

MINUTES OF THE 909TH MEETING OF
THE FORESTRY COMMISSIONERS
CENTRAL BOARDROOM, SILVAN HOUSE, EDINBURGH
19TH MARCH 2015

Present

Harry Studholme (Chair), Mary Barkham, Amanda Bryan, Ian Gambles, Hamish Macleod, Jo O'Hara, Keith Oates, Wilma Harper, Jean Lindsay

Also Attending

George McRobbie (Observer); Stephen Bennett (Item 5 only); Fiona Alexander (Minutes).

1. Introduction and Apologies

The Chair welcomed everyone to the meeting and introduced George McRobbie, Forestry Commissioner for Scotland elect who was attending the meeting as an Observer. No apologies were received.

2. Minutes of 17 December 2014

The minutes were agreed as a true record.

3. Matters Arising

i) Scottish Minister

The meeting noted the positive discussion with the Scottish Minister and the new Director of Environment, Forestry, and Climate Change over the economic impact of Forestry the previous evening.

ii) HMRC VAT Audit

The meeting heard that Director Central Services met representatives from HMRC on 6 March to discuss the FC VAT Audit. HMRC are pleased that this matter is being discussed at Board level and recognise the quick action taken by the FC to address the issues. A Tax Working Group (TWG) has been set up and the group has been tasked with identifying the current 'hot topics', which have now been narrowed to 12 issues on the HMRC radar. The TWG has also identified where there may be FC-wide issues and approx. 60 of these have been identified. Some of the issues are already being resolved but the FC requires expert tax advice to ensure that tax issues are properly dealt with. The TWG has been tasked with putting in place a 'Tax Impact Assessment' for any new projects to ensure that the FC considers the tax implications associated with any new system

There will be a tax bill of approx £1M for over-recovered VAT on the invoices from IS Contractors. The FC has made a payment on account in FY 14/15. As this liability goes

back 5 years and hence includes FC Wales, there is a liability for Natural Resources Wales (NRW) which they have been asked to fund.

The Head of Internal Audit has completed an investigation into how the over-recovery of VAT arose. The early indications show that following a change to the rules for claiming VAT by government departments in 2010, the requisite action was not taken by the FC. In 2012 the issue was raised by HMRC and action was initiated to correct the non-compliance, but this was not followed through. The two Finance Directors who were in post covering the period in question have now retired. Consequently the investigation has been unable to establish why the change was not implemented at that time nor take further action beyond ensuring that proper procedures are now in place. Internal Audit was not aware of the change and a Finance Support visit failed to identify non-compliance.

A further meeting will be held with HMRC at the end of March to discuss the issues.

The Board recorded their thanks to Director Central Services for her work in taking control of this issue and asked to be updated at future meetings on both the resolution of the IS Contractor issue and the ongoing VAT audit.

iii) Corporate Plans

The meeting heard that as Ministers do not wish to approve the Cross Border and Forest Research Corporate Plans before the election, they have not been published.

iv) Accident Statistics for Members of the Public

The meeting noted some increases in the reported number of accidents to members of the public. This appears to be the result of improved and increased reporting of accidents. The meeting noted that the FC has some on-going liability cases.

Action Point Ian Gambles and Jo O'Hara to provide details of liability cases for the next meeting

4. **FC Futures – Legal and Corporate Project**

The meeting was given an update on the work undertaken on the continuing devolution of FC functions over the last three months in particular, a proposal to set up a project which will consider the impact of other projects being established on the legal and corporate aspects of FC business.

The meeting discussed the need for a clear, co-ordinated process with shared responsibilities so that information, facts, and realistic options can be presented to Ministers to enable them to make policy decisions.

The meeting agreed to set up the Legal and Corporate Project and agreed the revised Terms of Reference for the Forestry Commission Executive Board.

5. **Forestry Commission Diversity Agenda**

The meeting was updated on progress made by the FC in supporting diversity in the organisation.

The FC is meeting its legal obligations and has received awards and commendations for its work in diversity with some good initiatives undertaken in England and Scotland.

