

Forestry and Land Scotland

Framework Document July 2025

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Introduction

1. This framework document is agreed between Forestry and Land Scotland and the Scottish Ministers. It summarises how Forestry and Land Scotland and Scottish Government (SG) will work together, and the key roles and responsibilities of:

- the Scottish Ministers;
- the Chief Executive and their Accountable Officer role at Forestry and Land Scotland; and
- the Portfolio Accountable Officer (AO) within the SG whose remit includes Forestry and Land Scotland.

While this document does not confer any legal powers or responsibilities, it forms a key part of the **accountability and governance framework** and as a live document it should be reviewed by SG and Forestry and Land Scotland regularly, and at least every 3-4 years. Any significant changes will be agreed by the Scottish Ministers.

2. Any question regarding the interpretation of the document will be determined by the SG after consultation with Forestry and Land Scotland. Legislative provisions take precedence over any part of the document.

3. Copies of the document will be placed in the Scottish Parliament Information Centre (SPICe) and published on the Forestry and Land Scotland website.

Purpose

4. Forestry and Land Scotland is responsible for carrying out Scottish Ministers' functions under the Forestry and Land Management (Scotland) Act 2018 (FLM Act 2018) and is an **Executive Agency** of the SG. Forestry and Land Scotland is classed as a **public corporation**, for the purposes of its accounts, under the definition set by the Office of National Statistics.

5. The classification enables the agency to build and sustain essential financial reserves from commercial trading activities across financial years to sustain and deliver outcomes. These are essential in managing the dynamic of activity in the forestry sector.

6. A report setting out the administrative arrangements that the Scottish Ministers have for the carrying out of their functions under the Forestry and Land Management (Scotland) Act 2018 was laid before the Scottish Parliament in March 2019 and details Forestry and Land Scotland's functions. It set out FLS's purpose as: *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. Forestry and Land Scotland may manage other forested and non-forested land by arrangement, as set out in the 2018 Act.*

7. The primary focus of Forestry and Land Scotland, in delivering its purpose, is to support Scottish Ministers in their role as leaders of sustainable forest management and sustainable development through the stewardship of Scotland's national forests and land.

Governance and Accountability

8. Its status as an Executive Agency means that Forestry and Land Scotland has autonomy in carrying out its executive functions within the terms of this framework, whilst remaining directly accountable to the Scottish Ministers for the standards of its work.

9. The remainder of this section summarises the specific responsibilities and accountabilities of the key people involved in governance of Forestry and Land Scotland.

The Chief Executive

10. The Chief Executive is a civil servant who is personally accountable to the Scottish Ministers for the economic, effective and efficient operation of Forestry and Land Scotland. The Chief Executive is also appointed by the Principal Accountable Officer for the Scottish Administration (the Permanent Secretary) as the Accountable Officer for the agency, and the responsibilities of that role are set out below.

11. The Chief Executive has overall responsibility for the delivery of the functions of Forestry and Land Scotland, as set out at paragraphs 6 above, in accordance with the aims, policies and priorities of the Scottish Ministers. In fulfilling this responsibility, the Chief Executive will lead the agency and will:

