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BUDGET ALLOCATION AND MONITORING: 2013-2014

Purpose

I am writing, on behalf of the Scottish Ministers, to confirm the budget and associated grant in aid allocated to Scottish Natural Heritage (SNH) for 2013-2014, and to provide guidance on Ministerial priorities for the year ahead. This letter also sets out the arrangements for monitoring the budget and for (re)profiling and drawing down grant in aid. The use of resources must be in accordance with the agreed corporate and annual business plan, SNH's framework document, and any relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual (SPFM). Relevant guidance may also include setting out, from time to time, the expectations for the way that SNH operates in support of Ministers' policy aims and objectives for the public sector as a whole.

Ministerial Priorities

SNH programmes and priorities for 2013-14 should continue to have a strong focus on delivery of the Scottish Government's Purpose and the National Outcomes relevant to the organisation's wider remit, and support the Rural Affairs and Environment portfolio's overarching aim to grow the rural economy through:

- Enhancing our natural resources, and tackling climate change;
- supporting renewables;
- Community empowerment; and,
- Investing in the research base

Since publication of the Spending Review in 2011, economic pressures have continued to affect public sector budgets. The challenges therefore remain ever-present in delivering the portfolio's aims and priorities. SNH will need to keep under review how best to prioritise its resources in order to meet its statutory obligations and deliver the Scottish Government's

Purpose in the most effective and efficient way. This will be particularly pertinent in preparing for the next Spending Review anticipated later in 2013.

Effective strategic engagement between Scottish Government and SNH and other public bodies will be a significant factor in helping deliver key priorities within tighter budgets. Areas of work that will be important in facilitating working together as effectively as possible to improve public services and deliver Ministers' priorities include: embedding the Government's Corporate Expectations fully into SNH; participating in the Environment and Forestry Directorate's Review of the Policy and Delivery Landscape and implementing its outcomes; contributing to the Triennial Review of the Joint Nature Conservation Committee (JNCC); and agreeing SNH's new Framework Document.

In 2013-14, the Rural Affairs and Environment portfolio's budget will support SNH to provide advice on Scotland's natural environment and wildlife, to deliver Scotland's biodiversity targets and help meet our European and international obligations, and to help ensure that new developments take proportionate account of our valuable natural heritage. SNH's work to support the delivery of National Outcomes 1, 12, 14 and 16 will provide the main focus for its contribution to achieving the Scottish Government's Purpose. The Scottish Government's principal priorities for SNH in 2013-14 are set out in Annex B in terms of these National Outcomes. The benefits of the organisation's work in support of the other National Outcomes are also valuable, in particular 6, 10 and 11, which are covered in the Annex as well. SNH's Indicators of Success and Efficiency Measures in the table in Annex B have been identified for each of these National Outcomes and will provide the means by which to measure SNH's performance in contributing to their delivery in 2013-14.

Annex B is not intended to represent a comprehensive list of areas of activity for SNH to take forward during the year. SNH's business plan for 2013-14 will perform that function, providing the necessary level of detail, including targets, to reflect the organisation's wider activities.

Budget

SNH's detailed budget for 2013-14, disaggregated in terms of the relevant expenditure classifications on the HM Treasury database, is shown in Annex A. In summary, the budget is:

	£000s	Notes
Resource DEL	51,054	①②
Ring-fenced (or "non cash") DEL	3,080	①③
Capital DEL	1,200	①④
Total DEL	55,334	①
Expenditure classed as AME	0	⑤
Total budget	55,334	

① DEL is the "Departmental Expenditure Limit" as defined by HM Treasury. The Scottish Government's DEL budget limits are determined by the Barnett formula and are not negotiable.

② Comprises wages and salaries and operating costs offset by trading and other resource income.

③ Ring fenced DEL comprises depreciation, amortisation and impairment (if it does not qualify as AME – see below).

