

*Pine root in bogland pool,
Moor of Rannoch, Perthshire.*

■ ANNUAL REPORT 2001/2002

SNH's Approach

Our Mission Statement: Working with Scotland's people to care for our natural heritage

Our aim: Scotland's natural heritage is a local, national and global asset. We promote its care and improvement, its responsible enjoyment, its greater understanding and appreciation and its sustainable use, now and for future generations.

Our operating principles: We will work with all relevant interests in Scotland: public, private and voluntary organisations and individuals.

We work in a devolved way, passing decision-making to the local level within the organisation to encourage and help us to be accessible and sensitive and respond to local needs and circumstances.

We will be open and accountable in everything we do.

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■ **CHAIRMAN'S PREFACE** I am delighted to present the Scottish Natural Heritage Annual Report for 2001 - 2002.

The report is structured around the three themes of SNH's Corporate Strategy, which mirror the principles of sustainable development - Caring for the Natural World (environment), Enriching Peoples Lives (social) and Promoting Sustainable Use (economic). I hope that you will find this record of our achievements over the year interesting and informative.

It is important for us to recognise that the climate within which we work has changed markedly. People now, quite rightly, demand more from their public bodies. They want to know how their money is spent, they want a say in the work we are doing and they want access to the information we hold. This presents many challenges, technical, procedural and presentational, but we are committed to meeting them, building on the initiatives we have already taken.

There were challenges too during the year for all those who live and work in rural Scotland. The outbreak of foot and mouth disease had a significant impact on rural businesses, many of which are directly or indirectly contributing to the work we do. Our efforts in promoting the Comeback Code, which encouraged the return of visitors to the countryside, and the special grant scheme we established in the worst affected

areas of Dumfries & Galloway, were a small but important contribution to the recovery process.

The end of the year covered by this report saw the retirement of our Chief Executive, Roger Crofts, after ten years in post. Roger was instrumental in the establishment of SNH in 1992, and guided the organisation skilfully throughout our first 10 years. We wish Roger well in all his new endeavours. He is replaced as Chief Executive by Ian Jardine, formerly SNH's Director of Operations and Strategy for East Scotland.

This report describes SNH's achievements in 2001 - 2002. A companion Volume, SNH: Facts and Figures 2001 - 2002 is also available and contains detailed tables and statistics about our work. Our website (www.snh.org.uk) also contains a wide range of valuable material.

Finally, my thanks go to all our staff, my colleague Board members, our partners and the many volunteers who give freely of their time in support of Scottish Natural Heritage.

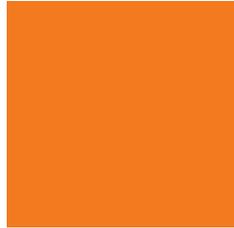
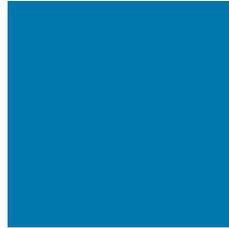
I am proud to present this account of our stewardship of Scotland's natural heritage.



A handwritten signature in blue ink, which appears to read "John Markland". The signature is written in a cursive style with a horizontal line underneath the name.

John Markland CBE
Chairman
Scottish Natural Heritage





*Scarista beach,
Trigh Scarista, Harris*

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■ **CHIEF EXECUTIVE'S OVERVIEW** I am pleased to present the report of our work for 2001 - 2002.

In doing so, I must start by paying tribute to my predecessor, Roger Crofts, who retired from SNH at the end of March 2002. Roger was in at the start of SNH, and played a central role in shaping the organisation throughout its first ten years. The achievements set out in this Annual Report are in no small part due to his stewardship over the years. It was fitting that we were able to publish, shortly before Roger retired, our Natural Heritage Futures reports setting out in a visionary way how we would wish to see the management of the natural heritage taken forward over the next 25 years.

It is a great privilege for me to have the opportunity to lead this organisation, and to play a central role in the conservation, enjoyment and understanding of Scotland's natural heritage.

Having only recently taken over as Chief Executive, I am naturally looking to the challenges ahead. It is the nature of Annual Reports, however, to look backwards and report on work already done and achievements already completed. Reading through the text of this report, I was reminded - once more - of just how wide SNH's remit is and the diversity of tasks which our staff undertake. The majority of those tasks are done in partnership with others, and I take this opportunity to

warmly acknowledge the part which our partners played over the year. I hope that these are adequately reflected in the text.

There are many highlights from the year which I could pick out, but to mention just a few, we:

- substantially completed the programme of terrestrial site designations required by the European Habitats & Species and Birds Directives. Our focus will now turn to future positive management of those sites, to which end we launched our Natural Care programme of management incentives during the year;
- completed SNH's largest ever consultation exercise on the proposed Cairngorms National Park, and contributed to progress towards establishing the Loch Lomond & the Trossachs Park;
- with the help of local authorities and through the Paths for All initiative, continued to invest heavily in the development of core path networks around urban areas and in the employment of access officers and rangers to encourage responsible access;
- launched, with Forward Scotland, the 'Fresh Futures' programme aimed at helping people to make best use of the greenspace which exists in and around their community. The programme has attracted substantial lottery funding through the New Opportunities Fund;
- embarked on a major customer care programme, which will include gathering the views of those who work with us or are affected by what we do. As a first step, we surveyed the views of those who own or live and work on a Site of Scientific Interest.



Overall, our year-end assessment of the targets agreed with the Scottish Executive shows 33 out of 36 key targets achieved or substantially achieved, a performance which compares favourably with previous years. My thanks go to all those who have contributed to our work and our achievements during the year.

Annual Reports can seem like a long list of events and facts without it being obvious what strategic thinking has gone into selecting and prioritising them. For that reason I would also encourage you to look at SNH's Corporate Strategy and at the Natural Heritage Futures documents. Both are available through our website.

The immediate future will bring lots of new challenges for SNH: changes in access legislation, the need to realise the benefits of the European Natura 2000 programme, probable changes to the SSSI system and not forgetting Scotland's first National Parks. We look forward to those challenges and I am confident that, with the continued efforts of SNH's Board members and staff and with the goodwill and support of our partners, we will meet them.



Ian Jardine
 Chief Executive
 Scottish Natural Heritage

Summary of SNH's performance against Government's key targets

	2001/02	2000/01
Exceeding target	0	3
Met target	30	10
Substantially met target	3	6
Failed to meet target	3	1
Total	36	20



Walking on a canal towpath near Bishopbriggs.

A photograph of three people in business attire standing behind a table. They are holding several copies of a report titled 'Natural Heritage Futures'. The report covers various Scottish regions, including 'East Lothian and Shetland', 'Moray Firth', 'Eastern Lothian', and 'West and Islands'. The background features a chandelier and a wooden wall.

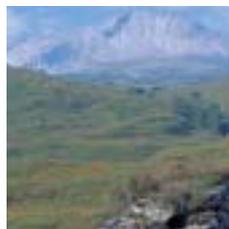
caring for the natural world

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Natural Heritage Futures, a series of groundbreaking publications was launched in March 2002. It examines the state of our natural world, what it could look like in the future and how that can be achieved. Each of the 28 publications looks in detail at how Scotland's natural heritage has developed, what is likely to happen due to climate and other inevitable changes, and how organisations in various sectors can work together to manage the natural heritage in the most effective way. Objectives and actions are set out for the short term (0-5 years), medium term (5-15 years) and longer term (15-25 years).

The series, which is available free of charge, has been launched in an attempt to encourage government departments, agencies, local authorities and private interests to work together to secure a positive outcome for Scotland's natural heritage. A broad range of organisations was consulted to ensure that Natural Heritage Futures reflects a general strategy that can be taken forward by all sectors in society. It is hoped that local communities will increasingly be involved in making decisions that affect the natural heritage and will be actively engaged in its management.

'Our goal is to care for the whole of Scotland's natural heritage more effectively.'



*Beinn Eighe
National Nature Reserve*



*Aberlady Sands and
the Firth of Forth*



River Tweed at Leaderfoot

ANNUAL HIGHLIGHTS

During the year we have:

- Completed 10 consultation reports on Special Areas of Conservation (SACs) under the EC Habitats and Species Directive and submitted these to the Scottish Executive
- Completed 10 consultation reports on terrestrial Special Protection Areas (SPAs) under the EC Birds Directive and submitted these to the Scottish Executive
- Confirmed River Tweed as an SSSI and candidate SAC after consultation with more than 600 owners and occupiers, community councils and observing bodies
- Confirmed five further SSSIs, including the Firth of Forth, covering a total of 45,518 hectares
- Secured approval for four Scottish LIFE III 2000 bids
- Provided financial support towards the employment of 18 Local Biodiversity Project Officers throughout Scotland
- Launched our Natural Care policy to improve management of SSSIs as well as helping safeguard biodiversity across the countryside by ensuring that available resources are targeted as effectively as possible
- Completed a Scotland-wide study of our relationship with SSSI owners and occupiers as part of our customer care programme
- Responded to over 1700 consultations on designated sites
- Continued to support the UK Biodiversity Action Plan through our work on the implementation of Habitat and Species action plans
- Released 33 red kites at a new site
- Celebrated the 50th anniversary of the declaration of Beinn Eighe - Britain's first National Nature Reserve
- Launched Natural Heritage Futures - a series of groundbreaking publications which examine the state of our natural world, what it could look like in the future and how this could be achieved
- Finished the Cairngorms National Park public consultation, our biggest ever consultation
- Published Natural Heritage Trends: Scotland 2001 the most comprehensive assessment of Scotland's natural heritage to date.
- Organised a conference with SEPA on 'The State of Scotland's Environment and Natural Heritage'

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■ **NATURA 2000** Natura 2000 is a Europe-wide programme of work to implement the European Commission Habitats and Species, and Birds Directives. These Directives aim to set up a network of sites of European importance - Special Areas of Conservation (SACs) for Habitats and Species, and Special Protection Areas (SPAs) for Birds. SNH is assisting Scottish Ministers to take this work forward by providing advice and carrying out consultations over proposed sites. During the year we have worked towards completing the SAC programme, with consultation reports on ten sites being forwarded to the Scottish Executive (SE), and 13 candidate SACs being submitted by the Executive to the European Commission (EC). Cumulatively SNH has consulted on 227 sites, of which 226 have so far been submitted by Ministers to the EC as candidate SACs. We also helped to revise the Joint Nature Conservation Committee's Report - *The Habitats Directive: Selection of Special Areas of Conservation in the UK*.

We have also made progress towards finalising the SPA programme and 135 out of 141 approved sites are now classified, including two new capercaillie sites. During the year, we passed ten consultation reports to SE, and Ministers classified ten sites. We also contributed to a major document setting out how SPAs are chosen in the UK, *The UK SPA Network: Its scope and content*.

Our Natura work has led to controversy on a few sites, although few concerns were expressed for the majority of sites. In carrying out consultations over the proposed sites on behalf of Ministers, we have sought to be as open as possible and to discuss with all those who might be affected what the possible implications of designation might be. The nature of the consultation process is based solely on the scientific case for

designation however we do seek to address socio-economic concerns once sites are designated through discussions over management. We see our Natural Care scheme as one way in which we can give financial support for management on some of these sites. Concern about nature conservation designation has been raised in the Scottish Parliament. In particular there has been debate by the Petitions Committee over petitions relating to one proposed SAC, The Sound of Barra, and two proposed SPAs, Arran Moors and Otterswick - Graveland, each of which have evoked local criticism. SNH has sought to address the concerns raised and to provide evidence to the Committee on its approach.

We continued a programme of management initiatives funded by the European Union LIFE Nature Programme. The Wet Woods Partnership Project has now met its targets and is almost complete. Work has started on a new LIFE project to control mink and protect important breeding bird populations on SPAs in the Western Isles. SNH is also a major partner in three new LIFE projects that will restore active blanket bog, raised bogs and woodlands. A further partnership application for LIFE funding to assist capercaillie recovery was also submitted to the EC. A decision is expected in 2002/03.

We need to increase public awareness of Natura sites, their management needs and the species they protect. We produced a leaflet and video interpreting the marine environment of Loch Creran; a leaflet outlining the lifecycle and possible threats to three kinds of lamprey; and interpretative panels that are displayed at Abernethy RSPB reserve. We also supported an events day promoting the Berwickshire and North Northumberland Coast SAC and a booklet describing the habitats that Marine SACs aim to protect. We are also leading the development of a website for The Wet Woods Partnership Project.



