



Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

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# Forestry and Land Scotland Annual Report and Accounts 2020-2021



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Forestry and Land Scotland  
**Annual Report  
and Accounts**  
2020-2021





Forests and land that Scotland can be proud of





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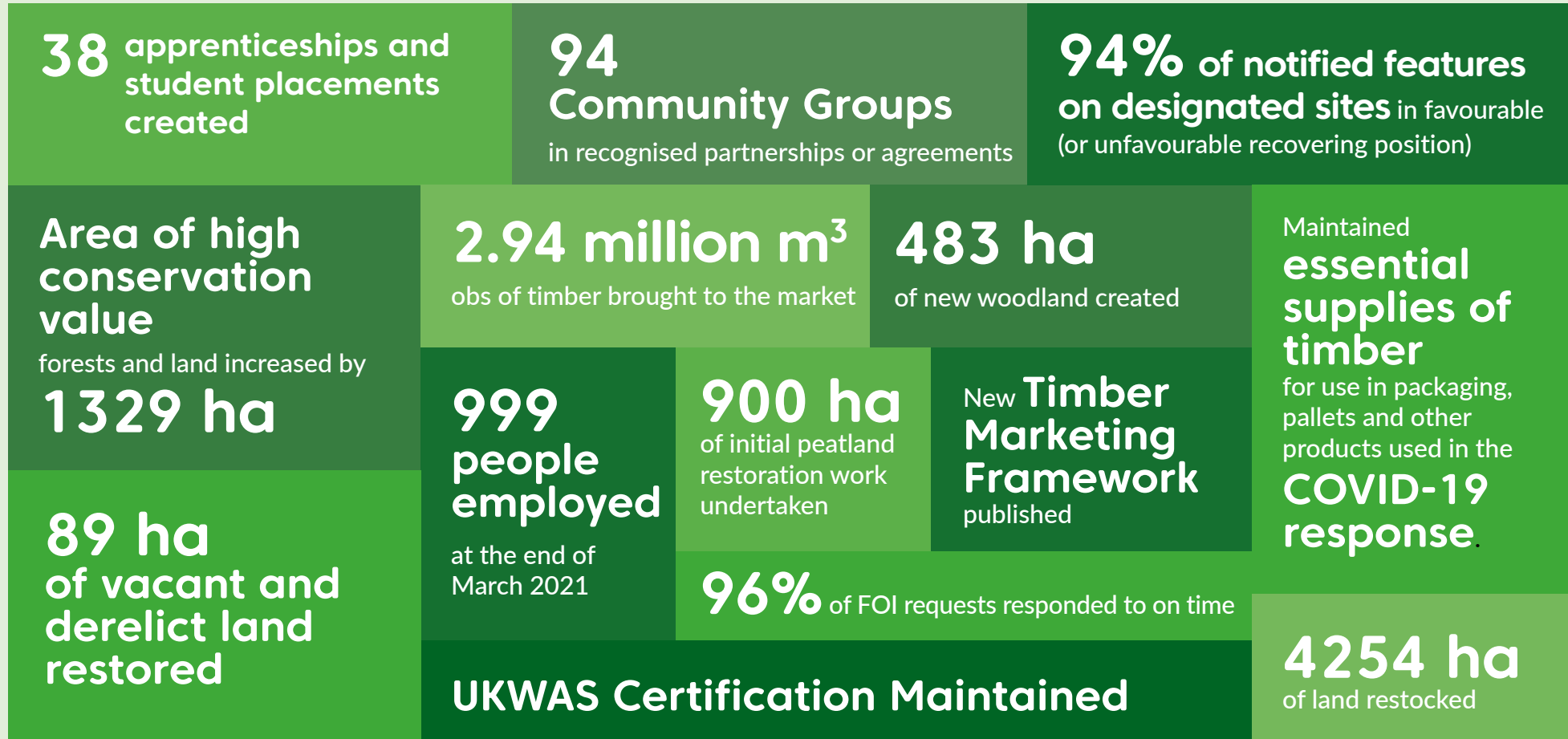
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# Performance Report: Overview

The purpose of this section is to provide an overview of Forestry and Land Scotland, its purpose and activities. The section also includes information on key risks and issues for the organisation and a high level summary of performance in 2020-21.



## A snapshot of our second year



# Introduction

by Simon Hodgson, FLS Chief Executive and Accountable Officer

## 2020-2021 has been a year like no other for Forestry and Land Scotland.

During this, our second year as an executive agency of the Scottish Government we faced unprecedented challenges with the spread of COVID-19 and related restrictions. Like other public bodies and businesses across the country, our main priority during this time has been the health, safety and wellbeing of our employees, suppliers and visitors. This resulted in all operations, with the exception of harvesting sites that provide essential woodfuel and material for essential packaging products, being closed down. Employees, where possible, were asked to work from home and all offices, visitor centres and facilities were closed. At the end of May 2020 we were able to restart the previously suspended forest operations and over the summer there was a gradual reopening of our visitor sites. However, in October, the second wave of the pandemic and necessary restrictions led to visitor centres in our Central Region closing, followed by the new national lockdown in January 2021, which resulted in all visitor centres being closed again. At the time of writing, restrictions are easing across the country and visitor sites/centres have been reopened. Employees who are able to, continue to work from home, however, plans are now in place for a phased return to the office.

At the time of publishing our Business Plan for 2020/21 (March 2020), the situation was rapidly evolving in relation to tackling the COVID-19 and I acknowledged that what we set out in the Business Plan may not have been deliverable as we reprioritised and focussed efforts in our response to the pandemic. As anticipated, and demonstrated within this Annual Report, we have

not been able to fully meet all of our commitments, but have made significant progress on key areas, including those which support the Scottish Government in tackling the Climate Emergency. These include, creating 483 ha of new woodland, restocking 4254 ha of land, bringing 2.94 million m<sup>3</sup> obs of timber to the market and undertaking restoration work on 900 ha of peatland, exceeding our target of 650 ha.

Despite the challenges, our capability and capacity to keep delivering is evident in this Annual Report and is thanks to the tremendous efforts of our employees and suppliers who have also been caring for loved ones, home-schooling, shielding and been separated from family and friends. I am very proud of the remarkable effort that has been, and continues to be made and I take this opportunity to again thank them for the continued commitment and dedication.

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





# Ro-ràdh

## Le Simon Hodgson, Àrd-oifigear Iomairt Coilltearachd Alba

### Tha 2020-2021 air a bhith na bliadhna gun samhail airson Coilltearachd agus Fearann Alba.

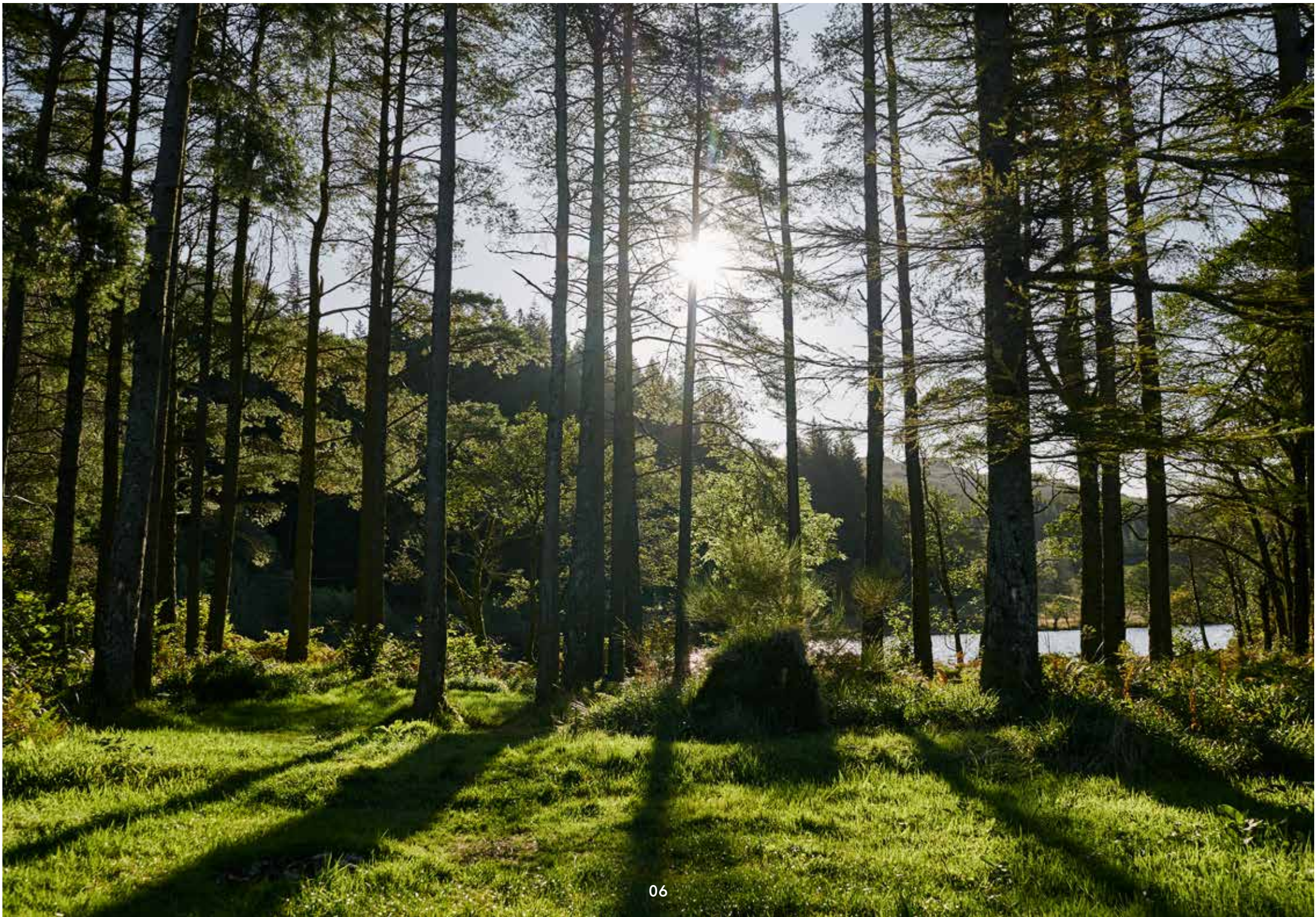
Tron bhliadhna seo, an dàrna bliadhna againn mar bhuidheann-gnìomh aig Riaghaltas na h-Alba, bha againn ri aghaidh a chur air dùbhlain nach fhacas riamh roimhe le sgaoileadh COVID-19 agus cuingealachaidhean co-cheangailte. Coltach ri buidhnean poblach agus gnìomhachasan eile air feadh na dùthcha, b' e slàinte, sàbhailteachd agus sunnd ar luchd-obrach, solaraichean agus luchd-tadhail am prìomhachas againn tron àm seo. Mar thoradh air sin, chaidh stad a chur air an obair uile, ach a-mhàin làraichean buain a tha a' toirt seachad connadh agus stuthan fiodha a tha riatanach airson pacadh agus connadh. Chaidh iarraidh air luchd-obrach a bhith ag obair aig an taigh far an gabhadh seo dèanamh, le gach oifis, ionad luchd-tadhail agus goireas dùinte. Aig deireadh a' Chèitein 2020 b' urrainn dhuinn na h-obraichean coille a chaidh a chur dheth roimhe ath-thòiseachadh agus thairis air an t-samhradh chaidh na làraichean luchd-tadhail againn ath-fhosgladh mean air mhean. Ach, san Dàmhair, thàinig an dàrna ìre den ghalar lèir-sgaoilte agus leis h-atharrachaidhean riatanach mar thoradh air sin, chaidh na h-ionadan luchd-tadhail ann an Roinn a' Mheadhain againn a dhùnadh, agus an uair sin chaidh a leantainn leis a' ghlasadh-sìos nàiseanta ùr san Fhaoilleach 2021, agus mar thoradh air sin chaidh na h-ionadan turasachd uile a dhùnadh a-rithist. Aig àm sgrìobhaidh, tha cuingealachaidhean a' lasachadh air feadh na dùthcha agus tha làraichean/ionadan luchd-tadhail air fosgladh a-rithist. Tha luchd-obrach fhathast ag obair bhon taigh ma tha iad comasach air sin a dhèanamh, ach, tha planaichean a-nis ann gus tilleadh chun na h-oifis mean air mhean.

Nuair a chaidh am Plana Gnìomhachais againn airson 2020/21 fhoillseachadh (sa Mhàrt 2020), bha an suidheachadh ag atharrachadh gu luath a thaobh a bhith a' dèiligeadh ri COVID-19 agus dh'aithnich mi gur dòcha nach gabhadh a h-uile rud sa Phlana Gnothachais a libhrigeadh agus sinn ag ath-stèidheachadh agus a' cur fòcas às ùr air obair san fhreagairt againn dhan ghalar lèir-sgaoilte. Mar a bhiodhte an dùil, agus mar a chithear san Aithisg Bhliadhnail seo, cha b' urrainn dhuinn na geallaidhean againn a choileanadh gu h-iomlan, ach tha sinn air adhartas mòr a dhèanamh air prìomh raointean, nam measg an fheadhainn a tha a' cuideachadh Riaghaltas na h-Alba gus dèiligeadh ri èiginn na gnàth-shìde. Nam measg seo tha a bhith a' cruthachadh 483 ha de choille ùr, ag ath-phlanntachadh 4254 ha de thalamh, a' toirt 2.94 millean m<sup>3</sup> obs de dh'fhiodh chun na margaidh agus a' dèanamh obair ath-leasachaidh air 900 ha de mhòine, a' dol seachad air an targaid againn de 650 ha.

A dh'aindeoin nan dùbhlain, tha ar comas a bhith a' cumail oirnn a' coileanadh tron ùine seo ri fhaicinn san Aithisg Bhliadhnail seo agus bha seo mar thoradh air oidhirpean mòra an luchd-obrach agus an luchd-solarachaidh againn, a tha cuideachd air a bhith a' toirt cùram do luchd-gràidh, ri foghlam dachaigh, fèin-iomallachadh agus a th' air a bhith air an dealachadh bho theaghlach is charaidean. Tha mi glè mhoiteil às an oidhirp iongantach a rinneadh agus a tha fhathast a' dol air adhart agus bu toil leam an cothrom seo a ghabhail gus taing a thoirt dhaibh aon uair eile airson an cuid dealais leantainnich.

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







# Performance Overview – Statement by the Chief Executive

**As set out in my introduction, 2020-2021 has been a year like no other for Forestry and Land Scotland and we have done well despite the continuing difficulties and COVID-19 lockdown restrictions.**

We have maintained UK Woodland Assurance Standard (UKWAS) certification and brought 2.94 million m<sup>3</sup> obs of timber to the market, making a significant contribution to the rural economy and provided essential woodfuel and material for use in packaging, pallets and other products used in the COVID-19 response. Although short on our targets, we have created 483 ha of new woodland and increased the area of high conservation value forest and land by 1329 ha. We also restored 89 ha of formerly vacant and derelict land and undertook restoration on 900 ha of peatland, making significant progress and exceeding our target for the year by 250 ha.

Following consultation with stakeholders and employees, we published a new [Timber Marketing Framework](#) in December, setting out how we will continue to market timber in a fair, open and transparent way that aligns with Scotland's Forestry Strategy and industry priorities.

We were successful in securing an increase in capital funding from the Scottish Government over a five year period. Further details are provided from page 53. We continued to work with 94 community groups in recognised partnerships or agreements and have validated five asset transfer requests which included four

land sales and one hydro lease. We have also worked to continue to increase the diversity of our workforce and by working with Further Education Colleges we have recruited 11 forestry students for placements and for 27 apprenticeships to work in various parts of the organisation, equating to 38 opportunities for young people over the period.

We were also delighted to welcome the BBC Autumnwatch audience to Tentsmuir, Fife, East Region, in October to share the benefit of the ongoing work that we do with our NatureScot partners on the natural nature reserve.

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

- The 'TreeTape' system, a partnership project that arose from a Forestry and Land Scotland sponsored CivTech challenge won the Sustainability Award in 2020's Scottish Public Service Awards.
- Two FLS apprentices were shortlisted for the Lantra 'Apprentice of the Year' Award.
- The Lord President's Oak in North Region was shortlisted for the Woodland Trust 'Scotland's Tree of the Year' Award.

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



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# About Forestry and Land Scotland

**Forestry and Land Scotland (FLS) was established as an executive agency of the Scottish Government on 1 April 2019, following completion of the devolution of forestry as a result of the Forestry and Land Management (Scotland) Act 2018.**

FLS is classed as a public corporation, for the purposes of its accounts, under the definition set by the Office of National Statistics. Under the Forestry and Land Management (Scotland) Act 2018 (the Act), Scottish Ministers must have regard to the Forestry Strategy when managing forested land. The work of FLS is therefore informed by Scotland's Forestry Strategy.

As part of the Scottish Government, FLS contributes to the achievement of the Scottish Ministers' objectives and priorities, including Scotland's National Performance Framework and its Purpose, Values and National Outcomes. FLS also contributes to the achievement of the Scottish Government's primary purpose of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth.

## Purpose

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

The primary focus of FLS, in delivering its purpose, is to support Scottish Ministers in their role as leaders of sustainable forest management and sustainable development through the stewardship of Ministers' forests and land commonly known as the national forests and land.

## Vision and Mission

Scotland's Forestry Strategy 2019-2029 sets out the vision for forestry in Scotland:

**“In 2070 Scotland will have more forests and woodlands, sustainably managed and better integrated with other land uses. These will provide a more resilient, adaptable resource, with greater natural capital value, that supports a strong economy, a thriving environment, and healthy and flourishing communities.”**

FLS will help deliver this vision. In so doing, the vision for FLS is as follows:

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

FLS will work towards this vision by delivering its mission:

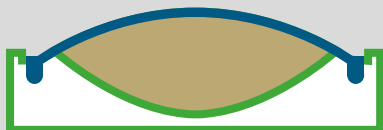
**“To look after Scotland's forests and land, for the benefit of all, now and for the future.”**

## Scotland's National Forests and Land

FLS is responsible for managing Scotland's national forests and land, an area that in total covers 640,000 hectares, 9% of Scotland's land area.



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



...includes more than **7,400ha** of restored peatland...

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



...includes **650 ha** of new planting each year, equating to around **800 football pitches** of new trees.

## Scotland's National Forests and Land...



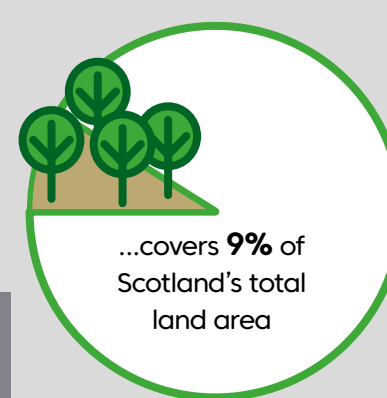
...supports **10,255 FTE jobs**

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



...welcomes **10.6 million visits**

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

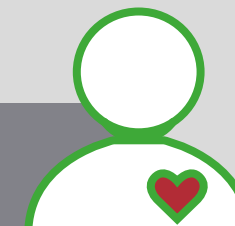


...covers **9%** of Scotland's total land area

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



...are home to over **1000 species**, **172 of which are protected species** including **lichen, moths, capercaillie** and **red squirrels**



## Organisational Structure

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately they are accountable to the Scottish Parliament for its functions and performance. The Director General Economy has appointed the Director of Environment and Forestry to provide senior Scottish Government management oversight of the agency and of its relationship with Scottish Ministers.



The CEO is supported in discharging their responsibilities by the Strategic Board and Audit and Risk Committee.