- a. set strategic and operational plans to deliver the functions of Forestry and Land Scotland, focusing on how the work of Forestry and Land Scotland can most effectively contribute to achievement of ministers' priorities and relevant outcomes in the [Programme for Government](#) in collaboration with the SG and other public bodies;
- b. lead the activity of Forestry and Land Scotland to deliver the aims, objectives and targets set out in plans and take decisions on remedial action where required;
- c. ensure that effective governance is established and maintained, including ensuring that decision-taking is open and transparent and, with support from the Strategic Advisory Board and Audit and Risk Committee, ensure that key risks are identified and managed. This is set out in our Scheme of Delegation.
- d. approve the annual report and accounts and ensure they are laid before the Scottish Parliament timeously;
- e. manage the budget for Forestry and Land Scotland in line with Scottish Government Finance guidance, policies and procedures, including the Scottish Public Finance Manual, the principles of [Best Value](#), and ensure that appropriate financial appraisal and evaluation techniques are followed (see the [Appraisal and Evaluation](#) section of the SPFM) to inform financial decisions;
- f. agree with the Portfolio AO or other senior civil servant acting under delegated authority from the Portfolio Accountable Officer, what information is required to enable scrutiny of the performance of Forestry and Land Scotland and progress against overall strategic and business plan aims and objectives, and ensure that the agreed information is provided and that it is both accurate and timely;
- g. where appropriate, will manage relationships with the Portfolio AO and the key Directorates within the SG with responsibility for the environment, nature, land use, agriculture and other policy areas which impact on forestry, working together to deliver the collective interests of Scottish Ministers;
- h. promote the wellbeing, learning and development of staff and ensure that Forestry and Land Scotland meets the **Agency staff management responsibilities** described in the section below.
- i. ensuring that effective arrangements are in place to provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/ hazards), governance and internal control;

- j. ensure timely replies to correspondence from MSPs on operational issues within the Agency's responsibilities and supporting Ministers by preparing Ministerial briefing and responses to Ministerial correspondence and Written or Oral Parliamentary Questions. Respond to Freedom of Information Requests Environmental Information Regulation Requests and Subject Access Requests; and
 - k. provide for documentation management arrangements – the Chief Executive's delegated authority and performance management arrangements.
12. The Chief Executive in both their overall leadership role and the specific responsibilities of the Accountable Officer role will pay particular attention to the Key Governance Issues highlighted in the section on Governance and Risk below and will ensure that the Portfolio AO is notified as soon as possible if a significant risk or issue is identified relating to any of these matters.

The Accountable Officer

13. The Principal Accountable Officer for the Scottish Administration will designate the Chief Executive of Forestry and Land Scotland as the Accountable Officer. The Accountable Officer is personally responsible for the propriety and regularity of the public finances of Forestry and Land Scotland and ensuring that its resources are used economically, efficiently and effectively, as required by section 15 of the Public Finance and Accountability (Scotland) Act 2000 and may be called to give evidence to the Public Audit Committee of the Scottish Parliament.
14. The responsibilities of the Accountable Officer are set out in full in the [Memorandum to Accountable Officers for Parts of the Scottish Administration](#) in the Scottish Public Finance Manual.
15. Accountable Officers are personally answerable to the Parliament for the exercise of their functions and under section 15(8) of Public Finance and Accountability (Scotland) Act 2000, this creates a statutory duty to obtain written authority from, as the case may be, the Scottish Ministers or relevant governing body before taking any action that they consider may be inconsistent with the proper performance of their functions. Accountable Officer responsibilities include ensuring financial propriety and regularity and ensuring that relevant resources are used economically, efficiently and effectively.
16. Accountable Officers also have particular responsibility to ensure that appropriate advice is tendered to Ministers on all matters of financial regularity and propriety and on the economic, efficient and effective use of resources. If, as the Accountable Officer, it is considered that Ministers are contemplating a course of action which is considered as infringing the requirements of financial regularity or propriety or that could not be defended as representing value for money within a framework of Best Value, in consultation with the Portfolio AO and SG Financial Management Directorate, set out in writing the objection to the proposal and the reasons for this objection. If Ministers decide to proceed, the Accountable Officer should seek a written authority to take the action in question making clear whether the authority is being sought on the grounds of regularity, propriety or / and value for money. Having received such an authority (following assessment by the Cabinet Secretary for Finance and Economy, and clearance by the First Minister and the Deputy First Minister), the Accountable Officer must comply with it, but should then, without undue delay, pass copies of the request for the authority and the authority itself to the Auditor General and the Clerk to the Public Audit Committee. The Authority will also be published on the SG website.
17. The DG Portfolio AO will approve the appointment of the Chief Executive in accordance with the Scottish Government's resourcing policy and will hold them to account for the performance of Forestry and Land Scotland and its use of resources. Ministers are ultimately accountable to the

Scottish Parliament for the performance of Forestry and Land Scotland. Scottish Ministers have a duty to promote sustainable forest management.

