



ANNUAL REPORT AND ACCOUNTS 2007-08

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Introduction by Dr Calum MacDonald, Chair, National Committee Scotland

This year saw a change of administration in Holyrood and a consequent need to ensure that forestry is contributing effectively to the new government's national priorities.

We are working to make Scotland 'Greener', with the contribution of forestry to tackling climate change, improved habitat networks and better flood management being leading examples. In the towns and cities of Scotland, as well as in its rural communities, we are developing woodland as a welcoming and therapeutic environment for schools, health services and local recreation, so making our nation Safer, Stronger and Healthier.

Woodland-based learning - from our work with 20% of Scotland's schools to the 20 Modern Apprentices taken on by Forest Enterprise Scotland¹ this year – is helping to make Scotland 'Smarter'.

With the timber industry now employing about 26,000 people, directly and indirectly, and the growing value of the wider forestry sector now estimated at £760 million, forestry is making an increasingly significant contribution to making Scotland 'Wealthier'. Finally, with the relaunch of the National Forest Land Scheme to take into account the right to create new crofts, we are supporting local communities and helping to make Scotland 'Fairer'.

Over the past year, the Scottish Forestry Strategy² has become more embedded in people's thinking throughout the industry in Scotland. Our recent progress report on 2007-08's targets and activities indicates that some 86% of the actions in the Implementation Plan have been achieved – not only by Forestry Commission Scotland but also by others among the 46 action partners named in the Strategy.

In looking ahead to the coming year, it is clear that helping to reduce the impact of climate change is going to be an increasingly important area of focus for FCS. The consultation on our Climate Change Action Plan³ was launched in January and the coming year will be one of delivery on that plan.

Delivery on this and on our other policies is, of course, dependent on co-operation with our partners in the forestry sector and beyond. This year has also seen a new and welcome emphasis on cross-boundary working within Government, especially within the SEARS 'family'. We are determined to continue that focus in the coming year.

The amount of land planted under trees, the quantity and quality of timber products from our forests, the uses we make of our woodlands, the number of people visiting and enjoying them, and the contribution we expect them to make to the great concerns of our day, such as tackling climate change, all these have increased over the past year. Our job in the Forestry Commission is to make sure that that growth continues and that it benefits all of Scotland's people, whether they live in towns, cities or in rural communities.

¹ The national forest estate is managed by Forest Enterprise Scotland, which is part of Forestry Commission Scotland.

² www.forestry.gov.uk/aboutfcs

³ <http://www.forestry.gov.uk/ccapscotland>

Aithisg Bhliadhna is Cunntasan

Ro-ràdh leis an Dr Calum Dòmhnallach, Cathraiche, Comataidh Nàiseanta Alba

Am bliadhna chunnacas atharrachadh san riaghaltas ann an Holyrood agus mar sin dh'fheumte dèanamh cinnteach gun robh coilltearachd a' cur gu h-èifeachdach ri prìomhachasan nàiseanta an riaghaltais ùir.

Tha sinn ag obair airson Alba a dhèanamh nas Uaine, le coilltearachd an sàs ann a bhith a' strì an aghaidh blàthachadh na cruinne, tha leasachadh lionra de dh'àrainnean is rianachd tuileachaidh nan deagh eisimpleirean air seo. Sna bailtean beaga agus mòra air feadh Alba, cho math ris na coimhearsnachdan dùthchail, tha sinn a' leasachadh choilltean mar àrainnean a bhios nan àitean a bhios tarraingeach do sgoiltean agus a bhios nan àitean a thogas spiorad sgoilearan, is a chleachdas seirbheisean slàinte agus buidhnean cleasachd ionadail, agus mar sin a' dèanamh ar dùthaich nas sàbhailte, nas làidire agus nas fhallaine.

Tha foghlam stèidhichte air coilltean – eadar an obair a tha sinn a' dèanamh le 20% de sgoiltean Alba gu na 20 Nua-fhoghlamaichean a dh'fhas lomairt Coilltean Alba¹ am bliadhna– a' cuideachadh le bhith dèanamh Alba nas comasaich.

Le gnìomhachas an fhiodha a-nis a' fastadh mu 26,000 neach, dìreach agus gu neo-dhìreach, is luach roinn na coilltearachd a' fàs gu mu £760 millean nota, tha coilltearachd a' sìor chur ri bhith a' dèanamh Alba nas beairtiche. Agus, le bhith a' cur air bhog às ùr Sgeama Nàiseanta Fearann nan Coilltean gus gabhail a-steach an còir air croitean ùra a chruthachadh, tha sinn a' toirt taic do choimhearsnachdan ionadail is a' cuideachadh ann a bhith a' dèanamh Alba nas cothromaich.

Thar na bliadhna a chaidh seachad, tha Ro-innleachd Coilltearachd na h-Alba² air fhisge a-steach ann am beachd-smuaineachadh dhaoine a tha an sàs sa gnìomhachas ann an Alba. Tha an aithisg adhartas againn a chaidh ullachadh o chionn ghoirid mu na builean is gnìomhan ann an 2007-2008 a' comharrachadh gu bheil 86% de na gnìomhan sa Phlana Gnìomhachais air tighinn gu buil – chan ann dìreach fo làimh Ùghdarras Coilltearachd Alba ach cuideachd an co-bhoinn ris na 46 com-pàirtichean gnìomhachaidh a chaidh an ainmeachadh san Ro-innleachd.

Ann a bhith a' coimhead air adhart chun ath-bliadhna, tha e follaiseach gu bheil cuideachadh le bhith lùghdachadh buaidh blàthachadh na cruinne gu bhith mar dhleastanas cudromach do FCS. Chaidh an co-chomhairleachadh air ar Plana Gnìomh Atharrachadh Aimsir³ a chur air bhog san Fhaoilleach agus an ath-bhliadhna bidh sinn a' leantainn oirnn a' libhrigeadh a' phlana sin.

Tha ar comas a bhith a' libhrigeadh seo agus ar poileasaidhean eile gu mòr an eisimeil ar co-obrachadh le ar com-pàirtichean anns an roinn choilltearachd agus nas fharsainge na sin. Am bliadhna tha sinn air faicinn tuilleadh cudrom ga chur taobh a-staigh an Riaghaltais air co-obrachadh thairis air crìochan, gu h-àraidh taobh a-staigh SEARS agus tha sinn a' cur fàilte air sin. Tha e nar barail gun lean sinn air adhart leis an fhòcas sin thairis air an ath-bhliadhna.

