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In 2014 Scotland Welcomes the World



Our ref: A7895866
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Dear Ian,

BUDGET ALLOCATION AND MONITORING: 2014-2015

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 2014-2015, 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.

Strategic Priorities and Context

SNH programmes and priorities for 2014-15 should continue to have a strong focus on delivery of the Scottish Government's National Performance Framework, in particular the Government's Purpose and the National Outcomes 1, 12, 14 and 16 (as well as 6, 10 and 11 that are 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 environment and natural resources, and tackling climate change;
- supporting renewables;
- community empowerment; and,
- Investing in the research base



The Scottish Government's principal priorities for SNH in 2014-15 are set out in **Annex B** in terms of the National Outcomes that are most relevant to its remit. 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 2014-15.

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 2014-15 will perform that function, providing the necessary level of detail, including targets, to reflect the organisation's wider activities.

Financial challenges and Public Service Reform

2014-15 marks the final year of the current Spending Review agreed in 2011. SNH should continue to assess the financial challenges that will need to be managed within the tight budget settlement for the year, and prioritise its resources in order to achieve the objectives of the organisation's 2012- 2015 Corporate Plan, meet its statutory functions and maintain the most important contributions it makes to the Scottish Government's Purpose.

Equally important to the Scottish Government, in the context of meeting the challenge to deliver improved outcomes whilst making optimal use of progressively limited resources, is SNH's contribution towards the commitment to drive forward public service reform by demonstrating delivery against the four pillars of *Prevention, Partnership, People and Performance*.

Working collaboratively

Working collaboratively remains at the centre of the Scottish Government's public service reform agenda. SNH should therefore continue to look at opportunities for effective strategic engagement with a wide range of public, private and third sector partners as a mechanism for helping to deliver key priorities and efficiencies within tighter budgets that support the achievement of the National Outcomes directly relevant to the organisation's remit. This approach is exemplified by Community Planning Partnerships (CPPs) where SNH should, with reference to the Agreement on Joint Working on Community Planning and Resourcing, continue its engagement with particular CPPs where SNH has a substantive role in the delivery of Single Outcome Agreement outcomes. SNH will also be expected to adhere to the principles of the SEARS partnership, and participate in taking forward the next steps of the Environment and Forestry (ENFOR) Directorate's Review of the Policy and Delivery Landscape, in particular the main recommendation to explore ways of achieving greater strategic alignment of the policy and delivery bodies within ENFOR.

Corporate planning beyond 2014-15

The Scottish Government's draft budget for 2014-15 published in September 2013 provides an indicative figure for SNH's budget for 2015-16. Whilst no formal indications are available beyond March 2016, we should expect the next Spending Review period to be equally challenging for public sector organisations. SNH will need to take this into consideration in developing its next Corporate Plan during the course of 2014-15 and in planning its longer term priorities which should continue to contribute to the Scottish Government's Purpose in the most effective and efficient way possible.

Budget

SNH's detailed budget for 2014-15, 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	48,814	① ②
Ring-fenced (or "non cash") DEL	3,080	① ③
Capital DEL	1,200	① ④
Total DEL	53,094	①
Expenditure classed as AME	0	⑤
Total budget	53,094	

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.

SNH's assumed trading and other resource income is **£2.000 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 2014-15 is **£1.373 million**. If JNCC fail to draw down the full amount, grant in aid figures will be reduced accordingly. Discussions are still to be finalised on the level of funding, but the aim with respect to the transition arrangements for the Scottish Rural Development Programme should be to ensure continuity of funding for natural heritage priorities. In those circumstances, SNH should plan for a contribution of up to **£2 million** during 2014-15.

A provision of up to a maximum of **£0.125 million** is available in 2014-15 to meet additional costs incurred as a direct result of the relocation of SNH's headquarters to Inverness.

HM Treasury 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. We are grateful for the initial forecasts that have been submitted so far this year, and would welcome the spreadsheet continuing to be completed and submitted by the last full week of each month. 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 2015) should be submitted to the sponsor team by the week of **20 April 2015**.

