

Forest Enterprise Scotland Management Board Meeting

26 July 2016

Attendees:

Simon Hodge, Chief Executive
Trefor Owen, Head of Land Management
Michael Hymers, Head of Corporate Support
Alan Stevenson, Head of Community and Visitor Services
Rosetta Forbes, HR Business Partner
Donna Hutchinson, Head of Finance and Procurement
Hilda Todd, Minute Secretary

Present:

Rebecca Boenke, Project & Programme Support Officer (Item 4 & 8)
Kelly Quinn, National Services Scotland (Item 8)

Apologies:

Brent Meakin, Head of Business Services
Michael Ansell, Head of Estates Development

1. Minutes of last Meeting 15 June 2016

Minor comments to the minutes were received. The Board agreed that the record of the 15 June 2016 was held to be a true and fair record of the meeting.

2. Action Points and Matters Arising

Ref:	Action	Who	Target Date
5/11	Agree and subsequently action a prioritised improvement plan for the intranet/internet in conjunction with FCS.	MH	30 September 2016
5/22	Review FES service contracts to clarify potential status of those providing services, feeding back to functional leads.	RF, AM & JM	31 August 2016
7/01	Review Forest District Road Maintenance programmes for FY 16/17 (including resource allocation) clarifying 'actual' requirements, subsequently providing feedback to the Board.	TO	17 August 2016
7/02	Review objectives of New Planting proposals to ensure full consideration of timber production potential and affordability.	SH, TO, MB & JE.	31 August 2016
7/03	Review sales plans to ensure market opportunities are recognised and incorporated.	TO & MB	31 August 2016
7/04	Finalise and circulate NCS paper on FES Finances.	SH	15 August

Ref:	Action	Who	Target Date
			2016
7/05	Review guidance to Cost Centre Managers on the establishment and governance of 'concept' projects, including their capture by the 'Project Office'.	RB, DM & MH	31 August 2016
7/06	Feedback initial thoughts/ideas about the content/format of the risk register workshop.	FESMB	10 August 2016
7/07	Liaise with the Board / NCS over FES's approach to corporate planning for the next three-year period.	SH	29 August 2016
7/08	Corporate Support / NSS to support functional leads and nominated SRO's complete the initial tranche of RPAs for prioritisation in August.	MH & KQ	16 August 2016

Action Points: 5/06, 6/01, 6/02, 6/03, 6/04, 6/05, 6/06, 6/07 Discharged.

3. Finance Update (i.e. FY 16/17)

Our approved net funding for 2016/17 is £21.7m and we carried forward £20.8m giving a total approved funding of £42.5m. The cash budget approved this year is £27.3m.

Net Cost	Approved Budget £m	Actual £m	June Forecast £m	Variance over budget £m
Net Cashflow Deficit	27.3	3.3	23.1	-4.2
Net Expenditure	30.3	-1.3	26.4	3.8
Less Depreciation	3.2	-1.1	4.2	1.0
Net Accrued Expenditure	27.0	-2.4	22.2	4.8

Note: Accrued budget does not include £0.2m VME Lease payments.

The net expenditure forecast is £26.4m, which is £3.8m below the budget. A number of investments made at year-end have been released resulting in a projected cash balance of £19.7m (which includes ring-fenced reserves of £8.8m).

The following pressures remain outstanding after the quarter end and are not included within the forecast.

Programme/Function	Value £m
Land Management - Civil	£0.6m
Land Management - Harvesting	£0.7m with a reliever of £0.1m

Land Management - Woodland Creation	£0.1m
Estates Development	£1.4m with relievers of £0.6m
C&VS	£0.1m
Business services	£7.8m
Total	£10.7m

Since the June meeting of the Board a process for managing the pressures and relievers has been agreed and subsequently implemented.

The process (combined with the BMR) has highlighted inconsistencies in the budgeting of Roads Maintenance / Road Upgrading.

AP 7/01 Review Forest District Road Maintenance programmes for FY 16/17 (including resource allocation) clarifying 'actual' requirements, subsequently providing feedback to the Board.

4. NCS Finance Update

Simon presented a draft paper for presentation to the August meeting of the National Committee on FES Finances. The paper provides an analysis of financial trends, as well as highlighting pressures and potential relievers.

The paper explains the Board's rationale to make contingent resource allocations to known, but not yet fully costed liabilities and pressures such as VAT and cost of change.

As a result of the work to draft the paper, a number of actions have been identified that require additional input during FY 16/17:

AP 7/02 Review objectives of New Planting proposals to ensure full consideration of timber production potential and affordability.

AP 7/03 Review sales plans to ensure market opportunities are recognised and incorporated.

The feedback received from the Board will be incorporated into a revised paper for circulation to the National Committee.

AP 7/04 Finalise and circulate NCS paper on FES Finances.