The Scottish Ministers

18. The Scottish Ministers will:
- a. agree the strategic aims, objectives and key targets of Forestry and Land Scotland as part of the corporate planning process, and regularly scrutinise progress made towards the aims, objectives and targets;
 - b. agree the budget for Forestry and Land Scotland, secure the necessary Parliamentary approval and scrutinise the agency's overall financial performance;
 - c. approve pay remits or proposals and superannuation arrangements for the Chief Executive and staff of Forestry and Land Scotland; and
 - d. approve the Framework Document and any revisions made to it.

SG Portfolio Accountable Officer

19. The Principal Accountable Officer for the Scottish Administration (the Permanent Secretary of the SG) has designated the Director General for Net Zero as the Portfolio Accountable Officer (AO) for the SG portfolio budget which will provide funding for the Forestry and Land Scotland. The responsibilities of a Portfolio AO are set out in detail in the Memorandum to Accountable Officers for Parts of the Scottish Administration.

20. The Portfolio AO is not directly accountable for Forestry and Land Scotland, but is responsible for ensuring that there is an effective framework in place for scrutiny of the operational and financial performance of Forestry and Land Scotland and the financial and other management controls applied to Forestry and Land Scotland. This document is the basis of that framework.

21. Where appropriate the Portfolio AO may delegate some or all of their duties in relation to Forestry and Land Scotland to an appropriate Director and other SG officials may support in a liaison role.

22. The Portfolio AO will:
- a. make sure this framework document is reviewed every 3-4 years and subsequently agreed to with the Scottish Ministers, and oversee the operation of the roles and responsibilities set out;
 - b. ensure that financial and other management controls being applied by Forestry and Land Scotland are appropriate and sufficient to safeguard public funds and conform to the requirements both of propriety and of good financial management;
 - c. ensure that the Chief Executive and Accountable Officer participates as appropriate in DG risk assessment and assurance activity;
 - d. support regular and effective engagement between Forestry and Land Scotland and the relevant Scottish Minister(s);
 - e. ensure where functions are delegated that there is clear, documented delegation of responsibilities to an appropriate Director and/or other officials who are supporting the Portfolio AO in managing the relationship with Forestry and Land Scotland, and that the Chief Executive and senior team in the agency are aware of these delegated responsibilities; and
 - f. Appoint and performance appraise the Chief Executive.

23. The Portfolio AO remains personally answerable to the Scottish Parliament for the effectiveness of this framework.

Non-Executive Advisors

24. Forestry and Land Scotland has Non-Executive Advisors who are appointed by the Chief Executive to bring an independent, external perspective to the work of the Agency and are subject to annual performance review by the Chief Executive

25. The Chief Executive will be supported in their role by a Strategic Advisory Board, the members of which are the senior leadership team of Forestry and Land Scotland together with a minimum of three non-executive advisors. The role of non-executive advisors is to provide support and challenge to the Chief Executive and senior leadership team on strategy, significant operational issues, Best Value and overall governance.

26. Non-executive advisors are not regulated public appointments, but the Chief Executive will ensure that they are recruited through fair and open competition and will particularly focus on promoting diversity by encouraging applications from less represented groups, including younger people, people from minority ethnic backgrounds and people with disabilities.

Agency staff management responsibilities

Broad responsibilities for agency staff

27. The Chief Executive has responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward staff are to ensure that:

- the agency's HR policies, practices and systems comply with employment and equalities legislation, and standards expected of public sector employers;
- the level and structure of staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of staff at all levels is regularly appraised and performance management systems are reviewed from time to time;
- staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the body's objectives;
- proper consultation with staff takes place on key issues affecting them, as appropriate, including working in partnership with trade unions;
- effective grievance and disciplinary procedures are in place;
- effective whistle-blowing policy and procedures consistent with the Public Interest Disclosure Act 1998 are in place; and
- As staff will normally be civil servants they will be subject to the civil service code of conduct.