Sea Lamprey



Capercaillie



Breaking waves

We finished 20 research projects under the Natura 2000 programme including:

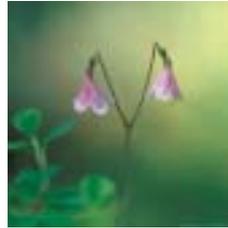
- The Endrick Water Gravel Extraction Project
- A national survey of freshwater pearl mussels
- A vegetation survey of sea cliffs

The Natura programme also secures the protection of sites that meet the UK Government's responsibilities under the Ramsar Convention. Ramsar sites are chosen to secure the sound management of important wetlands and their associated wildlife. During the year we consulted interested parties, on behalf of the Scottish Executive, regarding two proposed Ramsar sites, Firth of Forth and Tiree Wetlands & Coast.

■ **BIODIVERSITY** Enhancing biodiversity, the natural richness and diversity of habitats and species, is a key objective for SNH. An important mechanism for achieving this is the UK Biodiversity Action Plan. SNH has a lead role for 6 habitat and 24 species action plans, as well as being a partner in a substantial number of the full suite of 41 habitat and 226 species plans. We have begun work on nearly three-quarters of habitat plans and over two-thirds of species plans. By the end of March 2002, we had completed 12% of all actions in this long-term programme of work.

Many actions need more research and monitoring, for example, to find out about the exact habitat requirements of certain species, to assess environmental threats, or to set up programmes to monitor species and habitats over time. A number of this year's research projects are investigations into priority species such as water vole, capercaillie, twinflower, Shetland pondweed and important habitats such as lowland grasslands.

SNH has been working with 24 local biodiversity partnerships that are now drawing up and carrying out Local Biodiversity Action Plans (LBAPs) for most of Scotland. We supported the national LBAP co-ordinator post and 18 LBAP officer posts, largely within local authorities. We also supported associated



Twinflower

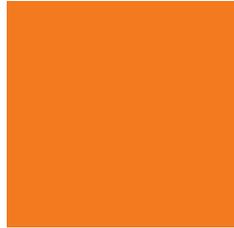


Grey Partridge

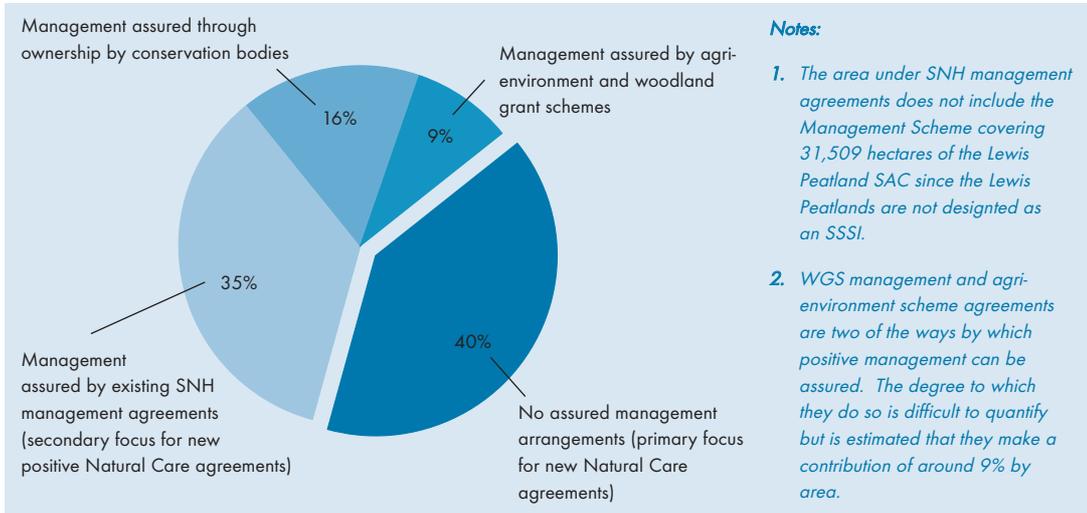
projects, including a grey partridge project in East Lothian, creating and managing wetland in Glasgow, and managing lowland raised bogs in North East Scotland.

SNH hosted the first Scottish Biodiversity Forum in February 2002. This laid the groundwork for the future Scottish Biodiversity Strategy and showed how important biodiversity is to Scottish tourism.

■ **NATURAL CARE PROGRAMME** SNH's Natural Care Strategy is a new approach to the management of SSSIs that rewards and encourages land managers for positive management of the natural heritage on designated sites. We aim for 85% of the area covered by SSSIs and Natura sites to be under assured management arrangements by 2007/08. Figure 1 shows that many SSSIs are already under some form of management arrangement, either through ownership by organisations involved in conservation or through incentive schemes and management agreements.



Kincardine Bridge and the River Forth



Natural Care is moving away from individual compensatory agreements, which tended to simply pay land managers and farmers not to damage sites, towards schemes which provide a positive and voluntary approach to land management. Farmers and land managers are given incentives to manage the land in ways that support important nature conservation interests. Schemes provide an effective way of targeting resources and are intended to be accessible and user-friendly. The first of these, the Islay Goose Management Scheme and the Caithness and Sutherland Peatland Management Scheme, have now celebrated their first 10 years. These schemes have jointly put around £4.5m into rural economies.

We concluded 106 new Management Agreements covering 31,123 ha bringing the total to 509,000 ha.



Heather moorlands near Amulree, Perthshire

The amount we spend on management agreements rose by £250,000 to £3.9m this year. This is expected to grow by another £500,000 in the coming

financial year. As part of our continuing programme, we carried out checks on 114 Management Agreements to ensure that owners and managers of land were meeting the agreed terms. There were six (5%) where there was non-conformity with the agreement. Only one of these was significant. The case was inadvertent and has been rectified.

As part of Natural Care we have also started an ambitious programme to develop management schemes for broad habitats, for example mountains and moorlands; peatlands; lowland bogs; grasslands; coasts; and wetlands. We launched the first moorland scheme at Forest of Clunie in Perthshire and published a Moorland Management Schemes booklet.

We review existing schemes to make sure that they still meet their aims. During the year we have reviewed two schemes and renewed the Corncrake SPA Management Scheme for another five years. This scheme has already helped to stop the decline in corncrake numbers after a century of reducing population.

■ SITE CONDITION MONITORING We continued to monitor the condition of habitats and wildlife SSSIs and Natura sites in Scotland. Over six years we will survey the full range of about 5,300 features of special interest that these sites have been notified to protect.

Within the year we monitored 642 features. We also invested in a new database to help us to analyse information and finished the first phase of its development. From the information, we can check how notified features on sites are faring over time. We will also use the information to decide what we need to do to support appropriate management of SSSIs and Natura sites through our Natural Care programme and consult owners and occupiers about this.

■ **GOOSE SCHEMES** Scotland has some of the most important populations of geese in Europe, and we are involved in a number of initiatives to protect these while reflecting the agricultural use of the land used by the birds. During the year The National Goose Management Review Group has approved two additional local goose management schemes; the Loch of Strathbeg Goose Management Scheme was launched in February 2002 and the Uists Greylag Goose Management Scheme will be launched in the summer of 2002. SNH will operate these in conjunction with the local goose management committees.

■ **SITES OF SPECIAL SCIENTIFIC INTEREST** Sites of Special Scientific Interest (SSSIs) are chosen for their plants, animals, habitats, landforms or rocks and are a cornerstone in caring for the natural heritage. We notified eight SSSIs to support the Government's Natura 2000 programme. By the end of March 2002, SSSIs in Scotland covered 1,007,260 ha across 1,447 sites.

We want to communicate better with owners and occupiers, local communities, and others with an interest in each site. To do this we substantially concluded the distribution of Site Management Statements to all SSSI owners and occupiers. These aim to set out how we think the site could be best managed to protect its conservation value. They are intended to encourage discussion with land managers.



The Beinn Eighe ridge



Waders

Owners and occupiers of SSSIs are legally required to advise SNH if they plan to change how they manage SSSIs to ensure conservation interests are considered. This is done formally by a Notice of Intent. SNH received and responded to 269 Notices of Intent.

We commissioned an independent survey of SSSI owners and occupiers to find out how they felt about their customer relations with us. We published the findings of this work on our website (www.snh.org.uk). We are pleased that the majority of comments were favourable. We also see this as an opportunity to explore how we can do things better and are looking at how we can make changes in the light of what people have said to us.

We responded to 569 consultations from local planning authorities about proposed developments on designated sites, and 87 consultations from the Forestry Commission on forestry applications affecting SSSIs. For most, we were able to suggest improvements, including planning conditions, to make sure that developments were able to proceed without damage to the natural heritage.

■ **NATIONAL NATURE RESERVES** National Nature Reserves (NNRs) are among the best places in Scotland for people to appreciate and enjoy our natural heritage. In 2001, staff, friends and neighbours joined in to celebrate Beinn Eighe NNR's fiftieth anniversary: it was the first National Nature Reserve to be declared in Britain. A series of events marked the occasion including publishing of a book - *Beinn Eighe - The Mountain Above the Wood* - and holding an open day, Gaelic and the environment workshops, and school art and poetry competitions.



Beinn Eighe National Nature Reserve Open Day

We also continued to build our partnerships with other organisations that manage NNRs. We were delighted to declare Glen Affric, managed by the Forestry Commission, a new reserve recognising the internationally important natural heritage of the Glen and people's use of it for recreation and enjoyment.

Our work on developing a new series of management plans for our suite of NNRs has continued. When this work is concluded each reserve will have a series of documents:

Reserve Description - a brief description of the reserve and its features

Reserve Review - an evaluation of the success of the previous five years' management

Proposed Plans - strategic proposals document which would go out to public consultation setting out in broad terms our vision for the future management of the reserve

Reserve Plan - detailing the breakdown of expenditure on the reserve.

During the year the National Trust for Scotland and SNH held an event to celebrate the Island of Staffa becoming Scotland's first new National Nature Reserve since 1998. SNH Board Member Lady Isabel Glasgow presented the National Trust for Scotland, who own the Island and will now manage it as an NNR, with an official certificate recognising its new National status.



Staffa

NATIONAL SCENIC AREAS We promoted our 40 National Scenic Areas (NSAs) Scotland's national designation for our finest landscapes and advised on how to look after them. Following our advice to Government in 1999 on how to make NSAs better



Futures publication launch

and how to include different kinds of landscape, SNH started two pilot projects in 2001 to develop management strategies for NSAs.



Hillwalking on Beinn Eighe ridge

The two pilots are preparing strategies in Wester Ross and Dumfries and Galloway. Both have involved the local community through a series of community workshops and discussions at meetings and events. Working with the local councils, we funded two NSA officers to facilitate work with communities, agencies and other interests to describe what is special about each NSA. When the strategies are produced in autumn 2002, they will set out shared aims and what we need to do to keep and improve these special qualities.

During the year, we commented on 478 planning and other consultations affecting NSAs.

NATURAL HERITAGE FUTURES The Natural Heritage Futures Programme is an important long-term piece of work that has involved staff throughout the organisation and which seeks to present an achievable vision for Scotland's natural heritage in the next 20 years. The entire set of Natural Heritage Futures (NHF) publications (National Assessments, National and Local Prospectuses) were launched on 18 March 2002, and sent to over 3,500 external partners. The series includes a general overview, 21 separate booklets on distinctive areas within Scotland, from Shetland to the Cairngorms Massif, from the Moray Firth to the Wigtown Machars, as well as six booklets which deal with forests and woodlands, hills and moors, coasts and seas, settlements, farmland and fresh waters. There is also a CD ROM, with data and information about Scotland: earth sciences, land use, species, habitats, fresh waters, landscapes, and recreation and access.

The National and Local Prospectuses are available on our website (www.snh.org.uk), with reports on the preparatory discussions we held during the year. We valued the comments received, and used them to help us prepare the final publications.

The next stage in our Futures work will be further discussion with partners about how the agreed actions can be achieved to make sure that we care for and use the natural heritage better. Many of the objectives and

actions in these documents can be achieved through existing plans, strategies, partnerships and initiatives. The value that Natural Heritage Futures adds is to provide a shared understanding of the issues facing the natural heritage and agreement on action to tackle them.

■ **NATIONAL PARKS** We were very involved in developing proposals for Scotland's first two National Parks. We gave further advice to the Scottish Executive during the preparation of the designation order for Loch Lomond and The Trossachs and worked closely with the Interim Committee and the Scottish Executive on how to manage the change to Park status.

To help inform the early work of new National Park Authorities and others, we have commissioned research on how best to plan and manage protected areas. Research includes:

- transport and traffic management,
- tourism visitor management,
- land management schemes, and
- design and development control.