## Regional Business Structure

FLS operates a regional business structure for the delivery of our work across the national forests and land. There are five regions, each of which has a high degree of responsibility for delivery through a network of local offices with support from national offices in Edinburgh and Inverness. FLS employs over 990 staff in a variety of occupations across Scotland.







## Financial Resources

FLS is different from most other public bodies in Scotland in that we earn a large proportion of our income to support the management and development of Scotland's national forests and land. This is primarily through commercial trading activities such as the sale of timber, renewables, recreation, venison and leases. We use this revenue to invest in activities such as woodland expansion but also to build a sustainable financial model to protect the national forests and land for the long term. In addition we receive Scottish Government funding.

The planned cash budgets for 2020/21 were set in the Autumn of 2019 and in advance of any information in respect of the Corona virus pandemic to come. Early in 2020/21 the budget was revised to take the impact of the pandemic suppression measures into account. This revision increased the prudence of the budget in terms of ability to generate income, increasing supplier costs and reducing ability to deliver normal activities under a lock down environment. While difficulties in securing suppliers' time and increased cost of suppliers did come to fruition the income drop did not. The final outturn resulted in income of £113m against a revised budget of £87m and expenditure of £111m against a revised budget of £106m. These results are testament to the impact the pandemic has had on our ability to forecast and this will continue to be a factor for some years to come as we embark on our recovery. The significant disruptions that the pandemic has caused to our programme delivery will need to be addressed and this will continue to be both difficult and costly due to labour shortages, supply chain issues and increasing prices for raw materials.

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

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

## Corporate Outcomes

Our Corporate Outcomes describe what we aim to achieve from our programme of activity. For each Corporate Outcome we have developed actions, delivery of which are crucial to achieving our Outcomes, Vision and Mission for the organisation. The Outcomes are reliant on each other, supporting the delivery of our vision and mission, and aligned to the Scottish Governments outcomes and purpose as set out within the National Performance Framework<sup>1</sup>.



### Outcome 1: Supporting a Sustainable Rural Economy

FLS supports a sustainable rural economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs and investments.



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

Scotland's national forests and land are looked after; biodiversity is protected and enhanced and more environmental services are provided to people.



### Outcome 3: National Forests and land for visitors and communities

Everyone can visit and enjoy Scotland's national forests and land to connect with nature, have fun, benefit their health and wellbeing and have the opportunity to engage in our community decision making.



### Outcome 4: A Supportive, Safe and Inclusive Organisation

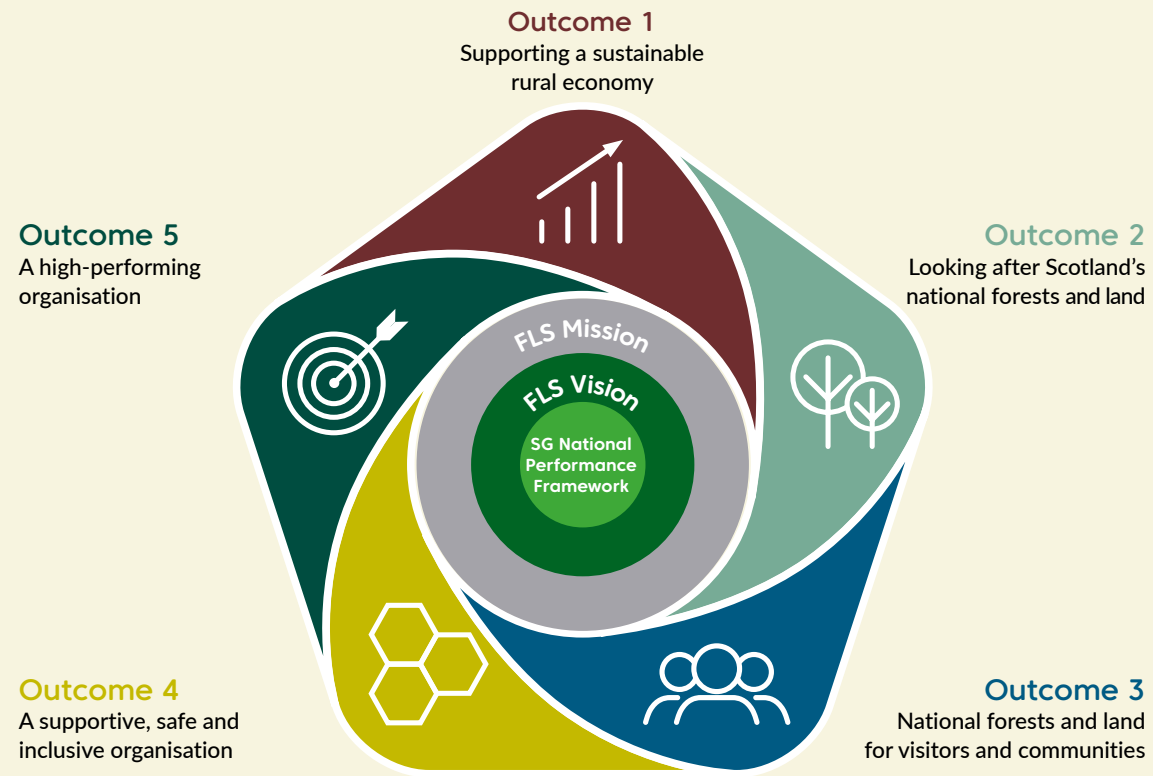
FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.



### Outcome 5: A High Performing Organisation

FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.







# Performance Summary

**This Annual Report is the second in which we report on our performance as a new agency and on progress made in the implementation of our first Corporate Plan, which was published in October 2019.**

The Corporate Plan sets out the direction of travel for the organisation over a three year period (2019-2022). It defines our contribution to the delivery of the National Outcomes as set out in Scotland's National Performance Framework and also our contribution to the implementation of Scotland's Forestry Strategy 2019-2029.

Business Plans support the delivery of the Corporate Plan and progress towards delivery of our Corporate Outcomes. We published our second annual FLS Business Plan at the end of March 2020, just as the first COVID-19 national lockdown was underway. As such, the performance in some areas has not matched our ambitions at that time and priorities changed. However we did meet 9 Key Performance Indicators and fully completed 24 of the 41 Key Work Areas as set out in the Business Plan. The other 17 Key Work Areas will be completed in FY 21/22.

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

The following is a summary of the key performance and achievements over the financial year, grouped under the appropriate Corporate Outcome.



## Outcome 1: Supporting a Sustainable Rural Economy

### FLS Business Plan 2020/21 Key Work Areas:

- **Develop Timber Marketing Plan and fully introduce related recommendations and governance framework:** Following consultation with internal and external stakeholders, the Timber Marketing Framework was published on the FLS Website in December 2020.
- **Market 3.2 Million m<sup>3</sup> of timber:** The target was missed this year due to reduced staff capacity caused by the pandemic and the switch to essential products during Spring 2020. However, 2.94 million m<sup>3</sup> OBS was marketed in the period, which equates to 92% of the original sales plan.
- **Develop a Plant and Seed Supply Strategy and expand the Newton Nursery:** The expansion project at Newton Nursery has commenced, with key procurement being undertaken. The strategy will be concluded in 2021/22.



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

### FLS Business Plan 2020/21 Key Work Areas:

- **Create 650 ha of new woodland and work with partners to secure additional carbon funding to support woodland creation:** 483 ha of new woodland was created over the period due to adverse weather conditions.
- **Restore 150 ha of vacant and derelict land for woodland planting:** 89 ha of vacant and derelict land was restored over the 2020/21 period, equating to 59% of the original target.
- **Initiate restoration on approximately 650 ha of peatlands:** Initial restoration work was undertaken on a total of 900 ha.



### Outcome 3: National Forests and land for visitors and communities

#### FLS Business Plan 2020/21 Key Work Areas:

- **Publish Communities Strategy and Action Plan in order to improve our engagement with communities:** Pressure of other work, staffing issues and increased visitor management preparations resulting from COVID-19 has meant that this has not been completed.
- **Publish a Visitor Services Strategy and Action Plan in order to improve our offer to all types of visitors to the national forests and land:** A final draft of visitor strategy has been prepared and final processes will be completed in early 2021/22.
- **Implement our obligations under the Community Empowerment Act (Scotland) 2015 and support community development by way of Community Asset Transfer Scheme:** Five asset transfer requests were validated by FLS in 2020/21.



### Outcome 4: A Supportive, Safe and Inclusive Organisation

#### FLS Business Plan 2020/21 Key Work Areas:

- **Launch and publication of new organisational strategies:** The People Strategy and related action plans have been published internally. The Procurement Strategy has been published on the website.
- **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:** Work has been ongoing throughout the year to coordinate and monitor the implementation of the FLS Corporate Parenting Plan.

- **Work with Higher and Further Education providers on the implementation of Forestry Student recruitment to ensure that we support young talent and can develop a workforce for the future:** Working with Further Education Colleges has resulted in the creation of 38 apprenticeships and student placements.








### Outcome 5: A High Performing Organisation

#### FLS Business Plan 2020/21 Key Work Areas:

- **Complete the transition into Forester Web to enable better use of data in decision-making at all levels:** Transition has been completed. Forester Web has enabled the transition to home working and has proved an effective tool that is used by more than 500 staff on a daily or weekly basis.
- **Implement the Assurance Framework and Internal Control Checklist:** The Assurance Framework has been implemented and the Internal Control Checklist process is in place and operating well.
- **Ensure that FLS has a balanced budget with provision for reserves to allow for investment in the protection and enhancement of the national forests and land:** The Annual Financial Plan has been signed off for 2021/22 and business sustainability action plan revisited along with the development of an investment strategy and Target Operating Model. A 5 year financial planning exercise has also been undertaken and work will continue in 2021/22 to develop the plan.

# Key Performance Indicators

Key Performance Indicators for 2020/2021 were agreed by the FLS Executive Team and published in FLS Business Plan 2020/21. The FLS Executive Team acknowledges that six KPI targets were not met this year. Further information is provided in the Performance Analysis section.

Outcome	Key Performance Indicator	Target	Target Met?
	Volume of Timber Brought to the Market	3.2 million m <sup>3</sup>	No
	Area of Land Awaiting Restocking	Reduce from 30, 906 ha	No
	Area of Woodland Creation	650 ha	No
	Area Of High Conservation Value Forests and Land	Maintain 257,599 ha	Yes
	Cumulative total area of peatland with initial restoration action (ha)	Increase by 10%	Yes
	Percentage of Notified Features on Designated Sites in Favourable (or Unfavourable Recovering) Condition	94%	Yes
	Maintain UKWAS Certification	Maintain	Yes
	Number of Community Groups Engaged in Recognised Partnerships and Agreements	90	Yes
	Visitor Centre Net Promoter Score	70 NPS	No
	Percentage of women/females in senior roles (SCS-PB4)	10%	Yes
	Ratio of near miss reporting to total accidents and incidents reported	20%	No
	Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	65%	No
	Average number of working days lost per FTE (excluding COVID Related Absence)	9.5 days	Yes
	% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	Yes
	Percentage of Ministerial and Corporate Correspondence System (MACCS) queries responded to within agreed timescales	95%	Yes
	Percentage of complaints closed at frontline resolution	80%	N/A



# Key Issues and Risks

## FLS faced a number of key issues and risks over the 2020/21 financial year.

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

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

- **Health and Safety:** 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. Work has begun to respond to Internal Audit report recommendations on Health and Safety Management Arrangements and to move the organisation 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 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 has begun on “Moving to Business Sustainability” and the overall cumulative impact of change will need to be considered as those actions are developed. We have in place an effective change management programme to ensure that

appropriate governance, interdependencies and impacts are identified, mapped, considered and reported via Regional/Functional leads to the Executive Team.

- **Financial Sustainability:** Work continues to move FLS to a longer-term planning model to support and enable financial and business sustainability. The Annual Subsidy Limit (ASL) provided to FLS by Scottish Government will continue to be under pressure as the demand on public finances grows post COVID-19. Work is ongoing to adopt new ways of working to deliver against our Business Sustainability Action Plan. A new Investment Strategy has been agreed and supporting mechanisms are in place to embed the approach that will maximise prioritised investment opportunities, including addressing risk.
- **Timber Production:** There is an increased emphasis on timber productivity and smoothing timber production forecasts that require significant strategic and long term responses. Work continues to ensure that our Land Management Plans are re-profiled, agreed and approved ensuring that they deliver our commitments. In addition, production forecast accuracy is tested on a monthly basis and as part of the annual Business Plan process.
- **Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through embedding and monitoring the Assurance Framework. Continuous improvement of the Assurance Framework is ongoing along with its completion and monitoring of the outputs.
- **Business Continuity:** The outbreak of COVID-19 significantly increased organisational risk and contingency arrangements were initialised. We undertook “lessons learned” activities at key stages to support and enable effect review of our business continuity planning and take opportunities to reflect and improve.

Further information on Risks and our approach to Risk Management can be found in the Corporate Governance Report.

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# Performance Report: Performance Analysis

The purpose of this section is to provide a detailed analysis of the development and performance of the organisation in 2020-21.

## Performance Analysis

**2020-2021 was a year like no other for Forestry and Land Scotland with the unprecedented challenges presented by the spread of COVID-19 and related restrictions.**

**However, it was a successful year in terms of increasing commercial gain and despite the extensive impacts of the pandemic, we have continued to maintain continuity in quality and service delivery.**

### Funding and Outturn

FLS receives two streams of funding from the Scottish Government, the first is the Annual Subsidy Limit (ASL) and the other is restricted funding for specific projects or areas of expenditure. In 2020/21 total Scottish Government funding was £22.4 m, (£20.7 m in 2019/20). £15.2 m was the ASL and £7.2 m was restricted to funding the impact of COVID-19, the redevelopment of Newton Nursery and a return of funds in relation to future dilapidation lease commitments for Silvan House. Costs resulting from the impact of COVID-19 specifically cover modifications and adaptations to buildings to ensure safe return to work where working from home was not an option, modification of offices ready for return to work in the future and additional vehicles, facilities, infrastructure and PPE purchases to ensure safety at work under pandemic suppression conditions. Not all of the restricted funding was utilised in year and accordingly it has been deferred for recognition in future years. This is why the SOCNE (pg 76) reports government grant funding at £20.8 m, £1.6 m lower than reported here.

In addition to Scottish Government funding, income generated through commercial and other non-commercial activities support FLS's activities and associated expenditure. The (cash) budget set for 2020/21, adjusted in response to the onset of the COVID-19 and associated outturn for the year are illustrated in the following table.

Category	2020/21 Budget £'million	2020/21 Outturn £'million	2020/21 Variance £'million
Income	(87)	(113)	26
Expenditure	105.8	111	(5)
<b>Variance</b>	<b>18.8</b>	<b>(2)</b>	<b>21</b>

The expenditure outturn shown above comprises operating and other expenditure, as shown in the SOCNE (p76), but excludes the value of felled timber. The final cash outturn for 2020/21 resulted in a surplus of £2m for the year. All in year cash surplus is earmarked or restricted to cover already committed obligations, many of which were slowed during the year.

### Financial Performance

Financial stability has been at the forefront of our minds during this year and at the start of lockdown all budgets were revised to ensure that we remained in a strong sustainable financial position. Projecting our income has been the most difficult challenge that we have overcome as whilst some harvesting operations were restarted after the initial lockdown to provide essential wood fuel and packaging, many of our other operations remained closed down for large parts of the year. Despite this, trading has been very positive and we have managed to have a successful trading year achieving operating income of £108.8 m (down from £111.1 m in 2019/2020).

Income from the sale of timber was £85.1 m (2019/20 £85.4 m), this was greater than first expected at the start of lockdown when budgets were set at £66.4 m. Global timber supply shortages and an increase in unit price meant that we have benefited from the COVID-19 restrictions.

Increased income was received in 2020/21 to support our expanding peatland restoration programme enabling us to successfully exceed our target by 250 ha. Unfortunately during the period our sales of venison normally taken to overseas markets were severely affected reducing our income to £0.713 m (down from £1.675 m in 2019/20).







In March 2020 visitor sites, including car parks and mountain bike trails were closed to the public, and permissions for events were withdrawn. Throughout the year sites have operated where possible and this has enabled us to achieve a large proportion of our anticipated income of £1.8 m (£2.3 m in 2019/20). The knock on impact of the disruption during the year also impacted our Visitor Services tenants who we have endeavoured to work with and support during the pandemic.

The ongoing pandemic has caused significant disruption to our programme delivery, requiring a great deal of programme and contractual adjustments throughout the year. At the start of the pandemic 448 contracts were paused and a small number of Force Majeure notices were issued. We worked with our suppliers to ensure delivery could be restarted in a safe way protecting the health, safety and wellbeing of our employees, suppliers and visitors. To protect our supply chains across the business we worked with our suppliers to direct them to the support available including application of the supplier relief policy granted to public bodies.

This year we experienced periods of sustained adverse weather conditions further adding to the reprogramming of expenditure on some core programmes such as replanting, putting additional pressure on 2021/22 and future years. Operating expenditure in year was £145.1 m (down from £151.0 m in 2019/20). Visitor Services was regarded as 'non-essential' during the lockdown periods which allowed us to reprioritise our expenditure with spend on Visitor Services down to £11.0 m (from £13.2 m in 2019/20).

As outlined in the SOCNE (p76) FLS realised a net loss, before the revaluation of biological assets, of £59.1m (£66.8 m in 2019/20). However, gains realised during the annual professional revaluation of the National Forest and Land's biological assets revised this to a net income figure of £354.1 m (£869.9 m in 2019/20).

The value of our biological assets has increased by £352m, from £1,962m in 2019/20 to £2,314m in 2020/21. This increase was due to the continued strong market demand for timber amplified throughout the pandemic. Property,

Plant and Equipment has also seen a notable increase in value, of £316 m from £1,472 m in 2019/20 to £1,788 m in 2020/21. These increases in the value of the FLS estate provides a valuable contribution to Scotland, growing the value of our National Forests and Land and helping us to achieve financial sustainability.

## 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 – £28.0 m

Unrestricted reserves:

- Earmarked– £38.0 m. Earmarked to specific projects in protecting and enhancing the National Forests and Land in 2021/22 and beyond and are allocated by the Chief Executive to protect the future sustainability of the organisation.
- Liquidity reserves - £10.8 m. These are funds that enable the agency to manage the risks it faces from trading and timber price and demand fluctuations. The reserves service an unexpected need for funds, covering unforeseen day to day operational costs, a shortfall in income or to fulfil its obligations, legal or otherwise

## Looking to the future

As has been set out, COVID-19 had a significant positive and negative impact on both income and expenditure in the year. Some elements of project and programme delivery have been rolled forward into 2021/22 and beyond as priorities were adjusted during the pandemic. Pressure on public finance continues and there is still some uncertainty around the financial impact from

the UK's exit from the EU. Work continues on the impact on our business and finances in the short, medium and long term to protect financial sustainability. A going concern basis has been used for the formation of this Annual Report and Accounts based on the fact that all activities performed by FLS are expected to continue for the foreseeable future.

Whilst trading has continued to be strong, albeit in unique circumstances, we continue to recognise that our expenditure has, year on year, become much higher than we can tolerate, particularly if market conditions deteriorate. This is being addressed through work on our financial sustainability with the implementation of a series of Business Principles and a Business Sustainability Action Plan to help achieve significant business improvements and savings alongside growing and sustaining our income. We have also embarked on the development of a new five year Business and Financial Planning approach ensuring that our priorities are affordable, link to our objectives and are well planned.

Over the last two years a number of digital infrastructure investments have already been committed to however specific reserves have been earmarked by the Chief Executive to support the transformation outlined in the Business Sustainability Action Plan. This takes the form of four priority areas:

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

Investment in these four priority areas will ensure that FLS is in a financial sustainable position and continues to protect and enhance the National Forests and Land. Early indications are that this will see investment in climate change mitigation, better use of technology and the rationalisation of built assets.

