from continuing operations.

Other comprehensive income

	Note	2022-23 £000	2021-22 £000
Net gain on revaluation of property plant and equipment		(406,677)	(281,158)
Total other comprehensive net income		(406,677)	(281,158)
Comprehensive net income for the year		(866,717)	(827,923)

In the Statement of Comprehensive Income all income is shown in parentheses with expenses shown without parentheses.

Statement of Financial Position As at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Non current assets			
Property, plant and equipment	7	2,503,101	2,072,407
Biological assets	8	3,302,924	2,825,614
Investment in joint ventures	9	2,119	3,048
Financial assets	10	-	2,875
Trade and other receivables	14	7	3,128
Total non current assets		5,808,151	4,907,072
Current assets			
Financial assets	10	-	75
Non-current assets held for sale	12	707	2,898
Inventories	13	7,776	16,362
Trade and other receivables	14	28,849	29,590
Cash and cash equivalents	16	96,874	115,114
Total current assets		134,206	164,039
Total assets		5,942,357	5,071,111
Current liabilities			
Trade and other payables	17	(38,448)	(34,231)
Provisions	19	(7,238)	(9,655)
Total current liabilities		(45,686)	(43,886)
Total assets less current liabilities		5,896,671	5,027,225
Non current liabilities			
Trade and other payables	17	(4,157)	(1,165)
Provisions	19	(179)	-
Total non current liabilities		(4,336)	(1,165)
Assets less liabilities		5,892,335	5,026,060
Taxpayers' equity			
General fund		3,708,278	3,244,889
Revaluation reserve		2,184,057	1,781,171
Total taxpayers' equity		5,892,335	5,026,060

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

The notes on pages 90 to 125 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 5 December 2023.



Simon Hodgson
Accountable Officer

Date: 6 December 2023

Statement of Cash Flows As at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Net operating income			
Net income for the year		460,040	546,765
Adjustments for non cash transactions:			
Depreciation charges	7	4,828	4,180
Gain on disposal of buildings, forest estate and land		(314)	(1,943)
(Gain)/loss on disposal of other PPE		(110)	11
Impairment of PPE	7	-	7
Gain on revaluation of biological assets	8	(535,123)	(583,817)
Decrease in plant & seed	8	273	245
Value of felled timber	8	57,048	70,178
Gain on revaluation of financial assets	10	-	(1,100)
Revaluation reserve written off		-	-
Right of Use Asset lease expenses	15	(2,168)	-
Non-cash charges: auditor's remuneration		-	103
Other non cash transactions		62	198
Decrease/(increase) in inventories	13	8,586	(3,712)
Decrease/(increase) in trade and other receivables	14	3,862	(5,065)
Increase in trade and other payables	17	7,209	14,829
Use of provisions	19	(6,969)	(2,453)
Decrease in provisions	19	4,731	180
Net cash inflow from operating activities		1,955	38,606

	Note	2022-23 £000	2021-22 £000
Cash flows from investing activities			
Proceeds of disposal of properties	6	4,868	3,779
Proceeds of disposal of other property, plant and equipment	6	417	680
Purchase of property, plant and equipment	7	(26,658)	(10,916)
Disposal of biological assets	8	249	234
Investment in joint venture	9	929	(1,958)
Other investments – options purchased	10	-	(75)
Net cash outflow from investing activities		(20,195)	(8,256)
Net (decrease)/increase in cash and cash equivalents in the period		(18,240)	30,350
Cash and cash equivalents at the beginning of the period		115,114	84,764
Cash and cash equivalents at the end of the period	16	96,874	115,114

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

Statement of Changes in Taxpayers' Equity As at 31 March 2023

2021-22	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
2022-23	General Fund £000	Revaluation Reserve £000	Total £000
At 1 April 2022	3,244,889	1,781,171	5,026,060
Changes in taxpayers' equity			
Net gain on revaluation of property, plant and equipment	-	406,705	406,705
Net loss on revaluation of NCAHFS	-	(36)	(36)
Realised element of reserves	2,706	(2,706)	-
Other Write-off	-	(1,077)	(1,077)
Net operating income	460,040	-	460,040
Adjustment from the adoption of IFRS 16	643	-	643
Total recognised income and expense	463,389	402,886	866,275
At 31 March 2023	3,708,278	2,184,057	5,892,335

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 2022/23 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 2022/23 accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and financial assets at fair value through profit or loss.