Tha am meudachd de dh'fhearann a tha fo chraobhan, càileachd agus cuideam nan stuthan fiodha a thathar a' faighinn bho na coilltean againn, am feum a tha sinn a' dèanamh de ar coilltean, an àireamh de dhaoine a tha gan tadhal agus gam mealtainn agus na tha sinn a' sùileachadh bhuapa ann a bhith a' cur ris na gnothaichean a tha a' cur dragh oirnn san là an-diugh, mar a bhith a' strì an aghaidh blàthachadh na cruinne, uile air meudachadh thar na bliadhna a chaidh seachad. Is e an obair a tha againn aig Ùghdarras na Coilltearachd a bhith dèanamh cinnteach gu lean an fhàs seo agus gum bi e na bhuannachd do mhuintir Alba air fad, ge bith an ann sna bailtean beaga no mòra no ann an coimhearsnachdan dùthchail a tha iad a' fuireach.

¹ Tha oighreachd nàiseanta nan coilltean air a ruith le lomairt Coilltean Alba, a tha na phàirt de Ùghdarras Coilltearachd Alba.

² www.forestry.gov.uk/aboutfcs

³ <http://www.forestry.gov.uk/ccapscotland>

WHO WE ARE AND WHAT WE DO

Status

Forestry Commission Scotland came into being on 1 April 2003. It serves as the forestry directorate of the Scottish Government and is responsible to Scottish Ministers, advising on and implementing forestry policies. Through Forest Enterprise Scotland, it also manages the public forest estate to deliver public benefits. The Minister for Environment is answerable to the Scottish Parliament for the overall policies and performance of Forestry Commission Scotland.

Forestry Commission Scotland is part of the Forestry Commission, a cross-border public body with a Chairman and Board of Commissioners. The responsibilities and powers of the Forestry Commissioners are derived mainly from the Forestry Act 1967, Plant Health Act 1967 and a number of other applicable Great Britain Acts and Statutory Instruments.

Strategy

Scottish Ministers set out their vision for forestry in Scotland in the Scottish Forestry Strategy, published in October 2006. It guides the development of Scotland's expanding forest and woodland area focusing on the key priorities over the next decade but also looking ahead to the second half of the century. The Scottish Forestry Strategy can be found on the Forestry Commission Scotland website at: www.forestry.gov.uk/sfs

Aims and Objectives

The aims and objectives of Forestry Commission Scotland flow from the Scottish Forestry Strategy 2006 and from the wider objectives of Scottish Ministers. As a predominately rural activity, forestry has a major part to play in delivering rural development, but also has an increasingly important role in helping to deliver other Scottish Government objectives to make Scotland a wealthier and fairer, healthier, safer and stronger, smarter and greener country. To deliver these strategic objectives the following Scottish Forestry Strategy outcomes and objectives, which are relevant in urban as well as rural areas, have been set:

- **Improved health and well-being of people and their communities** by assisting community participation; enhancing opportunities for health and enjoyment; and contributing to growth in learning skills;
- **Competitive and innovative businesses contributing to the growth of the Scottish economy** by developing a more efficient and competitive timber supply chain; facilitating the markets for forest products; facilitating rural business diversification and development; and increasing the contribution of forestry to tourism.
- **High quality, robust and adaptable environment** by helping to tackle climate change; contributing positively to soil, water and air quality; contributing to landscape quality; protecting and promoting the historic environment and cultural heritage; and helping to protect and enhance biodiversity.

Our values – how we behave in fulfilling our objectives

- **Teamwork** – Working as teams with colleagues and others to ensure that trees, woods and forests meet the needs of people in each part of the country.
- **Professionalism** - Enjoying and taking pride in our work, achieving high standards of quality, efficiency and sustainability.
- **Respect** – Treating one another with consideration and trust, recognising each person's contribution.

- **Communication** – Being open, honest and straightforward with colleagues and others, as willing to listen as to tell.
- **Learning** – Always learning, from outside the Forestry Commission as well as from within.
- **Creativity** – Not being afraid to try new ways of doing things.

Funding

The 2007-08 annual budget for Forestry Commission Scotland is approved by the Budget (Scotland) Act 2007 and revised by:

- the 2007-08 Autumn Budget Revision to the Budget (Scotland) Act for the year ending 31 March 2008; and
- the 2007-08 Spring Budget Revision to the Budget (Scotland) Act for the year ending 31 March 2008.

KEY PERFORMANCE INDICATORS

The Key Agency Targets set by the Forestry Commission National Committee for Scotland for 2007-08 for Forest Enterprise Scotland to manage and the actual outturns were:

Aim	Key Target	Measure	Achieved	Target
Manage the forest estate in accordance with the principles of sustainable forest management	a. Percentage of the national forest estate independently certified as being sustainably managed.	%	100% www.forestry.sgs.com/forestry_services_index_v2.htm	100%
	b. No major Corrective Actions		None	None
Maintain effective planning and consultation systems	c. Percentage of the national forest estate covered by approved Forest Design Plans	%	100%	100%
	d. National Forest Estate coverage with Forest District Strategic Plans	%	100% www.forestry.gov.uk/forestry/infid-6pelhd	100%
Maximise the value to the Scottish Economy of the estate's timber resource	e. Volume of wood harvested in relation to the production programme	km ³ (+/-5%)	3067 km ³ (-5.6%)	3249 km ³
	f. Area of thinning in relation to thinning plan	ha (+/-10%)	6391 ha (-6.3%)	6823 ha
	g. Average stocking density in 5 year old restock sites targeted for future timber production	minimum stems per ha	2460	2500 stems per ha
Make best use of other forest products and estate assets	h. Maximise the opportunity for net income from development activities **	£M	£3.4 million	£4.3 million

Aim	Key Target	Measure	Achieved	Target
Conserve and enhance the biological diversity and cultural heritage values of the estate	i. Percentage of scheduled sites and listed structures and managed in accordance with approved plans *	%	100%	100%
	ii. Number of Scheduled Ancient Monuments (SAMs) with approved plans	number	325 (98%)	332
	iii. Number of Sites of Special Scientific Interest (SSSIs) with approved plans	number	152 (100%)	152
	iii. Listed Structures	number	30	30
	- Identify and agree over next 3 years with Historic Scotland the condition and remedial work required for individual structures [Target in 07/08 is 33% i.e. 10 Listed Structures]	%	33%	33%
Improve the appearance of the estate	j. Area of the National Forest Estate surveyed for UKBAP priority habitats	ha	23,184 ha	20,000 ha
	k. i. Area of woodland identified using low impact silvicultural systems (LISS)	%	15%	12%
	ii. The area where a first intervention has taken place under a LISS designation	%	Achieved (59%)	Identify and quantify area
	iii. Percentage of the National Forest Estate covered by "Forester GIS restock plans"	%	67%	60%
Increase the opportunities for everyone to enjoy visits to the estate	i. Progress with the establishment of a comprehensive dataset for the numbers, nature and needs of those visiting the national forest estate (Target in 07/08 is 100%, i.e. all 14 forest districts surveyed)	%	100% Achieved – All 14 Forest Districts surveyed and final report produced (http://www.forestry.gov.uk/forestry/infod-7d9fn7)	100%
Help communities to benefit from the estate	m. Periodic independent evaluation of the change in the perception of community partnerships on their participation in partnership arrangements with FES.	-	[07/08 suspended pending repeat evaluation in 09/10]	-