The meeting was reminded that the FC historically, due to the nature of its business, does not have a highly diverse workforce. However, despite recent downsizing it has managed to maintain diversity in specific areas usually disproportionately hit in reorganisations e.g. number of part-time staff, number of women. A high percentage of women returned to work following maternity leave, there is a good percentage of staff working flexibly and, there are positive signs that women are progressing through the pay bands. The Civil Service Wide recruitment freeze continues and the organisation is shrinking making large scale improvements to diversity difficult to achieve quickly.

The FC does not carry out positive discrimination but has initiatives to improve diversity. The FC focuses is on areas where there are known difficulties. This narrower focus enables more targeted action and more achievable results.

Action Point Stephen Bennett to provide information on the gender split across senior and middle management in the countries

6. Science and Innovation Strategy Update

The meeting was updated on progress on the Science and Innovation Strategy. The Strategy comprises seven inter-disciplinary programmes of research with three themes around resilience, modelling, and timber.

The Research Strategy Management Board is contributing to the targeting of resources by bringing together the scheme leads and agreeing strategy and priorities.

The new programmes of work will start in FY 2015/16. Annual on-going reviews will be undertaken to ensure that the needs of the countries are met. Discussions with Defra and Scottish Government are tasked to improve and increase co-operation and integration.

7. Central Services Report

Issues discussed or noted included:

- i) FC has liaison with the Foreign & Commonwealth Office and the Maritime & Coastguard Agency over the safe disposal of infected dunnage from the Ukraine;
- ii) FC is working on a revised Memorandum of Agreement with RBG Kew;
- iii) The Cross-Border Project to consider alternatives for the Forest Research Agency;
- iv) the order to abolish the Home Grown Timber Advisory Group was signed on 2 March 2015;
- v) FR work on modelling forest carbon stocks and filming a year in the life of an oak tree;
- vi) Guidance on whistleblowing: the Director Central Services has taken on overall responsibility for whistleblowing practices within the FC;

- viii) An Employment Appeal Tribunal judgement on holiday pay has been issued and its implications are under consideration;
- ix) The new payroll system is scheduled to go live in April 2015;
- x) Progress in moving HR from Central Services into the countries.

8. England Report

Issues discussed or noted included:

- i) The decision to reduce the number of administrative hubs as part of the reshaping of Forest Services;
- ii) The turning down of two planning applications by Forest Holidays. No decision had yet been made by Forest Holidays on how to progress the applications;
- iii) Woodlands Into Management – the Chancellor recently announced additional £1 million funding for the forestry sector;
- iv) The strengthening of the FEE+ management team;
- v) Hamish Macleod will Chair the working group on 'Roots to Prosperity' which aims to produce an investors prospectus by the Autumn. Evidence will be taken from a number of stakeholders including the FC.

9. Scotland Report

Issues discussed or noted included:

- i) The new Government and Economic Strategy intended to drive activity across the public sector, to deliver inclusive economic growth and build on increased citizen participation;
- ii) A Rural Affairs, Food and Environment Board has been established to build alignment of public bodies in rural policy. The Board will be chaired by the Cabinet Secretary;
- iii) A proposal to remove forestry measures from the Land Reform Bill;
- iv) The potential impact on FES finances with timber prices softening in response to the weaker Euro;
- v) Road closure of the A82, due to rock-fall from the forest estate. The board noted the exemplary way this had been handled by FCS staff;
- vi) Helicopters used to assess the degree of recent windblow on the forest estate affecting approx. 400,000 tonnes of timber.

10. Any Other Business

- i) It had been agreed at the December meeting that Dr Bob McIntosh would continue as the FC-nominated Director on the Forest Holidays Board while new arrangements are put in place. A letter is being drafted for Dr McIntosh which will specify his role and how he will work with the FC. The Board agreed that a sub-committee comprising Ian Gambles, Sir Harry Studholme and Wilma Harper

would be set up to consider an appropriate process for selecting a Director for the Forest Holidays Board.

- ii) The Chair thanked Hamish Macleod for his six years as a Forestry Commissioner, noting his wisdom, tactful handling of issues, and intermediary work between the public and private forestry sectors.

11. Date of Next Meeting

10 and 11 June to include a Tour of The National Arboretum, Westonbirt.