5. Project & Programme Quarterly Update

The Project Dashboard discussion focused on those, projects assessed as either red or amber:

- **Cuningar Loop** – The construction of the bridge has now commenced with a completion date of the 31 October 2016. The site has now fully opened (with the exception of the area associated with the construction of the bridge).
- **Land Registration** – The process is ongoing, however a number of fundamental issues still require to be resolved by FES and RoS. Available resources are not adequate for the current methodology / timescale. FES to meet with RoS to agree an alternative approach.
- **Procurement Reform** - Although the team are now in place, the challenge of implementing a two-tier contract management structure (regulated and unregulated) requires a cultural change. A paper providing the Board with a further update will be presented in August.
- **South Loch Ness Timber Haul Route** – The project team are working through a snagging list and will produce an end of project report and lessons learned.
- **A82**- £500K secured for Loch Ness Primrose Bay harvesting operations.
- **Productive Broadleaves** - Project resourcing was discussed, but was not seen by the Board as a principle barrier to progress at this stage.
- **Greenoak Hill** – The completion off the landfill by third parties is behind schedule, project team assessing implications.
- **Lodge House** – An 11th-hour overspend and time over-run by main contractor, project team reviewing implications.

The Board agreed that Project Managers be encouraged to provide timely updates to the Project Office, and that further analysis to properly understand the progress and status of projects would be helpful.

The Board discussed how the 'Business' differentiates the management/governance of BAU, compared to projects/programmes and when functional leads and/or the Project Office are made aware of work that is being classed as a project/programme.

AP 7/05 Review guidance to Cost Centre Managers on the establishment and governance of 'concept' projects, including their capture by the 'Project Office'.

Rebecca will arrange a series of visits to Cost Centres to support the roll-out of revised guidance, ensuring that concept projects do receive the appropriate approval.

6. Risk Management

Donna provided an update on the discussions with ARC / Central Services on the proposed revisions to the Risk Register. The intention is hold a facilitated workshop for the Board in August prior to the implementation of the new register in September.

AP 7/06 Feedback initial thoughts/ideas about the content/format of the risk register workshop.

Actions associated with the top risks:

Risk No	Risk	Responsibility
5	Phytophthora Ramorum impacts on operational costs and harvesting income. The risk needs to be revised.	Trefor
7	Risk of generating a restocking backlog and UKWAS failure. The risk is being managed, however the wording requires revision.	Trefor
8	Claims/issues arising from breach of procurement regulations. Revised guidance for staff is being produced.	Donna
9	Failure to meet Scottish Ministers direction to complete registration of all public land by 2019. A meeting between FES & RoS has been arranged to discuss.	Michael A
14	Inability to deliver key services as a result of failing to address difficulties in the recruitment for key posts, retention of talent, succession planning and length of time to train replacements. The risk needs to be re-considered in light of the outcome of the EU Referendum.	Rosetta

7. Programme Governance – Vacant & Derelict Land

With the inclusion of a commitment to establish woodland on vacant & derelict land in the government's manifesto, the Land Management / Estate Development teams have drafted a governance structure for a programme to oversee Woodland Creation & Repositioning, which would include FES's activities in relation to vacant & derelict land.

The Board endorsed the proposed programme and project structure and agreed the following next steps:

- Finalisation of the Repositioning Disposals and Woodland Creation Strategies, including internal consultation.
- Preparation of both the Programme Definition Document (PDD) and Project Initiation Documents (PID).
- Preparation of Terms of Reference and identify Project Managers, members of both the Programme and Project Boards.
- Identification of both Programme & Project risks.
- Preparation of a high level milestone chart.

As the Strategic Support Officer for the programme, Trefor will meet with NSS to undertake an RPA for the proposed programme.

8. Portfolio Management Office Update

The Board discussed the current corporate plan as a basis for guiding an exercise to prioritise change projects. Whilst the current corporate plan (and outward-facing Strategic Directions for the National Forest Estate) clearly lay out our strategic objectives, it was agreed that there was a gap in connecting this to the operational management of the Agency. This could be the role of an Agency Strategic Business Plan or Operating Plan, which would also meet Audit Scotland's suggestions regarding long-term financial planning and workforce planning.

The Board also noted that both the Strategic Direction document and the Agency Framework Document were due for revision, but that this needed to be considered in the light of SG commitments to complete the devolution of the Forestry Commission in Scotland.

AP 7/07 Liaise with the Board / NCS over FES's approach to corporate planning for the next three-year period.

Kelly Quinn provided the Board with an overview of the discussions to date with functional leads regarding the identification of 'change initiatives' or defined activities for prioritisation, prior to the initial establishment of the portfolio.

The update was followed by a facilitated discussion with Board members where further potential projects were identified. Kelly/Michael H will produce a consolidated list of initiatives / projects prior to completion of an RPA for each one.

AP 7/08 Corporate Support / NSS to support functional leads and nominated SRO's complete the initial tranche of RPAs for prioritisation in August.

Following the initial prioritisation at the August Board meeting, an update will be provided to NCS (i.e. 24 August 2016).

8. Forest Holidays

Alan provided an update on Forest holidays.

9. AOB

OGB22 Driving at Work

Trefor provided feedback from the FCS H&S Committee that some staff were not following the guidance on the use of mobile phones whilst driving as outlined in OGB22. The Board were reminded of the guidance and asked to ensure that it is observed at all times.

National Committee Attendance

The Board agreed that the following would attend upcoming meetings of the National Committee:

24 August 2016	Michael Hymers
06 October 2016	Alan Stevenson
18 November 2016	Donna Mortimer

The date of the next FESMB is the 17/18 August 2016 (the meeting will be held at the Stirling Court Hotel, Stirling).