Aim	Key Target	Measure	Achieved	Target
Maintain an efficient and effective organisation	n. Performance against agreed financial targets *	%	Not achieved	100%
	i. Cash deficit (+/- 1%)	£M	£35.1 million	£36.2 million
	ii. Operating Deficit/ (Surplus)not to exceed £4m	£M	-£1.5 million	-£0.9 million
	iii. Net Capital Expenditure/(income) (+/- 5%)	£M	£5.6 million	£9.8 million
	o. Unit cost of selected operations *	%	Not achieved	100%
	i. Total Direct Production (DP) Unit Cost (excl. Haulage) not to exceed	£/m ³	£11.46 per m ³	£11.10 per m ³
	ii. Total restocking Activity not to exceed	£/ha	£2012 per ha	£1900 per ha
	iii. Deer Management u/cost not to exceed ***	£/ha	£7.14 per ha	£7.82 per ha

Notes on Targets:

*i, n, and o are only achieved if all sub targets are met

** 4h is based on net cost of sub-activities covering Coal & Other Mineral Development and Licences/ Permissions

*** o iii is calculated using gross forest area

MANAGEMENT COMMENTARY

Review of the year

This year Forestry Commission Scotland (FCS) has shown how forestry contributes to the new government's national priorities, and has continued to develop and strengthen partnerships across the public, private and voluntary sectors. The following list highlights some of the most significant items. The Forestry Commission Scotland Annual Review, published separately, provides further detail and information on these and other achievements.

Cross cutting items

The Scottish Forestry Strategy's first Implementation Plan was published during 07/08. This set out the actions which the 46 action partners, including FCS, agreed to deliver in the first year. At the end of the year we published a report on our progress which showed that 86% of the actions had been achieved and that indicator development is well underway.

The new Scottish Rural Development Programme (SRDP) was developed during the year to deliver more integrated support for land-based industries. Under the SRDP, Rural Development Contracts will make a suite of economic, environmental and social support measures available to all land-use sectors, with applications being assessed against regional priorities.

New woodland creation was at historically low levels this year, due in part to uncertainties around CAP reform and the SRDP. The new Scottish Government indicated a desire to see rates of woodland creation increase to around 10,000 ha per year to deliver a whole range of benefits and work towards achieving the Scottish Forestry Strategy aspiration of 25% woodland cover by the second half of the century.

A more integrated approach to land use support is being pioneered in the initiative – Scotland's Environmental and Rural Services or SEARS. The organisations involved; the Animal Health Agency, Cairngorms National Park Authority, the Crofters Commission, Deer Commission for Scotland, FCS, Loch Lomond and the Trossachs National Park Authority, Scottish Environment Protection Agency, Scottish Natural Heritage and the Scottish Government Rural Payments and Inspections Directorate are all working together to offer a 'one-stop-shop' for delivery of services to the rural sector. The service will be introduced in 2008.

In early 2008, Forest Enterprise Scotland published a suite of District Strategic Plans, and a National Framework Strategic Plan, for consultation. These lay out priorities and directions for future management of the national forest estate in accordance with the directions laid out in the Scottish Forestry Strategy (pages 57-58). They also provide the basis for a repositioning programme involving sale of national forest land that is making a low contribution to delivery of public benefits, and investment of these resources in land that has the potential to make a significant contribution to the Scottish Forestry Strategy outcomes.

Climate change: The purpose of our work on climate change is to increase awareness of what forestry can do to help tackle the threats, while ensuring that Scotland's woodlands can adapt to change and can help mitigate the impacts. Furthermore, we aim to increase the amount of carbon locked up by Scottish forestry. This year we:

- Carried out research into what climate change will mean for Scottish forestry.
- Funded a one-off woodland creation scheme for the 2007-08 planting season targeted at proposals demonstrating the greatest contribution to climate change action.
- Convened the Woodfuel Task Force to consider how to increase the supply of wood for renewable energy production.
- Consulted on a Climate Change Action Plan for the forestry sector.

- Produced a DVD to show how trees and forests can contribute to the fight against climate change.
- Developed a carbon calculator to estimate the carbon sequestered by newly established woodlands.
- Supported the Scottish Government to deliver the £7.5 M Scottish Biomass Support Scheme.

Timber: The purpose of our work with Scottish timber, both softwood and hardwood, is to maximise its economic potential through encouraging continued investment in processing, promoting timber use and increasing the efficiency and reducing the environmental impact of the supply chain. This year we:

- Launched our Timber Development Programme.
- Commissioned a book on timber architecture to act as an inspiration to architects and encourage the use of timber in construction.
- Administered the Strategic Timber Transport Fund, which aims to reduce the impact of timber lorries on Scotland's rural roads.
- Set up a Private Sector Timber Production Forecast working group to help improve the timber production forecast.

Business development: The purpose of our work in business development is to enhance the sustainable economic basis for forestry and develop the economic potential of Scotland and its regions, including the economies of fragile rural communities. We help to add value to the Scottish tourism industry and to improve the skills base of the forestry sector. This year we have:

- Helped to develop the Scottish Working Woods label to distinguish and guarantee products made in Scotland from Scottish wood products.
- Hosted the World Downhill Mountain Biking championship – held for the first time ever in the UK.
- Worked with Lantra to develop a one-stop-shop for training for people in the land-based sector.
- Encouraged school leavers into forestry with a recruitment roadshow and a Modern Apprenticeship scheme.

Community development: The purpose of our work in community development is to improve the quality of life and wellbeing of people across Scotland. This involves developing forestry's role in education and lifelong learning, enhancing engagement with communities and supporting community ownership and management on the national forest estate. This year we have:

- Completed Phase 1 of our Woods In and Around Towns initiative which, over three years, brought more than 8,000 hectares of urban woodland into active management and created a further 1000 hectares of new urban woodland.
- Developed our interaction with the planning system to help us make the most of the opportunities that the planning system offers for using forestry at a landscape scale.
- Handed national forest land to communities through the National Forest Land Scheme and actively facilitated the development of woodland crofts.
- Supported the Forest Education Initiative through an annual networking event and taking on a new Forest Education Initiative co-ordinator.
- Helped unemployed people to gain the skills and confidence they need to get back to work by undertaking projects in a woodland setting.
- Worked with Fife Council to develop 'Forest Kindergarten', an initiative to encourage nurseries to make the most of outdoor play and exploration.

