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| SF_col_landscape_logo | Strategic Advisory Group |

MINUTES of SCOTTISH FORESTRY STRATEGIC ADVISORY GROUP

1. 21 Sept 2022

**Present:**

Dave Signorini (Scottish Forestry Chief Executive)

Eleanor Ryan (Non-Executive Committee member)

Richard Morris (Non-Executive Committee member)

James Stuart (Non-Executive Committee member)

Alan Hampson (Head of Policy and Practice)

Zahid Deen (Head of Operational Services and Transformation)

Jonathan Taylor (Head of Scottish Forestry Executive Office)

Brendan Callaghan (Head of Operational Delivery)

Helen McKay (Chief Forester for Scotland)

Marliese Richmond (Corporate Planning and Governance Manager – minutes)

Ross MacHardie (Head of Finance and Business Support)

**Apologies:**

Phil Taylor (Non-Executive Committee member)

| **Ref** | **Action** | **SAG Lead/**  **Staff Member** | **Target Date** | **Status** |
| --- | --- | --- | --- | --- |
| AP1/March 22 | JT/HMcK to organise date for Forestry Skills discussions and to circulate diagram of options. | JT/HMcK | Dec 22 | To be discussed SAG Dec 22 |
| AP2/March 22 | *Future working arrangements discussion at next SAG meeting.* | JT | June 22 | Complete |
| AP3/March 22 | *To share draft versions of the Business and Corporate Plan with SAG.* | JT/Marliese Richmond | Business Plan – June 22 | Complete  Corporate Plan 22-26 under development |
| AP4/June 22 | JT/MR to develop SAG action tracker and forward planner. | JT/Marliese Richmond | Sept 22 | Complete |
| AP5/June 22 | DH/BC to collate information and provide analysis on the scoring of FGS applications. | BC | TBC | Outstanding |
| AP6/June 22 | JT to issue the write up of the SWOT analysis from SAG meeting in June. | JT | Aug 22 | Complete |
| AP7/Sept | JT and MR to work with ER on scrutinising current governance arrangements as part of the Framework Review Exercise. | JT/Marliese Richmond | Dec 22 | Underway |
| AP8/Sept | Work with the industry and Forestry Research to gather better data. | AH/Jason Hubert | TBC | Outstanding |
| AP9/Sept | Encourage the sector to consider these issues in more detail. Work with Confor and the Industry Leadership Group to quantify the trade-off between current production and carbon. Present an analytical paper to the National Stakeholder Group for discussion. | AH/Jason Hubert | TBC | Outstanding |
| AP10/Sept | Develop an approach towards budget savings taking into account the advice of the SAG. | RMacH/DS | TBC | Outstanding |
| AP10/Sept | Work with Policy and Practice to develop key questions around themes which have already emerged through prior consultation. | AH/Marliese Richmond | Jan 23 | Outstanding |

1. **Welcome from Dave Signorini, Scottish Forestry CEO**

The Minutes from the last meeting were agreed.

**Matters arising:**

Discussions around forestry sector skills: HMcK has mapped out the options in a diagram which will be circulated shortly. MSP Mairi McAllan is interested in seeing this diagram. Date for meeting being arranged.

To enhance and increase understanding on the scoring of Forestry Grant Scheme applications it was agreed that BC would prepare information on: what is the minimum scoring for grant applications; how many applications hover around this minimum scoring; how many are substantially above this minimum scoring.

JT is to issue the write up of the SWOT analysis from SAG meeting in June, but the SAG were told that the SWOT had been used to inform pieces of work already, such as the Business Plan and reflecting on our governance.

1. **Update on current issues**

DS gave an update on the progress of SF and current issues.