④ Comprises capital grants and additions to non-current assets offset by the net book value of disposals of non-current assets.

- ⑤ AME is “Annually Managed Expenditure”, which covers expenditure which HMT accepts is volatile and is therefore subject to different controls. Examples are some pension adjustments and some impairments.

Transfers of budgetary provision **between** the classifications in the table above would require the prior approval of Scottish Government Finance. Any proposals for such transfers should therefore be submitted to the sponsor team. Transfers of budgetary provision **within** the classifications in the table above may be undertaken without reference to the Scottish Government, subject to any constraints on specific areas of expenditure e.g. the approved pay remit.

Your assumed trading and other resource income is £2.501 million and the assumed net book value of disposals of non-current assets is £0.005 million. These amounts have been taken into account in arriving at the budget shown above. If the amounts realised or expected to be realised in-year are less than estimated, you shall, unless otherwise agreed with the sponsor team, ensure a corresponding reduction in your gross expenditure so that the agreed budget is not exceeded. Excluding income resulting from gifts, bequests or donations, if the amounts realised or expected to be realised in-year are more than estimated, you must seek the prior approval of the sponsor team before using any excess to support additional expenditure.

Specified Expenditure

SNH's grant in aid includes provision for the JNCC. The agreed level of contribution for 2013-14 is £1.404 million. If JNCC fail to draw down the full amount, grant in aid figures will be reduced accordingly. SNH's contribution to the Scottish Rural Development Programme (SRDP) in 2013-2014 will be up to £2.4 million subject to the cost of maintaining SNH agreements which cannot be transferred to SRDP.

A provision of up to a maximum of £0.148 million is available in 2013-14 to meet additional costs incurred as a direct result of the relocation of SNH's headquarters to Inverness.

Budget Monitoring

Forecast outturn and spend to date for the financial year should be reported to the sponsor team by completing and submitting the budget forecast and monitoring spreadsheet in the accompanying Excel workbook. Initial forecasts should be provided **by the week of 29 April 2013**, if possible, with the spreadsheet being completed and submitted by the last full week of each month thereafter. Where appropriate (e.g. for depreciation) costs may be calculated on the basis of one twelfth of the budget for each month. A completed spreadsheet providing the position at the end of the financial year (31 March 2014) should be submitted to the sponsor team by **18 April 2014**.

Budget Revisions

Ministers have to manage the Scottish budget in the light of pressures and savings that may arise during the financial year. SNH may itself experience pressures and savings. Such factors may make it necessary for Ministers to make changes (upwards or downwards) to the budget and associated grant in aid for your organisation. Where, exceptionally, any changes have to be made I shall keep you informed of Ministers' intentions and give you the opportunity to comment.

Some specific revisions to SNH's baseline budget, which have already been agreed in principle, are:

- **£0.050 million** to fund work on monitoring beavers on Tayside which forms the second of 3 years of funding totalling £0.150 million that has been agreed by Ministers;
- **£0.195 million** to fund 50% of the grant awarded to the Trust for Conservation Volunteers Scotland for work to deliver objectives for environmental volunteering and participation in the outdoors;
- **£0.042 million** to fund Scottish Environment LINK;
- **£0.043 million** to fund 50% of the costs for the provision of science and research expertise to SNH;
- **£0.500 million** to fund work on physical peatland restoration, facilitate the development and implementation of the peatland plan and support consideration of the benefits to be associated with LULUCF agreement (and IPCC validation of wetland carbon benefits);
- **£0.155 million** to fund the delivery of Scotland's 'Big 5' campaign in 2013 which forms a key part of Scottish Government's themed year: Year of Natural Scotland; and,
- **£0.080 million** to fund staff resources to support the summer consultation on Marine Protected Areas and follow on work.

We expect these transfers of funds for 2013-14 to take place at Autumn or Spring Budget Revision, subject to Parliamentary approval.