1.3 Revenue recognition

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

FLS recognises revenue in line with IFRS 15.

1.4 Government grants receivable

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

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

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

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

1.5 Funding paid to FLS

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

1.6 Land and buildings leased to customers

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

1.7 Employee benefits

Pensions

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

schemes, FLS recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Performance pay/Bonuses

FLS does not generally give non-consolidated performance payments. However, one-off payments were made in 2022/23. Details of the payments are set out in the Remuneration and Staff report.

Short-term employee benefits

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

1.8 Property, plant and equipment

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

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

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

Forest estate

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

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

In accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate is valued under the Existing Use or Current Value models as appropriate for obtaining a current value. The valuations at 31 March 2023 were provided by the VOA.

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

Biological assets

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

Biological Assets include standing trees and are measured at fair value less estimated point-of-sale costs. External professional valuers undertake a full external professional valuation annually. The valuations at 31 March 2023 were 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 current 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. In arriving at these valuations the valuer may use discounted cash flow and investment yield approaches as appropriate under the RICS Standards for determining current value.

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

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

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

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

Dwellings and other buildings

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

The VOA undertook a revaluation of dwellings and other buildings in South Region in the year 2022-23, using a combination of desktop valuation and physical inspection of assets. This was based on valuation data provided by professionally qualified staff within FLS. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. The valuation has been undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the HMT Treasury Financial Reporting Manual (FReM).

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

The value of Dwellings and other buildings, which are not part of the full desktop revaluation are restated annually between full revaluations using indices provided by the District Valuer and 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.

Office, machinery and equipment (OME)

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

Assets under construction

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

Revaluation reserve

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

1.9 Depreciation

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

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

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

Asset lives are as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Net Expenditure.

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

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

1.10 Impairment of non-financial assets

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

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

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

1.11 Financial assets

Classification

FLS classifies its financial assets in the following categories:

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

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

(a) Fair value

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

(b) Amortised cost

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

Recognition and measurement

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

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

(a) Fair value

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

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

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

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

(b) Amortised cost

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

Impairment

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

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

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

1.12 Investment in Joint Ventures

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

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

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

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

1.13 Inventories

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

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

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

1.14 Leases

Scope and classification

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

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

Initial recognition

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

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

The lease liability is measured at the present value of the lease payments unpaid at that date. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury rate of 0.95%. The lease liability is presented within Trade & Other Payables.

Subsequent measurement

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

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

Lease expenditure

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

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

1.15 Cash and cash equivalents

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

1.16 Financial liabilities

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

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

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

1.17 Provisions

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

1.18 Contingent liabilities

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

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

1.19 Public corporation dividend

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

1.20 Value added Tax (VAT)

FLS is part of the Scottish Government VAT registration.

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

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

1.21 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2023 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

IFRS 16 Leases replaces IAS 17 Leases. The adoption of this new Standard has resulted in FLS recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, FLS has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

At 1 April 2022 the right of use assets are recognised at an amount equal to the lease liability adjusted for any prepayment or accrued lease payments that existed at the date of transition.

On transition, leases previously classified as operating leases with a remaining lease term of less than 12 months and leases of low value assets continue to be accounted for as operating leases. Leases previously classified as finance leases continue to be measured as they were immediately before the date of the initial application of IFRS 16 with the receivable now classified as a Right of Use asset.

The following reconciliation illustrates the impact on the balance sheet from IAS 17 to IFRS 16 at 1 April 2022.

	Carrying Amount at 31 March 2022 £000	IFRS 16 adjustment £000	Carrying amount 1 April 2022 £000
PPE	2,072,407	4,850	2,077,257
Lease receivables	-	1,705	1,705
Prepayments	1,076	(484)	592
Lease liabilities	(66)	(5,428)	(5,494)
	2,073,417	643	2,074,060

The £643K net movement in assets and liabilities has been recognised in Total Taxpayers Equity. The following is a reconciliation of total operating lease commitments at 31 March 2022 (as disclosed in the financial statements) to the lease liabilities recognised at 1 April 2022.

	£000	£000
Total Operating lease commitments disclosed at 31 March 2022		7,282
Recognition exemptions		
Leases of low value assets and terms less than 12 months	(681)	
Other minor adjustments relating to commitment disclosures	(389)	(1,070)
Operating lease liabilities before discounting		6,212
Discounting adj using HM Treasury rate		(781)
Operating lease liabilities		5,431
Finance lease obligations		66
Total lease liabilities recognised under IFRS 16 at 1 April 2022		5,497

The rate used to discount the lease liabilities was 0.95% advised by the Treasury in the annual PES paper as applicable to leases under IFRS 16.