* **Staffing:** There are now 201 employees with SF, a 20% increase. Some staff have been internally promoted. The People Survey is about to launch and there will be an All Staff virtual forum in a few weeks.
* **Corporate Planning:** The Business Plan is nearly completed and will be submitted to the Minister ASAP. The Team Planning exercise has been very useful, with positive feedback from staff. It encouraged teams to consider how they operate (rather than simply focusing on resourcing) and it has been helpful to bring along new staff. Corporate Planning process will start in November. It was agreed that the SAG should have a short, single topic meeting. The output of the SWOT meeting will be input into this.
* **Governance:** The Framework Review has been paused due to staff absences. JT and MR to recommence this and will work with ER on scrutinising current governance arrangements as part of the Framework Review Exercise. There have been changes to the decision making bodies across SF. The recent governance mapping exercise has highlighted where there are gaps and issues, and will work with ER to ensure a consistent approach is taken.
* **SLA:** The new SLA with FLS has been negotiated, with better outcomes for the long term. It has been possible to cut the uplift costs originally proposed. KPIs now in place. There will be a period of transition as Learning and Development/Finance is decoupled.

**Estate:** There was detailed discussion on our estate. With hybrid working and our requirement to reach Net Zero, SF must consider its estate strategy. There are only 11 months left on the lease for Silvan House. Dingwall and Battleby (Perth) are also up for lease breaks.

RMcH is part of the Silvan House Lease Group. The lease has already been extended by 1 year. There is no option to extend it again for 1 year on a short term basis. SG would not support extending the lease with Silvan House. Any lease of buildings needs ministerial approval. Options being considered include Apex House and Meadowbank but awaiting SG Estate Strategy.

The following feedback was received:

* Digital working has built business resilience and SF is no longer so tied to particular buildings.
* Head Office does not necessarily have to be located in Edinburgh.
* A change of building will be a significant issue for staff affected, and they will need sufficient time to put into place new arrangements eg accommodation/childcare etc.
* Our Future Working model should be driving decision making about our estate – SF is about to embark on the test phase of activity based working. This should be driving our decisions rather than lease related pressures (which would result in estate changes being imposed on staff).

**Programme for Government:** There was an update on Programme for Government. A commitment was announced that the Forestry Grant Scheme will be enhanced to deliver better community engagement, improved biodiversity and increased value for money, including improved support for tree planting around rivers and streams. Community engagement improvments will centre around transparent processes; better signposting to guidance; employ scoring in relation to community benefit; broaden scope around amenity and access.

This led to a discussion on the governance around our decision making of FGS enhancements and beyond. Initial enhancements are being governed through SET. 2025/26 and 2026 onwards will be part of Improvement Programme. There are dependencies between the Improvement Programme and other work. The Programme Management Office is working towards good project management, visibility and communications on decision making.

**Trees on farms** – Action is being taken on integrating woodland creation on farms and address NFUS concerns. Agricultural legislation is being reformed and trees on farms will form part of that.

**UKFS:** The revised version of the UK Forestry Standards is being consulted on from start October. This is cross border technical document (not a policy).

**COP 27:** This is taking place in Egypt in November. The Minister Mairi McAllan is attending a forestry event to showcase Scotland’s activities.

**Exemplar Housing:** Helen Mackay has been working on a joint project across Forestry and Land Scotland, Scottish Forestry and Inverness based Community Housing Trust.  FLS transferred 3 hectares for timber built houses. The project has been :

* Showcasing the use of Scottish timber and wood products
* Developing a wider public understanding of the range of jobs, career opportunities and career paths within the forestry sector
* Monitoring the energy use of buildings which use timber in construction, demonstrating its carbon benefits
* Highlighting innovative off-site manufacturing as a means of achieving excellence in construction and running costs of housing in rural Scotland
* Providing affordable rental housing in areas where there are housing shortages for key workers.

1. **The implications of the “25-year forecast of softwood availability” for timber and carbon in Scotland’s forests** – Alan Hampson, Head of Policy and Practice & Jason Hubert, Head of Business Development

The SAG members discussed the issues and implications of the report on the “25-year forecast of softwood availability”, a report produced by Forest Research (and referred to as the PF22). This gives the sector an estimate of the volumes of softwood available for the next 25 years and a breakdown by 5 yearly periods and locations down to regional level.