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## Performance and Achievements

**The following section provides an analysis of the performance and achievements over the financial year, grouped under the appropriate Corporate Outcome. Further information on performance, achievements and opportunities for improvement can be found in the quarterly [Corporate Performance Reports](#) published on the FLS website.**





### Outcome 1: Supporting a Sustainable Rural Economy

FLS supports a sustainable rural economy by managing the national forests and land in a way that encourages sustainable business growth, development opportunities, jobs and investments.

Key Performance Indicator	Target	Target Met?
Volume of Timber Brought to the Market	3.2 million m <sup>3</sup>	<b>No:</b> 2.94 million m <sup>3</sup> obs was brought to the market. Performance was affected by reduced staff capacity due to COVID-19 restrictions and by switch to essential products in Spring 2020. (FY 19/20 KPI Target – 3224k m <sup>3</sup> . Target Met.)
Area of Land Awaiting Restocking	Reduce from 30,906 ha	<b>No:</b> The area has increased by 822 ha since April 2020. This is mainly due to the reduced restocking programme during the COVID-19 restrictions. However 4254 ha was restocked out of the proposed programme of 6792 ha (equating to 63%). (FY 19/20 KPI Target – Reduce by 814 Ha. Target Met.)

FLS Business Plan 2020/21 Key Work Areas	Progress
Develop Timber Marketing Plan and fully introduce related recommendations and governance framework.	<b>Completed:</b> The Timber Marketing Framework was published on the FLS website in December, following consultation with employees and external stakeholders. A governance document has also been published on Saltire (staff intranet) and rolled out to Regional Teams during five training sessions.
Develop Civil Engineering Strategy to improve business efficiencies.	<b>Not completed:</b> The impact of the COVID-19 pandemic on capacity, together with staff changes has delayed this work. It will however be delivered in 2021/22.
Market 3.2 Million m <sup>3</sup> of timber.	<b>Not completed:</b> FLS fell short of overall sale programme by 266k m <sup>3</sup> obs (-8%). Performance was affected by reduced staff capacity due to COVID-19 restrictions. The Sales Plan was significantly affected by the switch to essential products in Spring 2020 which had knock-on impacts throughout the rest of the year. Despite this, nearly 92% of the original Sales Plan was achieved, and FLS made a strong contribution to maintaining essential supplies of timber for use in packaging, pallets and other products used in the pandemic response. Measures are now in place to underpin full delivery of the 2021/22 programme.
Develop a Plant and Seed Supply Strategy and expand the Newton Nursery.	<b>Not completed:</b> The impact of the pandemic on FLS and private sector nursery operations placed a huge strain on the FLS employees involved during 2020 and this will knock on until the end of the current planting season in May 2021. However, a market research exercise was completed and shared with the sector and a near final draft of the strategy has been prepared and will be concluded in the first half of 2021/22. The expansion of Newton Nursery is a key part of our Plant and Seed Supply Strategy. Key procurement work has been undertaken and the strategy will be concluded in 2021/22.
Provide direction, guidance and support to Regional teams to improve business and commercial focus in recreation decision making.	<b>Not completed:</b> This is ongoing as part of developing the FLS Visitors Strategy. Work taken place over the year included the provision of ongoing support to tenants to maximise income within the limits of their lease.
Work to deliver the vision of both the Glentress and Nevis Masterplans through our framework agreement with Forest Holidays. Facilitate the extension of the existing Strathyre Forest Holidays cabin site.	<b>Completed:</b> Forest Holidays now have consent for Nevis and the option agreement is in a finalised form for signing. Planning consent has been granted for Strathyre and work is ongoing in relation to a lease variation. Forest Holidays and FLS will continue to work together in relation to the relocation of the facilities in order to facilitate the cabin development.

FLS Business Plan 2020/21 Key Work Areas	Progress
Development and roll-out of a strategy for agriculture to provide clear direction on the ongoing and sustainable future management of the circa 30,000 hectare in-hand and let agricultural estate that forms part of the national forests and land.	<b>Not Completed:</b> Although we now have a clear strategy for our starter farms, work to develop a wider strategy for agriculture has been on hold pending outputs relating to financial sustainability and buildings strategy as there needs to be clear linkages and threads across these.
Commence work on the disposal of the Dyemill site to Arran Development Trust for 14 affordable self-build homes.	<b>Not Completed:</b> Limited progress has been made on the Dyemill site due to the impact of COVID-19. A disposal to Communities Housing Trust for affordable housing at Ardochy, however has been approved.



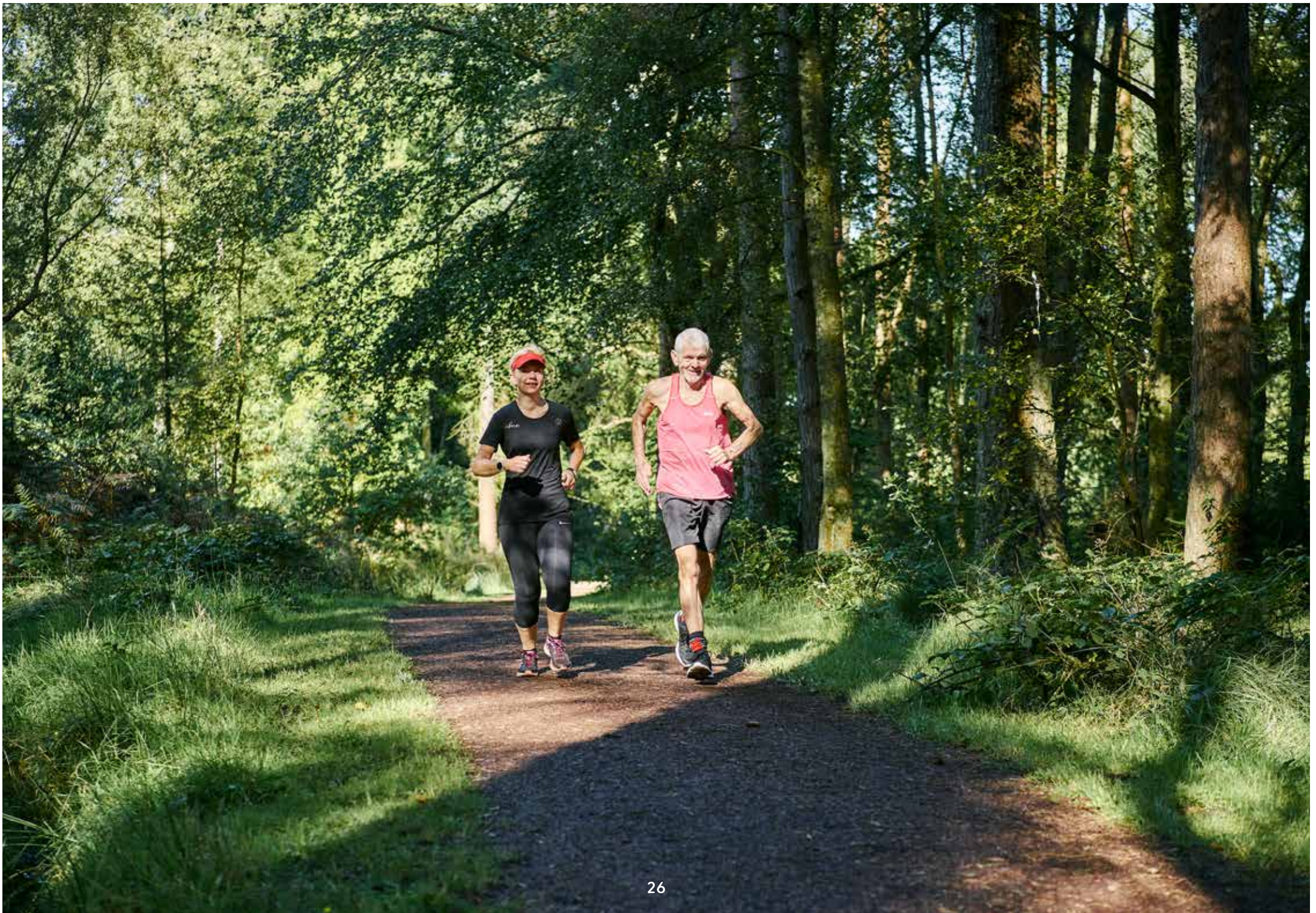
## Outcome 2: Looking after Scotland's National Forests and Land

Scotland's national forests and land are looked after; biodiversity is protected and enhanced and more environmental services are provided to people.

Key Performance Indicator	Target	Target Met?
Area of Woodland Creation	650 ha	<b>No:</b> The result was 483 ha. This was due to COVID-19 restrictions and the cessation of non-essential work, and also a prolonged period of winter weather in January 2021. (FY19/20 KPI Target – 400 ha. Target not met. 57% of the Woodland Creation Programme was completed in 19/20. The programme was unfortunately not completed due to poor conditions in the early part of 2020 and the cessation of all non-essential Forest Management operations following the Scottish Government restrictions and guidance in relation to COVID-19.)
Area Of High Conservation Value Forests and Land	Maintain 257,599 ha	<b>Yes:</b> The net area of High Conservation Value Forests and Land has increased by 1329 ha. (FY19/20 KPI Target – Maintain. Target Met.)
Cumulative total area of peatland with initial restoration action (ha)	Increase by 10%	<b>Yes:</b> Initial restoration work was undertaken on a total of 900 ha, representing an increase in cumulative area of 14% over the position in 2019/20. (New KPI for FY 20-21 no comparison with FY 19-20.)
Percentage of Notified Features on Designated Sites in Favourable (or Unfavourable Recovering) Condition	94%	<b>Yes:</b> The result was achieved through targeted work to improve the condition of sites. (FY19/20 KPI Target – 94%. Target not Met. During FY19/20, two features went from 'Unfavourable' to 'Partially Recovering' reported condition, but six features went into 'Unfavourable' condition – all because of overgrazing by red deer. In addition many sites, where improvement work had been done, were not assessed by NatureScot. Therefore, despite the work that had gone into maintaining the performance on this indicator, the percentage of sites in 'Favourable' condition went down from 92.8% in April 2019 to 92% in April 2020.)
Maintain UKWAS Certification	Maintain	<b>Yes:</b> UKWAS Certification was maintained throughout the year. (FY19/20 KPI Target – Maintain. Target Met.)

FLS Business Plan 2020/21 Key Work Areas	Progress
Create 650 ha of new woodland and work with partners to secure additional carbon funding to support woodland creation.	<b>Not Completed:</b> Adverse weather conditions have led to the creation of 483 ha of new woodland. This equates to delivery of 74% of the target for woodland creation. The 2020/21 programme will extend into 2021/22.
Restore 150 ha of vacant and derelict land for woodland planting.	<b>Not Completed:</b> 89 ha of vacant and derelict land was restored over the 2020/21 period, equating to 59% of the original target. This was due to contracts being cancelled due to procurement difficulties. The work will extend into 2021/22.
Establish improved Internal Surveillance procedures to ensure staff are properly supported in managing to UKWAS and UKFS standards.	<b>Completed:</b> An ongoing programme of internal surveillance procedures has been developed through the year, helped by the recruitment of a new Standards Manager.
Scope the forward programme for restoring all of the peatland on the national forests and lands. Develop shovel-ready contracts to enable maintenance of pace of peatland restoration.	<b>Completed:</b> Two Peatland Programme foresters were recruited to assist preparation of FLS Peatland Restoration Strategy and with scoping the forward programme. Future work has been identified for £9.5 M worth of projects multi-phased over 24 project areas. Projects identified for 2021/22 amount to £2.4 M worth of work covering over 700 ha so far. Further scoping will take place in 2021/22.
Initiate restoration on approximately 650 ha of peatlands.	<b>Completed:</b> Initial restoration work was undertaken on a total of 900 ha. This represents an increase in cumulative area of 14% over the position in 2019/20.
Prepare Regional Historic Asset Management Plans for all FLS regions and identify priority actions.	<b>Completed:</b> Regional Historic Asset Management Plans have been prepared for all FLS Regions.
Progress discussions with successful expressions of interest in the new Energy Offering to take forward the first phase of option agreements. Where possible facilitate the progression of existing option agreements to development.	<b>Completed:</b> All Land Transaction Appraisals now completed for the Energy Offering, with 20 sites being taken forward for further investigations. Project teams have been set up with periodic meetings to evaluate progress.  Construction has begun on a further wind farm in Central region taking the current total under construction to four. Two are expected to be partially operational soon. In addition there are two large scale battery storage facilities currently under construction which will assist in grid stability.
Work with partners and FLS regional staff to identify potential landscape-scale habitat management & restoration project opportunities.	<b>Completed:</b> An area of land for this purpose has been identified in the Central Region and work is ongoing in relation to the acquisition.
Establish the Adaptation and Resilience Programme and set of actions for delivery.	<b>Completed:</b> The Adaptation and Resilience Programme was established in quarter two.
Refresh the Deer Management Strategy and Action Plan.	<b>Not Completed:</b> Work started on this but due to the delay in the publication of the Scottish Government response to the Independent Deer Working Group Report (24th March 2021) it has not been possible to complete this work. Now that the policy landscape has been set it will now be possible to publish a refreshed strategy in 2021/22. Significant work did take place in 2020/21 supporting Scottish Government policy makers develop the response to the Deer Working Group Report and this investment in time will greatly enhance the remaining work on the FLS strategy.









### Outcome 3: National Forests and land for visitors and communities

Everyone can visit and enjoy Scotland's national forests and land to connect with nature, have fun, benefit their health and wellbeing and have the opportunity to engage in our community decision making.

Key Performance Indicator	Target	Target Met?
Number of Community Groups Engaged in Recognised Partnerships and Agreements	90	<b>Yes:</b> 94 Community Groups are currently engaged in recognised partnerships and agreements. Community interest in agreements remains steady. We are seeing increasing interest from Mountain Biking groups with nine projects in development out of a total of 29 (not including Community Asset Transfer Scheme requests in development). (FY19/20 KPI Target – 90. Target Met.)
Visitor Centre Net Promoter Score	70 NPS	<b>No:</b> Visitor Centre were closed throughout 2020/21 due to COVID-19 restrictions. Comments cards have not been available making it impossible to report against this measure. (FY19/20 KPI Target – 70 NPS. Target Met.)

FLS Business Plan 2020/21 Key Work Areas	Progress
Publish Communities Strategy and Action Plan in order to improve our engagement with communities.	<b>Not Completed:</b> Work has started on draft communities strategy. However, pressure of other work, staffing issues and increased visitor management preparations resulting from COVID-19 has meant that time to take this forward has been limited.
Publish a Visitor Services Strategy and Action Plan in order to improve our offer to all types of visitors to the national forests and land.	<b>Not Completed:</b> A final draft of visitor strategy has been prepared and final processes will be completed in early 2021/22. The delay in completion was due to pressure of other work and staffing/resourcing issues.
Develop guidance on involving volunteers in looking after the national forests and land.	<b>Not Completed:</b> All Volunteer work on the national forests and land was suspended due to COVID-19. This work was not a priority given other resourcing issues and staff pressures.
Implement our obligations under the Community Empowerment Act (Scotland) 2015 and support community development by way of Community Asset Transfer Scheme.	<b>Completed:</b> FLS has validated five asset transfer requests in 2020/21, similar to previous years (five/six per year) despite the impact of COVID-19. These included four land sales and one hydro lease. Progress of some larger projects in development has been slower due to COVID-19 because of challenges in community consultation, but there is still a healthy pipeline, particularly for smaller-scale local amenity projects.
Improve our understanding of our visitor demographics in order to be more inclusive to all communities in Scotland.	<b>Not Completed:</b> We have not been able to gather or analyse visitor demographic data as the data has been unavailable due to the closure of visitor centres caused by COVID-19 restrictions.



#### Outcome 4: A Supportive, Safe and Inclusive Organisation

FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice.

Key Performance Indicator	Target	Target Met?
Percentage of women/females in senior roles (SCS-PB4)	10%	<b>Yes:</b> The current figure is 10%. (FY19/20 KPI Target – Increase from 18/19 total. Target Met.)
Ratio of near miss reporting to total accidents and incidents reported	20%	<b>No:</b> The current figure is 19%. (FY19/20 KPI Target - Increase from 18/19 total. Target Met.)
Staff Engagement: Percentage of employees who would recommend FLS as a great place to work	65%	<b>No:</b> The 2020 People Survey showed an increase of 7% from 2019 results (52%). Work is taking place to review the results and create action plans to increase staff engagement. (No comparable data for FY 19-20.)
Average number of working days lost per FTE (excluding COVID Related Absence)	9.5 days	<b>Yes:</b> Excluding absences due to COVID-19, the figure is 6.6 days. Including COVID-19 related sickness the figure is 6.8 days. When other COVID-19 related absences are included (self-isolation, caring commitments etc) the figure is 13.3 days. (FY19/20 KPI Target – No KPI Target set, however the figure for 19/20 was 11.5).

FLS Business Plan 2020/21 Key Work Areas	Progress
Launch and publication of new organisational strategies: People, Fleet, Estate, Digital, Procurement, Health, Safety & Wellbeing improvements.	<b>Completed:</b> The People Strategy and related action plans have been published internally. The <u>Procurement Strategy</u> has been published on the FLS website. Other strategies, such as Buildings and Digital, have been drafted and will be published in early 2021/22.
Implementation of Diversity and Inclusion Plan in order to increase the diversity of our workforce, meet our public sector equality duties and work towards being a more inclusive organisation.	<b>Not Completed:</b> The Diversity and Inclusion Plan is still in development and has not yet been published. Work was paused due to the impact of COVID-19 on employees, but some work in this area has now progressed including the delivery of awareness sessions around bullying and harassment.
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.	<b>Completed:</b> Work has been ongoing throughout the year to coordinate and monitor the implementation of the FLS Corporate Parenting Plan. The first Annual Review of the plan will be published in early 2021/22.
Work with Higher and Further Education providers on the implementation of Forestry Student recruitment to ensure that we support young talent and can develop a workforce for the future.	<b>Completed:</b> Working with Further Education Colleges has resulted in the recruitment of 11 forestry students for placements and for 27 apprenticeships to work in various parts of the organisation, equating to 38 opportunities for young people over the period.





### Outcome 5: A High Performing Organisation

FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.

Key Performance Indicator	Target	Target Met?
% of requests for information (FOI) processed on time (within 20 working days of receipt of the request)	95%	<b>Yes:</b> We received 75 FOI requests over the year, 72 of which were processed within the required timescales, which equates to 96%. (FY19/20 KPI Target – 95%. Target Met.)
Percentage of Ministerial and Corporate Correspondence System (MACCS) queries responded to within agreed timescales	95%	<b>Yes:</b> We received 23 MACCS queries over the year, 22 of which were responded to within agreed timescales, which equates to 96%. (FY19/20 KPI Target – 95%. Target Met.)
Percentage of complaints closed at frontline resolution	80%	<b>N/A:</b> Due to issues with the recording process and system there is a gap in reliable information and so we are unable to say whether or not this target was met. Work is taking place to improve the complaints recording and monitoring process with the rollout of MiCase in 2021/22. (FY19/20 KPI Target – 80%. Target Met.)