Note 2: Critical Accounting Estimates and Judgements

2.1 Critical accounting judgements and key sources of estimation uncertainty

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

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

2.2 Critical judgements in applying the accounting policies

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

Valuation of the Forest Estate and Biological Assets

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

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

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

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

Other land

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

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

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

Revenue generating assets

The purpose of FLS is to manage forests and land owned by Scottish Ministers in a way that supports and enables economically sustainable forestry; conserves and enhances the environment; and delivers benefits for people and nature. FLS may manage other forested and non-forested land by arrangement, as set out in the 2018 Act. In line with this, land is not held for long term capital appreciation. Land use may be changed if there is a more profitable use, in order to deliver the benefits stated above. Land that does not fall within this purpose is disposed of.

Forest infrastructure

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

Revaluation reserve apportionment for other land and forest estate

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

The revaluation reserve has therefore been apportioned across these categories based on their total book values as at 31 March 2023. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2023.

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

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

Dwellings and other Buildings

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

Provision of liabilities and charges

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

2.3 Principal estimates in applying the accounting policies

Land and buildings valuation

A detailed review of land and buildings is undertaken each year in one region, on a five year cyclical basis. In 2022/23, South region had a detailed review. All other regions are revalued using index factors estimated using market and BCIS information.

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

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

Biological assets valuation

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

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

Revenue from wind and hydro schemes

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

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

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

Asset lives and depreciation rates

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

Note 3: Net Operating Expenditure

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

	Note	2022-23 £000	2021-22 £000
Hire of plant and equipment		508	299
Auditors' remuneration – audit work		102	103
Auditors' remuneration – non audit work		-	-
Depreciation of property, plant and equipment	7	4,064	4,180
Operating lease rentals:			
Land and buildings	18	80	1,922
Plant & machinery	18	62	48
Provisions:			
Provided in year	19	4,731	180
Provisions not required written back	19	(6,387)	(331)
Provisions utilised in year	19	(582)	(2,122)

Expenditure includes staff costs, which amounted to £51.553 m for 2022/23 (2021-22 – £45.000 m). A full analysis of these costs is included within the Remuneration and Staff Report.

Note 4: Contract Revenue

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

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

4(a) Contract Revenue

	2022-23		2021-22	
	£000	£000	£000	£000
Segment Revenue	Timber	Venison	Timber	Venison
Major goods/services				
Sale of goods	75,679	1,418	93,036	1,230
Contract Duration				
Transactional contracts	195	-	197	
Short term contracts	31,101	-	39,309	
Long term contracts	44,383	1,418	53,530	1,230
	75,679	1,418	93,036	1,230
Contract pricing				
Fixed price	56,097	1,418	66,156	1,230
Variable price	19,582	-	26,880	
	75,679	1,418	93,036	1,230
Timing of revenue recognition				
Goods transferred at a point in time	75,679	1,418	93,036	1,230
	75,679	1,418	93,036	1,230
Reconciliation to SOCNE				
Sales	75,679	1,418	93,036	1,230
Compensation	291	-	2,107	
Other sales	374	-	325	
Forest protection and maintenance				
Forest Planning		81		36
Contract pricing		22		50
Restocking		16		22
Other Forest Maintenance		9		19
Roads upgrade		161		(35)
Roads maintenance etc.		12		32
	665	301	2,432	124
Sales of Timber/Forest protection and maintenance	76,344	1,719	95,467	1,354

4(b) Contract Balances

	2022-23		2021-22	
	£000	£000	£000	£000
	Timber	Venison	Timber	Venison
Receivables	14,904	169	9,418	152

4(c) Performance Obligations

Timber

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

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

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

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

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

Venison

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

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

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

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

Significant Payment Terms and Obligations for Returns and Refunds:

Timber

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

Venison

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

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

**Transaction price:
Timber**

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

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

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

Venison

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

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 previous years, the operational units also included the salaries and administration costs of the central service functions using agreed percentages and applied at the end of the financial year. The application of central services costs at the end of the year ensured budget responsibility for the management of central services costs remained with the appropriate managers throughout the year. The reallocation of central service functions' costs to operational units was discontinued from 1 April 2022 and the comparative year's figures have been restated accordingly.