■ **LOCH LOMOND AND THE TROSSACHS**

Following the submission to Scottish Ministers of our Report under Section 3 of the National Parks (Scotland) Act 2000 on the proposal for a Loch Lomond and The Trossachs National Park at the end of last year, we were pleased to see rapid progress. By September, the Executive had concluded consultations on the draft Designation Order. Throughout the summer we worked with colleagues in the Executive and the Loch Lomond and Trossachs Interim Committee on details of the boundary and when, early in 2002, the Executive put the Designation Order and an associated Election Order to Parliament for its approval, all the basic building blocks were in place for the establishment of Scotland's first National Park.

We worked closely with the constituent Councils (Stirling, West Dunbartonshire, Argyll and Bute and

Perth and Kinross) and the Interim Committee to take forward detailed arrangements for the transfer of staff, assets and powers to a new Park Authority.



On the ground, work began on major programmes to improve access provision and other visitor facilities in both the Argyll Forest Park and the Queen Elizabeth Forest Park as a result of successful bids for European funds made jointly by Forest Enterprise and SNH.

Within the capital programme of the Interim Committee of the National Park - supported through substantial grant from SNH - important progress was made at Rowardennan, Inveruglas and at Drumkinnon Bay (in the Lomond Shores development) in developing the infrastructure of the park. By the end of the year, the Gateway Centre for the park at Lomond Shores was substantially complete with its innovative interactive displays and external artworks.

Following years of discussions and consultations in the Loch Lomond and the Trossachs area, 2001/02 saw the end of one chapter and the opening of a new one. The last steps were taken in the long journey to establish Scotland's first national park.

■ **CAIRNGORMS** We finished our work for Scottish Executive as Reporter on the proposed Cairngorms National Park. Around 3000 people came to meetings to talk about the proposal and another 850 wrote to us to give us their views. We made special efforts to try new approaches for people living and working in the area - for example by encouraging community councils and associations to organise the consultation to suit local needs.

We advised Ministers that the Cairngorms area did meet the conditions for setting up a National Park and on details such as the size of the proposed Park and powers of the Park Authority.



Glen Quoich, Cairngorms



Rangers Base, Loch Lomond

In the latter part of the year, SNH took part in the Cairngorms National Park Management Group, which was set up to pave the way for the Park Authority. We continued to be represented on the Cairngorms Partnership Advisory Panel and gave nearly £0.5 million to support the Cairngorms Partnership. We also grant aided a Community Support Officer to help the Cairngorms Community Council Group.

The Upper Deeside Access Trust is trying out a system we developed to gather and analyse information on the condition of paths in the Cairngorms. We may then use this system to plan path repairs across the whole of the Cairngorms.

We approved a scheme to monitor the number of visitors and the habitats and wildlife near the Cairn Gorm funicular railway. The railway has been built and the site will be restored throughout the growing season. Cairn Gorm Mountain Railway Ltd has begun monitoring and SNH will keep a close interest and involvement.

SNH has management agreements with some of the large estates in the Cairngorms to help the natural heritage, for example with Mar Lodge and Rothiemurchus. SNH has reviewed the first five years of the 25 year agreement with Mar Lodge and agreed to a further five-year plan to manage red deer, promote regeneration of woodlands and restore footpaths.

We have helped Rothiemurchus Estate to deliver a programme of activity that includes visitor monitoring and interpretation through both financial support of approximately £164,000 and the involvement of our own staff.

■ NATIONAL BIODIVERSITY NETWORK

Making information about the natural heritage easier to access and use is critical to enhancing our management of the natural resource both nationally and locally. The National Biodiversity Network (NBN) plays an important part in achieving this and SNH organised the Scottish launch of the NBN in October 2001. NBN was established to:

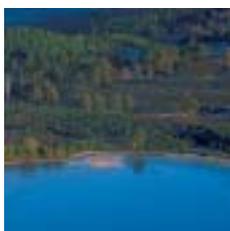
- share information about wildlife
- manage biodiversity information
- clarify on what basis information is supplied and can be used
- bring together the needs of those providing data and those using it
- use the internet to find data and information.

As well as supporting NBN activities at national and local levels (such as for local records centres), we also entered a new partnership with Biological Recording in Scotland Campaign (BRISC), that paved the way for the appointment of an NBN co-ordinator in SNH, and gave electronic access to SNH datasets through the NBN gateway.

In addition we have created a Natural Heritage Data Unit whose main role is to make our data and information more available.

■ **NATURAL HERITAGE TRENDS** We completed an assessment of Scotland's biodiversity and how it is changing and produced it as a Commissioned Research Report (No. F99NB01).

Change in the natural heritage shows how complex the world around us is and how our actions can affect it. Our publication of *Natural Heritage Trends: Scotland 2001* is the most comprehensive assessment of Scotland's natural heritage so far. We see it as a key reference for policy makers and planners, researchers and students, teachers and



schools and all those concerned about the future of the environment.

We organised a conference on The State of Scotland's Environment and Natural Heritage in Edinburgh in September 2001. Bringing together the expertise of SNH and the Scottish Environment Protection Agency (SEPA), as well as other leading authorities on the environment and sustainable development, it considered the state of Scotland's environment and natural heritage at the start of the 21st century. Speakers from the European Commission and from the Finnish Environment Institute were able to enrich discussions with perspectives from elsewhere in Europe.

We produced a booklet about trends in heather moorland: *Scotland's Moorland: The Nature of Change* for the Moorland Working Group. This explains how agriculture, forestry, grazing and sporting interests affect Scotland's heather moorland, and supports a joint statement on managing moorland signed by 24 organisations.

■ **SPECIES CONSERVATION** Species conservation continues to be dominated by the requirements of the UK Biodiversity Action Plan, particularly species action plans. SNH concluded negotiations over a major three-year grant to Butterfly Conservation Society (BCT) to implement the published action plans for those species of butterfly and moth that occur in Scotland. A major five-year project focusing on capercaillie (and part funded through the EU LIFE programme) has been started in conjunction with RSPB, the Caledonian Partnership and Forestry Commission. This will help us target specific action to reverse the long-term decline in numbers.

Our species recovery projects continued. A total of 33 red kites were released at a new location in south-west Scotland, and although we are no longer releasing white-tailed eagles, the number breeding increased in 2001 to a total of 23 territorial pairs. The prospects for the species are good with a number of young non-breeding birds approaching maturity. SNH published



Marsh fritillary



Ringling an osprey chick



Red Deer Stag



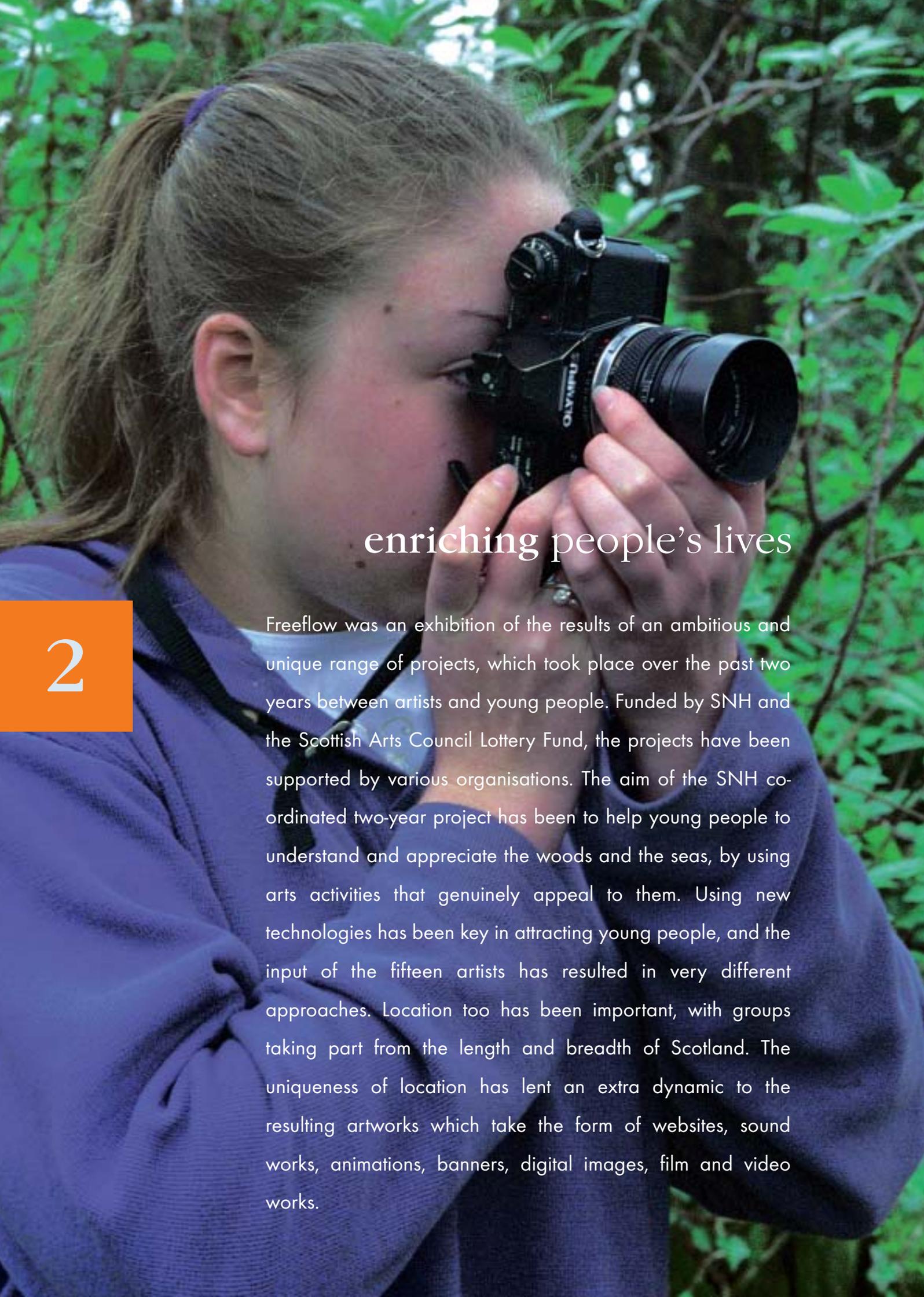
the results of the Rare Plants in Scotland Project on a CD-ROM highlighting the distribution, ecology and threats for a number of species of priority conservation concern.

■ **LICENSING** Licensing continues to be a major area of work for SNH, although fewer licences were issued last year as the height the foot and mouth outbreak coincided with the principal period of fieldwork.

SNH has also contributed to a number of UK reviews instigated by DEFRA, including a review of non-native species which is due to report in 2002. Our experience with species such as mink and hedgehogs, especially on offshore islands, has demonstrated the serious damage that non-native species can do to native biodiversity and highlighted the fragility of some ecosystems to such invasions.

Other species conflicts continue to generate work, and a need to address the losses of racing pigeons to birds of prey has resulted in proposals for a major piece of research work.

We worked closely with the Deer Commission of Scotland to prepare practical guidance on the assessment of deer damage to the natural heritage. We also piloted a small-scale experimental grants scheme to help meet the additional costs of estates which wish to increase their deer culls to benefit natural heritage interests.



enriching people's lives

2

Freeflow was an exhibition of the results of an ambitious and unique range of projects, which took place over the past two years between artists and young people. Funded by SNH and the Scottish Arts Council Lottery Fund, the projects have been supported by various organisations. The aim of the SNH co-ordinated two-year project has been to help young people to understand and appreciate the woods and the seas, by using arts activities that genuinely appeal to them. Using new technologies has been key in attracting young people, and the input of the fifteen artists has resulted in very different approaches. Location too has been important, with groups taking part from the length and breadth of Scotland. The uniqueness of location has lent an extra dynamic to the resulting artworks which take the form of websites, sound works, animations, banners, digital images, film and video works.

‘Our goal is for the link between the natural heritage and personal wellbeing to be widely recognised and acted upon’.

ANNUAL HIGHLIGHTS

During the year we have:

- Provided advice to Ministers and Parliament on Part 1 of the Land Reform (Scotland) Bill
- Funded 33.5 access officer posts in 23 Local Authorities
- Completed 26 path networks with a further 24 under way
- Participated in 14 local access fora
- Helped fund 262 FTE Ranger posts across 52 services
- Delivered 26 ‘Sharing Good Practice’ workshops which were attended by 760 participants
- Established Glasgow & Clyde Valley Trust to deliver an ambitious programme of greenspace enhancement
- Awarded the first seven Fresh Futures Grants totalling £144, 000
- Awarded £5.1 million in our access grants programme
- Awarded £183, 000 in environmental education grants
- Offered a three - year grant to Scottish Wildlife Trust to give more structured funding
- Agreed a concordat with the British Trust for Conservation Volunteers
- Produced a climate change educational package including teachers’ notes and pupils’ worksheets



Hillwalking on repaired upland footpath, Ben Vrackie, Perthshire



Schoolchild at St Cyrus National Nature Reserve, Grampian

■ **ACCESS** We reached another major milestone towards new access laws when the Land Reform (Scotland) Bill was introduced to Parliament. The Scottish Executive accepted many of the points made during the consultation and SNH welcomed the changes to the Bill. The Scottish Parliament finished the first stage of the law-making process when they considered the principles which support the law.