FLS Business Plan 2020/21 Key Work Areas	Progress
Complete the transition into Forester Web to enable better use of data in decision-making at all levels.	<b>Completed:</b> Transition has been completed. Forester Web has enabled the transition to home working and has proved an effective tool that is used by more than 500 staff on a daily or weekly basis.
Ensure effective implementation of the Corporate Planning Framework (developing and implementing Business Plans)	<b>Completed:</b> A new process for reporting on the progress of business plans was developed in Q1 and Q2, with progress now included in the Corporate Performance Reports. The FLS Business Plan for 2021/22 has been developed and will be published following the Pre-Election Period.
Develop and Deliver Biennial Customer Satisfaction Survey	<b>Not Completed:</b> The decision was taken to delay the Customer Satisfaction Survey in light of increased workload/pressures due to the pandemic. It was also agreed that there may not be sufficient response rates. A decision on when to carry out the survey will be taken in 2021/22.
Implement and maintain a revised Corporate Risk Management Policy and Framework, including risk registers.	<b>Completed:</b> Following the launch of the Corporate Risk Management Policy and Framework in January 2020, work has taken place to embed this across the wider organisation. A Corporate Risk Register was created and is updated and discussed with the Executive Team on a monthly basis to identify any emerging or increasing areas of risk. Risk Management information is also regularly provided to the Audit and Risk Committee.
Initiate the implementation of the Business and Financial Information systems change.	<b>Completed:</b> The project is progressing as planned, with the initiation now implemented and business requirements gathered.

FLS Business Plan 2020/21 Key Work Areas	Progress
Promote the organisation and its activities, both internally and externally, and communicate the significance and benefits that the national forests and land bring to the people of Scotland.	<b>Completed:</b> The communications resource was reprioritised early in the financial year to focus on the organisational response to COVID-19. Other campaigns over the period have included Deer Management and Protected Species. Over 220,000 users visited the FLS website in the period January-March, representing a 16% increase on the number over the same period in the previous year.
Develop Gaelic Language Plan to help meet the national plan aim of 'Gaelic is used more often, by more people and in a wider range of situations'.	<b>Completed:</b> The official notification for FLS to prepare a statutory Gaelic Language Plan from Bord na Gaidhlig was received at the end of July with a deadline of January 2022. A Gaelic Language Plan Working Group was established to guide the development of the Plan. The Plan is currently in draft and will be subject to public consultation in the summer.
Implement the Assurance Framework and Internal Control Checklist.	<b>Completed:</b> The Assurance Framework has been implemented and the Internal Control Checklist process is in place and operating well. An audit of the Assurance framework was undertaken by SG Internal Audit with a ranking of "reasonable" being reported. Some recommendations were made and agreed actions are either implemented already or will be in place for 2021-22 financial year's assurance framework process.
Introduction and implementation of new approach to contract management.	<b>Not Completed:</b> Due to the impact of COVID-19 and the need to prioritise, the initial timeline was changed for this early in the financial year. However, planning and preparatory steps have been completed during the 2020/21 period. The remaining stages to finalise the Standard Operating Procedure (SOP), training content and implementation arrangements are in progress and will be completed in 2021/22.
Meet and where possible exceed our legislative duties.	<b>Completed:</b> A new process has been implemented across FLS to share information in relation to legislative updates/policy requirements. This will be continued in 2021/22.
Ensure that FLS has a balanced budget with provision for reserves to allow for investment in the protection of the national forests and land.	<b>Completed:</b> The Annual Financial Plan has been signed off for 2021/22 and business sustainability action plan revisited along with the development of an investment strategy and Target Operating Model. The five-year Business and Financial Planning process has been agreed by the Executive Team and is now underway.
Monitor FLS actions within Forestry Strategy Implementation Plan and provide regular updates on the contribution to delivery of the Strategy.	<b>Completed:</b> Regular updates on progress have been provided to Scottish Forestry colleagues.
Provide secretariat support and assistance to appropriate governance channels within FLS, including the Executive Team, Strategic Board and Audit and Risk Committee.	<b>Completed:</b> Throughout the year secretariat support and assistance has been provided to the Executive Team, Strategic Board and Audit & Risk Committee as appropriate.
Oversee the rollout and implementation of MiCase to response to Ministerial Enquiries, PQ's, FOI's and complaints within agreed timescales.	<b>Not Completed:</b> MiCase has been implemented in relation to Ministerial Enquiries and PQs. However work is still required to complete the move to MiCase for complaints and FOIs. This was due to COVID-19 impacts changing priorities and staff absence.

## 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 in key areas such as reducing emissions resulting from travel and energy use, and minimising the organisation's water consumption and waste generation.

Our targets and our work to achieve them are detailed in annually published reports. Our Annual Sustainability Report for 2020/21 will be available on our website in due course at [www.forestryandland.gov.scot/what-we-do/plans-and-strategies/corporate-plan/business-sustainability-reports](http://www.forestryandland.gov.scot/what-we-do/plans-and-strategies/corporate-plan/business-sustainability-reports)

## Social Matters

**FLS has well developed policies and procedures to address a wide variety of areas covering human rights, in particular anti-corruption and anti-bribery, modern slavery, equality, diversity and inclusion and Whistleblowing.**

More information can be found in the Remuneration and Staff Report and Governance Statement in these accounts.

Staff are required at all times to act with honesty and integrity, adhering to the Civil Service Code and safeguard the public resources for which they are responsible. They are also encouraged to raise concerns about improprieties in the conduct of FLS' business whether in matters of financial regulatory or other malpractices including fraud, and bribery. Our policies and reporting mechanisms in place 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 through its involvement in FISA's Steering Group, working groups and the Strategy Review Group.

## Activity

FLS is continuing to implement a Health, Safety and Wellbeing improvement strategy which focuses on the systems within FLS for managing risks and improving health and safety performance. It follows the principles of the international standard ISO 45001 Occupational Health and Safety Management Systems. One of the key elements for this year and next is setting out clear roles and responsibilities for health safety and wellbeing within the agency.

During the year we have set up systems for the management of COVID-19, taking a 'plan-do-check-act' approach and providing written guidance for safe working for the agency and forestry and environmental management sectors across the UK. Further to this we have ensured compliance with COVID-19 controls on all of our sites by carrying out regular checks and reporting on the findings, which were also shared with the industry.

Supporting good mental and physical health at work has continued to be a key priority for FLS as we continue to implement our mental health action plan. There has been a significant focus of providing wellbeing support to all staff during COVID-19 particularly as we are all operating in a virtual working environment.

## Accidents

The number of Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations 2013 (RIDDOR) reportable accidents (over 7 days and specific injuries) in 2020/21 was six. The following table details this information and comparable data for FY 19-20.

RIDDOR Reportable Accidents	2020/21	2019/20
Employee	5	6
Contractor	1	1
<b>Total</b>	<b>6</b>	<b>7</b>

*Simon Hodgson*

**Simon Hodgson**  
Accountable Officer

**24 November 2021**

# Accountability Report

The purpose of the accountability report is to meet key accountability requirement of the HM Treasury's Financial Reporting Manual for 2020/21. 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.**

## Director's 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. Fergus Ewing MSP, Cabinet Secretary for Rural Economy and Tourism was responsible for FLS during the reporting year. Although Mr Ewing had the lead for forestry, the work that we do continues to contribute to those of other Cabinet Secretaries.

The Scottish Government's Director of Environment and Forestry, Bridget Campbell, was responsible for farming and environment, rural economy and climate change over the reporting period. The Director has a number of responsibilities in relation to the agency and these are set out in the [FLS Framework Document](#).

### The Chief Executive

Simon Hodgson was Chief Executive of FLS over the reporting period. The Chief Executive is the Accountable Officer of Forestry and Land Scotland and is supported by and chairs the FLS Strategic Board and Executive Team. Full details of the governance structure and risk management arrangements in operation in FLS are provided as part of the Governance Statement.

**Strategic Board**

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**Simon Hodgson**  
Chief Executive



**Graeme Hutton**  
Director of Business Services



**Michael Hymers**  
Director of Corporate Services



**John Mair**  
Director of Estate Development



**Trefor Owen**  
Director of Land Management



**Mark Pountain**  
Non executive advisor



**Lisa Tennant**  
Non executive advisor



**Pamela Zielinski**  
Non executive advisor



## Executive Team



**Dr Sallie Bailey**  
Regional Manager, South



**Rosetta Forbes**  
Head of People and  
Organisational Development



**Simon Hodgson**  
Chief Executive



**Andy Hunt**  
Regional Manager, West



**Graeme Hutton**  
Director of Business Services



**Michael Hymers**  
Director of Corporate Services



**John Mair**  
Director of Estate Development



**Carol McGinnes**  
Regional Manager, Central



**Donna Mortimer**  
Head of Finance  
and Procurement



**Trefor Owen**  
Director of Land Management



**Graeme Prest**  
Regional Manager, North



**John Thomson**  
Regional Manager, East

Biographies for our Strategic Board and Executive Members can be found on our [website](#).



## Register of Interests

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

## Other Disclosures

### Personal Data Related Incidents

There were eight non-reportable and zero reportable personal data incidents for FLS in 2020-21. This compares with four non-reportable and zero reportable personal data related incidents in 2019-20.

### Supplier Payment Policy

Forestry and Land Scotland complies with the Scottish Government's prompt payment policy and Scottish Government's Public Finance Manual. The Scottish Government's prompt payment policy requires that all suppliers' invoices not in dispute are paid within the terms of the relevant contract, normally 30 days from receipt. Unless otherwise stated in the contract, we aim to pay within the Scottish Government's tighter target of ten working days from the receipt of a valid invoice. This aspiration is above and beyond our contractual commitment to pay suppliers within 30 days. Paying supplier bills within ten working days is seen as a key objective, and an important expression of the Scottish Government's commitment to supporting business.

During 2020 a number of new procurement policies were introduced by Scottish Government to accelerate payment practices to support business cash flow during the COVID-19 pandemic and to implement (where appropriate) financial relief measures within contracts. During this period, FLS has acted to accelerate supplier payments wherever possible and has implemented financial relief measures for a small number of contracts, taking a case by case approach.

An analysis of bill payments for 2020/21 indicates that 97.5% were paid within the ten day target. Arrangements for handling complaints on payment performance are notified to suppliers within contracts.

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

### Basis of Accounts

The Forestry and Land Scotland Resource Accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. This can be found at page 114.

### Departmental Accounting Boundary

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

### Auditors

Mark Taylor (Audit Scotland) is appointed under the Public Finance and Accountability (Scotland) Act 2000 to carry out the external audit of Forestry and Land Scotland. No fees were charged for other services.

## Statement of Accountable Officer's Responsibilities

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

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

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

So far as the Accountable Officer is aware, there is no relevant audit information of which FLS's auditors are unaware. The Accountable Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that FLS's auditors are aware of that information.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer for the Scottish Administration has designated the Chief Executive of FLS as Accountable Officer of FLS. The FLS Accountable Officer is personally answerable to the Scottish Parliament for the propriety and regularity of the FLS activities and for the economical, efficient and effective use of all associated resources. The Accountable Officer is also responsible for signing the accounts of FLS.

## Governance Statement

### Scope of Responsibilities

As the Accountable Officer at the date of signing this report, I am personally accountable to the Scottish Parliament for the proper management of public funds and for ensuring these resources are used efficiently, economically and effectively.

In discharging this overall responsibility, I am responsible for putting in place appropriate arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes a sound system of control is maintained through the year and that arrangements are in place for the management of risk.

I believe that FLS fully complies with the principles of the Scottish Public Finance Manual.

## The Purpose of the Governance Framework

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

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

Scottish Ministers are responsible for determining the overall policy and resources framework within which FLS operates. Ultimately they are accountable to the Scottish Parliament for its functions and performance. FLS is responsible for the day-to-day management of the agency. The mandate of FLS is laid out in the agency Framework Document which is 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 2021 and up to the date of approval of the Annual Report and Accounts, and accords with Scottish Public Finance Manual Guidance.







## Strategic Board

The Chief Executive, as Accountable Officer, is personally accountable to Scottish Ministers for the performance of FLS and delivery of its functions. In doing so he is supported by the FLS Strategic Board which comprises Executive Directors and Non-Executive Advisors. The Board's role is to support and provide advice to the Chief Executive in order that he can reach robust and well-informed decisions.

The remit of the Strategic Board is to provide the Chief Executive with support, advice and challenge on:

- The organisation's strategic vision, aims, objectives and targets, and any steps required to deal with changes which are likely to impact on the strategic aims and objectives of FLS or on the attainability of its targets;
- The effectiveness of the arrangements that provide assurance on risk management (including in respect of personnel, physical and cyber risks/threats/hazards), governance and internal control; and
- The systems that are in place to enable early identification/notification to be provided to the Scottish Government about emerging issues which will impact on the operation or reputation of FLS.

The Strategic Board met four times over the reporting period in April, June, September and January and discussed a wide range of topics. Topics for discussion included the agency's response to COVID-19, financial sustainability, carbon management and visitor services. 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 Business Services (Attended all meetings)
- **Michael Hymers** – Director of Corporate Services (Attended all meetings)
- **John Mair** – Director of Estate Development (Attended all meetings)
- **Trefor Owen** – Director of Land Management (Attended all meetings)
- **Mark Pountain** – Non-Executive Advisor (Attended all meetings)
- **Lisa Tennant** – Non-Executive Advisor (Attended all meetings)
- **Pamela Zielinski** – Non-Executive Advisor (Attended all meetings)

## Executive Team

The Executive Team supports the Chief Executive with the day-to-day running of FLS and provides advice and knowledge on professional, technical and regional matters. The Executive Team comprises the Executive Directors, Regional Managers, Head of Human Resources and Head of Finance and Procurement. Meetings have taken place on a monthly basis over the reporting period.

Topics for discussion included the agency's response to COVID-19, financial planning and smarter working principles. Health, Safety and Wellbeing and emerging risks are standing items on the agenda of each meeting. Minutes from meetings of the Executive Team are published on the [FLS website](#). Members of the Executive Team in place throughout the year were as follows:

- **Simon Hodgson** – FLS Chief Executive and Chair of the Strategic Board
- **Sallie Bailey** – Regional Manager, South
- **Rosetta Forbes** – Head of People and Organisational Development
- **Andy Hunt** – Regional Manager, West
- **Graeme Hutton** – Director of Business Services
- **Michael Hymers** – Director of Corporate Services
- **John Mair** – Director of Estate Development
- **Carol McGinnes** – Regional Manager, Central
- **Donna Mortimer** – Head of Finance and Procurement
- **Trefor Owen** – Director of Land Management
- **Graeme Prest** – Regional Manager, North
- **John Thomson** – 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 three Non-Executive Advisors. The Chief Executive, Director of Corporate Services and Head of Finance and Procurement routinely attend the ARC, along with representatives from Internal Audit and Audit Scotland. However the terms of reference, set out in Annex C of the [FLS Framework Document](#), provide for the ARC to sit privately without Executives present for all or part of a meeting if required.

The ARC met three times over the reporting period in September, November and March. Minutes from meetings of the ARC are published on the [FLS website](#). Members of the ARC during the year were as follows:

- **Mark Pountain** – Non-Executive Advisor (Attended all meetings)
- **Lisa Tennant** – Non-Executive Advisor (Attended all meetings)
- **Pamela Zielinski** – Non-Executive Advisor (Attended all meetings)



## Risk Management

FLS is committed to achieving its aims as defined in our Corporate Plan and Business Plan. In doing so, we recognise that we will face a variety of risks. We identify that effective risk management helps us to make better decisions and reassures our customers, partners and stakeholders. Our approach to risk is designed to identify risks and support the delivery of our organisational outcomes. We are committed to ensuring that the management of risk underpins all business activities and that thorough risk management procedures are in place across the organisation.

### Our Approach

We adopt a positive approach to managing risk, including:

- Operating a risk management process that's easy to understand and apply
- Improving performance through better planning
- Championing risk management across the organisation

FLS aims to identify risks and their cause at the earliest opportunity; measure the risk effect on the organisation; and put in place appropriate controls to mitigate risk. We seek to obtain assurance of effective controls to mitigate risks through our Assurance Framework. Full details of our revised 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 FLS Executive Team (ET) and Audit and Risk Committee (ARC) as to the appropriate risk appetite level. This provides a framework to help inform decision making. This looks at the level of risk which is deemed to be 'manageable' i.e. where the risks will need careful management but are considered to be worth taking. Where potential risks could breach the 'manageable' level assurance should be provided to the ET and ARC that these can be appropriately controlled.

### Key Risks

Throughout the financial year 2020/21 we continued to identify and manage organisational risks. Due to the nature of our business health, safety and wellbeing remains an area of high risk across the organisation with regard to our staff, contractors and visitors and we continue to monitor controls and identify opportunities to further reduce risk through future planned actions and improvements.

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

The Key Risks over the financial year were as follows:

- **Health and Safety:** This has been a particularly serious concern for FLS due to the incident rate within forestry. 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. In addition, we recognise the potential cumulative impact of multiple factors on mental health and wellbeing.
- **Complexity of Change:** There are a number of risks rolled into this arising from the amount and complexity of change including Brexit; organisational 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.
- **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 remains under pressure as the demand on public finances grows post COVID-19. Further reductions to the ASL are potential and the ability of FLS to transform its financial position is essential. There is also an ongoing risk relating to accidents and incidents on national forests and land relating to staff, contractors and members of the public.
- **Timber Production:** There is an increased emphasis on timber productivity and smoothing timber production forecasts that require significant strategic and long term responses. An inability to do this effectively and efficiently would lead to failure to meet political expectations, economic impact, reputational damage and soured relationships with the timber processing sector, and wider industry.



- **Regulatory Compliance:** Work continues to raise awareness of and ensure regulatory compliance across the organisation through embedding and monitoring the Assurance Framework. This includes an ongoing review to ensure the framework is regularly tested through informal and formal audit activity to ensure that the appropriate information is included, and outcomes shared with Cost Centre managers and the wider staff group.
- **Business Continuity:** The outbreak of COVID-19 significantly increased organisational risk and contingency arrangements were initialised. In response to the pandemic we undertook “lessons learned” activities at key stages to support and enable effective review of our business continuity planning and take opportunities to reflect and improve. We continue to apply Scottish Government and NHS guidelines to our activities, with supporting materials and guidance being made available to staff, contractors and members of the public.
- **COVID-19 Recovery:** Scenario planning continues to understand the impacts on the business and wider Scottish economy to enable the ongoing development and implementation of Recovery Plans in relation to COVID-19.

## 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 Security Officer. The Board members include the Security Information Risk Owner, Data Protection Officer, Security Officer and appropriate representation from across the organisation. The SIRAB reports into the Executive Team through the SIRO and updates are provided to the Audit and Risk Committee.

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







### **Certifications**

The ISO27001 certification audit, the international standard providing requirements for an information security management system, was completed in February 2021. FLS gained the certification successfully with no non-conformities to address. In addition, the Cyber Essentials Plus audit was completed in February 2021 and the certification successfully gained.

### **Data Protection**

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

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

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

### **Public Records (Scotland) Act 2011**

The Records Management Plan was submitted to the National Records of Scotland in August 2020, as per section 1(1) of the Public Records (Scotland) Act 2011 – to assess, with a view to agreeing, the records management plans of named public authorities. FLS is awaiting the National Records of Scotland assessment and interim report prior to approval from the Keeper of the Records of Scotland.

### **Internal Audit**

FLS has worked with the Scottish Government Directorate for Internal Audit and Assurance to review and take action where necessary on the recommendations identified through the General Data Protection Regulation Audit:

- Governance and Accountability
- Compliance Framework and Reporting
- Training and Development

A progress report was presented to the Audit and Risk Committee to note the ongoing progress of the improvement opportunities identified within FLS.



## Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the governance framework. My review is informed by:

- The executive managers within FLS who have responsibility for the development and maintenance of the governance framework;
- The work of the internal auditors, whose reports to the Audit and Risk Committee (ARC) include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the governance framework together with recommendations for improvement;
- Comments made by the external auditors in their management letters and other reports;
- Feedback and commentary from non-executive advisors through ARC meetings; and
- Feedback and commentary from Strategic Board members through regular meetings.