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

	2022-23 £000	2021-22 £000 Restated
Sales proceeds	5,285	4,544
Book value	(5,111)	(2,759)
Gain	174	1,785
Disposal costs:		
External costs	(255)	(544)
	(255)	(544)
Gain/(loss) on sale of assets	(81)	1,241

Previous year amounts have been restated as the basis of calculation has changed in the current year. This enables a direct comparison year on year.

Note 7: Property, Plant and Equipment

2022-23	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
Valuation :							
At 1 April 2022	1,547,841	479,860	53,509	25,567	488	343	2,107,608
Additions	179	17,680	3,378	2,350	28	2,875	26,490
Additions: Right of use assets	-	3,103	1,626	51	70	-	4,850
Transfers	-	-	955	-	168	(1,123)	-
Transfers to NCAHFS	(117)	-	(632)	-	-	-	(749)
Disposals	(146)	(1,279)	(618)	(1,386)	(22)	-	(3,451)
Write-off/impairment	-	-	-	-	-	-	-
Revaluations	321,884	83,319	2,585	-	-	-	407,788
At 31 March 2023	1,869,641	582,683	60,803	26,582	732	2,095	2,542,536
Depreciation:							
At 1 April 2022	-	-	21,684	13,218	299	-	35,201
Provided during year	-	-	1,440	2,588	36	-	4,064
Depreciation: Right of use assets	-	78	623	23	40	-	764
Transfers to NCAHFS	-	-	(198)	-	-	-	(198)
Disposals	-	-	(373)	(1,079)	(22)	-	(1,474)
Revaluations	-	-	1,078	-	-	-	1,078
At 31 March 2023	-	78	24,254	14,750	353	-	39,435
Net Book Value :							
At 1 April 2022	1,547,841	479,860	31,825	12,349	189	343	2,072,407
At 31 March 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101
Asset Financing							
Owned	1,869,641	579,580	35,546	11,804	349	2,095	2,499,015
Right of use assets	-	3,025	1,003	28	30	-	4,086
At 31 March 2023	1,869,641	582,605	36,549	11,832	379	2,095	2,503,101

2021-22	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

In property, plant and equipment, Land comprises of:

Land use	2022-23 £000	2021-22 £000
Agricultural land	31,924	25,943
Open land	360,268	297,713
Other minor land	11,939	10,146
Car parks	2,306	2,146
Telecomms	9,627	9,411
Wind farms	126,339	97,610
Hydro	16,523	16,648
Minerals	4,574	3,924
Commercial leases	10,975	10,095
Battery storage	800	800
Campsites	4,305	5,426
Right of use land	3,025	-
	582,605	479,860

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 2023.

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

Revaluations are carried out annually.

Other Land-Related Assets

Professional valuations of other land-related assets such as windfarms, hydro schemes, leased mineral sites and telecoms masts were also undertaken as at 31 March 2023. 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 £4.828 m (2021-22 - £4.180 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 2023 was £3,303 m (2021-22 – £2,826m).

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

	2022-23 £000	2021-22 £000
Trees		
At 1 April	2,823,460	2,311,278
Disposals	(249)	(234)
Fellings	(57,048)	(70,178)
Transferred to NCAHFS	(244)	(1,223)
Gains and losses arising from changes in fair values	535,124	583,817
At 31 March	3,301,043	2,823,460
Plant & Seed		
At 1 April	2,154	2,399
Movement in year	(273)	(245)
At 31 March	1,881	2,154
Biological Assets at 31 March	3,302,924	2,825,614
Biological assets transferred to NCAHFS and revalued down	(64)	(55)

Note 9: Investment in Joint Ventures

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

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

In the year to 28 February 2023, CitF generated a profit of £710,000. The share of profit attributable to FLS was £176,000 and is included in the carrying value of the investment.

Investment in joint venture	2022-23 £000	2021-22 £000
At 1 April 2021	3,048	3,048
Transfer to Campsite land	(1,105)	-
Share of profit	176	-
At 31 March	2,119	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	2022-23 £000	2021-22 £000
Non-current assets	8,294	8,677
Current assets	581	2,863
Current liabilities	(328)	(2,204)
Non-current liabilities	-	(1,500)
Net assets (100%)	8,547	7,836
FLS share of net assets (24.8%)	2,120	1,943
Included in the above amounts are:		
Cash and cash equivalents	468	2,797
Current financial liabilities (excluding trade payables)	328	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 2021				
Opening balance	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 1 April 2022	2,875	-	75	2,950
Disposal	(2,875)		-	(2,875)
Option exercised			(75)	(75)
At 31 March 2023	-	-	-	-

On 27 April 2022, Forestry and Land Scotland disposed of its minority interest in Forest Holidays LLP for £3.5 m to Sykes Holiday Cottages.