Grant in Aid

As a result of current legislative provisions, Scottish Government funding for its sponsored bodies is shown in the annual Budget Act in terms of grant in aid i.e. the net cash figure required to support agreed budgets. The authorised grant in aid for SNH for 2013-14 is £52.254 million. Grant in aid should be (re)profiled and drawn down using the relevant spreadsheet in the accompanying Excel workbook. We are grateful for the initial profile provided in March and would welcome receiving monthly updates, as necessary. You should aim to submit an updated spreadsheet to the sponsor team by the last full week of each month providing details of grant in aid already drawn down, a profile of monthly grant in aid requirements for the remainder of the financial year and a note of the unrestricted cash reserves held at the end of the previous month.

The updated profiles will be used for monthly cash management forecasts provided to HM Treasury and as the basis for the payment of grant in aid - unless notification to the contrary is received by the sponsor team at least 10 days before payment is due to be made. The sponsor team will normally aim to make payments of grant in aid by the 5th of each month. Grant in aid should not be drawn down in advance of need. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the body - and the level of funds required to meet any liabilities at the year-end. At the end of the financial year, the sponsor team and SNH will formally agree the total grant in aid attributable to that particular period.

Classification of Functions of Government

To meet HM Treasury reporting requirements we will also require an analysis of expenditure by the [Classification of the Functions of Government](#) (COFOG) e.g. categories such as subsidiary services to Education, Manufacturing, Law courts, Transport etc. for onward transmission to HM Treasury. For this purpose expenditure means gross expenditure, whether funded by grant in aid or by other income. Your sponsor team will seek to agree an estimated COFOG analysis of budgets at the start of each financial year. After the year end the team shall ask you to provide a COFOG analysis of the actual expenditure.

Issues Arising

If you have any questions arising from this letter, or if you foresee any financial issues developing in the course of the year, please do not hesitate to contact me or the sponsor team. The sponsor team will, where necessary, consult relevant Scottish Government Finance colleagues.

I am copying this letter to Bob McIntosh, Jonathan Pryce, Linda Rosborough, David Wilson and John Mason

Yours sincerely



Keith Connal
Deputy Director, Natural Resources Division

Scottish Natural Heritage (SNH): DETAILED BUDGET ALLOCATION 2013-2014

	<i>Budget on HMT database</i>	<i>HMT Classification*</i>
	<i>£000s</i>	
(Gross) Operating costs	53,555	RDEL
Trading and other resource income (negative)	(2,501)	RDEL
Depreciation/Amortisation	3,080	Ring-fenced RDEL
Accruing pension liability (where agreed as being classified as AME)	0	AME
Impairments (where agreed as being classified as AME)	0	AME
Capital grants	0	CDEL
Capital additions to non-current assets (including investments)	1,205	CDEL
Net book value of disposals of non-current assets (including investments) (negative)	(5)	CDEL
Total net expenditure (as recognised by HMT)	55,334	

* For a full explanation of HM Treasury's budgeting rules see the current version of [Consolidated Budgeting Guidance](#). "DEL" stands for Departmental Expenditure Limits, and is the more tightly controlled side of the government's budget. It is split between resource (or revenue) "RDEL" and capital "CDEL". Non cash budgets are ring fenced within RDEL, which means that (for example) any underspend on depreciation cannot be used to fund actual cash expenditure. "AME" stands for Annually Managed Expenditure, which covers expenditure which HMT accepts is volatile and is therefore subject to different controls.

SCOTTISH NATURAL HERITAGE (SNH) – STRATEGIC PRIORITIES 2013-14

National Outcome 1 – We live in a Scotland that is the most attractive place for doing business in Europe

In 2013-14 the Scottish Government will continue to focus on securing the opportunities provided by renewable energy as part of its ambitions to become a low carbon economy. Work associated with the development of renewables, particularly **marine energy**, should therefore continue to be regarded as a high priority for SNH. It should contribute environmental expertise to advise Government on how best to achieve Scotland's renewable energy target sustainably, and in a way that gives due consideration to the country's biodiversity and landscape, to relevant European and domestic legislation and to relevant international targets.