We revised the draft Scottish Outdoor Access Code to complement the Land Reform (Scotland) Bill. The draft Code is available on our website (www.snh.org.uk). As part of our work on changes to access laws, we:

- gave evidence to the Justice 2 Committee
- prepared information notes for the Scottish Parliament Information Centre
- briefed MSPs
- continued to advise the Scottish Executive on the details of the legislation

Throughout the year we continued our efforts to prepare the ground for the speedy and effective implementation of the new law, once it is enacted. Priorities have included preparatory work on:

- how to consult on, promote and monitor the Scottish Outdoor Access Code and responsible behaviour generally
- developing a new Scottish Paths Record
- advising local access forums on best practice
- identifying the guidance and resources needed for path maintenance and management
- increased grant support to local authorities
- monitoring recreation patterns



Footpath repair, Coire Etchachan, Cairngorms

In helping to deal with the foot and mouth disease outbreak, we worked to help reopen in spring 2001 the countryside as quickly and safely as possible and to reassure farmers. The *Comeback Code* was prepared and launched in response to the outbreak and involved the distribution of over 850,000 leaflets, press notices and a TV advertising campaign to encourage people back into the countryside if they took a few simple precautions. Research showed that people behaved very responsibly and followed signs: this augurs well for the public response when we promote the new access rights and responsibilities.

We continued to meet most of the costs of the Paths for All Partnership and gave an extra £500,000 for path networks. This has helped 26 local path networks (in 18 different Local Authority areas), 12 access feasibility studies and 15 other access projects to go ahead this year. We gave grants to local authorities to help them employ access officers: we supported 33.5 posts - 14 more than last year. These posts have helped local authorities to:

- begin to set up local access forums
- prepare and carry out access strategies
- develop proposals for new paths and path networks
- address local access issues

During the year, we set up a new Upland Path Advisory Group to promote a structured approach to looking after mountain paths. This work is now supported by a new Scottish Mountain Path Inventory, which brings together information on the state of mountain paths. These initiatives should help many organisations to decide their priorities for repairs.



Rock climbing,
Polltubh crags, Glen Nevis



Ranger Services in action



Cyclist on upland track
near Dunkeld, Perthshire

We continued to fund access jobs and work in voluntary bodies, such as the British Horse Society, Mountaineering Council for Scotland, Scottish Canoe Association and Scottish Rights of Way & Access Society. We helped the Fieldfare Trust; whose work includes improving access provision for the disabled and which manages the BT Millennium Miles initiative.

■ **LONG DISTANCE ROUTES** We continued to meet a high proportion (75%) of the costs of maintaining Scotland's three Long Distance Routes (LDRs) - the West Highland Way, Southern Upland Way and Speyside Way - under the terms of agreed Development & Management Programmes. We also gave a grant to help to build Scotland's fourth long distance route, the Great Glen Way and continued to look into a possible 25km extension of the Speyside Way from Aviemore to Newtonmore.

We held two meetings of the national LDR Forum during 2001/02 to co-ordinate management work on all routes. We worked with the Southern Upland Way Liaison Committee to develop a new three-year Development & Management Programme for the route for 2002/05. We contributed to the West Highland Way Liaison Group planning how the route will be paid for when the Loch Lomond and The Trossachs National Park is set up. Work to upgrade the route continued, with improvements finished at Cashel and Rowardennan. We continued to take part in the Great Glen Way Steering Group to make sure the route was finished in time for the formal opening in April 2002 by HRH Prince Andrew.

■ **RANGERS** We supported Ranger Services to help people to enjoy the natural heritage responsibly and to understand it better. We gave grants to support 264 (full-time equivalent) rangers in the public, voluntary and private sectors. SNH sees rangers as a vital link between the public's recreational use and appreciation of the countryside and the needs of land management and conservation. We will be looking closely at how they can help with the new access legislation.

■ **SETTLEMENTS** SNH continued its commitment to the natural heritage in and around settlements in particular through its leadership of the Greenspace for Communities Initiative. Greenspace includes sites in and around urban areas such as parks, public squares, recreation grounds and playing fields and there is an increased recognition of the value of these 'Urban Open Spaces'.

The Greenspace for Communities Initiative aims to improve the extent and quality of greenspace management in and around Scotland's settlements. The Initiative is being led by SNH in partnership with local authorities, the voluntary sector, community and business interests. The Initiative includes the development of partnerships to improve the co-ordination of greenspace work with health, social justice, planning and economic development agendas, as well as environmental objectives.

Additional funding will come from the New Opportunities Fund through 'Fresh Futures'; a partnership programme between SNH and Forward Scotland, launched in June 2001. Fresh Futures includes: a sustainable communities programme; support for the Greenspace for Communities Initiative; and an open grants scheme aimed at increasing community involvement in sustainable development and greenspace projects. Through Fresh Futures, the New Opportunities Fund will contribute £3.3m to the Initiative over the next three years.

Two independent, non-profit Trusts are being set up to deliver the Initiative's aims. The 'umbrella' trust, a federation of local greenspace partnerships to be known as Greenspace Scotland, will co-ordinate and support partnerships operating in and around urban areas throughout Scotland. The Glasgow and Clyde Valley Greenspace Trust, a new local partnership, is being created by re-structuring the former Countryside Around Town Projects in that area.

To help people enjoy and appreciate the natural heritage on their own doorstep, SNH has continued to promote the establishment and management of Local Nature Reserves (LNRs). Following up the launch of



Straiton Pond Local Nature Reserve, near Edinburgh



Fishing at the mouth of the River Dee

new guidance on LNRs in 2000, workshops on the creation and management of LNRs were held with local authorities, community groups and other key partners in Renfrew and Aberdeen. Additional funding was made available to support individual projects with strong community involvement including the creation of a wildflower meadow and improved interpretation at Straiton Pond LNR, Midlothian and the enhancement of the biodiversity and interpretation of a new LNR at Meadows Yard in Edinburgh.

■ **CENTRAL SCOTLAND FOREST INITIATIVE**

Last year we provided £0.85 million to the Central Scotland Forest Initiative. Until August 2001, work was severely disrupted due to the outbreak of foot and mouth disease. Delays in project work and limited access to other people's land meant that planting targets were not met. However, even though farmers and landowners had to concentrate on the short-term problem, they managed to plant 479 hectares of new woodland on their land.

During the year, people took part in many events across the Forest. To help communities to get involved in the Forest, six new community woodland projects were set up and Central Scotland Countryside Trust (CSCT) helped 30 community groups with projects. CSCT managed the project, with money from SNH, SEL, North Lanarkshire Forward and the Forestry Commission. Trainees from the Wise Group did the footpath improvements. As a result, local people have not only been able to enjoy nicer walks, but have also had training and job opportunities.



2001 CLAN Gathering, Central Scotland Forest Initiative

The woods have been used for events organised by CSCT, North Lanarkshire Council and Branchal Wood Estate Residents' Association, including dawn and dusk bird and bat watches, wildflower planting and art workshops.

A highly successful 'Community Local Action Network' (CLAN) gathering was organised by CSCT and BTCV Scotland with guest celebrity David Bellamy.

During the year, 22 schools used the Forest. The Tree Trunk Online is a key resource for education. Schools throughout Scotland have welcomed this website (www.forestry.gov/treetrunk) - a partnership project between CSCT, the Forestry Commission and SNH.

Training, and what can be done to improve the forest during training, is very important. Our partners gave 682 training days during the year, both helping the Forest and tackling issues like social exclusion. We hope that this will help to make the Forest 'real' for people living in the area and to change how people think about their environment.

Leisure and recreation are important to many people who live near the Forest. Local authorities are developing access strategies across the Forest with the help of CSCT. This year 84km of countryside routes were created, restored or upgraded.

ENVIRONMENTAL EDUCATION Environmental education is an important part of our work. It helps to inform and influence people who look after, improve and enjoy the natural heritage, and is relevant at all stages of life and in formal and informal settings.

We worked with Local Biodiversity Partnerships across the country. With the North Lanarkshire Partnership

we have promoted the Backyard Biodiversity project, producing monthly press releases, which have raised local interest and created feedback. We launched the Garden for Life project with business, conservation and health interests. The project promotes links between gardening and biodiversity, through marketing at garden centres and regular features on BBC's Beechgrove Garden.

We supported interpretive and formal education projects across Scotland, from the innovative geological trail at Knockan Crag visitor centre at Inverpolly National Nature Reserve, to the video link from the Isle of May to the Scottish Seabird Centre at North Berwick, showing seals at their breeding sites.

We looked at new ways to get young people involved in the natural heritage through the Young Peoples Arts Project, which helped children to work with an artist to explore the natural environment. Through our School Grounds Grants scheme, we made awards to 127 schools and our support to the Grounds for Learning Partnership continues to give school children first-hand experience of nature.

In Highland, we worked with the Highland Environment Network on the Schools Out project - a support pack of site guides and travel grants for fieldwork. We helped teachers, rangers and interpreters by producing fact sheets and posters, and through the new Biodiversity Life Stories website (www.biodiversitystories.co.uk). This website offers a range of evocative material presenting natural heritage issues with a cultural or economic meaning, and is expanding as we find further material.

We held 26 events in our Sharing Good Practice Programme, including a biodiversity education seminar for 70 trainee teachers. The Strathord project, showing best practice for professionals in caring for land, developed seven demonstrations and held four events for land managers. The Countryside Training Network, which we developed with Scottish Agricultural College, gave a wide variety of training for rangers and countryside managers.



www.biodiversitystories.co.uk



Knockan Crag Interpretive Trail

We again held the successful Nature Photography Fair at the Battleby Centre.

■ **PUBLIC ENGAGEMENT** We sent out over 120 press releases this year, and staff spoke to the Scottish media every day to tell them about the issues we deal with. Over a thousand articles about our work appeared over the year.

We also answered all requests for information from the media quickly. Subjects included:

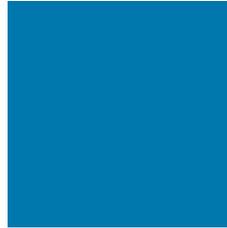
- the proposed access legislation
- windfarms
- National Parks
- our beaver trial proposals
- designations
- the effects of climate change
- mink

Our staff went to public meetings, forums and events around the country. On Arran and in Muirkirk we held drop-in days to explain why these places were being proposed for special protection due to their hen harrier and other moorland interest.

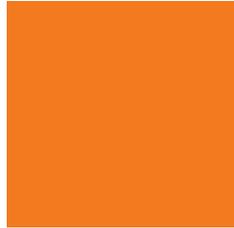
We met many people at our stands at major events across the country such as the Game Fair at Scone and the Wildlife and Countryside Show at Loch Leven.

We promoted some important launch events which attracted a lot of publicity and people. We celebrated Staffa becoming a National Nature Reserve with a performance of The Hebridean Overture inside Fingal's Cave. A family fun day gave the Knockan Crag visitor centre a unique and successful launch.

Our Gaelic Public Relations Officer was a popular interviewee with the Gaelic media, and we continued to explore and promote the cultural connection between the Gaelic language and the natural heritage.



Hebridean Overture in Fingal's Cave



■ **COMMUNITY INVOLVEMENT** We recognise that achieving many of our goals depends on encouraging people to take an interest in the natural heritage. It needs their knowledge, support and involvement. We want to give communities a greater say on decisions about their local natural heritage and to give them opportunities to help manage it.

We use local Agenda 21, Local Biodiversity Action Plans and Community Planning to work with others to help local people and the natural heritage. In Forth and Borders, for example, staff are supporting the Community Planning process in all seven local authorities.

The Health Alliance project in Islay is an example of SNH as a partner in a multi-agency approach to improve life for the local community. We are involved in environmental projects with young people, access (paths to health) and developing the proposed Bridgend Environmental Arts Centre. Our work in the Stirling Community Futures programme is another example of how we work with local communities.

Our grants programme supported local projects, covering issues such as: local involvement in National Nature Reserves (NNRs) and Local Nature Reserves (LNRs), woodland management through community woodland groups, environmental improvement and access projects. Laggan community co-operative produce a newsletter and promotional display, which regularly features what is happening at Crag Meagaidh NNR. The Friends of Corstorphine Hill developed a 'Flowers of Corstorphine Hill' LNR leaflet, and on Shetland and Orkney we recorded residents' memories of real and mythical wildlife stories as part of our biodiversity and communities work.