There has been a crucial change to the modelling approach as there is now better data available. Previous production forecasts all made the assumption that crops would be grown on to the age of maximum mean annual increment (MMAI) since this maximises volume production. Now, a target diameter approach is being used to forecast growth and yield models, as, in practice, trees are being felled decades before MMAI.

This requires us to consider and scrutinise the implications both for forecasting **volume** of timber and **carbon sequestration**. There is now more understanding of the trade-offs between carbon sequestered and timber production and the balance which must be achieved across planting, growth and felling, and the amounts of carbon stored in the forests.

**Volume of Timber Production**

The PF22 indicates that at a UK level there is headroom between what the country currently produces and the newly modelled forecast volumes. However, for Scotland, the forecast is close to the actual levels of production. There is the possibility of over harvesting against the modelled scenarios (in North, South and West Scotland).

**Carbon Sequestration**

The drop in volume flagged by the PF22 has implications for carbon storage in the longer term. From an SG perspective, one of forestry’s greatest benefits is for forests to act as a net CO2 sink. Current levels of support for woodland creation are linked to the Climate Change Plan and the need for greater CO2 sequestration to balance other sectors. Although felling trees stops sequestration, it can result in wood products which act as carbon stores. It supports a £1 billion sector in Scotland. It was highlighted that the carbon sequestration aspect of forestry is an importat part of ‘licence to operate’ from the public’s point of view. Models of carbon sequestration currently use the MMAI modelling approach to estimate the carbon stored in conifer woodlands. As the PF22 highlights, will be an overestimate.

In addition, the following points were highlighted.

* There is a risk that future production is always being reduced because stands are being felled very young.
* The softwood sector is geared up to relatively short rotations with a desire to process relatively small trees.
* As the target diameter is now so much smaller than what was defined previously, a large number of stands are defined as being ‘overdue’.
* A risk associated with larger trees is they are usually taller and therefore a greater risk for wind blow. East and North East Scotland have the highest proportion of overdue timber and these were regions badly affected by Storm Arwen.
* Larger logs are usually better timber quality so this as an opportunity. Some sawmillers are consideringmore investment in new equipment to deal with large logs. Hopefully this shows a maturing of the sector with increased capacity to deal with a wider range of tree sizes. In addition, extending rotation lengths and increasing the standing volume would increase the carbon sequestered in forests.

There was discussion on the points raised by the paper, summarised below.

* **Sustainable Forest Management (SFM)** – it was felt that the principles of SFM should be central to the way ahead and to long term planning. Scottish Ministers have a mandate to practice SFM. Countries with a more mature timber industry should be studied to inform our approach. We need to look at opportunities in relation to creating diverse forests, increasing carbon storage across a longer term period, and producing a wider range of wood related products.
* **Carbon sequestration** – it was agreed that it is essential to take carbon and growth modelling together and to inform SG on the new information available on the dynamics and trends of tree supply/carbon storage in Scotland. It is estimated that based on the new data available, the rate of carbon sequestration being achieved through woodland creation is a third less than previously anticipated. As woodland creation is seen as a key feature of our journey to net zero, this information is crucial for future decision making. It was agreed that SF should ask Forest Research to use a target diameter criterion for carbon storage modelling.
* **Additional data** – It was agreed that additional should be sought. This should include better data for restocking. Need to disentangle the forecasting by hectare – data at the moment indicates a ‘loss’ of timber between 2016-2022. We need to better understand felling and overcutting in the private sector, and as well as felling for tree health reasons. It will be essential to have robust evidence in place if we are to intervene in private assets, especially in relation carbon sequestration – a public benefit which may not necessarily financially benefit those private owners/businesses.
* **Discuss with industry** - Discuss with CONFOR/Industry Leadership Group on how to get the wider sector on board. We need a long term vision which is acceptable to all across a range of outcomes. Issues to talk through with representatives of the industry will be:
  + Economics – More investment in sawmills to enable wider diameter trees to be processed. Making it worthwhile extracting the timber from certain locations.
  + Better Management: This includes actions to take across the sector in areas such as better forecasting the requirements for timber to ensure a smooth supply; thinning forests to increase their resilience; and the use of technology to facilitate management (such as LIDAR canopy mapping to more accurately measure the maturity of forests).
  + Net Zero: Climate change legislation sets a target date for net zero emissions of all greenhouse gases by 2045. How will the forestry industry contribute to that, which management approaches will they use?
* **Application of findings from PF22** – As a regulator, we need to act. By modifying practices, SF can lead the sector in particular ways. SF needs to consider at which points we should intervene – it was agreed however, that the preferred approach would be to bring stakeholders/industry with us, developing a collective understanding of the different issues and trade offs, and the roles and responsibilities of those across the industry. Options could include licensing allowable cuts and smoothing out timber supply through Forest Plan management.