SNH should continue to contribute to the implementation of a **modernised planning system to support sustainable economic growth** and ensure that new developments take proportionate account of the natural heritage. We continue to recognise the on-going resource pressures associated with SNH's role as statutory adviser within the planning system. SNH should therefore maintain its approach to pursue opportunities for more strategic engagement with planners and developers, providing advice at an early stage on major development proposals; the provision of advice that is proportionate and focussed; and placing further emphasis on building capacity in planning authorities. SNH's input to the Scottish Government's review of Scottish Planning Policy and to NPF3 is appreciated and we look to the organisation for its further contributions to this work in 2013.

SNH should also continue to develop its **Natural Capital Index**, not only as a means of supporting an ecosystems approach but also to ensure recognition of the vital role natural systems play in maintaining prosperity and wellbeing.

Particular emphasis by SNH as a lead partner in the delivery of the **Year of Natural Scotland** during 2013 will represent a significant contribution towards creating the conditions for successful delivery of this National Outcome. SNH also has a role in supporting the planning and preparatory work to enable Scotland to host a successful Commonwealth Games in 2014 and for the lasting benefits of the event to be realised.

National Outcome 6 – We live longer, healthier lives

SNH's work with partners to increase participation in **outdoor recreation, volunteering and outdoor learning** also make a significant contribution to National Outcome 6 relating to improving people's health and well being. SNH should continue to pursue key opportunities to **raise awareness about access** and encouraging more visits to the outdoors, including Scotland's protected places. SNH will continue to promote Scotland's NNRs as a valuable nature resource, including for recreational opportunities.

National Outcome 10 & 11 –

10. We live in well-designed, sustainable places where we are able to access the amenities and services we need

11. We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others

SNH's continued work on taking forward the development of the **Central Scotland Green Network (CSGN)** in partnership with FCS will be a valuable contributor to the delivery of National Outcomes 10 and 11. SNH should continue its efforts to maintain the involvement of Central Belt local authorities in the national initiative against the on-going background of budget pressures.

Following the 2012 review of community planning led by Scottish Government and subsequent 'Statement of Ambition', SNH should continue to develop engagement in **Community Planning Partnerships (CPPs)** and **Single Outcome Agreements (SOAs)** as the primary mechanism for working with local authorities and communities to deliver a range of benefits for people and nature. Scottish Government has targeted 28 June 2013 for new SOAs to be agreed.

National Outcome 12 – We value and enjoy our built and natural environment and protect it and enhance it for future generations

The conservation of Scotland's biodiversity should be an intrinsic part of all the work SNH does and in partnership with the public, private and third sectors. The ecosystem approach should continue to provide a strong basis for much of the organisation's work across all of its programmes.

SNH has played an important role in developing a refreshed **Scottish Biodiversity Strategy (SBS)**. In 2013 SNH will lead on the launch of the SBS, as a key tool to deliver Scotland's biodiversity targets and fulfil the country's contribution to the UN Convention on Biological Diversity (CBD). The main priority for SNH in this context will be to lead communication and encourage the delivery of the new strategy by individuals and organisations across Scotland. This will be supported by **an increased focus on the evidence base**: both in terms of data acquisition and management and its analysis. SNH's involvement in refocusing local action from Local Biodiversity Action Partnerships (LBAPs) to help deliver biodiversity actions in line with the refreshed SBS will be an important factor in meeting the target to halt biodiversity loss by 2020.

Allied to the SBS is the **Land Use Strategy**. SNH will be expected to continue its valuable supporting role to help to deliver the Strategy (with a focus on supporting Regional Land Use pilots as an emerging area of work for Area offices), in partnership with other public bodies. In addition, on-going partnership with SEPA on the **River Basin Monitoring Group** will continue to add value to protecting and improving Scotland's water environment and the biodiversity that depends on it.