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:

- **£5 million** to fund work on and administration of the Scottish Government Green Stimulus Package to deliver peatland restoration, conservation and management;
- **£0.050 million** to fund work on monitoring beavers on Tayside which forms the third year of 3 years of funding totalling £0.150 million, agreed by Ministers in 2012;
- **£0.040 million** to fund staff resources to support work following on from the consultation on Marine Protected Areas in 2013;
- **£0.100 million** to fund deer management groups
- **£0.167 million** to fund goose management schemes
- **£0.195 million** to fund 50% of the grant awarded to The Conservation Volunteers (TCV) Scotland for work to deliver objectives for environmental volunteering and participation in the outdoors;
- **£0.038 million** to core fund Scottish Environment LINK;
- **£0.014 million** to fund 50% of the costs for the provision of science and research expertise to SNH; and,
- **£0.013 million** to fund an increase to the John Muir Trust Awards aimed at promoting educational, social and personal development through exploration of wild places.

We expect these transfers to SNH's budget for 2014-15 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 2014-15 is £50.014 million. We are grateful for the initial grant in aid profile provided in March and welcome SNH's continuing provision of 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

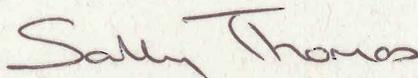
To meet HM Treasury reporting requirements an analysis of expenditure by the [Classification of the Functions of Government](#) (COFOG) e.g. categories such as subsidiary services to Education, Manufacturing, Law courts, Transport etc. is needed for onward transmission to HM Treasury. For this purpose expenditure means gross expenditure, whether funded by grant in aid or by other income. The classification has already been established in respect of SNH (05.4.0 – environmental protection; protection of biodiversity and landscape), but should this need to change in the future, the sponsor team will engage with the organisation to agree a COFOG analysis.

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, Mary McAllan and John Mason

Yours sincerely,



Sally Thomas
Acting Deputy Director, Natural Resources Division

SCOTTISH NATURAL HERITAGE (SNH): DETAILED BUDGET ALLOCATION 2014-2015

	<i>Budget on HMT database</i>	<i>HMT Classification*</i>
	<i>£000s</i>	
(Gross) Operating costs	50,814	RDEL
Trading and other resource income (negative)	(2,000)	RDEL
Depreciation/Amortisation	3,080	Ring-fenced RDEL
Accruing pension liability (where agreed as being classed as AME)	0	AME
Impairments (where agreed as being classed 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)	53,094	

* 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 2014-15

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

A high priority for SNH remains work associated with the **development of marine and terrestrial renewables** and the provision of its environmental expertise to advise the Scottish Government on how best to achieve Scotland's renewable energy target sustainably. SNH should **work closely with planning authorities and developers** to ensure that it delivers an advice service that adds value and is welcomed by its customers, ensuring that new developments take appropriate account of our valuable natural heritage and relevant European and domestic legislation.

Following the successful delivery by SNH as a lead partner of the Year of Natural Scotland 2013, the organisation should take a key role in helping the Scottish Government to secure the legacy of the themed year and to support the delivery of the **Year of Homecoming 2014**, particularly through its input to the completion of the John Muir Way and to the John Muir Festival taking place along its route in April 2014.

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

SNH is to be congratulated for its part in the successful launch of the refreshed **Scottish Biodiversity Strategy** in 2013. The focus of SNH's activity should now be on the Strategy's implementation, working in partnership with the public, private and third sectors, as a key tool for protecting and restoring Scotland's biodiversity on land and in our seas. An important aspect of the Strategy's delivery will be **demonstrating the benefits of a broader ecosystems approach** (linked to the concept of natural capital), particularly through building biodiversity objectives into catchment management planning and encouraging land managers to work collectively to deliver them. This aligns closely with the **Land Use Strategy** and SNH should continue to support the Scottish Government in working with partners to implement the Strategy in order to achieve a more **integrated approach to land use** and maintain the future capacity of land in Scotland.

Both Strategies should be primary sources of reference for SNH in making further progress in 2014-15 to **improve the condition of protected nature sites**, in partnership with other public sector organisations working alongside land managers. We note that SNH's review of how protected areas secure outcomes for nature and landscape contribute to the rural economy and add public value is intended to assist consideration of the longer-term future direction for protected sites.

SNH should make the best use of all the available delivery mechanisms to ensure that land resources deliver improved and lasting benefits for Scotland. This includes the arrangements in place in 2014 and 2015 to manage the **transition to the renewed SRDP to ensure continuity of funding for natural heritage priorities**, particularly bringing priority features on designated sites into favourable condition, and management of iconic species outside designated sites. SNH should also work with Scottish Government to enable the successful implementation of the renewed SRDP, ensuring that its environmental measures best benefit Scotland's biodiversity.