Access and health: The purpose of our work with access and health is to make access to woodlands easier for all sectors of society. We use woodland access to help improve physical and mental health in Scotland and seek to provide a greater range of ways for people to enjoy woodlands. This year we have:

- Published a Recreation Framework to set out our vision, priorities and focus for action for access, recreation and tourism on the national forest estate.

- Organised ‘touchwood’, a programme of inspirational events to celebrate Scotland’s Year of Highland Culture.
- Produced walks guides and upgraded routes to help people explore their local woods in Glasgow, in response to research into the barriers to walking and enjoyment of the outdoors.
- Organised a Green Exercise Conference together with Health Scotland.
- Studied the opportunities for, and barriers to, access to woodlands for disabled people and piloted a training course and guidance materials on disabled accessibility.
- Helped school children have fun and get active in their local woods through woodland visits and mountain biking PE lessons.

Environmental quality: The purpose of our environmental quality work is to help to protect Scotland’s water, soil and air resource, to contribute to Scotland’s diverse and attractive landscapes and to help to manage and interpret Scotland’s historic environment. This year we have:

- Created a Forest Habitat Network plan for Edinburgh and the Lothians as a buffer to the increase in housing infrastructure.
- Appointed a new archaeologist to look after the sites and monuments in our care.
- Commenced work on restoring the landscape at Loch Katrine, under the umbrella of Scottish Forest Alliance – a partnership between BP, as the major provider of funds, FCS, Woodland Trust Scotland and RSPB Scotland.
- Worked with the Scottish Environment Protection Agency (SEPA) on both the Water Framework Directive and River Basin Management Plans for Scotland.

Biodiversity: The purpose of our biodiversity work is to help halt the loss of biodiversity, and continue to reverse previous losses, by targeted action for priority species and habitats. We also have broader actions on a landscape/ecosystem scale. We want to increase awareness and public enjoyment of biodiversity, and improve the knowledge of, and evidence base for, biodiversity. This year we have:

- Made good progress in work to survey native woodlands, getting to a level of some 55% of Scotland’s native woods being digitally mapped.
- Launched a new project, in conjunction with SNH and RSPB Scotland and with funding from the Heritage Lottery Fund, to improve the habitat for black grouse in Galloway Forest Park.
- Worked with SNH, Deer Commission Scotland and the Scottish Government to develop a £5million programme for improving designated nature sites.
- Published advice and encouragement for land managers and land owners to create, restore and manage native woodlands in a new booklet - “Action for Scotland’s Native Woods”.

Other Disclosures

Personal Data Related Incidents

There were no protected personal data related incidents reported for Forestry Commission Scotland in 2007-08 or previous financial years. Forestry Commission Scotland will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continued improvement of its systems. Further information on the handling of information risk is contained in the Statement on Internal Control.

Future work

In the coming year we will be working closely with other partners from ‘Scotland’s Environmental and Rural Services’ to join up our activities. A key priority will be the delivery of grants through the Scottish Rural Development Programme. Within each of the themes of the Scottish Forestry Strategy, the most important areas of work for Forestry Commission Scotland in the coming year are:

Climate change: Effort will be focused on increasing forestry's preparedness for climate change and in achieving the forest sector carbon saving targets that form part of Scotland's climate change programme, and any subsequent measures to support the forthcoming Scottish Climate Change Bill and Climate Change Adaptation Strategy for Scotland. To increase preparedness the research evidence base will be improved to enable informed decisions about sustainable forest management, increasing the resilience of forest ecosystems, environmental protection (such as sustainable flood management techniques) and reducing our carbon footprint. The FC will lead a co-ordinated programme of raising awareness about forestry's role in responding to climate change.

Timber: We will concentrate on improving the accuracy of the wood production forecast from Scotland's forests. An Industry Working Group will be set-up to determine the most efficient and effective methods of incorporating data from the private sector forests. We will re-launch the Strategic Timber Transport Scheme after making any relevant adjustments to improve the scheme. Encouraging the creation of both conifer and broadleaved productive woodlands under the new Rural Development Contracts will be a priority, and we will seek to develop co-operation between the timber sector and research providers on ways to increase use of timber and improve quality of timber products.

Business development: The shortage of skills remains an issue and the Forest Education Initiative, Modern Apprenticeship Programme, and the Sector Skills Agreement will all be used to help meet the sector's skills needs. Implementing Wood Fuel Taskforce recommendations and publication of a Renewable Heat Strategy will help sustain progress on biomass development. A range of new measures in the Scottish Rural Development Programme will offer opportunities for forestry business diversification. Encouraging uptake in the forestry sector and providing support and advice in the early stages of the new programme will be important.

Community development: The Woods In and Around Towns (WIAT) initiative remains a key delivery mechanism and WIAT will evolve to reflect the equalities agenda, green networks and other priorities. Interaction with the land-use planning system will be a key work area, building on progress in 2007/08. We need to consolidate outdoor learning in the Curriculum for Excellence and highlight woodland's role in delivery. The emphasis will be on developing the confidence of teachers to use local woods for local learning. We will develop a framework for community engagement at all levels of participation. The National Forest Land Scheme (NFLS) will be embedded in this framework.

Access and health: We will continue to communicate to potential users that woodland and greenspace are safe settings for health-promoting physical activity, and will embrace equality by encouraging appropriate use by the full diversity of the Scottish population. We will work in partnership with the health sector and local organisations to deliver accessible woodlands near to where people live and work and seek to understand how best to manage woodland to encourage health promoting physical activity.

Environmental quality: Priorities for the coming year include building the evidence base of the potential role that forestry can play in protecting and enhancing the quality of Scotland's water, soil and air resource; raising the level of awareness and appreciation of all of Scotland's landscapes for their contribution towards health and well-being, community regeneration, tourism, rural diversification, and economic development; and bringing together all those with an interest and knowledge of our cultural heritage to increase the sharing, enhancement and further development of information on Scotland's historic environment.

Biodiversity: We will be improving our evidence base and best practice guidance. At a strategic level we will be putting additional effort into habitat network planning tools and guidance for integrated land use planning; using native species in climate change adaptation and mitigation; and larger scale action on non-native invasive species such as rhododendron.

CORPORATE SOCIAL RESPONSIBILITY

Environmental Sustainability

The Commission's Greenerways Project is about how we manage our sustainable development commitments in terms of our forests, our staff and places of work. The Commission is progressing well towards stage 2 of accreditation for an Environmental Management System under BS8555, and this is an important driver for helping to ensure that Greenerways becomes embedded into working practices.