Pay and conditions of service

28. Forestry and Land Scotland will comply with SG Pay Policy in relation to the Chief Executive, as they are on Senior Civil Service terms and conditions. The Chief Executive will ensure that a pay remit is submitted to SG for approval in line with the timetable notified and negotiate a pay settlement within the terms of the approved remit. This should normally be done annually, unless a multi-year deal has been agreed.

29. Staff of Forestry and Land Scotland are eligible for a pension provided by the Principal Civil Service Pension Scheme.

30. Any proposal by Forestry and Land Scotland to pay any redundancy or compensation for loss of office, requires the prior approval of the Scottish Ministers. Proposals on compensation payments will comply with the [Settlement Agreements, Severance, Early Retirement and Redundancy Terms](#) section of the SPFM. This includes referral to the Scottish Ministers of any proposed severance scheme (for example, a scheme for voluntary exit), business case for a settlement agreement being considered for an individual, or proposal to make any other compensation

Corporate and business plans

28. Forestry and Land Scotland will prepare a draft strategic or corporate plan every five years reflecting its independence from the SG, setting out its strategic aims, objectives and targets over that period, for consideration by the Scottish Ministers. When a new plan is to be prepared, the Chief Executive or their delegate will liaise with the Ministers to agree the key points to be addressed and the timetable for preparation and review. The final, agreed version of the strategic or corporate plan will be published on the Forestry and Land Scotland website.

31. The corporate plan will include Forestry and Land Scotland's:

- purpose and principal aims;
- contribution to the Ministers priorities and the national outcomes set out in the Programme for Government and in collaboration with the SG and other public bodies;
- analysis of the environment in which it operates;
- key objectives and associated key performance targets for the period of the plan, and the strategy for achieving those objectives;
- indicators against which its performance can be judged;
- details of planned efficiencies, describing how better value for money will be achieved, including through collaboration and shared services; and
- other key points agreed with the Portfolio AO as described above.

29. The corporate plan will inform the development of a separate business plan for each financial year, which will include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. Forestry and Land Scotland will submit a copy of the annual business plan to Ministers at the start of the relevant financial year.

Annual report and accounts

32. Forestry and Land Scotland will publish an annual report of its activities together with its audited accounts after the end of each financial year. The annual report and accounts will cover the activities of any corporate, subsidiary or joint ventures under the control of Forestry and Land Scotland. It will comply with the Government [Financial Reporting Manual](#) (FReM) and outline the Agency's main activities and performance against agreed objectives and targets for the previous financial year.

33. The accounts will be prepared in accordance with relevant statutes and the specific accounts direction (including compliance with the FReM) and other relevant guidance issued by the Scottish

Ministers. Any financial objectives or targets set by the Scottish Ministers should be reported on in the accounts and will therefore be within the scope of the audit.

34. Forestry and Land Scotland's Accountable Officer is responsible for the laying of the annual report and accounts in the Scottish Parliament. Whilst the statutory deadline for laying and publishing accounts audited by the Auditor General for Scotland (AGS) is 31 December after the end of the relevant financial year, the Scottish Ministers expect that accounts will be laid before the Scottish Parliament and published well before this date, to support the wider consolidation of the SG accounts. As a body which is part of the Scottish administration the Accountable Officer has a duty to provide an annual governance statement to the Scottish Government via the Governance and Risk Branch to support and inform the SG Consolidated Annual Accounts as early as possible.

External audit

35. The Auditor General for Scotland (AGS) audits, or appoints auditors to audit, Forestry and Land Scotland's annual accounts. The AGS, or examiners appointed by the AGS, may also carry out examinations into the economy, efficiency and effectiveness with which the body has used its resources in discharging its functions and/or carry out examinations into the arrangements made by Forestry and Land Scotland to secure Best Value.