*Wood anemone,
a flower of Corstorphine Hill*



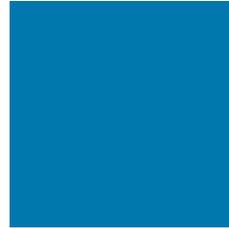
promoting sustainable use

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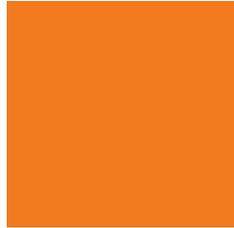
In co-operation with a range of partners across the south of Scotland including Dumfries and Galloway Council, Scottish Borders Council, Scottish Enterprise Borders and Scottish Enterprise Dumfries and Galloway, SNH led a project to establish a special grants programme in areas hit by the foot and mouth disease outbreak. The programme helped to maintain employment in the agricultural sector and to strengthen and underpin the area's natural heritage infrastructure, with benefits to tourism at a very difficult time.

Under the scheme over 1,000 farmers, who have lost livestock, were invited to apply for grants of up to £5,000. The money helped farmers carry out a wide range of work, including: improving facilities for visitors to the countryside and tree planting and maintenance. Other projects were designed to improve local biodiversity, such as hedgerow works and pond creation, and project or promote local archaeology.

'Our goal is to make sure that we can use and enjoy our natural resources tomorrow because we have looked after them today.'



Birch woodland, Rannoch



Annual Highlights

During the year we have:

- Produced an Environmental Impact Assessment handbook for use by partners to ensure natural heritage impacts are fully taken into account when carrying out EIAs
- Responded to 97 Structure and Local plan consultations
- Responded to 1625 planning consultations outwith designated sites
- Responded to 76 Rural Stewardship Scheme consultations, 160 Forest Design Plan consultations and 267 Woodland Grants Scheme consultations
- Held the Southern Uplands Partnership Conference to discuss rural development.
- Produced a joint code of conduct for fisheries management and river engineering with SEPA, SEERAD and FFL
- Completed the commitment of £710, 000 funding for the Environment and Tourism Recovery Grant Scheme
- Entered a pilot partnership project on Eco-Tourism in Dumfries & Galloway aiming to develop the links between tourism, farming and the environment by identifying opportunities for watching and studying the wildlife of the region



Walking on forest track, Cairnsmore of Fleet National Nature Reserve

■ **AGRICULTURE** Influencing agricultural policy measures to increase the natural heritage value of farmland is an important part of our role, and we shall continue to pursue it through our input to the Scottish Agriculture Strategy. With the other countryside agencies, we made representations on the mid-term review of the Common Agricultural Policy and undertook with WWF, a joint project - Europe's Rural Futures which covered the implementation to date of the Rural Development Regulation. We gave evidence to Parliamentary Committees on agriculture and the natural heritage, covering: the Forward Strategy, Integrated Rural Development and EU Cohesion Policy.

We continued to press for an expansion of agri-environment schemes and we worked closely with SEERAD on the Rural Stewardship Scheme (RSS). Together we shall be developing advisory material and training to support the Scheme. Last year we responded to 76 RSS consultations and expect that to rise to around 200 in the years to come. Through our continuing support for FWAG, we encouraged farmers to join environmental schemes.

Along with SEERAD, we drew up procedures for the Environmental Assessment of projects affecting uncultivated land and semi-natural areas and contributed to training on their implementation.

Land reform offers a unique opportunity to secure wise stewardship as the foundation stone of land use. SNH was a member of the group that prepared the draft codes of practice for land ownership and land use.

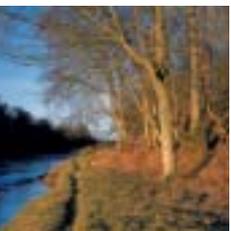
■ **FORESTRY** Throughout the year we continued our efforts to maximise the natural heritage and recreational benefits of forestry, particularly through

our input to the ongoing review of the Woodland Grant Scheme and the Farm Woodland Premium Scheme. SNH was on the review Steering Group and aimed to make these schemes contribute more to the natural heritage, for example by more support to manage woodland SSSIs. As part of our Natural Heritage Futures initiative we published a national prospectus on woodlands. This sets out the broad aims for forests and woodlands in the natural heritage of Scotland.

SNH also worked to make sure natural heritage interests received due attention in the implementation of forest plans. Our contribution included commenting on 267 Woodland Grant Scheme applications and having an input into regional and local planning frameworks such as the revised Indicative Forestry Strategies for several local authorities, and the Local Forestry Framework for the Loch Lomond and The Trossachs National Park.

We improved our own woodlands. This included restoring ancient woodland sites in Glencripesdale and clearing around 100 ha of non-native plantation at Beinn Eighe to create more natural woodland. We took part in local partnership projects such as the Caledonian Partnership's highly acclaimed LIFE Oakwood project that ended with a conference in Fort William. As well as habitat improvements, this project also led to local communities becoming more involved. This helped us to understand how to improve the management of woodlands for their natural heritage interests while at the same time helping rural development. Follow up initiatives are now in hand to refine this approach.

■ **FRESHWATERS** There is a growing - and welcome - recognition of the value of Scotland's fresh waters and how important it is to use them sensibly. Changes to the laws regulating water use are also expected soon. These developments offer real opportunities for the natural heritage, which we have explored during the course of the year.



River Tay



Bluebell oakwood, Perthshire



Persabus, Islay

The EC Water Framework Directive is the most important piece of water legislation for many years. We prepared for the Bill in the Scottish Parliament which will turn the Directive into Scottish law, were involved with seminars, technical working groups and project steering groups. In all of this we worked closely with SEPA, the Scottish Executive, the UK conservation agencies, and with interested parties elsewhere in the UK and other EU Member States.

We gave a grant to the UK River Restoration Centre (RRC) for another three years. The RRC is a non-profit making organisation, which helps to share and promote expertise on river management across the UK. Our grant helped RRC to offer advice and training in Scotland including to our staff, and to maintain a UK database on projects to restore rivers. The Centre also repeated its popular 'Sharing Good Practice' seminar on restoring rivers.

We worked closely with the Scottish Executive and 'Angling for Change' (a partnership between Scottish wildlife and angling interests) to plan a sustainable future for Scotland's freshwater fish and fisheries. Our response to the Scottish Executive's Green Paper on this subject highlighted the value of fish for biodiversity as well as the basis of important fisheries, and suggested how this value might be realised in the way fisheries are promoted and managed. We helped to develop and publish a new national code of practice for engineering works for freshwater fisheries management. Called *Managing River Habitats for Fisheries*, the code was developed jointly by SNH, SEPA, and Scottish Executive freshwater fishery staff.

Since the Scottish water authorities were established in 1996, we have become more involved in helping to develop their policies on natural heritage and sustainable development. Looking ahead, we gave advice to the Scottish Executive and the Scottish Parliament on how these matters could best be included in the Water Industry (Scotland) Act 2002, which created Scottish Water by merging the three existing bodies.



Loch Laxford



Trawler hauling in its nets

■ **THE SEA AND COAST** We have carried out three major broadscale habitat mapping projects in collaboration with the Universities of St Andrews, Edinburgh and Heriot Watt using the most up-to-date technology. The areas surveyed were Loch Laxford, Sound of Barra and Loch Sunart. In addition an intertidal survey of the Firth of Forth was carried out. All these data, together with those from the sand dune survey of Scotland have been incorporated into our Geographic Information System.

We have responded to consultations on oil and gas related activities, aquaculture, shipping, fisheries and increasingly in the last year civil engineering works relating to the development of offshore alternative power generation - including wind, tidal-current and wave generation. The fish farming industry continues to develop, diversify and expand, especially in the Highlands and Islands. SNH was consulted by the Crown Estate on 69 seabed lease applications and on 24 works licence applications in Orkney and Shetland. We were also consulted by the Scottish Environment Protection Agency on 67 discharge consents. We have continued to provide 24-hour advice on the nature conservation implications of oil spills and proposed clean-up measures

We have continued with work to promote more sustainable inshore fisheries management through our participation on a number of groups including the Shetland Shellfish Management Organisation, the Highland Shellfish Management Organisation and the Loch Torridon Project. At the same time we are continuing to support the development of Regulating Orders in other areas. We maintain our representation on the Scottish Inshore Fisheries Advisory Group, which plays an increasingly important role.



Sea rocket & eroded sand dunes, Benbecula

We have contributed to the development of advice in relation to the Common Fisheries Policy Review and contributed to the production of an information pack entitled 'Nature Conservation and Fisheries'.

We have collected underwater video footage that will be used to produce future videos on Loch Creran and the Berwickshire coast and we have also continued our efforts to promote the marine environment through the publication of leaflets about Loch Creran and Isle of May.

■ **INTEGRATED COASTAL MANAGEMENT** We continued to support the individual Local Coastal Fora (LCF) which are part of the Firths Initiative. As well as this local work, we spent more time working with the Scottish Coastal Forum to help provide advice and support from the national viewpoint. Our aim is to develop national guidance about the coast and to spread good practice on coastal zone management (CZM). As an example of this we helped fund a joint Scottish Executive, Scottish Coastal Forum and SNH project that looked at the lessons learned from local coastal management partnerships. We were also on the Steering Groups of two Scottish Executive projects. The first looked at how Scottish local initiatives can apply the principles of integrated CZM promoted by the European Commission. The second looked at whether a coastal management trust could be set up for Scotland and if this was a way to pay for the work of Scotland's LCF.



During the year the Moray Firth Partnership published a Management Scheme for bottlenose dolphins

in the Moray Firth. The Cromarty Firth Liaison Group merged with the Moray Firth Partnership. The Solway Firth Partnership won the National Green Champion award in the Scottish category of the UK Green Apple Awards which reward environmental best practice at all levels. Five of the LCFs, the Cromarty, Moray, Forth, Solway and Clyde, have worked with Keep Scotland Beautiful, the Marine Conservation Society and the Scottish Water Authorities on marine litter projects. Robin Harper, MSP launched the Forth's coastal litter campaign at the Scottish Seabird Centre, North Berwick on World Oceans' Day.

■ **RURAL DEVELOPMENT** The natural heritage is important to the social and economic health of rural areas. We promoted pilot and larger scale initiatives aimed at demonstrating how environmental and economic objectives can work together.

We helped six local groups to get around £7m of EU funds in 2002/06 for innovative rural development programmes based on the natural heritage. We also took part in the Argyll Nadair partnership, the Southern Uplands Partnership, and in the Angus Glens, all of which aim to give local social and economic benefits from high quality natural heritage.

■ **TOURISM** We contributed to the revised National Tourism Strategy and the associated Action Framework; this identifies specific actions in which SNH will play a part. Through the Tourism and Environment Forum (TEF) we took part in a range of activities, including a tourism seminar at Scotland House in Brussels during Scotland Week. We also assisted TEF to repeat a survey of wildlife tourism businesses, and to plan a Wildlife Tourism Conference.

In the national park areas we completed research work on sustainable tourism, and provided funding for a review of existing tourism data. Both of these will provide a useful basis for developing tourism initiatives and strategy for the parks in the future. We also assisted VisitScotland with funding for the 2002



Shieldaig, Torridon, Wester Ross National Scenic Area

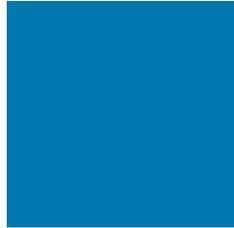
Firth of Forth

Scottish Visitor Attitudes Survey, which demonstrated the importance of natural heritage assets to tourists. It also showed that they are very satisfied with their holiday experience in this respect. An SNH survey of tourist demand for information about the natural heritage showed which existing publications are successful, and how steps could be taken to meet visitors needs better. Furthermore we also completed a feasibility study for web-based tourism information on the natural heritage.

We participated directly in tourism development through planning for nature based tourism programmes in the Highlands and Islands and Southern Uplands. This work included an audit of sites to identify where improvements to access, safety, and other facilities are required to improve the tourism experience. Plans for implementing the required work in both areas are now being developed with other public agencies.



*Knockan Crag NNR
Interpretive Trail*



Balmaha, Loch Lomond



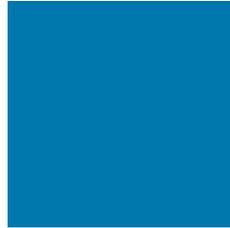


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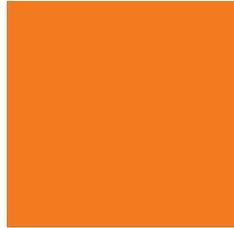
delivering the targets

Maintaining and enhancing the skills, knowledge and expertise of our staff is essential in delivering the services we provide. In this connection training plays a crucial role. We have made good progress in developing a joined up approach to training and development, with a revised Staff Induction programme and an externally accredited Management Development programme. Training in information technology has been improved by refurbishing our IT suite at Battleby.

