

**Forest Enterprise Scotland
Management Board Meeting
Inverness / Edinburgh / Dumfries 23 July 2015**

Attendees:

Simon Hodge, Chief Executive
Les Bryson, Head of Operations
Jo Ellis, Head of Planning and Environment
Rosetta Forbes, HR Business Partner
Donna Hutchinson, Head of Finance
Michael Hymers, Head of Corporate Support
Alan Stevenson, Head of Communities, Recreation and Tourism
Laurie Tyson, Head of Estates
Jennifer Roberts (Minute Secretary)

Apologies:

Michael Ansell, Head of Forest Renewables

1.Minutes of the last meeting and action points

The minutes of the meeting held on the 18 June 2015 were agreed as a true and accurate record.

AP 2.1: Laurie to liaise with the Built Asset Management Board and review the proposed capital projects and confirm which would receive capital allocation in FY 15/16.

Discharged

AP 3.1: Laurie to present the Estates risk register to the June meeting of the FESMB.

Discharged

AP 6.3: Les will ask Jason Liggins to discuss with Michael how this feedback can be used.

Discharged

AP 2.1: Donna will clarify carryover cash/programme with Jo/Les so it can be factored into the FY 15/16 Programme.

Rolled Over

AP 2.2: Donna will look into the accrual expenditure for the February forecast and actuals and provide Simon with feedback. (First bullet point)

Rolled Over

AP 2.3: Donna and Laurie will get back to Simon on the estates variance.

Rolled Over

AP 3.1: Donna will maintain a list of proposed changes to the main Risk register when it is updated in October.

Rolled Over

AP6.1: AP 6.1: Board members will feedback prior to the next Board meeting any other Targets, Indicators or Commitments that should be flagged as amber or red, and proposed recovery actions. Only feedback from Jo Ellis has been received so far. The board will get back to Michael with any other feedback before the next meeting.

Rolled Over

AP 9.1: Brent to forward details of the outcomes of the Vacant & Derelict Land project to Simon for consideration.

Discharged

2. Finance Report

Donna Hutchinson

Donna provided the FE Scotland Management Board with an update on the financial position for 2015/16 - P/E June.

The annual report and accounts will be presented to the Audit and Risk Committee tomorrow, for signing off.

Expenditure forecast based on the latest variance exercise currently exceeds the Furthermore a £4.7m shortfall is now forecast in the current budget; a £11.5m shortfall next year and a £10.5m shortfall the year after due to a significant reduction in timber prices and uplift, and reduced renewables income due to the removal of UK government incentives. The board agreed this will need to be reflected in the business plans.

The board discussed the current financial control procedures and agreed that procedures need to be temporarily strengthened. This will involve establishing a Budget Management Committee (Les Bryson (chair), Michael Ansell, Aland Stevenson, Donna Hutchinson), calling in all spend decisions >£50K, imposing a virtual recruitment freeze, and raising the authorisation required for overtime. Overhead spend (17000 accounts will be monitored closely). Capital commitments will be reviewed to look at potential savings on uncommitted elements.

The board agreed the distribution of cuts proposed in the finance paper. The implementation of these reductions will be overseen by the Budget Management Committee.

Communication on these decisions with Cost Centre Managers will be by letter and via a teleconference. The TUS will be kept informed and a note prepared for all staff.

AP2.1: Simon to write to and convene teleconference with Cost Centre Managers.

AP2.2: Les Bryson to establish and chair a Budget Management Committee.

AP2.3 Rosetta to consider the position with STA's.

AP2.4 Jennifer to arrange teleconference.

AP2.5: Laurie to update Simon on the status of capital buildings projects.

AP2.6: Les to update Simon on VME commitments.

The Board discussed the position on asset sales and confirmed the £10.1m overall target across repositioning and rationalisation. It was recognised that the sale of the Barracks Forest was key to meeting this target.

Les alerted the Board to further cost escalation on the A82 project, specifically relating to stabilising the site of the recent rock fall. This will need to be funded by further cuts to operational budgets.

Les alerted the Board to concerns over the high cost of new planting tenders under the New Planting Framework. The Board discussed the reasons for cost escalation, including the high level of complexity in some of the schemes and asked that this be investigated further. Given the need to achieve new planting targets the board sought further clarity on immediate options.

AP2.7: Les to establish the legal position regarding the current tenders.

AP2.8: Les and Jo to review current schemes and provide options to Simon by end of July.

3. Risk Management

Donna Hutchinson

The Board discussed current top and emerging risks. The register is due to be formally updated in October.

Top risks.

- On H&S, the H&S Climate Survey reports have been distributed to managers, who will work with the Safety, Health and Env team to develop local action plans.
- On VAT, action is underway to secure independent tax advice to aid our dialogue with HMRC.
- Given the emerging situation, the risk scoring for restocking will be reviewed.
- The scale of the Land Registration project is becoming more apparent and likely costs are under review.

