

**DIRECTOR SCOTLAND REPORT****SCOTTISH POLITICAL SCENE**

The SNP won an unexpectedly large share of the vote in last month's Scottish elections and are the first party to have an overall majority in the Scottish Parliament. The number of MSPs from each party is SNP 69; Labour 37; Conservative 15; Liberal Democrat 5; Green Party 2; and Independent 1.

Richard Lochhead retains his position as Cabinet Secretary for Rural Affairs and the Environment, with Stewart Stevenson, formerly the Transport Minister, taking the post of Minister for Environment and Climate Change

A full list of the Manifesto commitments of relevance to the FC is attached at Annex 1. The key aspects are:

- A commitment to keep FC as a publicly-owned body and to keep the national forest estate as an asset for the nation.
- Continued expansion of the woodland area, but within a more clearly defined land use strategy which seeks to integrate forestry and agriculture.
- Higher targets for renewable energy production (100% electricity from renewables by 2020) and a target for FCS of 2 GW of power from the FCS estate by 2020.
- An intention that the Scottish Parliament should now have full responsibility for all forestry issues in Scotland.

We do not know what the intentions are behind the last bullet point above, but it seems to stem from concerns over the impact of the Westminster spending cuts on forest research. Given the size of the Government's majority and their stated aim of repatriating as much responsibility as possible, it may be that the current model for handling forestry will come under scrutiny.

Discussions are continuing over how best to fit FCS into the new Scotland Government structure which is designed to achieve a 25% reduction in the number of Directorates and the number of senior civil servants. The proposal is to create a new Environment and Forestry Directorate which would encompass forestry as well as the other functions shown on the attached slide (Annex 2). It is accepted that FCS needs to be within this structure, but as part of FCGB. This will ensure that we obtain the full benefits of being part of the Scottish Government, while remaining part of FC. In order to achieve this, the current proposal is that I become the Director Environment and Forestry, retaining my position as Director Scotland within the FC, but also taking on board additional

duties within the Scottish Government. This will bring a requirement for joint reporting to the FCDG and the Enterprise and Environment DG and for further delegation of some of my FC duties to my deputies, but the proposal is workable and would be ideal in terms of securing the position of forestry within the Scottish Government structure and priorities.

## FOREST RENEWABLES

Not published as per Freedom of Information Act, Part II (Exempt Information) Sections 35, Formulation of Government Policy and 43, Commercial Interests

## WOODLAND CREATION

Achieving our target for new woodland creation at 10K ha/year is proving difficult against the background of high land prices and grant rates which are at the maximum payable under EU rules, but which are not quite at the level needed to stimulate more activity. Interest in the grant scheme is, however, increasing and we expect the 2010/11 figure to be significantly up on last year's all time low of 2,700 ha. We recently introduced a Land Leasing Scheme which invites landowners to lease land to FCS for 10 years at a nil or low rental. FCS will create woodland on the land and hand back an established woodland to the owner at the end of the lease. The scheme is targeted at productive woodland in blocks of 30 ha and above. The pilot scheme achieved its target of 400 ha and we will now keep this as a permanent option. One of the advantages is that it results in the establishment of new, reasonably-sized, productive woodlands within, rather than instead of, farming businesses.

## FOREST HOLIDAYS

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## STAFF COMMUNICATIONS

Simon Hodge and I have just completed our annual series of staff briefings. A series of eight meetings were held throughout Scotland to enable all FCS staff to meet with the senior team and to hear presentations from Simon and me on current and future issues. The turn-out was particularly high this year (no doubt because of the excitements in England), with 835 staff attending. Our message was that in Scotland it is a 'steady as she goes' position. We have political support for the organisation and the public forest estate and a very reasonable financial settlement at the moment which will enable us to maintain the majority of our programmes, with modest (10%) staff reductions which should be achievable through natural wastage and voluntary severance. In spite of the uncertainty caused by the Westminster Government's approach and the difficult financial position within the public sector, morale seems generally good in FCS.

## GLENTRESS PEEL

The new Glentress Peel facility is now open. This is a £9M development to create new visitor and mountain biking facilities at Glentress forest where the number of people using the mountain bike trails has risen to a level which has outgrown the existing, rather piecemeal, facilities. The development incorporates a mountain biking shop with hire facilities, bike washing facilities, etc, as well as the usual catering and visitor services facilities. The intention is that franchise and car parking income will cover the cost of running the centre and maintaining the mountain biking facilities.

## TIMBER PRICES

The hike in timber prices throughout 2010/11 has been welcomed by growers and has greatly assisted our ability to absorb the SR10 implications. FES timber income for 10/11 was £5M over budget. The relative weakness of sterling against other major currencies has been a key factor in influencing prices. If there is no major change in this position, the general feeling is that current timber price levels may be sustained throughout most of the coming year.

## FOREST FIRES

The exceptionally dry spring has meant that forest fires have been an issue this year. There were 14 reported fires on the National Forest Estate, with only one being significant. Some 200 ha were burnt in a fire in Galloway Forest District, including 60 ha of established woodland and 60 ha of restocking. In the private sector, a significant area (80 ha) of recently established woodland was destroyed on land owned by the National Trust for Scotland.

## END OF YEAR FINANCIAL POSITION

FC Scotland had an approved funding of £76.7M DEL. We were then asked by the Scottish Government to underspend by a further £1.0M to enable them to reallocate funds within the core Scottish Government departments. Against this new target of £75.7M we anticipate an outturn of £75.6M, a net underspend of £0.1M.

There were some late issues in the accounts around revaluation and depreciation of assets, particularly Vehicles, Machinery and Equipment. However, we were able to balance these late charges with some additional harvesting income.

Work on the production of the annual report and accounts is currently on target.

Bob McIntosh  
Director Scotland  
May 2011