36. The AGS, or the AGS's appointed auditors or examiners, have a statutory right of access to documents and information held by relevant persons, including any contractors to or recipients of grants from Forestry and Land Scotland. Forestry and Land Scotland will ensure that this right of access to documents and information is made clear in the terms of any contracts issued or conditions of any grants awarded and will also use its best endeavours to secure access to any other information or documents required which are held by other bodies.

Internal audit

37. The Chief Executive as Accountable Officer will:

- work with the SG's Internal Audit and Assurance Directorate in accordance with the [Internal Audit](#) section of the SPFM;
- set up an Audit and Risk Committee, chaired by a non-executive (who may be one of the non-executive advisers described above) and with at least one member who has significant financial experience, in accordance with the [Audit Committees](#) section of the SPFM, and pay careful attention to the Audit Committee's advice;
- ensure that the Portfolio AO receives promptly after they are produced or updated: the audit charter, strategy, periodic audit plans and annual audit assurance report, including the Head of Internal Audit opinion on risk management, control and governance – and provide any other relevant audit reports as requested by Portfolio AO;
- keep records of, and prepare and forward promptly to the SG Governance and Risk Branch an annual report on fraud and theft suffered by Forestry and Land Scotland and notify the Portfolio AO immediately of any unusual or major incidents.

Budget management and delegated authority

38. Each year the Portfolio AO or their delegate will notify Forestry and Land Scotland of its budget provision, any related matters and details of the budget monitoring information required. Forestry

and Land Scotland will comply with the format and timing of the monitoring information requested and with any requests for further information.

39. SG engages and consults with Forestry and Land Scotland in the development of its budget. The statement of budgetary provision will set out the budget within the classifications of resource Departmental Expenditure Limits (RDEL), capital DEL (CDEL) and Ring-fenced (non-cash) (RfDEL) – and, where applicable, Annually Managed Expenditure (AME). These categories are explained in [Annual Budget Processing](#) in the SPFM. Forestry and Land Scotland will not transfer budgetary provision between the categories without the prior approval of the SG Finance Directorate, and the Portfolio AO should be made aware of any such transfers. Transfers within the categories are at the discretion of the Chief Executive, if these do not breach any other constraints, for instance the approved pay remit.

40. Forestry and Land Scotland's specific delegated financial authorities are set out in Annex A. Subject to the criteria set out in Annex B, FLS will also carry over reserves between financial years. Where budgetary provision includes projected income, including any income from disposal of non-current assets, the Chief Executive will ensure that the SG Finance Directorate and Portfolio AO are made aware promptly of any forecast changes in income – usually via the quarterly budget monitoring statement. This will be confined to significant material changes on the basis that as a trading body FLS's income is subject very regular minor fluctuations in forecast.

41. The Chief Executive will obtain the prior written approval of the Portfolio AO and SG Finance before entering into any undertaking to incur any expenditure that falls outside these delegations, and before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

Governance and Risk

42. Guidance on governance requirements is available in several documents referred to earlier in this framework document:

- [the Scottish Public Finance Manual](#) (SPFM)
- [the Audit and Assurance Committee Handbook](#)

43. If in any doubt about a governance issue, the Chief Executive should consult the Portfolio AO or his delegates in the first instance, and may also consult the SG Public Bodies Unit, the SG Governance and Risk Branch and/or other teams with relevant expertise.

44. The Chief Executive and any non-executive advisers should pay particular attention to guidance on the following issues.

Risk management

45. Forestry and Land Scotland must develop an approach to **risk management** consistent with the [Risk Management](#) section of the Scottish Public Finance Manual and establish reporting and escalation arrangements with the Portfolio AO. In doing so, they should consider alignment with the SG approach to risk management as appropriate.