- Progress with restoration of opencast coal sites has been discussed with Audit Scotland to be reflected in their audit of the Annual Report and Accounts.

Emerging risks.

Emerging risks around reducing timber income will be reflected in the next risk register review, as will the potential impact on investment in roading to access disease vulnerable areas.

The Board identified four further emerging risk areas.

- Recruitment and retention of civil engineers.
- Rising cost of new planting.
- Challenges around achieving repositioning income targets.
- Impact on FES of resignations in FAS.

AP3.2: Donna to circulate the risk register to districts in October after the next revision.

4. Business Plan (FY 16/17 & FY 17/18) 'First Cut'

Simon Hodge

Simon presented a first cut business plan based on reduced income forecasts. This will involve deep cuts to programme and overhead budgets, and threaten our ability to achieve key Agency targets. Discussions with the Scottish Government are scheduled.

The Board broadly agreed the 'first cut' and were invited to feed back any comments.

The Board discussed the potential implications of reduced income on FES and options for managing the pressures. The Board agreed that current accountability structures vested primarily in District cost centres made the job of the Board more difficult. Proposals already announced to move to the '3+2 model' (with three delivery business areas and two business support areas) will help, but financial authority will need to be mapped to this new structure.

AP4.1. Board members to give feedback on first cut business plan by 30th July.

AP4.2: Donna and Simon to consider options for strengthening Board level financial oversight.

5. Corporate Identity

Alan Chalmers

It is becoming increasingly important to distinguish between FES and FCS. Alan Chalmers presented new corporate templates for FES that make the FES identity clear. This will also be reflected in terminology used in media work. The Board was advised

however that no changes to our branding on the ground was planned. The Board agreed the proposal and tasked Michael Hymers and Aland Chalmers with implementation.

AP5.1 Michael Hymers and Alan Chalmers to roll out new corporate templates and associated guidance.

6. Procurement

Donna Hutchinson

Graham Godsman presented the outcome of his analysis of current procurement practice and recommendations for further strengthening good practice. He advised that an update would go to the next Audit and Risk Committee, and that Simon would chair a subsequent meeting to confirm next steps.

The Board agreed the recommendations and stressed the priority it placed on this work to be ready for the new regulations in April 2016. To help focus down the options, the Board decided that the Group should focus on the creation of a centrally managed procurement capability within FES, and that the potential to develop existing staff into these roles be fully explored.

The Board confirmed that the line of governance for this work would be to FESMB and asked for final proposals to be presented to the 30 November meeting. The Board further asked that the Group work closely with the Scottish Government to harmonise our approach and explore the possibilities for sharing capability.

AP6.1: Graham to liaise with Scottish Government.

AP6.2: Graham to present a final paper to the 12 November Board meeting.

AP6.3: Rosetta to consider staffing aspects.

AP6.4: Michael to liaise with Nicky Whitaker on FCS governance aspects.

7. HR Update & Staffing

Rosetta Forbes

Rosetta updated the Board on workforce planning, diversity review, holiday pay and overtime, and changes in Civil Service terms and conditions related to reservists and volunteering. The Board agreed that further increases in certain travel and subsistence rates were not appropriate at this time. The Board shared Rosetta concerns about authorisation of subsistence claims in excess of limits and asked for further analysis information. An increasing trend in sickness absence was discussed, and the Board asked for further analysis of this to determine underlying causes.

AP7.1: Rosetta to provide information on approval of claims above subsistence limits.

AP7.2: Rosetta to provide further analysis of sick absence data with a view to examine underlying causes.

10. Organisational / Functional Update

FESMB Members

Les advised the Board that the MECS management board has been shut down now that full integration with the FES Mechanical Engineering team has been implemented.

Les also advised that the Steep Ground Management Programme Board has been decommissioned as three of the four projects have been successfully completed and integrated into 'business as usual'. The remaining A82 project will be led by Graeme Prest and will be reviewed to consider cost effective options for the next phase. Close working with Transport Scotland continues and it has been agreed that briefings and media releases will be undertaken jointly.

Simon advised the Board of a new Accountable Officer delegation directly from the Permanent Secretary reflecting FES' direct line into the Scottish Government. This will have implications for FES governance and oversight within the Forestry Commission.

A Forestry Governance Project Board has been established by Scottish Government, DFR and the FC, with the first meeting in August.

The FES Head of Business Support Services post will be advertised in the next few days.

Donna, with Rosetta and Ian Hood, is to establish a group to determine FES' future approach and requirements regarding official travel. In the meantime, a review of the CAPES leasing scheme has been concluded and agreed by FES. This includes the requirement of managers to provide a strong business case where CAPES cars are more expensive than alternatives.

The next Board meeting is confirmed as the 13 August 2015.