The option represented an option to acquire land at an agreed price. The option was exercised in 2022 with the cost of the option deducted from the settlement payment.

Note 11: Financial Instruments

11(a) Investments in non-public sector bodies

	2022-23 £000	2021-22 £000
At 1 April	2,950	2,865
Additions	-	75
Disposal		(1,090)
Disposal of investment	(2,875)	
Option exercised	(75)	
Revaluation	-	1,100
Balance at 31 March	-	2,950
Represented by:		
FVTPL investments	-	2,875
Options	-	75
Total	-	2,950

11(b) Financial instruments by category

	Amortised Cost £000	Financial assets at FVTPL £000	2022-23 Total £000	Restated Amortised Cost £000	Financial assets at FVTPL £000	Restated 2021-22 Total £000
Assets						
Financial assets at fair value through profit or loss	-	-	-	-	2,875	2,875
Options	-	-	-		75	75
Trade and other receivables	27,818	-	27,818	31,642	-	31,642
Cash and cash equivalents	96,874	-	96,874	115,114	-	115,114
Total	124,692	-	124,692	146,756	2,950	146,756

Previous year amounts have been restated as the basis of calculation has changed in the current year. This enables a direct comparison year on year.

	Other financial liabilities at amortised cost £000	2022-23 Total £000	Other financial liabilities at amortised cost £000	2021-22 Total £000
Liabilities				
Right of use liabilities	3,553	3,553	66	66
Trade and other payables excluding statutory liabilities	12,138	12,138	11,030	11,030
Total	15,691	15,691	11,096	11,096

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

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

Market risk

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

i) Cash flow and fair value interest rate risk

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

ii) Foreign Currency Risk

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

2022-23	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000
Right of use asset liabilities	521	606	2,426
Trade and other payables excluding statutory liabilities	12,234	-	-
Total	12,755	606	2,426

2021-22	Less than 1 year £000	Between 1 and 5 years £000	Over 5 years £000
Right of use asset liabilities	26	41	-
Trade and other payables excluding statutory liabilities	11,030	-	-
Total	11,056	41	-

11(d) Capital risk management

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

11(e) Fair value estimation

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

Note 12: Non-Current Assets Held for Sale

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

	Note	Forest Estate & Biological Assets £000	Other Land £000	Buildings £000	Total £000
At 1 April 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
Transfers from PPE & Biological Assets	7, 8	360	-	434	794
Disposals		(1,022)	(20)	(1,843)	(2,885)
Impairments*		(94)	-	(6)	(100)
At 31 March 2023		702	1	4	707

*Biological assets revaluation loss of £0.064 m (2021-22 – loss £0.055 m) is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £nil (2021-22 – £0.142 m) is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

There were no losses on the revaluation of other land (2021-22 – £nil).

Note 13: Inventories

	2022-23 £000	2021-22 £000
Timber - Work in progress	2,107	6,303
Timber - Felled stock	4,434	9,368
Consumable materials, supplies and livestock	1,235	691
	7,776	16,362

Note 14: Trade And Other Receivables

14(a) Analysis by type

	2022-23 £000	2021-22 £000
Current		
Trade receivables	15,550	14,223
Less provision for impairment of trade receivables	-	-
Trade receivables - net	15,550	14,223
Other receivables	1,515	120
Partnership lease	-	84
House purchase loans to employees	2	2
Prepayments and accrued income	11,782	15,161
Total current receivables	28,849	29,590
Non current		
Partnership lease	-	3,116
House purchase loans to employees	7	12
Total non-current receivables	7	3,128
Total receivables	28,856	32,718
Reconciliation to Note 11		
Total receivables	28,856	32,718
less		
Prepayments and accrued income	(1,038)	(1,076)
Trade and other receivables (note 11(b))	27,818	31,642

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more relating to two members of staff at 31 March 2023 (2021-22 – two staff members).

The total outstanding value of all loans was £0.009m (2021-22 – £0.014 m). Such loans are unsecured, interest free and typically repayable over ten years, with an optional two year deferral period.