Providing Government with timely advice on the European (Natura) site network is a priority. SNH, working with JNCC, will support work to advance the terrestrial review of SPAs, will complete advice on the **marine Natura (SPA and SAC) network**, prepare for consultations on agreed sites and advise on the natural heritage implications of fisheries management options.

Making progress on bringing Scotland's **protected nature sites** under sound conservation management remains a priority area of work for SNH in view of their importance in helping to meet biodiversity targets and having a positive effect on local communities, their economy and their wellbeing. Within the Delivering Favourable Condition Action Plan SNH should continue to focus effort to bring features on protected nature sites into favourable condition. In the **marine environment** SNH will undertake priority surveys and will develop plans for a future **site condition monitoring** programme as well as contributing to the wider surveillance and monitoring required under the Marine Strategy Framework Directive.

Administering the current **SRDP Rural Priorities Scheme** should remain a priority for SNH, with an emphasis on maximising the number of contracts supporting features moving into favourable condition. This should include continuing to provide advice and guidance to help land managers contribute to the achievement of national outcomes through SRDP. SNH will be expected to continue its full engagement in the development and implementation of the next SRDP, pursuing effective environmental measures that best benefit Scotland's biodiversity. SNH's financial contribution to the Programme in 2013-14 will be up to £2.4 million subject to the cost of maintaining SNH agreements which cannot be transferred to SRDP. SNH should continue to work with Scottish Government to influence the Common Agricultural Policy (CAP) reform.

SNH should continue to help the Scottish Government address some of the most pressing issues in Scotland's countryside in order to maximise the associated environmental and economic benefits, while minimising irresponsible or damaging practice. Taking forward work associated with: deer management; Invasive Non-Native Species; adaptive approaches to species management; wildlife crime and delivering a customer focused **wildlife licensing service** should therefore be a priority for SNH in 2013-14.

Scottish Government's marine policy commitments remain a high priority for Ministers. **Promoting sustainable offshore wind and marine renewable developments**, establishing marine planning and taking forward marine nature conservation work are all priorities that will place significant demand on SNH's capacity in 2013-14. We continue to value SNH's on-going input to marine policy and in 2013-14 the priorities are to **consult on a suite of Marine Protected Areas and associated management measures** (and *inter alia* over the suite of agreed Priority Marine Features) and to finalise advice to Ministers on the remaining 4 areas of search where MPAs are still under consideration. It will be important for SNH, Marine Scotland and JNCC to continue to work closely together in order to ensure that resources, capacity and expectations are agreed and managed across the organisations.

SNH should continue to promote the principles in **Scotland's Landscape Charter** in support of better planning and management of Scotland's landscapes.

National Outcome 14 – We reduce the local and global environmental impact of our consumption and production

SNH should maintain its role in guiding the management of the natural heritage in a way which best responds to **impacts and implications of climate change**. It should continue its work to identify those ecosystems, habitats and species that are most sensitive and vulnerable to these changes and advise on appropriate responses. SNH should encourage and assist actions which support Scotland's ambition for a low carbon economy, including development of natural capacity for long-term carbon storage in peatland, soil and marine systems. In this context, SNH will continue to lead on the promotion and delivery of the **Peatland Challenge Fund** during 2013-14.

We continue to look to SNH to maintain its high level of compliance and good greening practice for other organisations to follow in order to demonstrate its leadership and strong commitment to its climate change duties. However, we acknowledge the increasing challenges SNH faces to match its significant achievements in this area in previous years.