FLS has an Annual Assurance Framework in place that flows down from the Accountable Officer to Functional leads (directors) and from them to every principal cost centre manager. This provides me with assurance on the standard of governance and control within their area of responsibility. I also receive assurances from my management team through their regular submission of reports and presentations to the Executive Team which is chaired by myself or my nominee and through my line management responsibilities.

As a result of the returns provided and the lessons learnt from COVID-19 I have asked the Operational Resilience Group (ORG) to consider Business Continuity Planning in the organisation and in particular how we plan, review and provide assurance of FLS' ability to respond to unforeseen disruption to the business (e.g. COVID-19).

A revised National Business Continuity Plan has now been created, incorporating Regional Plans and is available for all staff to use.

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

On the basis of these assurances I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual (SPFM), has been developed and become operational over the year ended 31 March 2021 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 are participating in this exercise and will follow up on any findings.

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. Of the main areas reviewed, Health & Safety was given a limited assurance report, but all other areas were given a reasonable assurance report based on DIAA's audit activity. Action plans have been received and implemented and DIAA consider that FLS are engaging with DIAA.

The annual rating of reasonable assurance from DIAA 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 three assurance reviews were completed in-year as follows:

- Assurance Framework – Reasonable Assurance (4 medium recommendations)
- HR Payroll – Reasonable Assurance (3 medium and 2 low recommendations)
- Health and Safety (Part 2) - Limited Assurance (4 high and 1 medium recommendations)

We continue to engage with DIAA on progress and build actions to address recommendations in to our future work programme. An example of how we are achieving this is detailed on p33, where we outline work to continue implementation of our Health, Safety and Wellbeing Improvement Strategy.

DIAA in their annual report provided a reasonable assurance report based on audit activity and information available to date on risk management, control and governance arrangements. Audit Scotland prepared an Annual Audit Report in Sept 2020 as part of their review of the Annual Report and Accounts for FLS. Matters/recommendations were raised and have either been addressed by management or actions have been put in place to address these within FLS.

As part of their 2020/21 programme of work, Audit Scotland tested a range of key controls within the main financial systems. Some areas of improvement were noted. Actions to address the areas of improvement will be taken during 2021/22.

## 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.

Following our transfer to Scottish Government, our Whistleblowing Policy was updated in 2019/20 to identify a new Policy Owner, Data Owner and Nominated Officer. 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.

All Whistleblowing cases are investigated thoroughly, ensuring lessons learnt and recommendations are embedded into how we operate as an organisation.

One case was reported under the Whistleblowing Policy in this financial year, resulting in an ongoing investigation.

## Significant Governance and Risk Issues

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

### COVID-19

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

Following the lockdown announced by the First Minister on 23rd March 2020, we closed our offices, workshops and recreational facilities, and suspended a number of our forest operations, with the default being for employees who can, to work from home. We were able to do this through safeguarding the connectivity and security of our digital network and have worked to provide colleagues with resources to allow them to work from home. Meetings have continued virtually either by telephone or video call.

On the 21st May 2020, the First Minister announced a staged approach to carefully and gradually lifting the COVID-19 restrictions. The process was explained in the SG publication *Coronavirus (COVID-19) Scotland's route map through and out of the crisis* which set out the order, but not definitive timescales for easing measures.

On 30th May 2020 the Scottish Government published the '*Safe Working Guidance and Restart Plans for the Forestry Sector*' which allowed suspended forest operations to restart. We produced detailed guidance, with our trade union partners, for our managers and employees and undertook risk assessments to support the restart of suspended forest operations on a phased and priority basis across regions from June. Visitor and recreational facilities were allowed to reopen in July 2020. Thereafter regular compliance audit checks were undertaken by a mixture of our regional employees and members of the Health, Safety and Wellbeing team, across a range of sites and buildings for both work delivered by our employees and our contractors. Forest operations and recreational facilities have continued to operate following safe working practices since that time.

However, on 21st October 2020, the First Minister announced a new strategic framework to outbreak management, explained in the publication *Coronavirus (Covid 19) Scotland's Strategic Framework*. The application of this resulted in visitor centres in Central Region closing. On 4th January 2021, the First Minister, announced new lockdown arrangements which resulted in visitor centres in all of our Regions closing. These reopened again in April 2021.

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

A COVID-19 Response Team (CRT) led and oversaw actions across the organisation in response to emerging guidelines from the Scottish Government's 'Route map through and out of the crisis' until August 2020 when it was stood down. Thereafter, a COVID-19 coordinator, has led and overseen the delivery of actions across the organisation in response to emerging guidelines including the Scottish Government's 'Scotland's Strategic Framework' and the subsequent lockdown arrangements.

### **Information Communication Technology (ICT) Infrastructure**

ICT infrastructure was included as a governance and risk issue in the 2019/20 Annual Report and Accounts, albeit a significantly enhanced position compared to 2018/19.

ICT infrastructure has proven robust, enabling employees to work digitally from home through COVID-19. FLS benefits from a blend of Scottish Government's shared IT platform, SCOTS, with forestry specific software applications and data held in a private-cloud datacentre which is managed and supported by FLS Digital Services.

Significant enhancements, for example the introduction of Microsoft Teams which enables video conferencing and team collaboration, have been made across the SCOTS and FLS platforms over the past year to better support Smarter Working and location agnostic connectivity.

Whilst IT continuity measures have proven to be highly successful as employees have continued to work from home, we have been unable to complete an organisation-wide disaster recovery (DR) test due to the continued working restrictions introduced by COVID-19. All applications and data continue to be protected by robust DR provisions and multi-point resilience across the core infrastructure and individual systems have been tested as recoverable in a DR scenario. A full test will be undertaken once a normal, or new/near normal, working resumes.



## Plans for 2021/22

Over the past year we have continued to deliver despite the continuing difficulties and COVID-19 lockdown restrictions. Clearly 2021/22 will be another challenging year as recovery from the pandemic continues and restrictions ease.

As set out in the Performance Overview, we secured an increase in capital funding of £50m from the Scottish Government over a five year period (FY 2021/22 – FY 2025/26) as announced in the Capital Spending Review. £30m of which is to expand our investment in new woodland on Scotland's national forests and land. The new woodland across Scotland will provide economic and employment opportunities, more wild habitats, and help Scotland work towards achieving net-zero carbon ambitions. £20m is to re-develop our Newton Nursery facility in Moray, allowing us to increase our plant and seed supply capabilities at the site, alongside providing economic and employment benefits to the area. The uplift in funding from Scottish Government is very good news for FLS and signals a strong ongoing commitment to our Corporate Outcomes.

We have published our [Business Plan](#) for 2021/22, which was developed during the latest Scottish Government lockdown in the early part of 2021, and so some of the challenges that may come our way are unknown, and priorities may change. However, we can look forward with a degree of confidence about delivering our programmes and also build on our work to help address the Climate Emergency. Priorities and actions set out in the Business Plan include:

- Creating 650ha of new woodland
- Increasing the cumulative total area of peatland with initial restoration action by 10%
- Increasing the Investing in the modernisation and expansion of FLS's Newton Nursery near Elgin
- Supporting the Scottish Government's commitment to double the opportunities for young people in support of green and rural economy
- Publishing our new Visitor Strategy Action Plan
- Developing and publishing a new Corporate Plan for 2022-2025
- Continuing to deliver peatland restoration projects.

Work will also be undertaken on programmes carried forward or not fully completed in the previous year due to the impact of the pandemic. We will strive to deliver all of our commitments set out in the Business Plan, but will take an agile approach to be able to respond to challenges as the recovery from the pandemic continues.



# 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 two other Senior Civil Servants in Forestry and Land Scotland; the Director of Business Services and Director of Land Management. Remuneration for these individuals is also determined by the SSRB, as delegated to the Scottish Government under Senior Civil Service pay arrangements.

Further information on the work of the SSRB can be found at <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>.

All other members of the Executive Team are remunerated according to their pay band and in line with Scottish Government's Public Sector Pay Policy, details of which may be found at <https://www.gov.scot/publications/scottish-public-sector-pay-policy-2020-21/>.

## Employment contracts

Civil Service appointments are made in accordance with the Civil Service Commission's Recruitment Principles, which requires appointment to be made on merit on the basis of fair and open competition and also includes the circumstances when appointments may otherwise be made.

The senior staff covered in this report hold appointments which are open-ended until they reach normal retiring age, with a maximum notice period of six months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information can be found at: <https://www.civilservicepensionscheme.org.uk/employers/civil-service-compensation-scheme-for-employers/>.

## Remuneration of Non-Executives

Fees for Non-Executive Advisors are determined in accordance with guidelines prescribed by the Scottish Government. The remuneration of Non-Executive Advisors was borne by FLS.



## Remuneration Report

### Salary and Pension Information – Audited

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

Name & Title	Salary £000		Benefits in kind £		Pension Benefits £000		Total £000	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
<b>Sallie Bailey</b> Regional Manager, South	60-65	70-75	-	-	50	44	110-115	110-115
<b>Rosetta Forbes</b> Head of People & Organisational Development	60-65	70-75	-	-	11	11	70-75	80-85
<b>Simon Hodgson</b> Chief Executive	110-115	115-120	200	-	181	45	290-295	160-165
<b>Andrew Hunt</b> Regional Manager, West	30-35 (65-70 FTE)	65-70	4,200	2,400	26	60	60-65	130-135
<b>Graeme Hutton</b> Director of Business Services	55-60 (75-80 FTE)	80-85	-	-	35	57	90-95	140-145
<b>Michael Hymers</b> Director of Corporate Services	60 - 65	70-75	2,600	1,100	63	53	125-130	125-130
<b>David Jardine</b> (01/04/19 to 09/08/19) Former Regional Manager, West	20-25 (65-70 FTE)	-	1,200	-	55	-	75-80	-
<b>John Mair</b> Director of Estate Development	60-65	65-70	-	-	10	10	70-75	75-80
<b>Carol McGinnes</b> Regional Manager, Central	65-70	70-75	-	-	25	27	90-95	95-100
<b>Paul Minto</b> (16/09/19 to 22/11/19) Former Regional Manager, West	10-15 (60-65 FTE)	-	-	-	5	-	15-20	-
<b>Donna Mortimer</b> Head of Finance and Procurement	60-65	65-70	-	-	35	59	95-100	125-130

Name & Title	Salary £000		Benefits in kind £		Pension Benefits £000		Total £000	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
<b>Trefor Owen</b> Director of Land Management	70-75	85-90	-	-	31	48	105-110	130-135
<b>Graeme Prest</b> Regional Manager, North	60-65	65-70	-	-	62	66	125-130	135-140
<b>John Thomson</b> Regional Manager, East	60-65	70-75	-	-	57	49	120-125	115-120
<b>Nicola Whitaker</b> (01/04/19 to 14/07/19) Former Interim Head of Business Services	25-30 (90-95 FTE)	-	-	-	10	-	35-40	-
<b>Phil Whitfield</b> (01/04/19 to 31/10/19) Former Interim Head of Communities & Visitor Services	35-40 (60-65 FTE)	-	-	-	82	-	115-120	-

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

Name & Title	Fees £000	
	2019/20	2020/21
<b>Mark Pountain</b> Non-executive Advisor	5-10	5-10
<b>Lisa Tennant</b> Non-executive Advisor	5-10	5-10
<b>Pamela Zielinski</b> Non-executive Advisor	5-10	5-10

## Salary

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

## Bonuses

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

## Benefits in Kind

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

Benefits in kind are also provided under the following schemes:

- Advances of salary for house purchase (see Note 12);
- 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.



## Transactions with Executive Team Member(s)

Two members of the Executive Team received benefits in kind during the period. One was for an advance of salary for a house purchase described below, the other was for use of a hired vehicle.

An interest free loan in the form of an advance of salary for house purchase may be given to employees. The following member of the Executive Team had such an outstanding loan during the year:

Name & Title	Balance at 1 April £000	Balance at 31 March £000	Maximum Balance in Year £000
Michael Hymers Director of Corporate Services	1	0	1

## Compensation for Loss of Office

No member of the Executive team received payment for loss of office during the reporting period.

## Exit Packages - Audited

No exit packages were paid during 2020/21.

## 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 2020/21 was **£115 k-£120 k** (2019/20 - £110 k-£115 k). This was **3.83 times** (2019/20 - 3.68 times) the median remuneration of the workforce, which was **£30,641** (2019/20 - £30,595). The table below shows the 25th and 75th percentile pay ratios:

	25th percentile Pay Ratio	Median Pay Ratio	75th percentile Pay Ratio
2019/20	4.55	3.68	3.18
2020/21	4.49	3.83	3.23

The above table has not been audited.

In 2020/21, **no** employees received remuneration in excess of the highest paid director. Remuneration ranged from £17.7 k to £117 k (2019/20 - £17.7 k-£112.5k)

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 2020/21 was **£30.741 m** (2019/20 - £29.983 m).

## Pension Benefits – Audited

Name & Title	Accrued Pension at Pension age at 31st March and Related Lump Sum (LS) £000 2020/21	Real Increase in Pension and Related Lump Sum at Pension age £000 2020/21	CETV at 31st March £000		Real Increase in CETV £000 2020/21	Employer Contribution to Partnership Pension Account Nearest £100 2020/21
			2019/20	2020/21		
<b>Sallie Bailey</b> Regional Manager, South	15-20 plus LS of 30-35	0-2.5 plus LS of 0-2.5	271	315	30	-
<b>Rosetta Forbes</b> Head of People & Organisational Development	-	-	-	-	-	11,500
<b>Simon Hodgson</b> Chief Executive	40-45 plus LS of 120-125	0-2.5 plus LS of 5-7.5	976	867	41	-
<b>Andrew Hunt</b> Regional Manager, West	15-20 plus LS of 30-35	2.5-5 plus LS of 2.5-5	197	242	33	-
<b>Graeme Hutton</b> Director of Business Services	25-30 plus LS of 85-90	2.5-5 plus LS of 7.5-10	587	669	58	-
<b>Michael Hymers</b> Director of Corporate Services	25-30	2.5-5	350	397	31	-
<b>David Jardine</b> (01/04/19 to 09/08/19) Former Regional Manager, West	-	-	793	-	-	-
<b>John Mair</b> Director of Estate Development	-	-	-	-	-	10,300
<b>Carol McGinnes</b> Regional Manager, Central	0-5	0-2.5	31	56	18	-
<b>Paul Minto</b> (16/09/19 to 22/11/19) Former Regional Manager, West	-	-	4	-	-	-
<b>Donna Mortimer</b> Head of Finance and Procurement	30-35	2.5-5	363	412	33	-
<b>Trefor Owen</b> Director of Land Management	55-60	2.5-5	1,006	1,074	35	-
<b>Graeme Prest</b> Regional Manager, North	30-35 plus LS of 65-70	2.5-5 plus LS of 5-7.5	504	576	49	-

Name & Title	Accrued Pension at Pension age at 31st March and Related Lump Sum (LS) £000 2020/21	Real Increase in Pension and Related Lump Sum at Pension age £000 2020/21	CETV at 31st March £000		Real Increase in CETV £000 2020/21	Employer Contribution to Partnership Pension Account Nearest £100 2020/21
			2019/20	2020/21		
			<b>John Thomson</b> Regional Manager, East	30-35 plus LS of 30-35		
<b>Nicola Whitaker</b> (01/04/19 to 14/07/19) Former Interim Head of Business Services	-	-	608	-	-	-
<b>Phil Whitfield</b> (01/04/19 to 31/10/19) Former Interim Head of Communities & Visitor Services	-	-	480	-	-	-

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme 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 that date all newly appointed civil servants and the majority of those already in service, joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

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

The reforms included:

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

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

As part of the 2015 reforms, those within 10 years of retirement remained in their legacy pension schemes. This transitional protection, provided following negotiations with member representatives, was intended to protect and give certainty to people who were close to retirement. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and thirteen years and 5 months from their normal pension age on 1 April 2012 will switch 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 became known as the McCloud judgment.

In July 2019, the government accepted the court's ruling which had implications for all the main public service pension schemes, including the Civil Service. The UK government agreed to:

- address previous discrimination
- ensure equal treatment going forward

The government has now set out how it will remove the discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members. The decision is that: All members of civil service pensions who continue in service from 1 April 2022 onwards will do so as members of alpha. Classic, classic plus, premium and nuvos will be closed in relation to service after 31 March 2022.

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

The government will introduce new legislation when parliamentary time allows. Pension schemes will also run individual consultations on their specific scheme regulations. Once these steps are complete, implementation will begin, and the changes will then be introduced.

### Pensions Contributions

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum.

Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.



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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is sixty for members of classic, premium and classic plus, sixty-five for members of nuvos, and the higher of sixty-five or State Pension Age for members of alpha.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



## Staff Report

### Number of Senior Civil Servants by Band

SSG band	No. of SCS 2020/21	No. of SCS 2019/20
2	1	1
1	2	2

### Staff Numbers and Costs – Audited

#### Number of Persons Employed at the Year End

The headcount of persons employed as at 31 March 2021 was as follows:

	2020/21 Total Headcount	2019/20 Total Headcount
Directly employed	992	951
Other	7	10
<b>Total</b>	<b>999</b>	<b>961</b>

#### Staff costs comprise:

	2020/21 £000	2019/20 £000
Salaries	30,741	28,983
Social security costs	3,182	3,024
Other pension costs	8,009	7,511
Temporary/agency	477	1,087
	42,409	40,605
Less recoveries in respect of outward secondments	0	(65)
	42,409	40,540

Employer contributions of £7.917 m for 2020/21 (£7.438 m for 2019/20), were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during the reporting year, to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The Government Actuary's Department completed the quadrennial actuarial valuation of the pension scheme as at 31 March 2016, details of which may be found on the website: <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £0.089 m (£0.07 m in 2019/20) 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 (£0.002 m in 2019/20) 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 2021 were £0.0004 m (£nil in 2019/20). Contributions prepaid at that date were £nil (£nil in 2019/20).

### Policy

Our Corporate Plan sets out five corporate outcomes that guide all of our work to 2022, supporting the delivery of our Vision and Mission and contribution to Scotland's National Performance Framework.

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

- FLS is a supportive, safe and inclusive organisation that provides exciting careers, professional development and strives to be an employer of choice; and
- FLS is recognised as a high performing, efficient and effective, financially sustainable organisation that continues to transform and adapt.

Our People Strategy Action Plan details activities and measures to ensure that we deliver our People Promises, as well as the Key Performance Indicators in our Corporate Plan. Future People Strategies 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 next review is due in 2022.

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 2020/21 has included:

- Ongoing development of a new partnership agreement with our Trade Union colleagues and embedding fair work practices across FLS;
- Creating a positive employee experience through detailed induction programmes; developing our aspiring, new and existing managers; investing in new digital systems, practices & policies;
- Reaching out to under-represented groups, so that they view FLS as a progressive organisation they would want to be part of;
- A planned review of HR Policies: a review schedule for 2020-2022 has been agreed and priority areas identified;

- Introducing a new, simplified approach to performance management;
- Whilst working within Scottish Government's pay policy, maximising our reward package, expand our offering of employee benefits and continue to reduce our gender pay gap;
- Creation and publication of a full suite of COVID-19 related guidance covering all aspects of HR, Health, Safety & Wellbeing to assist compliance with Scottish Government restrictions; enabling safe operational activity where permitted and supporting staff mental health and wellbeing during the pandemic;
- Essential training courses adapted to accommodate a blended approach to ensure employees can retain certifications and continue to work safely during the pandemic;
- Extensive COVID-19 compliance checks completed with suitable risk assessments in place and COVID-19 controls in place;
- Delivery of a programme of wellbeing support to staff across the agency using a range of interventions, events and communication channels; and
- Continued development and rollout of functionality for our HR and Learning Management systems.