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

As of 31 March 2023, trade receivables of £13.719 m (2021-22 – £11.692 m) were fully performing and not past due or impaired or provided for.

As of 31 March 2023, trade receivables of £1.831 m (2021-22 – £2.531 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:

	2022-23 £000	2021-22 £000
Less than one month	13,719	11,692
One to two months	1,556	1,468
More than two months	275	1,063
	15,550	14,223

There was no movement in the provision for impairment of trade receivables in the year (2021-22 - £nil).

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

The carrying amounts above are all denominated in GBP Sterling.

14(b) Intra-Government Receivables Balances

	Current 2022-23 £000	Non current 2022-23 £000	Current 2021-22 £000	Non current 2021-22 £000
Balances with other central government bodies	1,364	-	132	-
Balances with local authorities	16	-	-	-
Balances with public corporations and trading funds	180	-	234	-
Intra-government balances	1,560	-	366	-
Balances with bodies external to government	27,289	7	29,244	3,128
Total trade and other receivables	28,849	7	29,590	3,128

Note 15: Leases

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

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

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

Right of Use Assets

	Land £000	Buildings and other Dwellings £000	VME £000	OME £000	Total £000
Cost					
Initial recognition	3,103	1,626	51	70	4,850
At 31 March 2023	3,103	1,626	51	70	4,850
Depreciation					
Charge in year	78	623	23	40	764
At 31 March 2023	78	623	23	40	764
Carrying amount at 31 March 2023	3,025	1,003	28	30	4,086

Lease Liabilities

The lease liabilities are secured by the underlying assets. The undiscounted maturity analysis of the lease liabilities at 31 March 2023 is as follows:

	Land £000	Buildings and other Dwellings £000	VME £000	OME £000	Total £000
Amounts falling due:					
No later than one year	93	344	53	30	520
Later than one year but not later than five years	367	190	49		606
Due 5-10 years	448				448
Due 10-20 years	791				791
Due 20-30 years	767				767
Due 30-40 years	420				420
	2,886	534	102	30	3,552

Lease payments not recognised as a liability

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

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

	2022-23 £000
Low value and short term leases	142
At 31 March 2023	
Amounts recognised in the SOCNE	
Depreciation	764
Interest expense	35
Low value and short term leases	142
Income for subleasing office premises	1,265
Forest Holidays leases	3,199
Amounts recognised in the SCF	
Cash flows	2,168
Interest expense	35

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

	2022-23 £000	2021-22 £000
Not later than one year	11,555	9,132
Later than one year but not later the five years	46,535	38,193
More than five years	146,844	138,964
	204,934	186,289

(c) Finance Leases (Forest Holidays buildings)

	2022-23 £000	2021-22 £000
Less than one year	-	91
Later than one year and not later than five years	-	365
More than five years	-	5,929
	-	6,385
Less: Interest element	-	(3,185)
Present value of receivables	-	3,200

Note 16: Cash and Cash Equivalents

	2022-23 £000	2021-22 £000
At 1 April	115,114	84,764
Net change in cash and cash equivalent balances	(18,240)	30,350
Balance at 31 March	96,874	115,114

The following balances were held at:	2022-23 £000	2021-22 £000
Balance with the Government Banking Service	96,874	115,114
	96,874	115,114

All balances held are denominated in GBP Sterling.

Cash balances that transfer as reserves are as follows: -

Restricted with a specific purpose – **£40 m** (2021-22: £47.4 m). These funds include those relating to land sales and reinvestment programmes.

Earmarked reserves in 2022-23 and beyond – **£43 m** (2021-22: £53.5 m). Earmarked reserves will be reinvested in the business, or used to fund trading deficits.

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

Liquidity reserves – **£13 m** (2021-22: £13 m). The level of liquidity reserves has been aligned to roughly three times the monthly salary bill of FLS. The reserve is held to ensure that the risks can be managed in a timely and effective manner and is under continuous review.