National Outcome 16 – Our public services are high quality, continually improving, efficient and responsive to local people’s needs

SNH’s work, through a suite of strategic Improvement Projects, is evidence of the organisation’s positive response to Ministers’ commitments to **public service reform**. The Director General Governance and Communities’ letter of 24 July 2012 highlighted Scottish Ministers’ expectation of public bodies to deliver continuous improvement by acting corporately across a number of topics and issues. The preliminary assessment in December 2012 confirmed SNH is well placed to deliver strongly against the Scottish Government’s corporate expectations. In 2013-14, SNH should contribute to fulfilling these through:

- Embedding Scottish Government corporate expectations fully into the organisation, contributing to assessments on progress as required;
- Following its Joint Improvement Plan submission in 2012, SNH should engage with the Scottish Government Public Bodies Unit (PBU), to identify next steps.
- Adhering to the principles of the SEARS partnership actively participating in the Environment and Forestry Policy and Delivery Review and engaging in scoping and delivering any subsequent preferred option as required;
- Continue to seek out efficiencies delivered through Shared Services and efficient asset management, while at the same time improving the quality of the services provided;
- Maintaining leadership, and expert engagement in, Scotland’s Digital Future, in order to improve the citizen experience in accessing services and information;
- Ensuring staff are motivated, supported and have opportunities to learn and develop; and
- Maintaining the organisation’s success in delivering annual efficiency savings, as well as continuing to track improving efficiency across its work programmes.

SNH Indicators of Success and Efficiency Measures for 2013-14

The operating framework for SNH is provided by the Government Economic Strategy (published 12 September 2011), the Spending Review 2011 (published on 21 September 2011) and National Outcomes and Indicators underpinning the National Performance Framework (published on 14 December 2011).

National Outcomes	NPIs	Indicators of Success	Efficiency Measures
1 – We live in a Scotland that is the most attractive place for doing business in Europe		Promote sustainable development through recognition of natural asset values in National Planning Framework 3 (NPF3). Ensure supporting published guidance for renewable energy development continues to meet customer needs.	Greater input in upstream development management Efficiency of SNH's response to planning applications
6 – We live longer, healthier lives	NPI43: Increase people's use of Scotland's outdoors	Deliver new recreational, volunteering & outdoor learning opportunities, particularly targeted at young people and under-represented groups, to contribute to increasing people's use of Scotland's outdoors.	
10 – We live in well-designed, sustainable places where we are able to access the amenities and service we need		Lead, with FCS, the development of CSGN, measured by progress on delivering key commitments. Support the work of CPPs, measured by our level of engagement with them. Support the work of CPPs, measured by the use of appropriate environmental indicators in new SOAs.	
11 – We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others		More people taking active steps to help look after the environment, measured by their involvement in volunteering in the outdoors (including "citizen science"), other pro-environment behaviours, and in planning and managing their local environments.	
12 – We value and enjoy our built and natural environment and protect it and enhance it for future generations	NPI44: Improve the condition of protected nature sites NPI45: Increase the abundance of terrestrial breeding birds	Lead and make a significant contribution during 13/14 towards bringing 80% of features on protected nature sites into favourable condition by 2016. Progress actions towards programmes of measures to achieve 'Good Environmental Status' achieving this by assisting on consultation on a suite of Marine Protected Areas and associated management measures (and <i>inter alia</i> over the suite of agreed Priority Marine Features) and finalise advice to Ministers on the remaining 4 areas of search where MPAs are still under consideration. Secure a growth in positive management of the natural heritage, with a particular emphasis on increasing the number of rural development contracts under RP09 (that replace Natural Care Management Agreements).	Reduce the total cost of the third cycle of Site Condition Monitoring by 20% (over the six year cycle) Greater efficiency in issuing licences
14 – We reduce the local and global environmental impact of our consumption and production	NPI48 Reduce Scotland's carbon footprint	Sustain a rolling average annual reduction in Carbon emissions of at least 4%.	Reduce CO2 emissions per SNH fte
16 – Our public services are high quality, continually improving, efficient and responsive to local people's needs		By further development of SNH's web services and sharing our data with other organisations, we will increase the species and environmental information available to the public.	