Activity during 2021-2022 will include:

- Implementation of new, simplified approaches to performance management, probation and performance improvement;
- Implementation of a new recruitment system;
- Doubling of our work based learning programme to extend our range of apprentice opportunities to support the Scottish Government's 'Green Recovery';
- Expansion of our flexible working offering and implementation of smarter working principles to better support work/life balance and enhance our employee experience;
- Development of our leaders and managers through delivery of programmes and workshops; talent management and workforce planning;
- Review of H,S&W roles and responsibilities across the agency, including mapping H,S&W competencies to individual roles;
- Establishing a Trade Union office for FLS and Scottish Forestry;
- Developing a new partnership agreement with our Trade Union colleagues and embedding fair work practices across FLS; and
- Reaching out to under-represented groups, so they view FLS as a progressive organisation they would want to be part of.

## Equality, Diversity and Inclusion

We are committed to embedding diversity and inclusion in all that we do and to fulfilling and promoting the Scottish Government's public sector equality duties. We want to create an environment that is accessible, open and welcoming to people from all backgrounds and communities across Scotland – as a place to work, to visit and to participate. We will continue to integrate diversity and inclusion by identifying and removing barriers, enabling us to build an inclusive organisation, services and facilities.

Areas of specific focus this year have included:

- We aspire to not only meet, but exceed our legal obligations underpinned by the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012. Following an agreement with our colleagues in Scottish Government and the Equality and Human Rights Commission (EHRC) that we would be fully compliant with the regulations by 31 March 2021, the Equality Mainstreaming Report was published. We actively seek to work with partners including Equate Scotland and Developing the Young Workforce (DYW) to develop the profile of our workforce.
- We recognise a need to demonstrate greater inclusiveness to support individuals with protected characteristics. An initial focus has been in creating an environment whereby the number of women applying for and accessing roles in certain occupational groups and leadership roles grows. Reviewing job descriptions to ensure that only gender neutral language is used, applying the "Happy to Talk Working Flexibly" logo on recruitment communications and working with Equate Scotland to support targeted internships for women are examples of our work in this area.
- Over the financial year, we have also focused on building an inclusive culture across FLS in response to our People Survey results. We have piloted 'Engaging the Bystander' training with senior leaders and staff from across the organisation. The training raises awareness of inappropriate behaviours and micro-aggressions and gives learners practical tools and advice on how to tackle these when they see or hear it, both in and out of the workplace.
- We recognise that our current age profile is one of an ageing workforce and are taking steps to encourage more young people to join the organisation. In the wake of the COVID-19 pandemic, and to support Programme for Government commitments, we have pledged to double our intake of apprentices, across a wide range of technical forestry and non-forestry roles. We have worked closely with partners such as Skills Development Scotland, learning providers and colleagues in Scottish Government to upscale our work-based learning programme, at pace to support Green Jobs. We also continue to work with local authorities' Developing Young Workforce (DYW) coordinators to support this agenda.

Working on enhancing the accessibility of the forests and land that we manage has seen some positive improvements and exposure through working with 'Euan's Guide', the disabled access review site. However, the next stages of this work have been significantly impacted by the pandemic, with most of our visitor sites and services closed throughout 2020/21.



## Equality Monitoring

Equality monitoring takes place to ensure that all employees continue to be treated fairly in relation to training, performance management and discipline and grievances. The results of the annual monitoring exercises are reported retrospectively every two years within our Equality Mainstreaming Report. The most recent report covers the period 2019-2021 and can be found on our website at <https://forestryandland.gov.scot/diversity-and-inclusion>.

### 2019/20

	Director	Senior Manager	Employee	Agency	2019/20
Male	3	21	625	6	655
Female	0	14	289	3	306
<b>Total</b>	<b>3</b>	<b>35</b>	<b>914</b>	<b>9</b>	<b>961</b>

### 2020/21

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

The three directors shown in the tables above are those members of the Board who are Senior Civil Servants. In total, including the chief executive, FLS has five executive directors, as shown on page 36.

## 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 a significant number of organisations providing FLS with goods that could have either simple or complex supply chains ranging from clothing, hardware, chemicals, equipment and other items.

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

Our Procurement Team plays a key role in making sure these wider corporate activities are undertaken correctly and that our contracts and supply chains are risk assessed in respect of human trafficking, with appropriate mitigations taken to reduce or eradicate these risks within our supply chains, as far as possible.





## Anti-Bribery and Anti-Corruption

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

## Staff turnover

Staff turnover during 2020-21 was 8.5% (16% for 2019-20). Retaining staff, while maintaining a healthy turnover, is important for efficiency and to keep the organisation 'fresh'. Measuring turnover is becoming less prevalent now, however, with the focus shifting to retention rates, therefore, it has been difficult to find comparator information for this statistic.

## Staff survey participation'

FLS participated in the Civil Service People Survey for the second time in 2020/21. The response rate for FLS was 70% (71% for 2019/20).

Prior to 2019/20, and the devolution of Forestry, colleagues participated in the Forestry Commission bespoke staff survey.

## Sickness Absence Data

FLS proactively manages sickness absence. Excluding absences due to COVID-19, an average number of 6.6 working days were lost per person during 2020/21. This is a significant decrease from the 11.5 days reported in 2019/20. Including COVID-19 related absences the figure is 13.3 days, this figure includes absence due to COVID-19 illness as well as associated absences due to caring commitments, self isolation etc. Additionally, the percentage of employees with no recorded sickness absence has increased from 45% to 70% year-on-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 have worked closely

together to support our staff over the course of the Covid-19 pandemic. In the coming year we will establish a new Partnership Agreement committing to building trust, collaborating and working together to make FLS a great place to work.

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

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

Trade Union Statistics	2020-21	2019-20
Headcount of TU Officials	10	13
FTE of TU Officials	9.26	12.5
No. of Employees by % of working hours spent on FT	0-1%	9
	1-50%	1
	51-99%	0
	100%	0
Percentage of the total pay bill spent on facility time	0.07%	0.08%
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 2020/21 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 p76 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 (p91). Other material income sources relate largely to rental income from wind and hydro schemes.

## 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

**24 November 2021**

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# Independent Auditor's Report

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

## Reporting on the audit of the financial statements

### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Forestry and Land Scotland for the year ended 31 March 2021 under the Public Finance and Accountability (Scotland) Act 2000.

The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net income for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### Basis for opinion

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

### Conclusions relating to going concern basis of accounting

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

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

### Risks of material misstatement

I report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;

- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

## **Reporting on regularity of expenditure and income**

### **Opinion on regularity**

In my opinion in all material respects:

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

### **Responsibilities for regularity**

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



## Reporting on other requirements

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

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

### Statutory other information

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

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

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

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

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

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

### Matters on which I am required to report by exception

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

- adequate accounting records have not been kept; or

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

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

## Use of my report

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

### Mark Taylor CPFA

Audit Director  
Audit Scotland  
4th Floor  
102 West Port,  
Edinburgh  
EH3 9DN

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# Forestry and Land Scotland Financial Statements



## Statement of Comprehensive Net Expenditure As at 31 March 2021

	Note	2020/2021 £000	2019/2020 Restated £000
<b>Operating Income</b>			
Sales of timber		(85,083)	(85,422)
Forest protection and maintenance		(1,118)	(2,658)
Management & development of estate		(22,611)	(23,088)
		(108,812)	(111,168)
<b>Operating Expenditure</b>			
Forest planning		9,227	11,646
Timber operations		23,609	22,511
Forest protection and maintenance		43,335	47,043
Management & development of estate		7,224	11,785
Value of felled timber	8	61,718	58,043
		145,113	151,028
<b>Net sustainable land management</b>		<b>36,301</b>	<b>39,860</b>
<b>Communities, recreation and tourism</b>			
Income		(1,816)	(2,251)
Expenditure		11,044	13,182
		9,228	10,931
<b>Environment and heritage</b>			
Income		(2,226)	(1,825)
Expenditure		7,089	7,800
		4,863	5,975
<b>Estate improvements</b>			
Income		-	-
Expenditure	23	8,360	9,220
		8,360	9,220
<b>Management services</b>			
Income		(101)	(26)
Expenditure		423	812
		322	786

	Note	2020/2021 £000	2019/2020 £000
<b>Net expenditure before (Gain)/Loss on revaluation of biological assets</b>		<b>59,074</b>	<b>66,772</b>
Loss on revaluation of biological assets transferred to NCAHFS	8	39	589
(Gain)/Loss on revaluation of biological assets	8	(413,244)	(937,290)
		(413,205)	(936,701)
<b>Net expenditure/(income) after (Gain)/Loss on revaluation of biological assets</b>		<b>(354,131)</b>	<b>(869,929)</b>
Government grant	23	(20,884)	(15,376)
(Gain)/Loss on fixed asset investments		(209)	443
(Gain)/Loss on sale of properties	5	(2,628)	(7,818)
<b>Net (income)/expenditure for the year</b>		<b>(377,852)</b>	<b>(892,679)</b>
Transferred to general fund		(377,852)	(892,679)

All income and expenditure is derived from continuing operations.

## Other Comprehensive net expenditure

	Note	2020/2021 £000	2019/2020 £000
Transfer of assets and liabilities from Forest Enterprise Scotland		-	(2,466,929)
Net (gain)/loss on revaluation of property plant and equipment		(311,550)	(150,182)
<b>Total other comprehensive net (income)/expenditure</b>		<b>(311,550)</b>	<b>(2,617,111)</b>
<b>Comprehensive net (income)/expenditure for the year</b>		<b>(689,402)</b>	<b>(3,509,790)</b>



## Statement of Financial Position As at 31 March 2021

	Note	2020/2021 £000	2019/2020 Restated £000
<b>Non current assets</b>			
Property, plant and equipment	6	1,788,067	1,471,793
Biological assets	8	2,313,677	1,962,078
Financial assets	7	2,865	2,618
Trade and other receivables	12	2,340	1,929
<b>Total non current assets</b>		<b>4,106,949</b>	<b>3,438,418</b>
<b>Current assets</b>			
Non-current assets held for sale	9	811	3,069
Inventories	11	12,650	11,470
Trade and other receivables	12	25,313	27,890
Cash and cash equivalents	13	84,764	62,098
<b>Total current assets</b>		<b>123,538</b>	<b>104,527</b>
<b>Total assets</b>		<b>4,230,487</b>	<b>3,542,945</b>
<b>Current liabilities</b>			
Provisions	15	(9,958)	(10,095)
Trade and other payables	14, 23	(18,738)	(19,476)
<b>Total current liabilities</b>		<b>(28,696)</b>	<b>(29,571)</b>
<b>Total assets less current liabilities</b>		<b>4,201,791</b>	<b>3,513,374</b>
<b>Non current liabilities</b>			
Provisions	15	(1,970)	(3,039)
Trade and other payables	14	(1,787)	(1,804)
<b>Total non current liabilities</b>		<b>(3,757)</b>	<b>(4,843)</b>
<b>Assets less liabilities</b>		<b>4,198,034</b>	<b>3,508,531</b>
<b>Taxpayers' equity</b>			
General fund	23	2,696,811	2,317,144
Revaluation reserve		1,501,223	1,191,387
<b>Total taxpayers' equity</b>		<b>4,198,034</b>	<b>3,508,531</b>

The notes on pages 80 to 113 form part of these accounts. The Accountable Officer authorised these financial statements for issue on 24 November 2021.

*Simon Hodgson*

**Simon Hodgson**  
Accountable Officer  
24 November 2021

## Statement of Cash Flows As at 31 March 2021

		2020/2021	2019/2020
	Note	£000	Restated £000
<b>Net operating (expenditure)/income</b>			
Net operating expenditure	23	377,852	892,679
Adjustments for non cash transactions:			
Transfer by absorption from FES to FLS		-	2,466,929
Depreciation charges	6	3,959	3,699
(Profit)/loss on disposal of buildings, forest estate and land		(3,129)	(8,121)
(Profit)/loss on disposal of other PPE		(95)	(213)
(Gain)/loss on revaluation of biological assets	8	(413,244)	(936,701)
Book value of felled timber	8	61,718	58,044
(Gain)/Loss on revaluation of financial assets	7	(209)	443
Revaluation reserve written off		38	21
Impairment of PPE	6	113	1,080
Non-cash charges: auditor's remuneration		100	
Other non cash transactions		232	69
(Increase)/decrease in inventories	11	(1,180)	(11,470)
(Increase)/decrease in trade and other receivables	12	2,166	(29,819)
Increase/(decrease) in trade and other payables	14	(754)	21,279
Use of provisions	15	(539)	(32)
Increase/(decrease) in provisions	15	(668)	13,133
Decrease/(increase) in plant & seed (biological assets)	8	(538)	(1,862)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>25,822</b>	<b>2,469,158</b>

		2020/2021	2019/2020
	Note	£000	Restated £000
<b>Cash flows from investing activities</b>			
Transfer of PPE by absorption	6	-	(1,326,969)
Transfer of Biological assets by absorption	8	-	(1,086,780)
Transfer of Financial assets by absorption	7	-	(3,060)
Purchase of property, plant and equipment	6	(9,956)	(7,303)
Proceeds of disposal of properties	5	6,396	15,663
Proceeds of disposal of other property, plant and equipment	5	355	784
Disposal of biological assets	8	49	605
<b>Net cash inflow from investing activities</b>		<b>(3,156)</b>	<b>(2,407,060)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>		<b>22,666</b>	<b>62,098</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>62,098</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	13	<b>84,764</b>	<b>62,098</b>

## Statement of Changes in Taxpayers' Equity As at 31 March 2021

2019/2020		General Fund	Revaluation	Total
	Note	Restated £000	Reserve £000	Restated £000
<b>At 1 April 2019</b>				
<b>Changes in taxpayers' equity</b>				
Transfer of assets and liabilities from Forest Enterprise Scotland		1,420,512	1,046,417	2,466,929
Net gain/(loss) on revaluation of property, plant and equipment		-	150,182	150,182
Net gain/(loss) on revaluation of NCAHFS		-	(1,869)	(1,869)
Realised element of reserves		3,953	(3,953)	-
Revaluation loss taken to SOCNE		-	610	610
Net operating expenditure (Restated)	23	892,679	-	892,679
<b>Total recognised income and expense</b>		<b>2,317,144</b>	<b>1,191,387</b>	<b>3,508,531</b>
<b>At 31 March 2020</b>				
<b>2,317,144</b>				
<b>1,191,387</b>				
<b>3,508,531</b>				
2020/2021		General Fund	Revaluation	Total
	Note	£000	Reserve £000	£000
<b>At 1 April 2020</b>				
<b>Changes in taxpayers' equity</b>				
Net gain/(loss) on revaluation of property, plant and equipment		-	311,591	311,591
Net gain/(loss) on revaluation of NCAHFS		-	(40)	(40)
Realised element of reserves		1,715	(1,715)	-
Net operating expenditure		377,852	-	377,852
Non-cash charges: auditor's remuneration		100	-	100
<b>Total recognised income and expense</b>		<b>379,667</b>	<b>309,836</b>	<b>689,503</b>
<b>At 31 March 2021</b>				
<b>2,696,811</b>				
<b>1,501,223</b>				
<b>4,198,034</b>				



## 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 2020/21 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 2020/21 accounts will be prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, inventories and available-for-sale financial assets at fair value through profit or loss.

#### 1.3 Employee benefits

##### Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. FLS accounts for the PCSPS scheme as a defined contribution plan and recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, FLS recognises the contributions payable for the year. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

##### Performance pay

Payments to recognise staff performance are not made. Where appropriate, a liability and expense is recognised for performance payments due under the Senior Staff Grade scheme. Details of the scheme are set out in the Remuneration and Staff Report.

##### Short-term employee benefits

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

#### 1.4 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 economic benefits is remote.

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

#### 1.5 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 1.7 and 1.13 below.

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

### Forest estate

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

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

In accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards (the 'Red Book'), the Forest Estate is valued under the Existing Use or Fair Value models as appropriate for obtaining a fair value. These are provided by VOA who are contracted to undertake the work.

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

### Biological assets

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

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

Holdings of plants and seed are also accounted for by FLS as Biological Assets under IAS 41. They are stated at fair value less estimated point of sale costs.

Revaluation gains and losses are recognised in the Statement of Comprehensive Net Expenditure in the year of revaluation.

### Non-Forest land

Non-forest land is shown at fair value. Valuation Office Agency (VOA), and other valuers undertake a full external professional valuation annually. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value.

Agricultural land, open land and car parks are revalued annually by VOA. Within non-forest land there are areas classified as other land. These comprise land types for open land, car parks, other minor land and agricultural land. Revaluation reserve balances are applied and apportioned to individual assets using the average value per hectare by forest district as per annual indexations or professional revaluation. Individual revaluation reserve accounts have been put in place to account correctly for the movements in each land use. Further information on the accounting estimates and judgements involved are detailed in Note 2.

### **Dwellings and other buildings**

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

VOA undertook a revaluation of dwellings and other buildings in the 'West Region' in the year 2020/2021, using a combination of desktop valuation and limited physical inspection of assets. This was based on valuation data provided by professionally qualified staff within FLS. Due to the impact of the COVID-19 Pandemic it was only possible to carry out physical inspections on a voluntary basis, and in certain geographical areas, however the approach taken remains compliant with RICS Red Book Valuation principles. Full revaluations, including inspections of Dwellings and buildings, are carried out annually on a rotational basis for each of the five regions. They follow the principles set out in the RICS Red Book and value on the basis of Open Market Value, Existing Use Value, Depreciated Replacement Cost or Discounted Cash Flow as appropriate under the RICS Standards for determining fair value.

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 VOA. The revaluation threshold applied in the revaluation of buildings, excluding deer larders, is £30,000. When the Net Book Value of the building falls below this threshold they are not subject to indexation or revaluation.

### **Expenditure on Infrastructure**

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

### **Subsequent expenditure**

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

### **Non-current assets held for sale**

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

### **Vehicles, machinery and equipment**

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

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

### Office, machinery and equipment (OME)

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

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

### Assets under construction

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

### Revaluation reserve

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

## 1.6 Depreciation

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

Assets under construction are not depreciated until the asset under construction 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 valuation, less estimated residual values, of each asset evenly over its expected useful life. Asset lives are as follows:

- Land held under a finance lease – unexpired term of the lease.
- Lease premium – unexpired term of the lease.
- Freehold buildings – over 1 to 60 years.
- Buildings held under a finance lease – lesser of unexpired term of lease and 60 years.
- Plant and machinery (owned) – over 3 to 58 years.
- Plant and machinery held under a finance lease – unexpired term of lease.
- Information technology – over 4 to 20 years.

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

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

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

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

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

## 1.7 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.



## 1.8 Government grants receivable

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

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

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

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

## 1.9 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.

## 1.10 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.

## 1.11 Inventories

Consumable materials and supplies are stated at the lower of current cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion and disposal.

Timber is stated at its net realisable value in line with IAS 2.

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

## 1.12 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.

## 1.13 Leases

Where substantially all the risk and rewards of ownership of a leased asset (a Finance Lease) are borne by FLS, the right to use the asset is initially recorded as property, plant and equipment. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. A corresponding debt is recorded to the lessor represented by the minimum lease payments over the unexpired term of the lease. Where it is not possible to determine the interest rate implicit in the lease, discounting is on the basis of HM Treasury's rate of 3.5%.

Assets held under Finance Lease are depreciated over the shorter of the useful life of the asset and the term of the lease. The value of each underlying asset is revalued annually as though ownership of the asset was vested in FLS. The policies and procedures for carrying out revaluations are those set out in 1.5 above.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the Statement of Comprehensive Net Expenditure over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Costs (net of any incentives received from the lessor) in respect of operating leases (any lease other than a Finance Lease) are charged on a straight-line basis over the lease term.