The project has generated enthusiasm across all our staff in being seen as environmentally responsible, and to be able to manage the FC organisation with the same concern for the environment that we show in our management of forests.

In the last year we have become increasingly aware of our own environmental footprint and are actively developing policies for FC buildings to be made of wood from our own forests. We are beginning to install wood burning heating in our buildings, again using material from our own estate. Externally we have become ambassadors in promoting wood as a renewable material and have been engaging in the climate change debate.

Greenerways is still in its early stages but the network of local Champions has been established and many local activities have been implemented, with strict targets set for 2008/09 for activities such as business travel (5% reduction in emissions per year for the next three years) and energy use (3% reduction per year, starting from 01 April 2008).

Climate Change

Climate change is one of the most serious threats facing the world today and is already happening. Forestry has a fundamental part to play, with global deforestation being part of the problem, and reforestation and use of forest products being an important part of the solution.

Forestry Commission Scotland has prepared a draft Climate Change Action Plan 2008-10. It sets out what we will do to increase the contribution and response of Scottish forestry to the challenges of climate change. It focuses on what needs to be done both as early actions and to increase future preparedness.

A public consultation on this draft plan was launched by Michael Russell, Minister for Environment on 11th March 2008 and delegates at the annual Scottish Forestry Forum were the first to debate the proposals. A copy of the Action Plan can be found on the website: <http://www.forestry.gov.uk/ccapscotland>.

In 2008, the Scottish Climate Change Bill and Climate Change Adaptation Strategy for Scotland will be launched and we will continue to work on raising the profile of forestry's role as a potential solution.

FCS will lead a co-ordinated communications programme in Scotland of raising awareness about forestry's role in responding to climate change. The new DVD "A convenient truth?" shows how trees and forests can contribute to the fight against climate change and it will be an important means for us to communicate our climate change messages. Further details about what the Forestry Commission is doing to mitigate against climate change can be found on our website: <http://www.forestry.gov.uk/forestry/infid-6umkar>.

Social Sustainability

Towards the end of the year, FCS published the results of a monitoring survey which estimates that almost 9 million visits are made to the national forest estate each year and almost £40 million is being pumped into the Scottish economy by people who have travelled to an area specifically to visit a forest.

The *All Forests Visitor Monitoring Survey* was the largest ever survey of its kind into the public use of Scotland's national forests. It was the first time that the entire national forest estate, including more remote woodlands, was covered in such a survey, as previously only key high usage sites were monitored.

The Environment Minister, Michael Russell, recognised the significance of the results and highlighted the importance of national forest estate as a natural asset which plays a key role in supporting the timber industry and providing a vital conservation habitat for many animals.

It is clear from the results that forest recreation supports many aspects of Scottish life and that forest tourism and leisure is a growing sector which can help boost healthy lifestyles and bring added revenue to the economy. The data will help forest managers concentrate their resources, improve their facilities and help make a visit to the forest a more enjoyable experience.

Some key findings in the survey include:

- the most popular activities undertaken in the Commission's forests were dog walking (50%), other walking (29%) and cycling/mountain biking (11%);
- the average spend across all visitors was £17 per person;
- almost half of visitors were on a local day trip from home (49%), while a third were on a longer day trip and almost a fifth (18%) visited a Commission forest while on a holiday or short break;
- 78% of visitors travelled to the forest by car, while 18% walked and less than 1% used public transport;
- 85% of visitors were from Scotland while one in ten was from England;
- 16% of visitors were aged under 16 and 17% of visitors were aged 60 or over.

Partnerships and communities

Forestry Commission Scotland is committed to working in partnership with communities and organisations as the best way to unlock the potential of Scotland's woodlands and forests:

- we welcome and encourage the involvement of local communities and forest user groups;
- we aim to be inclusive in all that we do, engaging with all sectors of the local community;
- we promote active citizenship through involving people in local woods;
- we provide up to date information about national forests, and any special opportunities and news;
- we advertise jobs and contracts locally;
- we will be a good neighbour and a responsible land manager;
- we will work with people from forestry, and from other sectors such as education, health and tourism, to make the most of the range of benefits from woods;
- we have established regional and national Forestry Forums to advise us on the development and implementation of the Scottish Forestry Strategy; and
- we will play our part in Community Planning Partnerships.

Staff

People Initiatives

Following publication of our new People Strategy and Action Plan, work has progressed on several high priority projects. We have begun a review of our Postfilling and Recruitment policies and procedures. We have also purchased a new eRecruitment system, which will significantly improve our efficiency and effectiveness in attracting applicants for vacancies and in administering the postfilling and recruitment process. We have completed a review of our Pay & Reward Strategy, to set out the Forestry Commission's approach to pay and reward over the next 5 years. We have begun a review of our Discipline & Grievance policies and procedures.

Equality and Diversity

The Forestry Commission recognises that in order to deliver the many varied benefits that forestry can provide for everyone, our staff need to be representative of the British population today. We therefore aim to employ people with a wide range of appropriate skills, knowledge and behaviours from a diversity of backgrounds, in order to benefit from the fact that diversity in the workforce adds real value to the business by incorporating different experiences, viewpoints, cultures and ideas.

We are committed to equality of opportunity in all areas of employment. We will ensure we treat all staff fairly, with dignity and respect, regardless of race, disability, gender, age, sexual orientation and religion and belief. Diversity is fundamental not only to our employment practices but also to the way in which we deliver services, develop policy and engage with communities.

We are committed to developing an organisation in which fairness and equality of opportunity are central to our business. We will promote diversity in policy development and deliver services that meet the needs of all social groups. To this end we are developing more effective means of ensuring that our research and statistical analysis are evidenced-based and that they represent the needs of all sectors of the population. We will work to develop better links with all stakeholders especially 'hard to reach' groups, to help us both develop, monitor and evaluate our policies and services.

The Forestry Commission is committed to embedding and mainstreaming equality and diversity. This is reflected in our People Strategy which has the overarching objective:

'We want to better reflect the society we serve as a Government department. Diversity is central to good people management and modern organisational development'.

The Forestry Commission has now appointed a specific Equality and Diversity team. Among the main tasks for 2007/08 was drafting a specific Equality and Diversity Strategy to articulate the Commission's approach in this area, and to demonstrate our commitment to delivering practical outcomes over the next 5 years.

The team has also carried out the requisite monitoring and analysis of the Forestry Commission's workforce. The Race, Disability and Gender Monitoring Reports can be found on our Internet site, www.forestry.gov.uk, along with our current Equality Schemes. The Race Equality Scheme is currently under review.

