



Forestry and Land Scotland (FLS) Strategic Advisory Board

Date of Meeting: 14 December 2023

Location: Apex House, Edinburgh and MS Teams

Present:

- Simon Hodgson, Chief Executive (Chair)
- Michael Hymers, Director of Corporate Services
- John Mair, Director of Commercial Development
- Graeme Hutton, Director of Net Zero
- Graeme Prest, Director of Land Management and Regions
- Mark Pountain, Non-Executive Advisor
- Jo O'Hara, Non-Executive Advisor
- Clea Warner, Non-Executive Advisor
- Therese O'Donnell, Non-Executive Advisor
- Rhondda Salmond, Change Manager (Secretariat)
- Sophia Christopoulos, Secretariat Assistant (Minutes)

Others:

- Donna Mortimer, Chief Financial Officer
- Gary Devlin, Azets Holdings (Observer)

1. Welcome and Introductions

Simon Hodgson welcomed everyone to the meeting and outlined the agenda. There were no conflicts of interest declared.

2. Matters Arising

Minutes and Action Points

It was agreed that the minutes for the last meeting held on 5th September 2023 were a true and accurate reflection.

Action Point Update:

- **AP3/23:** Update – Michael thanked the Non-Executives for their input on discussions to developing strategic communications. It was agreed that this area will be incorporated into the Transformation Programme going forward.
- **AP4/23:** Update – the Non-Executives confirmed that they were content with the clarification around their roles and responsibilities relating to 'Going Concern' status.

3. CEO/Organisational Update

Scottish Government Political / Operating Environment

Simon Hodgson gave an update on the expected budgetary allocations due to be announced by Scottish Government (SG) in the coming weeks when the budget is published. He reflected on the impact this will have on current organisational commitments and how best to manage the upcoming challenges this will bring.

He provided an overview of ongoing discussions across SG on Public Sector Reform Programme, outlining its purpose and objectives. Jo O'Hara sought clarity on timescales and governance of this work and whether there is a potential role for the Non-Executives. Simon explained that it will be a gradual process, particularly as parliamentary elections will be held in the next two years. It is currently in the early stages of development, but there is potential scope for the inclusion of Non-Executives input in the future as the work progresses.

Simon advised that following the announcement of his retirement the recruitment process for a replacement CEO was underway, with interviews due to be held in early February 2024. He provided assurance that transitional arrangements were being considered should there be a gap that arises between his departure date and the successful applicant taking up post.

Michael advised that the 2023 Staff Survey results have just been released, noting improvement in scores and how this reflects on positive changes within the organisation. Finally, Simon confirmed that the Annual Reports and Accounts FY 22/23 have been submitted to the Cabinet Secretary in advance of being laid in Parliament early next week.

AP 6/23: Director of Corporate Services to circulate 2023 Staff Survey results to the Non-Executives.

4. Financial Update

Donna Mortimer gave a presentation, outlining the financial mandate for Period 7 (P7). This includes focusing on the £88 million timber income target, identifying programme savings and removing non-essential spend, remaining within agreed budgets, absorbing pressures within cost centres and revisiting the peatland and rainforest expenditure and income.

Graeme Prest highlighted that the timber forecast has been updated to £83 million, however £88 million remains the target. Donna stressed the importance of driving timber income to manage the ongoing deficit. She outlined that there had been some improvements to the deficit following an asset sale, however this was offset by other fixed cost expenditure, including the outcome of negotiations on the pay remit.

The Non-Executives sought in-year reflections and how this could be applied to inform future challenges and obstacles. Graeme Prest responded that planning and timing are paramount, with a more outcome-focused approach adopted. To ensure sufficient timber volume is brought to market earlier in the year, a February tender has also been put in place. Furthermore, there has also been a significant investment in upskilling and training the organisation's workforce.

Graeme reinforced that performance monitoring will be more rigorous going forward, with a revised approach to tracking and reporting of key programmes. He provided more detail on current performance, outlining factors influencing key programmes.

Donna provided an overview of expenditure and scenario planning, acknowledging the challenges around funding from SG. Simon expanded on this, reiterating the impact this has had on FLS's reserves and long-term financial sustainability.

5. Business Sustainability Update

Business Review

John Mair gave a presentation on the Director-Led Review (DLR). This includes consideration of other government-owned and private sector forestry organisations for good practice, which proved insightful and informative.

The DLR primarily focused on information-gathering and identifying improvements that could have an impact on FY 24/25. This work will be integrated into the Transformation Programme workstream going forward, in order to align short and long-term considerations.

Transformation Programme

Michael Hymers outlined the purpose and objectives of the Transformation Programme, which will bring to together a number of other initiatives and projects as part of developing and progressing the long-term sustainability of the organisation.

He introduced Gary Devlin, Azets Holdings, outlining his experience in supporting large scale change in the public sector, and his role in supporting the establishment of the Transformation Programme.

Michael concluded by presenting a high-level timeline for the establishment of the programme and proposed membership.

AP 7/23: Director of Corporate Services to seek a Non-Executives nominee for participation on the Transformation Programme Board.

6. AOB

There were no areas of AOB raised.

Date of Next Meeting: 26th March 2024