Note 17: Trade and Other Payables

17(a) Analysis by type

	2022-23 £000	2021-22 £000
Current		
Trade payables	3,548	4,644
Other payables	32	48
Taxation and social security costs	111	341
Accruals and deferred income	34,237	29,172
Right of use asset leases	520	26
Total current payables	38,448	34,231
Non current		
Accruals and deferred income	1,125	1,125
Right of use asset leases	3,032	40
Total non-current payables	4,157	1,165
Total payables	42,605	35,396
Reconciliation to Note 11		
Total Payables	42,605	35,396
Less Deferred income	(26,904)	(24,299)
Other financial liabilities (note 11(b))	15,691	11,096

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 2022-23 £000	Non current 2022-23 £000	Current 2021-22 £000	Non current 2021-22 £000
Balances with other central government bodies	288	-	439	-
Balances with local authorities	11	-	177	-
Balances with public corporations and trading funds	153	-	184	-
Intra-government balances	452	-	800	-
Balances with bodies external to government	37,996	4,157	33,431	1,165
Total trade and other payables	38,448	4,157	34,231	1,165

Note 18: Commitments Under Leases

Following the adoption of IFRS 16 with effect from 1 April 2022, the majority of FLS's leases are now recognised on-balance sheet as right-of-use assets and lease liabilities in **Note 15**. A small portfolio of short-term and low-value leases is not recognised on-balance sheet. As there have not been any significant changes to this portfolio, the expense disclosed in **Note 3** represents a similar level of annual commitment going forward.

Note 19: Provisions for Liabilities and Charges

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
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
Provided in year	179	-	3,812	740	4,731
Provisions not required written back	-	-	-	(6,387)	(6,387)
Utilised in year	-	(3)	-	(579)	(582)
At 31 March 2023	179	-	5,782	1,456	7,417

Analysis of expected timing of discounted cash flows for balance at 31 March 2023:

	Remedial Works £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
Within one year	179	-	-	1,456	1,635
Between 1 April 2024 and 31 March 2028	-	-	5,782	-	5,782
Between 1 April 2028 and thereafter	-	-	-	-	-
	179	-	5,782	1,456	7,417

Provisions are categorised as follows:

Remedial works

A provision has been included for remedial works to land purchased by FLS due to be paid within a year. The provision is based on a contractual amount for each hectare of land remediated.

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 has made provision for the dilapidation costs associated with returning offices and other buildings to their original condition. The provision was based on professional surveys and valuations of the works required.

Public and other legal claims

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

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

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities; there were no such contingent liabilities at 31 March 2023. 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

	2022-23 £000	2021-22 £000
Property, plant and equipment	4,943	3,278

At the 31 March 2023 amounts contracted for but not provided in the accounts amounted to £4,943 m (2021-22 £3.278 m).

Note 21: Other Financial Commitments

There were no other financial commitments as at 31 March 2023 (2021-22– £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 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:

	2022-23 £000	2021-22 £000
Forest Industry Safety Accord (FISA)	14	16
Forest Holiday LLP	-	15
Camping in the Forest LLP	-	15
East Ayrshire Council	2	3
Institute of Chartered Foresters	-	11
	16	60

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

	2022-23 £000	2021-22 £000
Forest Holidays LLP	704	206
Camping in the Forest LLP	-	121
	704	327

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:

	2022-23 £000	2021-22 £000
Forest Holidays LLP	100	104
Camping in the Forest LLP	-	74
	100	178

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, therefore they are not included in the primary financial statements of FLS.

	Opening Balance £000	Gross Inflows £000	Gross Outflows £000	2022-23 Closing Balance £000
Lael	10	-	-	10
Nevis Range	5	-	-	5
Garrygualach	5	-	-	5
Blackcraig Windfarm	401	2	-	403
Farr Hydro	23	-	-	23
Allt Druidhe Hydro	6	-	-	6
Blary Hill	75	-	-	75
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
Lochaber Environmental	-	20	-	20
Total	818	22	-	840

Note 24: Financial Liabilities – Financial Guarantee Scheme

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

During the year a loss of £80k (2022 - £nil) was incurred on a Financial Guarantee Contract. The loss has been recognised in the Statement of Comprehensive Net Expenditure. At 31 March 2023 there were two Financial Guarantee Contracts in place, post year end both loans have subsequently settled and no additional liabilities were incurred, therefore no liabilities have been recognised in the Statement of Financial Position.

Note 25: Events after the balance sheet date

In accordance with the requirements of IAS 10, events after 31 March 2023 are considered up to the date on which the accounts are authorised for issue by the Accounting Officer.

There were no events arising after 31 March 2023 and the date on which the financial statements were authorised that required disclosure.

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/2023/247



Forestry and
Land Scotland
Coilltearachd agus
Fearann Alba

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

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