46. The Chief Executive and any non-executive advisers should have a clear understanding of the key risks, threats and hazards the Agency may face in the personnel, accommodation and cyber domains, and take action to ensure appropriate **organisational resilience**, in line with the guidance in: [Having and Promoting Business Resilience](#) (part of the Preparing Scotland suite of guidance) and the [Public Sector Cyber Resilience Framework](#).

Internal control

47. The Chief Executive should establish **clear internal delegated authorities** for other members of staff and establish an **assurance framework** consistent with the [internal control framework](#) in the SPFM.

48. **Counter-fraud** policies and practices should be adopted to safeguard against fraud and theft - see the [Fraud](#) section of the SPFM.

49. Any **major investment programmes or projects** undertaken should be subject to the guidance in the [Major Investment Projects](#) section of the SPFM and in line with delegated authorities. Ministers must be alerted to any developments that could undermine their viability. **ICT investment plans** must be reported to the SG's Office of the Chief Information Officer.

50. Forestry and Land Scotland must comply with the requirements of the **Freedom of Information (Scotland) Act 2002** and ensure that information is provided to members of the public in a spirit of openness and transparency. Forestry and Land Scotland is covered by the Scottish Ministers' registration with the Information Commissioner's Office and must ensure compliance with the **Data Protection Act 2018** and the General Data Protection Regulations, commonly known as **GDPR**.

Budget and finance

51. Non-standard **tax** management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Portfolio AO and SG Finance. Relevant guidance is provided in the [Tax Planning and Tax Avoidance](#) section of the SPFM. Forestry and Land Scotland must comply with all relevant rules on taxation, including **VAT**, recover input tax where it is entitled to do so.

52. An accurate and up-to-date record of **current and non-current assets** should be maintained, consistent with the [Property: Acquisition, Disposal & Management](#) section of the SPFM. Forestry and Land Scotland is also subject to the [SG Asset Management Policy](#), including the requirement for acquisition of a new lease, continuation of an existing lease, decision not to exercise a break option in a lease or purchase of property for accommodation / operational purposes, to be approved in advance by Scottish Ministers. The Property Controls Team should be consulted as early as possible in this process.

53. Assets should be recorded on the balance sheet at the appropriate valuation basis in accordance with the FReM. When an asset (including any investment) suffers **impairment**, when there is significant **movement in existing provisions** and/or where **a new provision needs to be created**, this should be communicated to the Portfolio AO and SG Finance as soon as possible to determine the implications for the Agency's budget.

54. Any **funding for expenditure on assets by a third party** should be subject to appropriate arrangements to ensure that they are not disposed of without prior consent and that a due share of the proceeds can be secured on disposal or when they cease to be used by the third party for the intended purpose, in line with the [Clawback](#) guidance in the SPFM.

55. Unless covered by a specific delegated authority, prior approval from the Portfolio AO and SG Finance is required before **making gifts or special payments or writing off losses**. Special payments and losses are subject to the guidance in the [Losses and Special Payments](#) section of the SPFM. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPFM.

56. Unless covered by a specific delegated authority Forestry and Land Scotland must not enter into any **finance, property or accommodation related lease arrangement** – including the extension

of an existing lease or the non-exercise of a tenant's lease break - without prior approval from the Portfolio Accountable Officer. Before entering/ continuing such arrangements the Agency must be able to demonstrate that the lease offers better value for money than purchase and that all options of sharing existing public sector space have been explored. Non-property/ accommodation related operating leases are subject to a specific delegated authority. There must be capital DEL provision in the budget allocation for finance leases and other transactions which are in substance borrowing.

57. **Procurement** policies should reflect relevant guidance in the [Procurement](#) section of the SPFM and any other relevant guidance issued by the SG's Procurement and Property Directorate. The SG's directory of [SG Framework Agreements](#), is available to support organisations but they should check the Framework Agreement's 'buyer's guide' before proceeding to ensure they are eligible to use the Framework

58. All matured and properly authorised **invoices** relating to transactions with suppliers should be paid in accordance with the [Expenditure and Payments](#) section of the SPFM wherever possible and appropriate within Scottish Ministers' target of payment within 10 working days of their receipt.