Learning and Development

Learning and Development (L&D) has continued to embed the organisational changes made last year and a new permanent head of L&D was appointed in December 2007. L&D has been heavily involved with the implementation of the People Strategy, specifically:

- Working in partnership with outside providers to design and deliver four levels of diversity training.
- Finalising the new competency framework and beginning to integrate it within our HR processes.
- Developing proposals for a GB wide Management Development Programme, building on the success of the FC Scotland pilot, but again integrating the new competency framework.
- Realigning our L&D portfolio to reflect the competency framework and tendering to establish a framework agreement with external L&D providers.
- Supporting the new Graduate Programme.
- Mapping the People Strategy against the standards defined in the Investors in People Profile tool in advance of our forthcoming Investors in People (IiP) reassessment.
- Developing events to improve our recruitment and post filling procedures.

In July 2007 we recruited a full time Development Advisor to support the FC Scotland Management Development Programme (MDP). 55 staff at pay band 4 level have now been through the full assessment cycle and are working to individual Learning Plans.

The Technical Training team has been rolling out a wide range of conventional courses for FCS staff as well as a significant amount of consultancy work with individual or small numbers of staff requiring assistance with systems software such as e-fin, our financial accounting system.

Health and Safety

Policy

It is the policy of Forestry Commission Scotland to ensure the health and safety of all its employees, and to provide appropriately for the health and safety of others, including contractors, visitors, neighbours and members of the public who use our forests.

Programmes

During the year the Safety, Health & Environment team introduced systems to improve the way we manage our employees' exposure to vibration and noise at work. Next year we plan to contribute to a project to improve the way we manage health and safety in construction work.

Accidents

The following figures set out the incidence of reportable accidents (those causing incapacity for more than three days) for all staff in 2007-08 and the preceding years:

Year	No of accidents per 100 employees
2007-08	1.42
2006-07	1.32*
2005-06	1.12*
2004-05	1.24*

* 2006-07 and prior years restated to show the Scotland position only with figures now excluding GB Business Units.

LEADERSHIP AND GOVERNANCE

Ministers

The Ministers who had responsibility for Forestry Commission Scotland during the year were:

Ross Finnie MSP	Minister for Environment and Rural Affairs (until May 2007)
Sarah Boyack MSP	Deputy Minister for Environment and Rural Development (until May 2007)
Richard Lochhead MSP	Cabinet Secretary for Rural Affairs and the Environment (from May 2007)
Michael Russell MSP	Minister for Environment (from May 2007)

National Committee for Scotland

The Committee is appointed under Section 2(3) of the Forestry Act 1967 to, inter alia, undertake any of the functions of the Forestry Commissioners that they may delegate, subject to any restrictions or conditions as they see fit. Non-executive and executive members during the year were:

Dr Calum MacDonald	Chair and non-executive Commissioner for Scotland
Dr Bob McIntosh*	Director, Forestry Commission Scotland and Executive Commissioner
Richard Wakeford	Director General, Environment, Scottish Government
Martin Gale CBE	Non-executive Commissioner for Scotland for industry
Simon Pepper OBE	Non-executive member for the environment
Simon Rennie MBE	Non-executive member for urban regeneration and community development
Hugh Insley	Chief Executive, Forest Enterprise Scotland
Paul Snaith	Head of Corporate Services, Forestry Commission Scotland

*Member of the Forestry Commission Executive Board

Forestry Commission Scotland Management Board

The Forestry Commission Scotland Management Board was established as a monitoring and decision-making forum, maintaining an overview of the business systems and administrative arrangements underpinning the functioning of Forestry Commission Scotland and its relationship with stakeholders. Members during the year were:

Dr Bob McIntosh	Director, Forestry Commission Scotland
Paul Snaith	Head of Corporate Services, Forestry Commission Scotland
Simon Hodge	Head of Policy, Forestry Commission Scotland
James Simpson	Head of Grants & Licences, Forestry Commission Scotland
Jean Lindsay	HR Business Partner (Scotland) (from May 2007)
Hugh Insley	Chief Executive, Forest Enterprise Scotland

Forest Enterprise Scotland Management Board

The Agency Management Board gives strategic direction and leadership to the forest districts within Scotland. The membership for 2007-08 was:

Hugh Insley	Chief Executive (Chair)
Les Bryson	Head of Operations
Alan Stevenson	Communities, Recreation and Tourism Manager
Laurie Tyson	Head of Estates
Moira Baptie	Environment Manager
Alan Duncan	Finance Manager
Stephanie Atwell	Human Resources Manager
Nicol Sinclair	Planning Manager
Michael Ansell	Director, Forestry Business Units

Forestry Commissioners and Permanent Head of the Department

The Board of Commissioners gives strategic direction to the Forestry Commission and takes decisions on not-devolved or co-ordinated functions. It has a part time non-executive Chairman, Rt Hon Lord Clark of Windermere, and the Director General, Tim Rollinson, as Permanent Head of the Department, acts as Deputy Chairman. Details of Commissioners who served during the year are available in the Great Britain/England Annual Report and Accounts.

A register of interests is maintained and can be accessed on the Forestry Commission website (www.forestry.gov.uk).

Audit and Risk Committee

Following a review of the effectiveness of existing Audit Committee arrangements across the Forestry Commission, a revised structure, reflecting the needs of each country, was put in place during 2006-07. In Scotland, the National Committee has established an Audit and Risk Committee (ARC) as a sub-committee to support it in its responsibilities for the effective management of risk, control and governance. Through its work the ARC provides independent assurance to the National Committee on those key activities which support the achievement of country objectives. The ARC operates in accordance with the principles contained in the Treasury's Audit Committee Handbook. The members of the ARC for Scotland are:

Non-executive members:

Martin Gale (Chair)
Simon Pepper
Simon Rennie
Dr Calum MacDonald (from 5 March 2008)

Additionally the following will also normally attend meetings:

Accountable Officer, Forestry Commission Scotland;
Agency Accountable Officer, Forest Enterprise Scotland;
Head of Corporate Services (Scotland's Finance Director);
Head of Internal Audit or a representative; and
representatives of Audit Scotland.

The Director General as Principal Accounting Officer of the Forestry Commission and Director Finance, Forestry Commission may attend any meeting.

Further information on the responsibilities and work of the Audit Committee during the year is provided in the Statement on Internal Control (SIC).

Corporate Governance

The Statement on Internal Control (SIC) provides a summary of the way in which Forestry Commission Scotland manages its Governance and Internal Control by applying the principles of the Treasury's Code of Good Practice for Corporate Governance.