During the year staff attended 2,446 training days on 347 internal and external courses and other learning events; 33 staff were supported through the Higher & Further Education programme, and the Learning Resource Centre dealt with 326 requests supporting self-development.



Smith Anderson recycling plant



Annual Highlights

During the year we:

- Responded to 4471 casework consultations from other organisations
- Developed a new customer service statement and new ways of monitoring it
- Recorded the highest ever numbers of hits on our website (www.snh.org.uk) over 696, 000 throughout the year
- Set 34 Greening the Workplace Performance Targets to show how we are reducing the environmental impacts of our operations
- Completed a series of major consultations including the Cairngorms National Park (over 2800 people attended 143 meetings), Natura 2000 SAC proposals (11,500 local consultees and 131 objections 15,750 separate contacts with organisations and nil objections) and the Natural Heritage Futures programme (nearly 1000 contacts on the national and over 2200 on the local prospectuses).
- Organised 113 staff training events
- Held nine Area open events and one SNH open event
- We held eight meetings of our Main Board and 14 meetings of our Area Boards all of which were open to the public

■ WORKING WITH OUR PARTNERS

Partnership is central to our work. This can be seen by the partnership projects described throughout this report, be they on grants, management agreements or schemes or projects. As well as developing relationships, we also developed our staff to help us to work with partners; this included a training course on Partnership Working for staff.

We looked at how we could improve our formal links with partners, especially with businesses and trade associations. We set up a new concordat with the Association of Scottish Shellfish Growers and we also agreed a concordat with the British Trust for Conservation Volunteers (Scotland) and put new funding and partnership arrangements in place.

■ EUROPEAN AND INTERNATIONAL INFLUENCING STRATEGY

We are doing more work on European and international matters. This is driven both directly by new developments in European environmental policy, programmes and legislation, and indirectly by pressures from partners who are themselves doing more in Europe.

In the past year we replied to consultations, and offered advice, on many subjects including:

- the EU sustainable development strategy
- the draft Directive on Environmental liability
- inquires into European Structural Fund issues
- Natura 2000 legislation and management
- the 6th European Environmental Action Programme and its proposals for European strategies on the sea and soils

- preparations for the Mid Term Review of the Common Agriculture Policy
- the reform of the Common Fisheries Policy

In January, with our sister agencies and the JNCC, we helped to set up an office in Brussels and appointed a Joint Agency European Co-ordinator. We continued to work with the European Environmental Agency (EEA) on managing environmental data, developing indicators, and carrying out Natura Directives, and continued to second one of our staff to the EEA Nature Protection and Biodiversity Topic Centre in Paris.

We continued to learn from others and share our experiences on protected areas policy and management by contributing to Europarc, Eurosite, and the IUCN World Commission on Protected Areas (Europe).

We helped the Scottish Executive to build links with our Nordic neighbours with contributions to the recent Nordic Council of Ministers publication Nature in Northern Europe, Biodiversity in a changing environment, and gave briefings on the natural heritage to visiting groups from Scandinavian countries.

■ SUPPORT OF JOINT NATURE CONSERVATION COMMITTEE (JNCC)

Through the JNCC, the three statutory nature conservation agencies (SNH, English Nature and Countryside Council for Wales) provide advice to Government and co-ordinate action on matters that affect the whole of Britain.

JNCC also made significant progress in the project to identify Natura 2000 sites in the offshore marine environment.

A joint inter-agency project has continued to influence the reform of the Common Fisheries Policy in conjunction with European partners. In June 2001 the EC published a green paper 'The future of the common fisheries policy' setting out the key issues surrounding CFP reform. This included two important



Fishing Boats tied up in Lochinver Harbour

principles: an 'ecosystem approach' and the 'precautionary principle' as part of an overall aim to take a more holistic view of fisheries management.

JNCC completed its fourth Quinquennial Review of flora and fauna protected under the Wildlife & Countryside Act 1981, and prepared recommendations to Government. An inter-agency working group reviewed the current status of the most threatened species in Britain to create a list of candidate species facing possible extinction and reviewed those currently on the schedule.

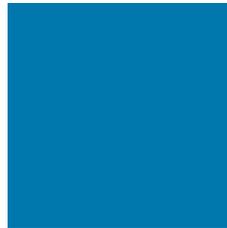
Full JNCC reports can be read on their website at www.jncc.gov.uk

■ **LEAD CO-ORDINATION NETWORKS** SNH leads the JNCC support advisory work on UK-wide nature conservation issues for uplands, peatlands and freshwaters.

We developed shared standards to monitor designated sites and species for uplands, peatlands and freshwaters. These standards were agreed between the UK nature conservation agencies, and will go into a JNCC guidance document along with standards for 12 other types of habitat and species.

The UK Upland Habitat Action Plan Steering Group, which we chair, reviewed current work for blanket bog, upland calcareous grassland and upland heathland. This helped us to decide on priorities for future work.

We continued to develop a European guidance standard for assessing rivers with our European counterparts, and this is now almost finished. We continued to develop links with ALPNET (A European Science network on alpine biodiversity), and developed new links with the Arctic Council's programme on Conservation for Arctic Flora and Fauna (CAFF). We also co-organised a conference as part of the International Year of Mountains.



Mountain azalea



■ **CUSTOMER CARE** We comprehensively reviewed how we handle customer care and developed a fresh set of challenging commitments. While aiming to give excellent service to all our customers, we made stronger commitments to listening to our customers, to promote caring for customers among SNH staff and to develop ways of measuring our performance. We obtained a very positive response to a survey of the owners and occupiers of SSSIs which allowed us to develop actions to address the issues that were raised. We also established a new performance measurement system, based on a comprehensive set of 16 measures.



promoting customer care

■ **CORPORATE GOVERNANCE** The Scottish Executive looked closely at the corporate governance of all public bodies in Scotland as it finished its Review of Public Bodies and published *'Public Bodies: Proposals for Change'*. SNH came through the Review without further scrutiny being required. We welcomed this vote of confidence in the importance of our work, and how we carry it out.

'Public Bodies: Proposals for Change' included important recommendations to improve how the Executive manages the bodies it sponsors. Most of those recommendations are already in place in SNH, and the others are planned.

During the year we looked at how members of our Boards and Committees contribute to our work. This shows how committed members are to the organisation and how much more they give than they are paid for. It set out ways to make more use of members' skills and experience outwith formal meetings.

Specific measures introduced during the year included:

- a Members' Handbook
- developing members' job plans and annual reviews
- a fuller induction programme for new members
- better communications with staff
- more opportunities for members to attend training events, unit meetings and SNH Management Forum meetings
- encouraging staff to involve Board members earlier in policy development and casework issues

■ **PUBLICATIONS** We produced around 70 publications during the year. The largest single project was the suite of 28 publications produced for the Natural Heritage Futures programme - an Overview, six national prospectuses and 21 local prospectuses covering the whole of Scotland.

We also published three new publications in our Natural Heritage Management series, which sets out practical advice and guidance on topics such as coastal erosion, managing roadside verges, montane scrub, and management of rural forestry. We also added general interest publications on badgers and built development and on the geology of North West Highland to our catalogue.

The SNH website (www.snh.org.uk) continues to attract lots of visitors (626,000 in 2001/02) for information and orders for publications. We continued to develop the website to make sure it reflects what we do, is accurate, attractive and appealing, and easy to use.

We also introduced secure on-line credit card payment for customers to order and pay for our publications.

We moved our sales and stock control onto a computer package. This is helping us to manage our stocks and will help us to sell more. We received more than 7000 requests for publications throughout the year with 96% being dispatched within five working days of the order being confirmed.

■ **INFORMATION SYSTEMS** Most of our work this year was on finishing the upgrade of our computer system, and setting up our new in-house software development team.

The main achievements in software development were the first stage of web-basing some of our corporate applications such as Management Information of Designated Areas in Scotland and the Site Condition Monitoring System in line with Modernising Government. A new Human Resources system was also delivered as was the Data Catalogue, Library System and the Casework Recording System. The completion of VPN (Virtual Private Network) means we can save money but have more capacity and better IT facilities for staff.

We also helped one of our partners, Forward Scotland, to develop a system to process the New Opportunities Fund grants.

■ **FINANCE** The phased introduction of the government procurement card has streamlined the 'purchase to pay' process and will help to improve our overall performance on the prompt payment of trade creditors, which rose to 94%. Significant effort was

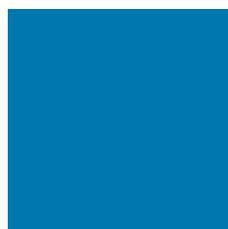
devoted to investigating the business options for upgrading SNH's finance system. Towards the end of the year, the Finance Unit re-organised into three operational



NHF Overview publication



SNH training suite

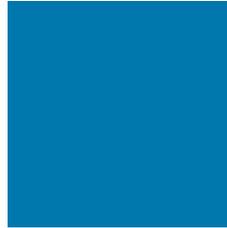


groupings: resources, development and projects. This will allow us better to focus resources to meet the changing internal and external demands for financial management and support. SNH continues to demonstrate efficiency improvements through a portfolio of efficiency measures. This is managed by our Efficiency Plan. In 2001/02, efficiency improvements valued at £0.983m were recorded.

■ **EXTERNAL FUNDING** We helped natural heritage projects to benefit from the Highlands and Islands Structural Fund Programme. The Spey Catchment Management project, to protect and enhance the River Spey and its tributaries, is led by SNH. It won support from partners and £75,000 from the structural fund programme to develop a catchment management plan. SNH also helped to develop applications for the Highland Core Path Network Partnership and the Highlands Biodiversity project, which secured over £400,000 and £79,000 respectively.

We also helped to produce two major Heritage Lottery Fund bids. The Scotland's Mountain Heritage project, led by the National Trust for Scotland, aims to improve upland footpaths on some of the Trust's estates. A first stage application for just under £1m was put forward. The Cairngorm Partnership application for moorland management is just over £480,000 and is also awaiting a decision. SNH also helped to prepare a LIFE III Nature bid on how to manage for capercaillie.

The Knockan Crag interpretation and access project was completed and it opened in May. The Project cost just under £700,000 and was supported by the Heritage Lottery Fund which granted just over £300,000, the Highlands and Islands Objective 1 Programme who awarded £150,000 and the two local enterprise companies which gave £40,000.



River Dee, Mar Lodge Estate



■ **HUMAN RESOURCES** The Investors in People standard has continued to be used to develop more integrated and improved training & development plans. The Competencies Framework has been introduced to support staff development.

As part of our on going commitment to a healthy workforce, we set up a health-screening programme for staff.



Knockan Crag Interpretation

■ PERFORMANCE AGAINST GOVERNMENT'S KEY TARGETS

■ SE TARGETS PERFORMANCE

Of the 36 targets agreed for the year, our achievements may be summarised as set out below.