59. Forestry and Land Scotland is subject to the SG policy of self-insurance. Commercial **insurance** must however be taken out where there is a legal requirement to do so and may also be taken out in the circumstances described in the [Insurance](#) section of the SPFM - where required with the prior approval of the Portfolio AO and SG Finance. In the event of uninsured losses being incurred the SG shall consider, on a case by case basis, whether or not it should make any additional resources available to the Agency.

60. Unless covered by a specific delegated authority Forestry and Land Scotland must not provide **grant funding to a third party** without prior agreement from the Portfolio AO and SG Finance. Guidance on a framework for the control of third party grants is provided as an annex to the [Grant & Grant in Aid](#) section of the SPFM. Subsidy control requirements for any such funding are discussed below.

61. The EU State aid regime was effectively revoked from UK law from 1 January. Following this, subsidy control provisions were covered by the UK-EU Trade and Cooperation Agreement (TCA) and the UK's international obligations, including various Free Trade Agreements and those arising as a consequence of World Trade Organisation membership. However, a new UK subsidy control regime came into force on 4 January 2023 as a result of UK Government's Subsidy Control Act 2022. Currently, any activity that a public body undertakes itself, or funds other bodies to undertake, that can be offered on a commercial market for goods and services, is subject to the regulations set out in the Subsidy Control Act 2022. A full assessment is required prior to disbursing any funding, subject to the guidance in the subsidy control section of the SPFM.

Remuneration

62. **Remuneration, allowances and any expenses paid to any non-executive advisers** must comply with the latest SG Pay Policy for Senior Appointments and any specific guidance on such matters issued by the Scottish Ministers.

63. **Staff pay, pensions and any severance payments** must be in line with the requirements of Public Sector Pay Policy and the responsibilities described in the section on Agency Staff Management Responsibilities.

64. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with **tax deducted at source**.

Banking and cash management

65. **Banking** arrangements must comply with the [Banking](#) section of the SPFM.

66. **Cash management** arrangements need to be addressed as well as overall budget management. The cash provided to Forestry and Land Scotland by the SG to support the allocated budget for the year in question will be authorised by the Scottish Parliament in the annual Budget Act. Forestry and Land Scotland will normally receive quarterly instalments based on updated profiles and information on unrestricted cash reserves and will not seek any payment in advance of need.

Annex A: Specific Delegated Financial Authorities

Within the agreed overall budgetary provision, and subject to the Scottish Public Finance Manual and Scottish procurement policy handbook, the Chief Executive of Forestry and Land Scotland has delegated authority as set out below:

- Commit current and capital expenditure within FLS's agreed overall budget;
- Commission external consultants up to a limit of £50,000, excluding VAT. Consultancy contracts over £50,000 must be endorsed by the Chief Executive and approved by the Cabinet Secretary for Finance, Economy and Fair Work;
- Settle claims and authorise write-offs up to £300,000;
- Authorise special payments to £5,000; and
- Give written authority for sub-delegations as per the FLS scheme of delegation.

In addition:

- In the interests of public accountability and value-for-money all approved expenditure will comply with the Scottish Public Finance Manual (SPFM) and the Scottish Procurement Legislation;
- The Scottish Government Financial Management Directorate should be consulted about any cases irrespective of the amount of money concerned, which are novel or involve important questions of principle;
- The Scottish Government Financial Management Directorate must be consulted prior to taking forward set up of LLPs or equivalent at any value; and

Annex B: Financial Reserves Policy

1. Scope

Forestry and Land Scotland 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](#). Forestry and Land Scotland is classed as a public corporation, for the purposes of its accounts, under the definition set by the Office of National Statistics.