### 1.14 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.

### 1.15 Value added Tax (VAT)

FLS is part of the VAT Scottish Government 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.

### 1.16 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.

## 1.17 Financial assets

### Classification

FLS classifies its financial assets in the following categories:

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

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

#### (a) Fair value

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

#### (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 represents 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, assess 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 required 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, which requires lifetimes losses to be recognised from initial recognition.

### 1.18 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.

### 1.19 Financial liabilities

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

### 1.20 Effective in these financial statements

All International Financial Reporting Standards (IFRS), Interpretations and Amendments effective at 31 March 2021 have been adopted in these statements, taking account of the specific interpretations and adaptations included within the FReM.

### 1.21 Effective for future financial years

IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, requires disclosures in respect of new IFRSs, amendments, and interpretations that are, or will be applicable after the reporting period. There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board that are effective for future reporting periods. Those with relevance to FLS are outlined below. None have been adopted early, and all will be applied once adopted formally by the FReM.

The following standards will be applied upon formal adoption in the FReM.

- IFRS 16 – Leases. This standard is effective from 1 April 2022. It will supersede all existing IFRS standards on leases. It is likely to result in a uniform accounting treatment for all leases, with the distinction between operating and finance leases removed. IFRS 16 is expected to have some impact in the financial reporting term.

### 1.22 Transfer of balances from Forest Enterprise Scotland

On 1st April 2019, the carrying value of all assets and liabilities of Forest Enterprise Scotland (FES) were transferred to Forestry and Land Scotland (FLS). The transfer was accounted for as a Transfer by Absorption with all assets and liabilities being transferred to FLS. Full details of the balances transferred can be found in Note 24.

The functions and activities of FES have continued in the new Agency, FLS.



## 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.

The COVID 19 Pandemic has been ongoing over the course of the 2020/21 year. The professional valuation reports provided by Galbraith, Wardell and Armstrong, and Avison Young include material uncertainty clauses as a result of the COVID-19 pandemic.

These valuation reports have been used to inform the measurement of some areas of land and financial assets. The value of land which is subject to material uncertainty causes amounts to £10.421 m. The value of financial assets which is subject to material uncertainty causes amounts to £2.865 m.

The Royal Institution of Chartered Surveyors (RICS) advised on the use of standard material uncertainty paragraph in valuations which were subject to uncertainty as a result of the COVID-19 pandemic. The RICS Valuation Global Standards ('Red Book'), defines a material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected or accepted.' Consequently, less certainty and a higher degree of caution should be attached to the valuations reported than would normally be the case. Although the professional valuers have reported on the basis of a material valuation uncertainty, professional judgment was exercised in preparing the valuations and, therefore, is the best information available to FLS as at 31 March 2021.

FLS are satisfied that the values reflected in the financial statements remain accurate and have not been materially impacted as a result of the COVID-19 pandemic.

### 2.2 Critical judgements in applying the accounting policies

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

#### **Valuation of the Forest Estate and Biological Assets**

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

In reaching their valuations, it has been agreed by the external valuers and management that the most appropriate market factors to consider are location, species, age and quality (Yield Class) of the trees. It would not be cost effective to carry out each valuation based on the specific combination on the site. Management, in consultation with the external valuers, considers that valuations based on groups of factors provide robust valuations. The groups used are Location (Forest Region), Species (Conifer crop or Broadleaved crop), Age (in 10-yearly age bands) and quality (High, Medium and Low Yield Classes).

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

### Other land

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

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

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

### Revaluation reserve apportionment for other land and forest estate

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

The revaluation reserve has therefore been apportioned across these categories based on their total book values as at 31 March 2021. It has been agreed that this is a reasonable estimation of the revaluation reserve for each category as at 31 March 2021.

As per the requirements of IAS 16 the realised element of revaluation reserve is transferred to general fund upon disposal of these assets. The realised element of 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 revaluation reserve to be transferred.

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

### Dwellings and other Buildings

Other Buildings primarily includes specialist buildings held for operational activities and for which there are no active external markets. External professional valuers carry out all work to ensure consistency and appropriateness. Where appropriate, management ensures that external professional valuations of Dwellings and Other Buildings are obtained where active markets operate.

### Biological assets

In applying IAS 41 (Agriculture) management considered the detailed criteria for classifying forestry activities as Agricultural. This determined that not all forestry activity carried out by FLS could be regarded as Agriculture under the standard. It is considered that woodlands and forests that are primarily held and managed to meet the social and environmental objectives set out in "A Strategy for Scotland's Trees, Woods and Forests" do not meet the criteria for agricultural activity.

Management considers that it would not be cost effective to carry out a comprehensive analysis of the estate to determine whether areas are primarily held and managed to meet social and environmental objectives. It judges that areas included within its forecasts of commercial sales production are wholly attributable to Agricultural activity under IAS 41. Areas out with the forecasts are judged to fall outside the scope of IAS 41.

### Revenue from wind and hydro schemes

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

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

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

### Note 3: Net Operating Expenditure

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

	Note	2020/2021 £000	2019/2020 £000
Hire of plant and equipment		194	1,614
<b>Operating lease rentals:</b>			
Land and buildings	18	1,926	1,811
Plant & machinery	18	58	93
Auditors' remuneration - audit work		100	90
Auditors' remuneration - non-audit work		-	-
<b>Provisions:</b>			
Provided in year	15	2,350	5,127
Provisions not required written back	15	(3,017)	(351)
Provisions utilised in year	15	(539)	(32)
Depreciation of property, plant and equipment	6	3,959	3,699

Expenditure includes staff costs, which amounted to £42.409 m for 2020/21 (2019/20 - £40.540 m). A full analysis of these costs, are included within the Remuneration and Staff Report.

The Forest Research Agency provides research development and survey services to FLS through a service level agreement and charges internal FLS customers in the year. The Forest Research Agency is charged for shared services and Business Unit costs where appropriate.

## Note 4: Contract Revenue

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

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

### 4(a) Contract Revenue

	2020/2021		2019/2020	
	£000	£000	£000	£000
<b>Segment Revenue</b>	<b>Timber</b>	<b>Venison</b>	<b>Timber</b>	<b>Venison</b>
<b>Major goods/services</b>				
Sale of goods	84,866	713	81,666	1,675
<b>Contract Duration</b>				
Transactional contracts	173	-	254	-
Short term contracts	34,062	-	33,408	-
Long term contracts	50,631	713	48,004	1,675
	84,866	713	81,666	1,675
<b>Contract pricing</b>				
Fixed price	66,153	713	47,352	1,675
Variable price	18,713	-	34,314	-
	84,866	713	81,666	1,675
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	84,866	713	81,666	1,675
Services transferred over time	-	-	-	-
	84,866	713	81,666	1,675
<b>Reconciliation to SOCNE</b>				
<i>Sales of timber</i>				
Compensation	217		3,056	
Other sales	-		700	
	217		3,756	
<b>Sales of Timber</b>	<b>85,083</b>		<b>85,422</b>	
<i>Forest protection and maintenance</i>				
Forest Planning	-		2	
Deer Management (Ex Venison)	122		76	
Restocking	236		67	
Other Forest Maintenance	(39)		497	
Roads upgrade	4		41	
Roads maint etc	82		300	
	405		983	
<b>Forest protection and maintenance</b>	<b>1,118</b>		<b>2,658</b>	



## 4(b) Contract Balances

	2020/2021		2019/2020	
	£000	£000	£000	£000
	Timber	Venison	Timber	Venison
Receivables	9,479	228	17,978	374

## 4(c) Performance Obligations

### Timber

Long term contracts have an overarching agreement lasting between five and ten years where the annual contracted volume of timber is set.

Volume is monitored on a continual basis. At the end of the year if there is a variance between the contract volume and the volume supplied it is corrected for in subsequent years.

The contract volume outlined in the contracts is an estimate based on assessment of the site, as a result there is a contingency in the long term contracts where the contract volume can vary by 10%.

The volume of timber delivered can vary from the contractual amount due to the fact timber is a natural product that is subject to weather, disease and other variable factors.

All other contract volumes are fixed when the contract is negotiated. Excluding the 10% contingency in long term contracts the volume of timber provided is in line with the contracts negotiated.

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

### Venison

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

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

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

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

## Significant Payment Terms and Obligations for Returns and Refunds:

### Timber

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

### Venison

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

A banking guarantee is in place to cover advance payments of the game. During the low season, summer months, the guarantee is £150,000. During the high season, winter months, the guarantee is £300,000.

**Transaction price:****Timber**

Transaction prices are negotiated with each customer and fixed for each contract. The only exception is for Roadside sawlog contracts which have quarterly or 6 monthly price reviews written into the contract.

Transaction price is set based on a review of market conditions at the time of negotiation. Factors which can impact the market prices of timber include; exchange rates, weather, tree disease, 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.

As a result of market changes due to COVID-19, one off price adjustments were made to the venison contracts during the year.

**Note 5: Gain/(Loss) On Sale of Properties**

	2020/2021 £000	2019/2020 £000
Income	6,751	16,447
Book value	(3,527)	(8,112)
Gain	3,224	8,335
Disposal costs:		
External costs	(597)	(517)
		(517)
<b>Surplus on sale of properties</b>	<b>2,627</b>	<b>7,818</b>

## Note 6: Property, Plant and Equipment

2020-21	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
<b>At 1 April 2020</b>	1,086,018	339,894	51,327	24,098	389	443	1,502,169
Additions	4,808	207	83	3,835	45	978	9,956
Transfers	-	-	571	-	-	(571)	-
Transfers to NCAHFS	(151)	(4)	(515)	-	-	-	(670)
Disposals	(88)	(62)	(538)	(1,324)	(36)	-	(2,048)
Write-off/impairment	-	-	-	-	-	(113)	(113)
Revaluations	229,469	81,840	418	-	-	-	311,727
<b>At 31 March 2021</b>	<b>1,320,056</b>	<b>421,875</b>	<b>51,346</b>	<b>26,609</b>	<b>398</b>	<b>737</b>	<b>1,821,021</b>
<b>Depreciation:</b>							
<b>At 1 April 2020</b>	-	-	19,462	10,652	262	-	30,376
Provided during year	-	-	1,262	2,660	37	-	3,959
Transfers to NCAHFS	-	-	(198)	-	-	-	(198)
Disposals	-	-	(393)	(1,067)	(33)	-	(1,493)
Revaluations	-	-	310	-	-	-	310
<b>At 31 March 2021</b>	<b>-</b>	<b>-</b>	<b>20,443</b>	<b>12,245</b>	<b>266</b>	<b>-</b>	<b>32,954</b>
<b>Net Book Value :</b>							
<b>At 1 April 2020</b>	<b>1,086,018</b>	<b>339,894</b>	<b>31,865</b>	<b>13,446</b>	<b>127</b>	<b>443</b>	<b>1,471,793</b>
<b>At 31 March 2021</b>	<b>1,320,056</b>	<b>421,875</b>	<b>30,903</b>	<b>14,364</b>	<b>132</b>	<b>737</b>	<b>1,788,067</b>
<b>Asset Financing</b>							
Owned	1,320,056	421,875	30,903	14,297	132	737	1,788,000
Finance leased	-	-	-	67	-	-	67
<b>At 31 March 2021</b>	<b>1,320,056</b>	<b>421,875</b>	<b>30,903</b>	<b>14,364</b>	<b>132</b>	<b>737</b>	<b>1,788,067</b>

2019-20	Forest Estate £000	Land £000	Dwellings & Other Buildings £000	VME £000	OME £000	Assets Under Construction £000	Total £000
<b>Valuation :</b>							
<b>At 1 April 2020</b>	-	-	-	-	-	-	-
Transferred from FES to FLS	961,050	318,827	51,142	23,372	473	1,154	1,356,018
Additions	3,465	-	25	3,387	28	469	7,374
Transfers	-	-	244	-	-	(244)	-
Transfers to NCAHFS	(4,521)	(737)	(455)	-	-	-	(5,713)
Transfers from NCAHFS	4	-	-	-	-	-	4
Disposals	(1,032)	(164)	(1,033)	(2,810)	(117)	-	(5,156)
Write-off/impairment	-	-	(123)	(22)	-	(936)	(1,081)
Revaluations	127,052	21,968	1,527	171	5	-	150,723
<b>Valuation:</b>	<b>1,086,018</b>	<b>339,894</b>	<b>51,327</b>	<b>24,098</b>	<b>389</b>	<b>443</b>	<b>1,502,169</b>
<b>Depreciation:</b>							
<b>At 1 April 2019</b>	-	-	-	-	-	-	-
Transferred from FES to FLS	-	-	18,160	10,562	327	-	29,049
Provided during year	-	-	1,293	2,360	46	-	3,699
Transfer to NCAHFS	-	-	(84)	-	-	-	(84)
Disposals	-	-	(472)	(2,243)	(114)	-	(2,829)
Revaluations	-	-	565	(27)	3	-	541
<b>At 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>19,462</b>	<b>10,652</b>	<b>262</b>	<b>-</b>	<b>30,376</b>
<b>Net Book Value:</b>							
<b>At 1 April 2019</b>	-	-	-	-	-	-	-
<b>At 31 March 2020</b>	<b>1,086,018</b>	<b>339,894</b>	<b>31,865</b>	<b>13,446</b>	<b>127</b>	<b>443</b>	<b>1,471,793</b>
Transferred from FES to FLS	961,050	318,827	32,982	12,810	146	1,154	1,326,969
<b>Asset Financing</b>							
Owned	1,086,018	339,894	31,865	13,347	127	443	1,471,694
Finance leased	-	-	-	99	-	-	99
<b>At 31 March 2020:</b>	<b>1,086,018</b>	<b>339,894</b>	<b>31,865</b>	<b>13,446</b>	<b>127</b>	<b>443</b>	<b>1,471,793</b>



## 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 2021.

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. It was prepared in accordance with the professional standards of the Royal Institution of Chartered Surveyors: RICS Valuation – Global Standards 2020 and the RICS Valuation – Professional Standards UK (January 2014, revised April 2015, commonly known as the Red Book). 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 2021. 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 £3.959 m (2019/20 - £3.699 m) has been charged in the Statement of Comprehensive Net Expenditure.

## Note 7: Financial Assets

	£000
<b>At 1 April 2019</b>	-
Transferred from FES to FLS	3,060
Revaluation	(442)
<b>At 1 April 2020</b>	<b>2,618</b>
Additions	38
Revaluation	209
<b>At 31 March 2021</b>	<b>2,865</b>

The investment represents FLS's share in the Limited Liability Partnerships between the Forest Enterprise England and National Resources Wales, the Camping and Caravanning Club and Forest Holidays to operate holiday facilities within their respective land holdings.

On 21 September 2012, Forest Holidays LLP restructured its business and created two new Limited Liability Partnerships (LLP's). The two new LLP's are the Camping in the Forest (CITF) LLP and Forest Holidays LLP. The majority investor in Forest Holidays LLP is Phoenix Equity Partners after a refinancing exercise in 2017.

The fair value of FLS's investments in CITF LLP and Forest Holidays LLP were £1.090 m (2019/20 - £0.933 m) and £1.775 m (2019/20 - £1.685 m) at 31 March 2021 respectively. The fair values were determined by Avison Young, specialist leisure consultants and chartered surveyors.

The investments in Forest Holidays Group Limited and Camping in the Forest (CITF) LLP are accounted for under the requirements of IFRS 9 and are treated as financial assets.

The valuation of the investments in the two entities complies with IFRS 13, insofar as the valuers have considered the valuation techniques and valuation hierarchy specified in IFRS 13. In arriving at their opinion, the valuers used a combination of the 'market approach', 'cost approach' and 'income approach' to valuing the investments. Meanwhile, the inputs used to arrive at fair value are consistent with the fair value hierarchy defined within IFRS 13; specifically the inputs constitute 'level 3' inputs, which is consistent with the accounting standard.

## 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 out-with 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 2021 was £2,314 m (2019-20 - £1,962 m).

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

	2020/2021 £000	2019/2020 £000
<b>Trees</b>		
<b>At 1 April</b>	1,960,217	-
Transferred from FES to FLS	-	1,085,376
Disposals	(49)	(605)
Fellings	(61,718)	(58,043)
Transferred to NCAHFS	(416)	(3,801)
Gains and losses arising from changes in fair values	413,244	937,290
<b>At 31 March</b>	<b>2,311,278</b>	<b>1,960,217</b>
<b>Plant &amp; Seed</b>		
<b>At 1 April</b>	1,862	-
Transferred from FES to FLS	-	1,404
Movement in year	537	457
<b>At 31 March</b>	<b>2,399</b>	<b>1,861</b>
<b>Biological Assets at 31 March</b>	<b>2,313,677</b>	<b>1,962,078</b>
Biological assets transferred to NCAHFS and revalued down	(39)	(589)

## Note 9: 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 2021.

\*Biological assets revaluation loss of £0.039 m (2019/20 - £0.589m) is included within impairments and has been taken to the Statement of Comprehensive Net Expenditure.

Buildings revaluation loss of £0.025m (2019/20 - £0.048m) is also included within impairments and taken to the Statement of Comprehensive Net Expenditure.

Losses on the revaluation of other land of £nil (2019/20 - £0.296 m) have also been included in impairments and taken to the Statement of Comprehensive Net Expenditure.

	Note	Forest Estate & Biological Assets £000	Other Land £000	Buildings £000	Total £000
<b>At 1 April 2019</b>		-	-	-	-
Transferred from FES to FLS		399	170	124	693
Transfers from PPE & Biological Assets	6, 8	8,321	736	371	9,428
Transfers to PPE & Biological Assets	6, 8	123	(127)	-	(4)
Disposals		(4,596)	(149)	(434)	(5,179)
Impairments*		(1,525)	(296)	(48)	(1,869)
<b>At 31 March 2020</b>		<b>2,722</b>	<b>334</b>	<b>13</b>	<b>3,069</b>
Transfers from PPE & Biological Assets	6, 8	567	4	317	888
Disposals		(2,722)	(335)	(12)	(3,069)
Impairments*		(52)	-	(25)	(77)
<b>At 31 March 2021</b>		<b>515</b>	<b>3</b>	<b>293</b>	<b>811</b>



## Note 10: Financial Instruments

### 10(a) Investments in non-public sector bodies (Available for sale financial assets)

	2020/2021 £000	2019/2020 £000
<b>At 1 April</b>	<b>2,618</b>	-
Transferred from FES to FLS	-	3,060
Additions	38	-
Revaluation	209	(442)
<b>Balance at 31 March</b>	<b>2,865</b>	<b>2,618</b>

### 10(b) Financial instruments by category

	2020/21 Loans and receivables £000	2020/21 Available- for-sale £000	2020-21 Total £000	2019/20 Loans and receivables £000	2019/20 Available- for-sale £000	2019-20 Total £000
<b>Assets</b>						
Available-for-sale financial assets	-	2,865	2,865	-	2,618	2,618
Trade and other receivables	16,072	-	16,072	23,602	-	23,602
Cash and cash equivalents	84,764	-	84,764	62,098	-	62,098
<b>Total</b>	<b>100,836</b>	<b>2,865</b>	<b>103,701</b>	<b>85,700</b>	<b>2,618</b>	<b>88,318</b>

	2020/21 Liabilities at fair value through the profit and loss £000	2020/21 Other financial liabilities £000	2020-21 Total £000	2019/20 Liabilities at fair value through the profit and loss £000	2019/20 Other financial liabilities £000	2019-20 Total £000
<b>Liabilities</b>						
Finance lease liabilities	-	67	67	-	99	99
Trade and other payables excluding statutory liabilities	-	11,386	11,386	-	12,909	12,909
<b>Total</b>	<b>-</b>	<b>11,453</b>	<b>11,453</b>	<b>-</b>	<b>13,008</b>	<b>13,008</b>

## 10(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 stock market movements.

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 12 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.