Theme	Source	Key Target	Principal measures	Progress 2001-02	Year-end position
1	GIA	Complete submission of consultation reports on terrestrial SPAs by 31 December 2001	13 sites & 2 extensions remaining, excluding possible capercaillie sites	141 sites in total, 135 classified to March 2002, SNH submitted 10 consultation reports during 2001/02	Target not met
1	GIA	Complete submission of consultations on 220 candidate SACs by mid-June 2001	This is near-completion of the terrestrial SAC list.	Consultations held on 227 sites, and 222 sites submitted to EC 10 consultations held during the year	Target achieved
1	GIA	Introduce, by 30 September 2001, an effective strategy for action to bring SSSIs and Natura 2000 sites into positive management	Establish and launch Natural Care programme with agreed coverage targets	Published October 2001	Target achieved
1	GIA	Establish, for 2002/03, agreed targets for the proportion of the protected areas network brought into positive management	Seek to increase the percentage of sites (by area) in favourable management from 50% to 75% by 2004, of which at least 65% will be led by SNH resources, and pave the way for further increases thereafter	Natural Care programme 2001/02: 22 new and 118 renewed management agreements covering 55,000Ha and 21 new and 7 renewal individual schemes covering 3,800Ha	Target achieved
1	GIA	Increase, during 2001/02, levels of funding for positive management of protected sites	Expenditure in J/K Heads increased from £3.6m to £4.6m	On target Business case for 3 moorland management schemes approved by board and forwarded to Scottish Executive. Consultations commenced on Ayrshire Grasslands, Orkney moorlands and Grampian Lowland Raised Bogs Management Schemes	Target achieved
1	GIA	Continue funding for 4 existing goose schemes and new schemes approved by NGMRG	Continue schemes for Islay, Kintyre, Dumfries & Galloway and South Walls (Orkney)	In addition to funding existing schemes one new scheme approved by NGMRG and set for launch Q1 2002-03; two further schemes are currently under consideration	Target achieved

Theme	Source	Key Target	Principal measures	Progress 2001-02	Year-end position
1	GIA	Support the work of the SBG, with an enhanced contribution to action for biodiversity at national and local level	Increase percent of SAP and HAP actions for which SNH has been identified as a contributor and on which work has begun; Agree suite of biodiversity indicators	Baseline @ 75%, 3-year target 95%, update due	Target achieved
1	GIA	Promote the NBN in Scotland, with a view to provision of a more comprehensive biodiversity data and information facility	Support the NBN Trust and expand the network of local record centres; Implement SNH plan for use of NBN gateway	Supported Scottish NBN launch. New data management unit established and NBN post being recruited	Target substantially achieved
1	GIA	Support the setting up of Scotland's first National Park in the Loch Lomond and the Trossachs by April 2002	Continue to supply agreed revenue and capital funding for the Interim Committee, advise government on designation order	On target	Target achieved
1	GIA	Submit the consultation Report on the proposed Cairngorms National Park	First draft consultation report completed	Report submitted and available on SNH website	Target achieved
1	SE	Complete, by November 2001, the draft nomination document for the St Kilda World Heritage Site extension	Completed assessments for individual NNRs in line with Review findings	WHS nomination document in preparation. Final mapping of marine habitats and communities completed.	Target achieved
1	CP	We shall implement in full the recommendations of the NNR Review, including investment in SNH-owned reserves, declaring new Reserves and promoting wider awareness of the purposes of NNRs	Establish new format for NNR management plans	Revised timetable agreed by Board. Management Plan project now to be completed in house and external contract ended. Awareness Officer has been appointed	Target not met
1	CP	We will promote the outputs from our landscape character assessment programme and lay the foundations for action to raise awareness and improve the care of Scotland's landscapes	Publish overview of LCA programme and drawn up action plan Establish renewed SNH landscape policy Publish guidance on landscape capacity for windfarms	Publication delayed by competing priorities Guidance on windfarms presented to Board	Target not met

Theme	Source	Key Target	Principal measures	Progress 2001-02	Year-end position
1	CP	We shall finalise the suite of National & Local Prospectuses and promote these as the basis of our work with partners	Complete consultations on Local and National Prospectuses	Published 18 March 2002	Target achieved
2	GIA	Take forward work in preparation for the proposed legislation to establish a right of responsible access	Implement 36 tasks in Access action plan	On target - detail subject to legislative timetable	Target achieved
2	GIA	Encourage local authorities to begin to prepare for the new duties to be placed upon them and, in particular, to appoint access officers, develop access strategies and create path networks	Number of access officers in post; Number of access strategies in preparation; Number of path networks created	33.5 Access officer posts supported in 23 Local Authorities 25 path networks completed and 25 under way SNH participating in all 14 LA Access Forums	Target substantially met
2	GIA	develop a programme to educate the public on responsible exercise of the new right of access	Issue and promote code; monitor public awareness of code and act on findings	Subject to legislative timetable	Target achieved
2	CP	With support from SNH and the Lottery, the Greenspace for Communities initiative will be up and running	Establish umbrella trust and arrangements for disbursement of funds; Number/value of grant awards	Umbrella Trust not yet established. 7 Fresh Futures grants have been approved so far totalling £144,000	Target substantially met
2	CP	We shall continue to support efforts to regenerate the environment of Scotland's central belt through the Central Scotland Forest initiative	Revised set of CSFI targets agreed with Scottish Executive and CSCT; Delivery of funds against these targets	On target	Target achieved
2	CP	We shall support an expansion of Scotland's ranger services, delivering local interpretation and understanding of natural heritage issues	Establish basis for increase from baseline of 270 FTE in 52 services	Currently 262 FTE posts in 51 services	Target achieved
3	CP	SNH seeks to influence agricultural policy measures to benefit the natural heritage value of farmland	Identify and pursue opportunities in current policy agenda	Maintained LUPG programme and contribute to development of new schemes	Target achieved

Theme	Source	Key Target	Principal measures	Progress 2001-02	Year-end position
3	CP	We shall continue to press for the concept of multi-benefit forestry to be made a reality on the ground	Advise on FC forest design plans; Seek greater targeting of WGS/ FWPS	178 FC design plans responded to within statutory timescales	Target achieved
3	CP	Working with SEPA, we shall prepare for implementation of the Water Framework Directive and promote a catchment-based approach to management of freshwaters	Establish SNH capacity to contribute to WFD implementation promote catchment-based approach	SNH contributed to 10 working groups, 4 research projects, 6 seminars on WFD; Developed catchment management plans for 6 river systems	Target achieved
3	CP	We aim to influence the reform of the Common Fisheries Policy and the management of all marine resources towards a more effective adoption of the principles of environmentally sustainable management	Implement development programme on inshore fisheries Promote extended use of regulatory orders	The project will now go ahead in 2002/03, and the key posts have been authorised for recruitment	Target substantially met
3	CP	We shall continue our support for adoption of sustainable waste, energy and transport policies	Advise Scottish Executive on Strategic Roads Review	Provided advice on Strategic Roads Review; Prepared guidance on where windfarms might be developed	Target achieved
3	CP	We shall promote development of ecotourism which accords with the principles of sustainable development	Develop support measures for ecotourism	Provided advice on National Tourism Framework; Supported Tourism & Environment Forum & Thistle awards	Target substantially met
4	GIA	Operate within agreed running costs arrangements;	Need to establish agreed figures for 2001/02	On target	Target achieved
4	GIA	Deliver at least £0.94m of saving and gains as set out in the current SNH Efficiency Plan	Need to review reporting process	On target	Target achieved
4	GIA	Secure net cash out-turn within range 98-100% of approved funding (net grant aid plus carry-in)	Monitor in-year out-turn via budget management group	2% carryover limit lifted February 2002	Target achieved
4	CP	We will take all relevant opportunities to consult with stakeholders in the natural heritage	Number of consultation initiated by SNH Number of consultees involved		Target achieved

Theme	Source	Key Target	Principal measures	Progress 2001-02	Year-end position
4	CP	In collaboration with the other country agencies, play a full part in implementing the outcome of the current JNCC FMPR	Maintain representation on Review SG and support preparation of Stage 2 report	On target	Target achieved
4	CP	Implement our European & International Influencing Strategy	All action plans implemented	Action in progress on all tasks.	Target achieved
4	CP	We shall continue to hold regular open meetings and events around Scotland and make full use of consultative opportunities	All Board meetings open; Annual SNH Open Meeting; At least 1 open event in each Area	On target	Target achieved
4	CP	We shall maintain a customer care programme with clearly defined and regularly checked service standards, regular surveys of SNH customers, acting on the findings and test our effectiveness by seeking a Charter Mark award	Review of service standards; Programme of customer surveys; Act on findings; Test against CM principles	On target	Target achieved
4	CP	We shall review our own 'environmental footprint' and encourage good practice using natural resources	Complete 'green office' audit and implement findings	12 office audits now completed.	Target achieved
4	CP	We will keep up the Investors in People award, introducing a framework of management competencies and accompanying staff development programme	Rollout competencies framework; Staff training programme	Rollout has begun; 2294 training days	Target achieved

BOARD MEMBERS AT 31ST MARCH 2002

SNH BOARD

Chairman

Dr John Markland CBE

Deputy Chairman

Michael Scott

Peter Chapman

Kevin Dunion CBE

Simon Fraser

Keith Geddes CBE

Lady Isabel Glasgow

Mrs Alice Lambert

Peter Mackay CB

Professor Jeremy Rowan-Robinson

Professor Janet Sprent OBE

Professor Susan Walker OBE

NORTH AREAS BOARD

Chairman

Simon Fraser

Deputy Chairman

Amanda Bryan

Councillor Stuart Black

Councillor Dr Michael Foxley

Councillor Hugh Halcro-Johnston

John Henderson

Isobel Holbourn

John Macdonald

Dr Murdo Macdonald

Roger Miket

EAST AREAS BOARD

Chairman

Professor Jeremy Rowan-Robinson

Deputy Chairman

Councillor Bill Howatson ARAgS

Dr Nonie Coulthard

Ian Currie

James McCarthy

Councillor Alison McInnes

Capt. Robin Middleton

Guy Wedderburn

Michael Williams, MBE

WEST AREAS BOARD

Chairwoman

Lady Isabel Glasgow

Deputy Chairman

Dr James Hansom MA, Phd, FRGS

Ian Fernie

Andrew Gemmill

Gordon Mann OBE

Dr Philip Ratcliffe

Richard Williamson

Dr Sheena Wurthmann

SCIENTIFIC ADVISORY COMMITTEE

Dr Richard Birnie

Dr Nonie Coulthard

Ian Currie

Dr Mary Gibby

Dr James Hansom

Dr David Houston

Dr Murdo Macdonald

Dr Donald McLusky

Dr Rupert Ormond

Professor John Proctor

Michael Scott

Professor Janet Sprent

Dr Nigel Trewin

Dr Sheena Wurthmann

AUDIT AND RISK COMMITTEE

Ian Currie

Keith Geddes CBE

Peter Mackay CB

Professor Susan Walker OBE

■ BOARD MEMBERS' INTERESTS

SNH maintains a register of Board Members' interests. An extract from the register is printed below, listing Member's employment, Directorships and professions. For more detailed information, enquiries should be addressed to the Board Secretary, Scottish Natural Heritage, 12 Hope Terrace, Edinburgh EH9 2AS.

■ SCOTTISH NATURAL HERITAGE BOARD

Dr John Markland is Chairman of SNH, having formerly been Chief Executive of Fife Council. He represents SNH on the Joint Nature Conservation Committee. In addition to his work for SNH, he is active in a number of other organisations in the sustainable development field such as Environmental Campaigns (Encams), where he is currently vice chairman, and Forward Scotland. He is a member of the Court of Edinburgh University and Chairman of the Scottish Leadership Foundation. He has a particular interest in sustainable development issues, having previously Chaired the Secretary of State for Scotland's Advisory Group on Sustainable Development.

Michael Scott is SNH's Deputy Chairman. He works part-time as Co-ordinator of Plantlife Scotland, the wild plant conservation charity, and as a freelance natural history writer and consultant. He has a strong interest in all environmental issues, particularly biodiversity and marine. He represents SNH as a Director of Highland Birchwoods. He is also a member of SNH's Scientific Advisory Committee and the Joint Nature Conservation Committee.

Peter Chapman is a farmer in Buchan with almost 30 years experience, having formerly been Vice President of the National Farmers Union for Scotland. Like many farmers, he is very interested in, and protective of, our diverse and beautiful environment. His aim is to help build strong partnerships between SNH and the agricultural community to the benefit of both.

Kevin Dunion has been Chief Executive of Friends of the Earth Scotland since 1991, and is a member of The Executive Committee of Friends of the Earth Europe.

He was chairman of Friends of the Earth International 1996 - 2000. He is a member of the Cabinet Sub Committee for a Sustainable Scotland and an Honorary Senior Research Fellow in the Department of Environmental Planning, University of Strathclyde. He is writing a book on environmental justice to be published by Polygon/Edinburgh University Press in 2003, and has contributed on this issue to a number of other publications.

Simon Fraser is Chairman of the North Areas Board. He is a full-time solicitor and part-time crofter in the Western Isles and is Director of several companies, including the Isle of Eigg Heritage Trust. A fluent Gaelic speaker with a lifelong interest in the social and natural history of the Western Highlands and Islands, he has a particular interest in rural development.

Keith Geddes has extensive experience in local government, having been until May 1999, a Leader of the City of Edinburgh Council and President of the Convention of Scottish Local Authorities. He is also a former member of the Scottish Arts Council, Scottish Enterprise and Livingston Development Corporation. He currently works as Policy Director with Pagoda Public Relations. He chairs Greenspace Scotland, an umbrella body whose aim is to create new greenspaces and improve the management of existing greenspace in Scotland's urban communities.

Lady Isabel Glasgow is Chairwoman of the West Areas Board. She is co-founder of Kelburn Country Centre in Ayrshire. She is a Member of Loch Lomond and the Trossachs National Park Authority and is also, amongst other involvements, Chairwoman of Scottish Council for National Parks, the Moorland Forum, the Firth of Clyde Forum and the Arran Access Trust.