The Chief Executive is accountable personally to Scottish Ministers and to the Scottish Parliament for the effective and efficient operation of Forestry and Land Scotland and for its effective financial management.

Forestry and Land Scotland has a robust system of financial and budgetary control which provides the Chief Executive and the Director General Net Zero with sufficient information to assure them that:

- Expenditure is being handled in a proper and prudent manner;
- It is achieving efficiency improvements and value-for-money from its resources in delivering its functions; and
- Assets that it is responsible for derive maximum value.

Forestry and Land Scotland is therefore required to have in place a reserves policy to support financial planning and objectives agreed with Scottish Ministers, taking cognisance of cyclical fluctuations in income and expenditure.

The Accountable Officer must be able to provide assurance to stakeholders that reserves are used to manage uncertainty and overall aims and objectives, and that they do not in any way subsidise or compete with the sector. They will also explain when reserves are to be spent by and how it will fund future activity.

2. The need for a reserves policy

The policy is in place to ensure that the Accountable Officer can provide assurance to Scottish Ministers on the financial sustainability and continuing viability of the organisation. It will provide assurance that funds are used appropriately and for the use of the organisation to deliver its objectives.

3. Why and when reserves arise

The Agency is primarily funded by revenue receipts from commercial trading activities such as the sale of timber, renewables, recreation, venison, estates and other income raised by Forestry and Land Scotland.

Forestry and Land Scotland also receives additional funding from the Scottish Government through the setting of an annual subsidy limit (ASL). All of its trading activity is subject to cyclical fluctuations across single and multiple years due to the seasonal and trading nature of the business which leads to the generation of cash balances some of which will be classified as reserves.

4. Purpose of financial reserves

Financial reserves exist within an organisation to manage uncertainty and service long term needs. However not all financial reserves held may be readily available for spending.

Forestry and Land Scotland holds reserves to manage the risks that it faces and to embrace opportunities that will benefit the long-term sustainability of assets.

5. Types of reserves held

The agency has two areas of reserves set out below, restricted and unrestricted:

a) Restricted reserves

These are defined as restricted funds needed for a specific purpose and that potentially span multiple years as follows:

- External/project related income tied to specific activity; and
- Funds relating to any land sale and reinvestment programmes as required by the 2018 Act.

b) Unrestricted reserves

i. Earmarked reserves

- Reserves set aside by FLS for reinvestment in the business and primarily used for protecting and enhancing what is described as the national forests and land. These funds are allocated by the Chief Executive based upon the recommendations made by the Executive Leadership Team.

ii. Liquidity reserves

- These are funds that enable the agency to manage the risks it faces. The agency is at risk from trading and timber price and demand fluctuations affecting its ability to deliver essential sustainable forest management through its delivery programmes.
- These are held to service an unexpected need for funds, covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise.
- The level of liquidity reserves has been aligned to roughly 3 times the monthly salary bill

6. Controls of reserves

a. Reporting

Reserve levels by relevant categories should be reported to the Chief Executive and Executive Leadership Team as part of the normal management reporting which will be a minimum of quarterly. The Audit and Risk Committee will also receive regular reporting on the reserves position along with Scottish Ministers as appropriate.

b. Review

The policy will be reviewed in line with the review of Forestry and Land Scotland's corporate plan (and/or supporting documents). The Audit and Risk Committee will also maintain oversight of the reserves policy. As Forestry and Land Scotland's long-term financial planning evolves it is expected that this will better inform our review of reserves.

7. Communications

Forestry and Land Scotland's agreed reserves policy forms part of the Framework Agreement and will be made available on the FLS website alongside its annual and corporate reporting.

8. Publication in Accounts

In accordance with the SPFM and SORP (Statement of Recommended Practice), the Forestry and Land Scotland reserves policy will be stated within its annual report. This will include:

- The level of reserves and a brief explanation of why they are held; and
- The expected use of the funds if known.