Risk Management Policy

The Risk Management Policy of Forestry Commission Scotland is to be fully committed to effective risk management, adopting best practice in the identification, evaluation and control of risks, in order to:

- Integrate risk management into the culture of Forestry Commission Scotland;
- Eliminate or reduce risks to an acceptable level;
- Anticipate and respond to changing social, environmental and legislative requirements;
- Prevent injury and damage and reduce the cost of risk;
- Raise awareness of the need for risk management;

By adopting its Risk Management Policy, Forestry Commission Scotland recognises risk management as a key function in helping to ensure it achieves its aims and objectives.

Principal risks, uncertainties and opportunities

Forestry Commission Scotland measures its risks against the following criteria:

Economic – this relates to the management of the estate to benefit the wider economy and includes opportunities or possible adverse effects relating to the maximisation of the value of the wood resource and maintenance of high and stable levels of economic growth and employment.

Reputational - this relates to the level of criticism that might be levelled at our Minister or Forestry Commission Scotland and the effect that this might have on our relationships with other organisations and with the public.

Environmental – this relates to the implications for the targets of maintaining and enhancing the bio-diversity, cultural value and landscape character of our estate, making a positive contribution to the environment, effective protection of the environment and prudent use of natural resources.

Social – this relates to the implications for the targets of contributing to the quality of life for a wide range of people by creating opportunities to enjoy trees, woods and forests and helping communities to benefit from woods and forests whilst recognising the needs of everyone.

The principal risks identified during the year and appropriate action taken to mitigate were:

- a) Potential failure to meet Scottish Climate Change Programme targets through lack of woodland creation mitigated by maximising approval of woodland creation grants and providing support for wood energy supply chain development.
- b) Potential failure to meet forestry expansion aspirations through insufficient woodland creation, low uptake of grant schemes, poor land availability or uncertainty in agricultural and land use sectors mitigated by targeting woodland creation to maximise public benefits and by extending the FES carbon afforestation programme.
- c) Potential failure to halt biodiversity decline in woodland species mitigated by proactively engaging with key site owners and encouraging entry into Land Management Contracts and landscape scale partnerships.



RESOURCE ACCOUNTS 2007-08

FINANCES

Basis of Accounts

The Forestry Commission Scotland Resource Accounts are prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 45(1) of the Forestry Act 1967. The Direction is produced as an appendix to the accounts.

Departmental Accounting Boundary

These accounts incorporate the core department only. Forest Enterprise Scotland, an executive agency of Forestry Commission Scotland since 1 April 2003, is a public corporation for national accounting. Accordingly, it is outside the departmental boundary for resource accounting and produces its own accounts with its net funding reflected in these accounts.

Financial review

Forestry Commission Scotland receives funding from the Scottish Government, as shown in the 2007-08 Spring Budget Revision to the Budget (Scotland) Act, to deliver its agreed financial, strategic and operational aims and objectives. The main programme costs cover:

- Support for forestry and rural economy including grants paid to private woodland owners;
- Net funding of Forest Enterprise Scotland to allow it to manage the Scottish forest estate in accordance with the economic, environmental and social objectives set by Forestry Commission Scotland; and
- Cost of capital.

Whilst Forestry Commission Scotland is not exposed to the same degree of risk and uncertainty associated with the private sector, there are a number of factors which can significantly impact on the level of required funding, including the following issues:

- Private sector response to claiming grants can be influenced by market conditions, tax concessions and grant structure;
- Fluctuations in the timber market can impact on Forest Enterprise Scotland's net funding with over 50% of gross expenditure being met from sales of timber;
- With net assets of £759 million, revaluation of the estate significantly influences the cost of capital charge. During the year the cost of capital charge increased by 26% to just over £23million;
- Programme expenditure (excl. FES funding) recorded an increase of £3.9 million compared to last year, principally from the increase in cost of capital charge. Support for forestry and the rural economy, including grants paid to private woodland owners and expenditure on forestry development programmes sustained last year's level of activity.
- Additional resource funding was provided to Forest Enterprise Scotland of £1.5 million to undertake additional bio-diversity projects and to make provision for public liability claims. Forest Enterprise Scotland received net resource funding from Forestry Commission Scotland of £30.8 million to manage the forest estate and to deliver increased programmes of work in providing a wide range of public benefits.

Net assets increased from £571 million to £759 million, primarily due to the increased valuation of the forest estate and other land of £189 million but also by new acquisitions of land and forest estate of £6.6 million. FCS disposed of around £6.6 million of forest estate and other land during the year. The cash balance of £3.4million represented the cash underspend for 2007-08 and will be repaid to the Scottish Government during 2008-09. Net assets were represented by a general fund of £377 million and a revaluation reserve of £383 million on the forest estate and land which will only be realised on the disposal of land.

Significant variances against estimate

The comparison of actual resource expenditure to Estimate is shown below:

£m	Estimate	Outturn	Difference
Total resource	98.4	96.2	2.2
Net cash requirement	74.6	71.2	3.4

The net cash difference mainly arises from reduced expenditure on Timber Transport projects delayed to 2008/09 and extra timber income. The cash total includes a variance on capital where a £7.3 million increase in income from fixed asset disposals has been re-invested in new land acquisitions for the climate change programme. These all feed through to the total resource variance but are partly offset by increased non-cash cost of capital and an increase in public liability provision.

Other Disclosures

Research and Development

Forest Research, an executive agency of the Forestry Commission, is responsible for carrying out forest research and allied work. Although forestry is a devolved subject, Forest Research continues to be funded from Westminster. More information on the work of Forest Research can be found on the Forestry Commission website <http://www.forestry.gov.uk/research>.

Pensions

Information on pensions is contained in the Remuneration Report and accounting policy note 1.4.

Supplier Payment Policy

The Forestry Commission complies with the Government's Better Payment Practice Code. Unless otherwise stated in the contract, we aim to pay within 30 days from the receipt of goods and services or the presentation of a valid invoice, whichever is the later. A sample analysis for 2007-08 indicates that 97.7% (2006-07 99.5%) of invoices were paid within the due date. Arrangements for handling complaints on payment performance are notified to suppliers on contracts. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Auditors

These accounts are audited by auditors appointed by the Auditor General for Scotland.

Disclosure of audit information to the auditors

So far as the Accountable Officer is aware, there is no relevant audit information of which Forestry Commission Scotland'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 Forestry Commission Scotland's auditors are aware of that information.

R McIntosh
Non-Statutory Accountable Officer
21 July 2008

REMUNERATION REPORT

Remuneration policy

Fees for non-executive Commissioners and National Committee members who are not Forestry Commission employees are determined in accordance with guidelines prescribed by the Cabinet Office. The Forestry Commission's Senior Pay Committee comprises the Chairman, Director General, Director Scotland, Director England, and three other non-executive Commissioners. The Chairman, Director General and non-executive Commissioners take decisions in respect of Country Directors. The entire committee takes decisions on remaining senior staff posts.