SNH should continue to build on the sound foundation of the Wildlife and Natural Environment (Scotland) Act 2010 to enhance our capacity to **manage invasive and non-native species**, including work to **reduce conflicts in deer and goose management**, and **tackle wildlife crime**, addressing especially the consequences of irresponsible behaviour associated with raptor persecution.

SNH's continued input to marine policy is essential in 2014-15 to support the delivery of Ministers' high priority commitments in this area. This includes: delivery of an effective advisory service to national and local government with respect to **marine planning, licensing and development**; advising on the **identification and management of Marine Protected Areas** (including SPAs and SACs); and with key partners (Marine Scotland, JNCC and SEPA), provision of a marine surveillance and monitoring programme as required under the Marine Strategy Framework Directive to ensure **delivery of Good Environmental Status (GES) for Scotland's seas**.

In addition to the key contribution which it makes to the delivery of National Outcome 12, SNH's continuing engagement on **promoting outdoor recreation, volunteering and outdoor learning** should make a significant contribution to the delivery of other National Outcomes relating to: health and wellbeing; opportunity and young people; and, sustainable places and communities. In the longer term, SNH should seek to develop its future work in this area to maximise the contribution which they can make to delivery of these outcomes, especially health and wellbeing. This includes leading on the development of the proposal for a **national network of long distance routes** and working collaboratively with national and local partners to develop a proposal for the European Structural and Investment fund on **green infrastructure to benefit a network of natural and semi-natural areas**, especially the **Central Scotland Green Network**.

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

Important areas for SNH to progress in 2014-15 is the work supporting **peatlands restoration** which includes the development of a **National Peatland Plan** through collaborative working and shared understanding of stakeholders, and administering the Scottish Government Green Stimulus Package Funding to demonstrate and deliver effective peatland restoration, conservation and management. SNH should also continue to demonstrate its leadership and strong **commitment to its climate change duties**.

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

This National Outcome, together with Ministers' commitment to drive forward **public service reform** provide both a general context within which SNH should test the effectiveness and efficiency of its work programmes and a specific commitment to securing efficient use of resources. SNH should continue to apply **Best Value principles** to its business activities, maintain its record in delivering annual efficiency savings and track improving efficiency across its key work programmes. The organisation should also be prepared to engage further with Scottish Government on the **Corporate expectations** agenda.

SNH Indicators of Success and Efficiency Measures for 2014-15

National Outcomes	National Performance Indicators	Indicators of Success	Efficiency Measures
1 – We live in a Scotland that is the most attractive place for doing business in Europe		<p>Help development interests plan for sustainable development by implementation of the Scottish Regulators' Strategic Code of Practice and commitments in our Planning Performance Framework, the SPP/ NPF3 (including National Developments) action programme and Marine Renewable Sectoral Plans.</p> <p>Ensure supporting published guidance for green infrastructure and renewable energy development, both onshore and in the marine environment, continues to meet customer needs.</p>	<p>Greater input in upstream development management</p> <p>Efficiency of SNH's response to planning applications</p>
6 – We live longer, healthier lives	NPI 43: 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		Contribute to the development of CSGN, measured by progress on delivering key commitments. Support the work of CPPs, measured by SNH's level of engagement with them; and 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		Deliver measures that support 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	<p>NPI 44: Improve the condition of protected nature sites</p> <p>NPI45: Increase the abundance of terrestrial breeding birds</p>	<p>Lead and make a significant contribution during 2014/15 towards bringing 80% of features on protected nature sites into favourable condition by 2016.</p> <p>Deliver measures to achieve 'Good Environmental Status' in Scotland's seas by assisting in the development of a monitoring framework, helping government respond to its consultation on the suite of Marine Protected Areas and associated management measures, and assisting government in consulting on a further suite of marine SPAs.</p> <p>Secure a growth in positive management of the natural heritage,</p>	<p>Reduce the total cost of the third cycle of Site Condition Monitoring by 20% (over the six year cycle)</p> <p>Greater efficiency in issuing licences</p>
14 – We reduce the local and global environmental impact of our consumption and production	NPI 48 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.	