*Actions: The following actions to be progressed, taking into account the discussion points highlighted above.*

* *Work with the industry and Forestry Research to gather better data.*
* *Encourage the sector to consider these issues in more detail. Work with Confor and the Industry Leadership Group to quantify the trade-off between current production and carbon. Present an analytical paper to the National Stakeholder Group for discussion.*

1. **Future budget and programme scenario planning** – Ross Machardie, Head of Finance and Business Support

Following the publication of the 2022-23 SG budget bill, Scottish Forestry is being asked to consider and identify savings for the current financial year and beyond which has significant implications on our spending plans. SAG was asked to note the contents of the budget/savings update prepared by RMacH. They were also asked to provide advice on the approach planning for and offering savings, taking into consideration the implications presented for the organisations operations, functions and programmes.

The approach advised by the SAG members is summarised below.

**Wider benefits and value of forestry:** Highlight the broader returns of investment in forestry. Present what X value of grants in forestry buys beyond simply trees – jobs/economy, health and wellbeing, educational opportunities, biodiversity. Showcase the benefits of forestry to multiple Ministers across different portfolios. Consider how to use the support of Ministers Mairi McAllan, Lorna Slater and Patrick Harvie. Decisions on spend are very political and it is essential to have a parliamentary advantage. Consider teaming up with others in the portfolio, as this is how monies are subdivided.

**Carbon sequestration:** Central is forestry’s role in carbon sequestration. Consider how forestry can deliver more for the new Climate Change Plan. Move away from number of ha to carbon sequestered, enabling better and more sustainable forest management in terms of management of existing forests, which can deliver greater carbon benefits hectares planting.

**Forestry Grants:** Be aware of the trajectory to and support the political position regarding Net Zero (2045) – what it will take in terms of forestry to get there? Conduct a realistic, meaningful analysis of what is feasible in terms of forestry, and as a result, staffing levels required. Will 18000ha target remain static? Is there potential for any grants monies to be used for additional staff?

**Staff activities:** Although they can be seen as easy targets, it was strongly advised not to cut back on either training or travel budgets. Rather, it was advised that SF challenge the existing models and historic ways of working. Use the work on the Target Operating Model to identify how SF can best operate. Consider how radical SF wishes to be and– for example, centralising case support/administration functions; digitise aspects of service delivery which can result in staff savings.

**Risks:** SF has handed back 12% of the budget (£5M underspend of grants; £5.7M unspent EU co-financing). Continually handing back money can be risky as we can be seen as an ‘easy target’. It is important to plan for worst case scenarios of significant budget cuts.

**Staff messages:** Be open, inclusive and clear with staff on the principles which will be taken – organise an all staff event to communicate any messages on efficiencies being made, avoidance of compulsory redundancies etc.

*Action: RMacH/DS to develop an approach towards budget savings taking into account the advice of the SAG.*

1. **Date of Next Meeting**

The next full SAG is 14.12.22. It was agreed this would take place on site at another Conservancy – TBC. MR/JT to organise.

As above, it was agreed that there will be a short, single topic SAG meeting in November to discuss the development of the Corporate Plan 23-26. MR/JT to organise.