### 10(c) Exposure to risk – continued

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

2019/2020	Less than 1 year restated £000	Between 1 and 5 years £000	Over 5 years £000
Finance lease liabilities	45	54	-
Trade and other payables excluding statutory liabilities	11,609	-	-
<b>Total</b>	<b>11,654</b>	<b>54</b>	<b>-</b>

### 10(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.

### 10(e) Fair value estimation

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

## Note 11: Inventories

	2020/2021 £000	2019/2020 £000
Timber	12,001	11,001
Consumable materials, supplies and livestock	649	469
	<b>12,650</b>	<b>11,470</b>

## Note 12: Trade And Other Receivables

### 12(a) Analysis by type

	2020/2021 £000	2019/2020 £000
<b>Current</b>		
Trade receivables	12,711	21,884
Less provision for impairment of trade receivables	-	(337)
Trade receivables - net	12,711	21,547
Other receivables	936	-
Partnership lease	84	123
House purchase loans to employees	1	4
Prepayments and accrued income	11,581	6,216
<b>Total current receivables</b>	<b>25,313</b>	<b>27,890</b>
<b>Non current</b>		
Partnership lease	2,336	1,909
House purchase loans to employees	3	20
<b>Total non-current receivables</b>	<b>2,339</b>	<b>1,929</b>
<b>Total receivables</b>	<b>27,652</b>	<b>29,819</b>

The Advances of Salary for House Purchase scheme had loans with an outstanding balance of £2,500 or more relating to 1 member of staff at 31 March 2021 (2019/20 - 3 staff members).

The total outstanding value of all loans was £0.004 m (2019/20 - £0.031 m). Such loans are unsecured, interest free and typically repayable over 10 years, with an optional 2 year deferral period.

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

As of 31 March 2021, trade receivables of £9.612 m (2019/20 - £14.489 m) were fully performing and not past due or impaired and provided for.

As of 31 March 2021, trade receivables of £3.099 m (2019/20 - £7.058 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:

	2020/2021 £000	2019/2020 £000
Less than one month	9,612	14,489
One to two months	1,892	5,667
More than two months	1,207	1,391
	12,711	21,547

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

	£000
<b>At 1 April 2019</b>	-
Transferred from FES to FLS As at 1 April 2019	250
New provisions	87
<b>At 1 April 2020</b>	<b>337</b>
Provisions utilised	(337)
<b>At 31 March 2021</b>	-

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.



## 12(b) Intra-Government Receivables Balances

	Current 2020/2021 £000	Non current 2020/2021 £000	Current 2019/2020 £000	Non current 2019/2020 £000
Balances with other central government bodies	907	-	114	-
Balances with local authorities	-	-	12	-
Balances with public corporations and trading funds	31	-	-	-
Intra-government balances	938	-	126	-
Balances with bodies external to government	24,375	2,340	27,764	1,929
<b>Total trade and other receivables</b>	<b>25,313</b>	<b>2,340</b>	<b>27,890</b>	<b>1,929</b>

## Note 13: Cash and Cash Equivalents

	2020/2021 £000	2019/2020 £000
At 1 April	62,098	-
Transferred from FES to FLS	-	40,404
Net change in cash and cash equivalent balances	22,666	21,694
<b>Balance at 31 March</b>	<b>84,764</b>	<b>62,098</b>

The following balances were held at:-	2020/2021 £000	2019/2020 £000
Balance with the Government Banking Service	84,764	62,098
	<b>84,764</b>	<b>62,098</b>

All balances held are denominated in GBP Sterling.

Cash balances that transfer as reserves are as follows:

**Restricted with a specific purpose – £28 m.** These funds include those relating to land sales and reinvestment programmes.

**Earmarked for investment in 2021/22 and beyond – £38 m.** Earmarked reserves will be reinvested in the business and primarily used for protecting and enhancing the national forests and land. These funds are allocated by the Chief Executive based upon recommendations made by the Executive Team.

**Liquidity reserves – £10.8 m.** The level of liquidity reserves has been aligned to roughly three times the monthly salary bill of FLS. The reserve is held to ensure that the risks can be managed in a timely and effective manner and is under continuous review.

## Note 14: Trade and Other Payables

### 14 (a) Analysis by type

	Note	2020/2021 £000	2019/2020 Restated £000
<b>Current</b>			
Trade payables		4,814	6,499
Other payables		26	176
Taxation and social security costs		173	329
Accruals and deferred income	23	13,695	12,427
Current part of finance leases		30	45
<b>Total current payables</b>		<b>18,738</b>	<b>19,476</b>
<b>Non current</b>			
Accruals and deferred income		1,750	1,750
Finance Leases		37	54
<b>Total non-current payables</b>		<b>1,787</b>	<b>1,804</b>
<b>Total payables</b>		<b>20,525</b>	<b>21,280</b>

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

### 14(b) Intra-Government Balances

	Note	Current 2020/ 2021 £000	Non current 2020/ 2021 £000	Current 2019/ 2020 Restated £000	Non current 2019/ 2020 £000
Balances with other central government bodies		225	-	387	-
Balances with local authorities		5	-	1	-
Balances with public corporations and trading funds		553	-	268	-
Intra-government balances		783	-	656	-
Balances with bodies external to government	23	17,955	1,787	18,820	1,804
<b>Total trade and other payables</b>		<b>18,738</b>	<b>1,787</b>	<b>19,476</b>	<b>1,804</b>

## Note 15: Provisions for Liabilities and Charges

	Early Departure Costs £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
<b>At 1 April 2019</b>	-	-	-	-	-
Transferred from FES to FLS	43	5	-	8,340	8,388
As at 1 April 2019					
Provided in year	-	72	2,967	2,088	5,127
Provisions not required written back	-	-	-	(350)	(350)
Utilised in year	(28)	(3)	-	-	(31)
<b>At 1 April 2020</b>	<b>15</b>	<b>74</b>	<b>2,967</b>	<b>10,078</b>	<b>13,134</b>
Provided in year	-	-	-	2,350	2,350
Provisions not required written back	-	(65)	(523)	(2,429)	(3,017)
Utilised in year	(15)	(3)	(474)	(47)	(539)
<b>At 31 March 2021</b>	<b>-</b>	<b>6</b>	<b>1,970</b>	<b>9,952</b>	<b>11,928</b>

Analysis of expected timing of discounted cash flows for balance at 31 March 2021:

	Early Departure Costs £000	Injury related benefits £000	Dilapidations & rental void £000	Legal Claims £000	Total £000
Within one year	-	6	-	9,952	9,958
Between 1 April 2022 and 31 March 2026	-	-	1,970	-	1,970
Between 1 April 2026 and thereafter	-	-	-	-	-
	<b>-</b>	<b>6</b>	<b>1,970</b>	<b>9,952</b>	<b>11,928</b>

### Early departure costs

FLS meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date.

All early departure costs were settled at 31 March 2021.

### Injury benefit costs

A provision has been made to reflect the cost of any injury related benefits to FLS.

Assumptions have been made on the duration of the commitment based on the information available to FLS at the date of preparation. The provision is reviewed on an annual basis based on information provided by MYCSP.

### Dilapidations and rental void

FLS have made a provision for the dilapidation costs associated with returning a leased office building to its original condition at the end of the lease term in 2022. The provision is based on a professional survey and valuation of the works required, the valuation was carried out in 2017.

### Public and other legal claims

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

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities; there were no such contingent liabilities at 31 March 2021. 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. There are no contingent liabilities.

### Note 16: Segmental Reporting

Segmental reporting is currently reported within FLS as per the headings in the Statement of Comprehensive Net Expenditure. Future portfolio objectives are under review and may be applied in future years.

### Note 17: Capital Commitments

	2020/2021 £000	2019/2020 £000
Property, plant and equipment	273	483

Amounts contracted for but not provided in the accounts amounted to £0.273 m (2019/20 - £0.483 m) at 31 March 2021.

## Note 18: Commitments Under Leases

### 18(a) Operating leases

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

	2020/2021 £000	2019/2020 £000
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>Buildings</b>		
Not later than one year	1,808	1,743
Later than one year and not later than five years	1,196	2,670
More than five years	227	457
	3,231	4,870

	2020/2021 £000	2019/2020 £000
<b>Land</b>		
Not later than one year	118	68
Later than one year and not later than five years	421	186
More than five years	3,733	674
	4,272	928

	2020/2021 £000	2019/2020 £000
<b>Plant and Machinery</b>		
Not later than one year	58	93
Later than one year and not later than five years	27	57
More than five years	-	-
	85	150

### 18(b) Finance leases

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

	2020/2021 £000	2019/2020 £000
<b>Obligations under operating leases for the following periods comprise:</b>		
<b>Plant and Machinery</b>		
Not later than one year	30	45
Later than one year and not later than five years	37	54
More than five years	-	-
	67	99
Less: interest element	(1)	(9)
<b>Present value of obligations</b>	<b>66</b>	<b>90</b>

### Note 19: Other Financial Commitments

There no other financial commitments as at 31 March 2021 (2019-20 - £nil).



## Note 20: Lease Receivables

### 20(a) Operating leases

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

FLS leases land and buildings under agreements that terminate between April 2020 and December 2099.

	2020/2021 £000	2019/2020 £000
Not later than one year	8,153	8,024
Later than one year and not later than five years	34,676	31,999
More than five years	136,540	131,121
	179,369	171,144

### 20(b) Finance leases

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

	2020/2021 £000	2019/2020 £000
Not later than one year	85	84
Later than one year and not later than five years	340	336
More than five years	5,519	5,457
	5,944	5,877
Less: interest element	(3,523)	(3,884)
<b>Present value of receivables</b>	<b>2,421</b>	<b>1,993</b>

## Note 21: 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 are Scottish Government and its Agencies, Paymaster General's Office and HM Revenue and Customs.

### 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 a Director 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.

## 21(a) Sales & Purchases of goods and services

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

	2020/2021 £000	2019/2020 £000
Forest Industry Safety Accord (FISA)	14	17
Forest Holiday LLP	4	-
East Ayrshire Council	3	-
	21	17

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

	2020/2021 £000	2019/2020 £000
Forest Holidays LLP	212	-
Camping in the Forest LLP	93	-
	305	-

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

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

	2020/2021 £000	2019/2020 £000
Forest Holidays LLP	102	-
Camping in the Forest LLP	47	-
	149	-

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

	2020/2021 £000	2019/2020 £000
East Ayrshire Council	3	-
	3	-

## 21(c) Key management compensation

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

## 21(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 22: 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 repaid for the purpose of restoring the land to its original condition.

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

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

	Opening Balance £000	Gross Inflows £000	Gross Outflows £000	2020/21 Closing Balance £000
Lael	10	-	-	10
Nevis Range	5	-	-	5
Garrygualach	5	-	-	5
Blackcraig Windfarm	401	-	-	401
Farr Hydro	23	-	-	23
Allt Druidhe Hydro	6	-	-	6
Blary Hill	75	-	-	75
Allt Muic Hydro	50	-	-	50
Cuil Burn Hydro	10	-	-	10
Littleburn Hydro	10	-	-	10
Schoolhouse Burn Hydro	-	10	-	10
Feorline Burn Hydro	-	13	-	13
Total	595	23	-	618

## Note 23: Prior Period Adjustment

### Statement of Financial Position at 31 March 2020

	Note	2019/2020 £000	Prior Year Restatement £000	As Restated 2019/2020 £000
<b>Non current assets</b>				
Property, plant and equipment	6	1,471,793	-	1,471,793
Biological assets	8	1,962,078	-	1,962,078
Financial assets	7	2,618	-	2,618
Trade and other receivables	12	1,929	-	1,929
<b>Total non current assets</b>		<b>3,438,418</b>	<b>-</b>	<b>3,438,418</b>
<b>Current assets</b>				
Non-current assets held for sale	9	3,069	-	3,069
Inventories	11	11,470	-	11,470
Trade and other receivables	12	27,890	-	27,890
Cash and cash equivalents	13	62,098	-	62,098
<b>Total current assets</b>		<b>104,527</b>	<b>-</b>	<b>104,527</b>
<b>Total assets</b>		<b>3,542,945</b>	<b>-</b>	<b>3,542,945</b>
<b>Current liabilities</b>				
Provisions	15	(10,095)	-	(10,095)
Trade and other payables	14	(18,405)	(1,071)	(19,476)
<b>Total current liabilities</b>		<b>(28,500)</b>	<b>(1,071)</b>	<b>(29,571)</b>
<b>Total assets less current liabilities</b>		<b>3,514,445</b>	<b>(1,071)</b>	<b>3,513,374</b>
<b>Non current liabilities</b>				
Provisions	15	(3,039)	-	(3,039)
Trade and other payables	14	(1,804)	-	(1,804)
<b>Total non current liabilities</b>		<b>(4,843)</b>	<b>-</b>	<b>(4,843)</b>
<b>Assets less liabilities</b>		<b>3,509,602</b>	<b>(1,071)</b>	<b>3,508,531</b>
<b>Taxpayers' equity</b>				
General fund		2,318,215	(1,071)	2,317,144
Revaluation reserve		1,191,387	-	1,191,387
<b>Total taxpayers' equity</b>		<b>3,509,602</b>	<b>(1,071)</b>	<b>3,508,531</b>

A prior year adjustment has been made for £1.071 m of income recognised in previous years which should have been recognised as 'Deferred Income' rather than being recognised in the SOCNE.

£0.571m of Income was recognised in the SOCNE in 2019/20 relating to a funds received towards a carbon project, the funds had not been spent at 31 March 2020 and therefore the income should not have been recognised. The income was included under 'Estate Improvements Expenditure', the restated value of this line of the 2019/20 SOCNE is £9.220m (£8.649m reported 2019/20).

A further £0.2m of Income was recognised in the SOCNE in 2019/20 which was also received towards a specific project, the funds had not been spent at 31 March 2020 and therefore the income should not have been recognised. The income was recognised under 'Government Grants', the restated value of this line of the 2019/20 SOCNE is £15.676 (£15.875 reported 2019/20). A further £0.3m of income of the same nature was recognised under Forest Enterprise Scotland and this amount has also been moved to Deferred Income from the General Fund.

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019/2020 £000	Prior Year Restatement £000	As Restated 2019/2020 £000
<b>Operating Income</b>				
Sales of timber		(85,422)	-	(85,422)
Forest protection and maintenance		(2,658)	-	(2,658)
Management & development of estate		(23,088)	-	(23,088)
		(111,168)	-	(111,168)
<b>Operating Expenditure</b>				
Forest planning		11,646	-	11,646
Timber operations		22,511	-	22,511
Forest protection and maintenance		47,043	-	47,043
Management & development of estate		11,785	-	11,785
Value of felled timber	8	58,043	-	58,043
		151,028	-	151,028
<b>Net sustainable land management</b>		<b>39,860</b>	<b>-</b>	<b>39,860</b>
<b>Communities, recreation and tourism</b>				
Income		(2,251)	-	(2,251)
Expenditure		13,182	-	13,182
		10,931	-	10,931
<b>Environment and heritage</b>				
Income		(1,825)	-	(1,825)
Expenditure		7,800	-	7,800
		5,975	-	5,975
<b>Estate improvements</b>				
Income		-	-	-
Expenditure		8,649	571	9,220
		8,649	571	9,220
<b>Management services</b>				
Income		(26)	-	(26)
Expenditure		812	-	812
		786	-	786



	Note	2019/2020 £000	Prior Year Restatement £000	As Restated 2019/2020 £000
<b>Net expenditure before (Gain)/Loss on revaluation of biological assets</b>		<b>66,201</b>	<b>571</b>	<b>66,772</b>
Loss on revaluation of biological assets transferred to NCAHFS	8	589	-	589
(Gain)/Loss on revaluation of biological assets	8	(937,290)	-	(937,290)
		(936,701)	-	(936,701)
<b>Net expenditure/(income) after (Gain)/Loss on revaluation of biological assets</b>		<b>(870,500)</b>	<b>571</b>	<b>(869,929)</b>
Government grant		(15,875)	500	(15,375)
(Gain)/Loss on fixed asset investments		443	-	443
(Gain)/Loss on sale of properties	5	(7,818)	-	(7,818)
<b>Net (income)/expenditure for the year</b>		<b>(893,750)</b>	<b>1,071</b>	<b>(892,679)</b>
Transferred to general fund		(893,750)	1,071	(892,679)

All income and expenditure is derived from continuing operations.

### Other Comprehensive net expenditure

	2019/2020 £000	Prior Year Restatement £000	As Restated 2019/2020 £000
Transfer of assets and liabilities from Forest Enterprise Scotland	(2,466,929)	-	(2,466,929)
Net (gain)/loss on revaluation of property plant and equipment	(150,182)	-	(150,182)
<b>Total other comprehensive net (income)/expenditure</b>	<b>(2,617,111)</b>	<b>-</b>	<b>(2,617,111)</b>
<b>Comprehensive net (income)/expenditure for the year</b>	<b>(3,510,861)</b>	<b>1,071</b>	<b>(3,509,790)</b>

**Note 24 - Transfer from Forest Enterprise Scotland (FES) at 1 April 2019**

	FES £000	IFRS 9 Transition £000	Total £000
<b>Non current assets</b>			
Property, plant and equipment	1,326,969	-	1,326,969
Biological assets	1,086,780	-	1,086,780
Financial assets	3,060	-	3,060
Trade and other receivables	1,843	-	1,843
<b>Total non current assets</b>	<b>2,418,652</b>	<b>-</b>	<b>2,418,652</b>
<b>Current assets</b>			
Non-current assets held for sale	693	-	693
Inventories	9,325	-	9,325
Trade and other receivables	26,903	-	26,903
Cash and cash equivalents	40,404	-	40,404
<b>Total current assets</b>	<b>77,325</b>	<b>-</b>	<b>77,325</b>
<b>Total assets</b>	<b>2,495,977</b>	<b>-</b>	<b>2,495,977</b>
<b>Current liabilities</b>			
Provisions	(5,119)	-	(5,119)
Trade and other payables	(18,859)	-	(18,859)
<b>Total current liabilities</b>	<b>(23,978)</b>	<b>-</b>	<b>(23,978)</b>
<b>Total assets less current liabilities</b>	<b>2,471,999</b>	<b>-</b>	<b>2,471,999</b>
<b>Non current liabilities</b>			
Provisions	(3,269)	-	(3,269)
Trade and other payables	(1,801)	-	(1,801)
<b>Total non current liabilities</b>	<b>(5,070)</b>	<b>-</b>	<b>(5,070)</b>
<b>Assets less liabilities</b>	<b>2,466,929</b>	<b>-</b>	<b>2,466,929</b>
<b>Taxpayers' equity</b>			
General fund	1,418,877	1,635	1,420,512
Revaluation reserve	1,048,052	(1,635)	1,046,417
<b>Total taxpayers' equity</b>	<b>2,466,929</b>	<b>-</b>	<b>2,466,929</b>

In accordance with accounting policy 1.17, financial assets were valued at fair value through profit and loss, under IFRS 9 – Financial Instruments. IFRS 9 was applied retrospectively to the transfer of financial assets from FES. The revaluation reserve associated with financial assets was re-classified as general reserve in accordance with IFRS 9.

**Note 25: Events after the balance sheet date**

In April 2021 the settlement of a long running legal case was agreed. The associated liability has been reflected in Note 15 Provisions.

## 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 (FRoM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 19/05/2021

SG/2020/210







Forestry and  
Land Scotland  
Coilltearachd agus  
Fearann Alba

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If you need this publication in an alternative format please contact [enquiries@forestryandland.gov.scot](mailto:enquiries@forestryandland.gov.scot)

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DVP-PDF-OCT2021  
SG/2021/XXX