In reaching its decisions on individuals' salary and bonus, the Senior Pay Committee has regard to the following considerations:

- Guidelines circulated by the Cabinet Office implementing Government decisions on the recommendations of the Senior Salaries Review Body (SSRB). The SSRB is responsible for monitoring the operation of the Senior Civil Service pay system and for making recommendations to the Government on the shape of the system. This includes the salary values for the minimum and maximum of each of the senior pay bands, the range of percentage increases to base salary and range of bonuses. Further information on the work of the SSRB can be found at www.ome.uk.com.
- Reporting Officers' recommendations on the relative performance of each of their senior staff, whether a bonus should be paid and if so whether low or high. The Senior Pay Committee consider the recommendations, determine the allocation of senior staff to tranches, and decide the percentage increase to salary and any bonus to be awarded.

Remaining Committee and Board members receive annual salaries paid in accordance with the standard Forestry Commission Staff Pay Agreement negotiated through collective bargaining with the recognised Trade Unions. Their performance is monitored and reviewed through the Performance Monitoring System (PMS) of the Forestry Commission. Their increase in salary and performance bonus, if awarded, are based on their manager's assessment of their performance.

Employment contracts

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

Unless otherwise stated below, the senior staff covered in this report hold appointments that are open-ended until they reach the 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.

Non-executives are generally appointed for a fixed term of three years with a maximum notice period of one month. Contracts are renewable for further fixed terms if both parties agree. In the event of early termination, for whatever reason, there is no provision for compensation.

Details of the letters of appointment for the non-executives who served during the year are:

	Date of current contract/letter	Unexpired term (months*)
Dr Calum MacDonald	1/4/2006	12
Martin Gale	1/5/2006	13
Richard Wakeford	n/a	n/a
Simon Pepper	27/6/2006	15
Simon Rennie	27/11/2006	20

Audited element of remuneration report

Salary and pension entitlements

The salary and pension entitlements of the civil servants who are members of the National Committee and Management Board were:

	2007-08		2006-07	
	Salary	Benefits in kind	Salary	Benefits in kind
	£000	to nearest £100	£000	to nearest £100
Dr Bob McIntosh	110-115	-	100-105	-
Paul Snaith	55-60	-	50-55	-
Simon Hodge	80-85	-	70-75	-
Jean Lindsay	20-25 ¹	-	-	-
James Simpson	45-50	-	25-30 ²	100

The salary and pension entitlements of Hugh Insley, a member of the National Committee for Scotland, are borne and disclosed in the Forest Enterprise Scotland Annual Report and Accounts 2007-08 as he is the Chief Executive of Forest Enterprise Scotland.

Salary

'Salary' includes basic salary; performance pay or bonus; overtime and any allowances subject to UK taxation. This report is based on payments made by Forestry Commission Scotland and thus recorded in these accounts.

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 taxable income. Benefits in kind are given in the form of the private use of a car and house purchase loans.

Transactions with committee and board members

An interest free loan in the form of an advance of salary for house purchase may be given to employees. The following members of the National Committee and Management Board had such outstanding loans during the year:

	Balance at 1 April 2007	Balance at 31 March 2008	Maximum balance during the year
	£000	£000	£000
Paul Snaith	3	1	3

¹ Figure quoted is for the period 1 April 2007 to 19 November 2007. Full year equivalent is 40-45.

² Figure quoted is for the period 16 October 2006 to 31 March 2007. Full year equivalent is 40-45.

Pension benefits

	Accrued pension at age 60 at 31 March 2008 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2008 £000	CETV at 31 March 2007 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Bob McIntosh	40-45 plus LS of 125-130	0-2.5 plus LS of 2.5-5.0	971	828	29	-
Paul Snaith	30-35 plus LS of 0-5	0-2.5 plus LS of 0-2.5	553	467	17	-
Simon Hodge	15-20 plus LS of 45-50	0-2.5 plus LS of 0-2.5	263	214	10	-
Jean Lindsay	15-20 plus LS of 45-50	2.5-5.0 plus LS of 7.5-10.0	263	179	55	-
James Simpson	10-15 plus LS of 25-30	0-2.5 plus LS of 0-2.5	185	140	18	-

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus), or a 'whole career' scheme (nuvos). 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 and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as for classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his 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 2.30% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 0.8% 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 60 for members of classic, premium and classic plus and 65 for members of nuvos. Further details about the Principal Civil Service Pension Scheme can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

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 individual has transferred to the Civil Service pension arrangements and for which the Cabinet Office's Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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 drawn.

Real increase in CETV

This reflects the increase in CETV effectively 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.

Remuneration of Non-Executives

The non-executive Forestry Commissioners and members of the National Committee for Scotland received the following remuneration for their services during the year ended 31 March 2008:

	2007-08	2006-07
	£000	£000
Simon Pepper	4	5

The remuneration of Dr Calum MacDonald and Martin Gale, non-executive Forestry Commissioners and members of the National Committee for Scotland, are borne and disclosed in the Forestry Commission Great Britain/England Annual Report and Accounts 2007-08. Richard Wakeford, a member of the National Committee for Scotland, is employed by the Scottish Government as Director General, Environment and does not receive any additional remuneration from Forestry Commission Scotland. Simon Rennie, a non-executive member of the National Committee for Scotland, is a Director of the Central Scotland Forest Trust which received payments from Forestry Commission Scotland for his service on the National Committee and is disclosed as a related party transaction.

R McIntosh
Non-Statutory Accountable Officer
21 July 2008

STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the Forestry Act 1967, Forestry Commission Scotland is required to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department, the net resource outturn, 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.

Under section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer has designated the Director General, Head of Department, as Accountable Officer of the Forestry Commission in respect of its activities in Scotland. He is personally answerable to the Scottish Parliament for the propriety and regularity of the Forestry Commission's activities in Scotland and for the economical, efficient and effective use of all associated resources.

In addition, the Head of Department has designated Director, Forestry Commission Scotland as an additional Accountable Officer which includes delegation of responsibility for signing the accounts for the Scottish Parliament in respect of the Forestry Commission's activities in Scotland, for the propriety and regularity of the public finances, for keeping proper records and for safeguarding Forestry Commission Scotland's assets. This delegation does not detract from the Head of Department's overall responsibility as Accountable Officer for the department's accounts. The relationship between the Accountable Officer and Director, Forestry Commission Scotland, together with their respective responsibilities, is set out in writing.