Alice Lambert is a past shellfish farmer, now an environmental and shellfish consultant with a working knowledge of, and involvement in, West Coast and Island matters, both human and environmental. She runs a successful holiday accommodation business and is involved in various community organisations on Mull. She is a recently appointed member of the West

Regional Board of the Scottish Environmental Protection Agency.

Peter Mackay is Chairman of SNH's Audit and Risk Management Committee. He is a former Scottish Office civil servant, and now works for the Competition Commission and the Northern Lighthouse Board. He is a keen sailor, sea kayaker, cross country skier and hillwalker, with a particular interest in access and National Parks issues. He is a member of the Loch Lomond Sailing Club, the John Muir Trust, the Mountain Bothies Association, the Mountaineering Council of Scotland, and is a vice Chairman of Scotways (The Scottish rights of way and Access Society).

Professor Jeremy Rowan-Robinson is Chairman of the East Areas Board. He is Emeritus Professor of Law at Aberdeen University with expertise in Planning Law, Environmental Law, Countryside Law and the Law relating to Compulsory Purchase and Compensation. He has a strong interest in outdoor recreation, and is currently Chairman of the Access Forum.

Janet Sprent is Chairwoman of SNH's Scientific Advisory Committee. She is Emeritus Professor of Plant Biology at the University of Dundee, with particular expertise in plant nutrition and over 30 years research in the field of nitrogen fixation. She is a member of the Royal Commission on Environmental Pollution. She has extensive experience in management of science and research in a variety of organisations and of research overseas. She has a particular interest in the management of protected areas, including Nature Reserves, National Parks and SSSIs.

Susan Walker has extensive experience in the water and environment sector. Currently she is a part time Professor in Geography and Environment at the University of Aberdeen specialising in integrated river basin management, and is a Director of Sue Walker Management Ltd. She is in addition to SNH a member of two other public bodies: the Deer Commission for Scotland and the Fisheries (Electricity) Committee. She is also a keen mountaineer.

■ NORTH AREAS BOARD

Amanda Bryan (Deputy Chairwoman) is a self-employed rural development consultant. She spends much of her time working on projects and initiatives that look to secure social economic benefits relating to both rural communities and the natural heritage. She is Chairwoman of the BBC's Scottish Rural Affairs and Agriculture Advisory Committee and has just started studying part time towards a PhD in Rural Development through the University of the Highlands & Islands Millennium Institute. She is Deputy Chairwoman of the North Areas Board.

Councillor Stuart Black has worked a Strathspey hill farm for 35 years. He is also a partner in a self-catering business and is Councillor for North East Strathspey. He was involved in the setting up of the Farming & Wildlife Advisory Group in the Cairngorms and was its first Director. He is Director of Explore Abernethy, a local interpretative project, and a Member of the Agricultural Task Group of the Cairngorms Partnership. He is Chairman of Cairngorms Agricultural Forum and member of the National Farmers Union Scotland. On the Areas Board, he has particular responsibilities for Badenoch & Strathspey within SNH's East Highland Area.

Councillor Dr Michael Foxley is a crofter on a family croft in Achaphubuil, a GP in Fort William and surrounding area and Councillor for Ardnamurchan and Morvern. He is actively involved in promoting the interests of rural communities and in ensuring that nature conservation and community developments work in partnership. To this end, he is Director of several bodies including the Isle of Eigg Heritage Trust and the Knoydart Foundation, and Chairman of the Highland Council Land and Environment Committee. On the Areas Board, he has particular responsibilities for Lochaber within SNH's West Highland Area.

Councillor Hugh Halcro-Johnston is a farmer and landowner in Orphir on Orkney, on land that has been in his family for 250 years. Amongst other involvements he is Convenor of Orkney Islands Council, Vice President of the Convention of Scottish Local Authorities and a Board Member of Highlands

& Islands Enterprise. On the Areas Board, he has particular responsibilities for Orkney within SNH's Northern Isles Area

John Henderson is a farmer at Scrabster in Caithness. Among other involvements he is chairman of the Caithness and Sutherland Community Economic Development Group, member of the NFU Scotland Highland Board, member of the Scottish Agricultural College council, vice Chairman of Caithness and Sutherland Chamber of Commerce and a management Trustee of Scrabster Harbour. On the Areas Board he has particular responsibilities for Caithness within SNH's North Highland Area.

Isobel Holbourn is a crofting tenant of part of a joint holding within the Isle of Foula which is entirely SSSI, SPA and NSA and the holdings are covered by an ESA management plan. She is a part-time teacher at Foula Primary School, part-time Auxiliary Observer for the Meteorological Office and a part-time community home carer. She is also Director of Highlands and Islands Forum and Co-president of Forum Synergies, a trans-national network promoting bottom-up sustainable development throughout central, east and west Europe. On the Areas Board, she has particular responsibilities for Shetland within SNH's Northern Isles Area.

John Macdonald is an active crofter in Sutherland. He is involved in the Scottish Crofters Foundation, is Area Assessor for the Crofters Commission and Chairman of Commann Eachdraidh Sgeire Raoird. On the Areas Board, he has particular responsibilities for Sutherland within SNH's North Highland Area.

Dr Murdo Macdonald is a biologist and naturalist, teaching Computing Studies at Dingwall Academy. He is the Scottish Co-ordinator of the UKBAP Bumblebee Working Group and member of the Highland Biological Recording Group Committee. He is a member of the SNH Scientific Advisory Committee. On the Areas Board, he has particular responsibilities for Ross-shire within SNH's East Highland Area.

Roger Miket is an archaeologist, author, publisher,

part-time lecturer and cultural heritage consultant. He is also Secretary for the Hebridean Archaeological Forum, a Member of the Institute of Field Archaeologists and Fellow of the Society of Antiquaries of both Scotland and London. On the Areas Board, he has particular responsibilities for Skye & Lochalsh within SNH's West Highland Area.

■ EAST AREAS BOARD

Councillor Bill Howatson is Deputy Chairman of the East Areas Board. He works as a columnist for the Press & Journal and is an agricultural contributor to the Scotsman, the Herald and the Press & Journal. He is also a Councillor for Aberdeenshire Council and Chairs the Council's Agricultural Advisory Working Group. He has a keen interest in rural policy making, farming systems throughout Scotland and education at all levels. He has particular responsibilities for SNH's Grampian Area.

Dr Nonie Coulthard is a consultant ecologist specialising in biodiversity conservation and project management in Scotland and Africa. With her husband, she is joint director of Logical Cobwebs, a company providing ecological and software development expertise. She is a keen outdoor sportswoman, with a particular interest in canoeing. She is a member of the SNH Scientific Advisory Committee. On the Areas Board, she has particular responsibilities for SNH's Tayside Area.

Ian Currie was formerly Director of the Tweed River Purification Board. He played a key part in setting up the Tweed Forum, is a Trustee of the Tweed Foundation and is a member of its Technical Advisory Group. He is also currently Chairman of Borders Access Forum. He is a member of the SNH Scientific Advisory Committee. On the Areas Board, he has particular responsibilities for the Borders within SNH's Forth & Borders Area.

James McCarthy is currently an Environmental and Educational/Training Consultant, having previously been Deputy Director (Scotland) of the Nature Conservancy Council. He is a Director of the

Edinburgh Greenbelt Trust, alternate Chairman of the Government's Fresh Futures Grants Panel and a member of the Forestry Commission's Mid-Scotland Regional Advisory Committee. He has a strong interest in environmental education and training and in sustainable development. On the Areas Board, he has particular responsibilities for SNH's Tayside Area.

Councillor Alison McInnes is a member of Aberdeenshire Council of which she is Chair of the Infrastructure Services Committee and also a Member of the Policy & Resources and Formartine Area Committees. She is also the Council's representative for Local Agenda 21 UK. She is a Board Member of Scottish Enterprise Grampian, Vice Chair of the North Sea Commission's Environment Group and a Director of Callisto Productions Ltd. She is particularly interested in sustainable rural development and community participation. On the Areas Board, she has responsibilities for SNH's Grampian Area.

Captain Robin Middleton served as Managing Director and then Director of Consultancy Services with Briggs Marine Environmental Services Ltd. He is President of the Nautical Institute and a Fellow of the Institute. Captain Middleton serves on the Board of Peterhead Bay Authority and is also a Director of Upper Deeside Access Trust. He is Hut Custodian of the Cairngorm Club with special interest in a birchwood regeneration project at Piper's Wood in Glen Eye. On the Areas Board he has particular responsibilities for SNH's Grampian Area and sits on the NNR group within SNH.

Guy Wedderburn is a rural practice Chartered Surveyor currently managing estates in Falkirk, Fife and Stirling all of which include important nature conservation interests and expanding path networks for public access. He is an Associate Director of Bell Ingram and provides valuation and land agency advice to a wide range of clients throughout Central Scotland. He has a professional interest in countryside access and is involved in a number of access related projects for local authorities and others. He is Chairman of the Falkirk Countryside Access Forum and ByCycle (the Perth & Kinross Cycle Campaign)

and represents SNH as Director of the Fife Environment Trust and Fife Coast & Countryside Trust. On the East Area Board he has particular responsibility for the Fife and Falkirk areas.

Michael Williams runs a farm in East Lothian on which he has made use of various grants to create a farm 'sympathetic' to the countryside by imaginative habitat creation and enhancement. He also uses this farm to demonstrate to other farmers, and to educate various other groups on, the wide range of conservation practices possible. He has a long standing involvement in the Farming & Wildlife Advisory Group (FWAG) - is Vice Chairman of FWAG Scotland and Trustee of FWAG UK. He lectures regularly on farm conservation. On the Areas Board, he has particular responsibilities for Lothians within SNH's Forth & Borders Area.

■ WEST AREAS BOARD

Dr Jim Hansom (Deputy Chair) is a Reader in Geography and Topographic Science at the University of Glasgow, with teaching, research and consultancy interests in coastal and lake-shore processes, sea level change and coastal zone management, with particular reference to Scotland. He is a Member of the Royal Scottish Geographical Society and a Fellow of the Royal Geographical Society. He has a general interest in geographical and environmental education at all levels. He is a member of the SQA Geography Panel and the SQA Social Sciences and Social Studies Advisory Group. He is a member of the SNH Scientific Advisory Committee. On the Areas Board, he has particular responsibilities for SNH's Argyll & Stirling Area.

Ian Fernie is a former Director of Economic Planning and Environmental Services with West Dunbartonshire Council, and is currently a part-time lecturer at Strathclyde University and a member of the Scottish Executive Committee of the Royal Town Planning Institute. He is Director of Loch Lomond Steamship Company, SNH's Director on the Scottish Greenbelt Foundation and SNH's nominee Director and

Chairman on the Glasgow and Clyde Valley Greenspace for Communities Trust. He has recently completed a Masters Degree in Environmental Studies. On the Areas Board, he has particular responsibilities for SNH's Strathclyde & Ayrshire Area.

Andrew Gemmill runs a family farm in Ifferdale, Kintyre upon which he has undertaken considerable conservation measures. He is a member of the National Farmers Union and is also a committee member of the local Rural Initiative. On the Areas Board, he has particular responsibilities for SNH's Argyll & Stirling Area.

Gordon Mann is Managing Director of the Dumfries-based Crichton Trust, formerly the Director of Planning for Dumfries & Galloway Council. He has also held the posts of Director of Planning for Shetland Isles Council and Director of Planning for Banff and Buchan District Council. With a keen interest in countryside management and access issues as well as rural development and planning, he has been involved in setting up and running a number of countryside management schemes including the Solway Firth Partnership. Currently a judge in the Scottish Executive's Quality in Planning Award Scheme he also is a long-running member of the Royal Town Planning Institute. On the Areas Board, he has particular responsibility for SNH's Dumfries & Galloway Area.

Dr Philip Ratcliffe is an independent consultant specialising in terrestrial biodiversity conservation and wildlife management. He is a member of the Deer Commission for Scotland with particular experience in deer management, forestry and native woodlands and has played a role in developing the concept of Habitat Networks. With his wife, he owns 'Cowl Bird Garden', a small tourist attraction near Dunoon. On the Areas Board, he has particular responsibilities for SNH's Argyll & Stirling Area.

Richard Williamson is the Group Policy and Communications Director for the Buccleuch Estates Ltd. He is a Director of Solway Heritage, Director and Vice Chairman of the Southern Uplands Partnership and Chairman of Dumfries and Galloway Access Forum.

On the Areas Board, he has particular responsibilities for SNH's Dumfries & Galloway Area.

Dr Sheena Wurthmann is a Senior Lecturer at the School of Built and Natural Environment at Glasgow Caledonian University. She is an ecologist with interests in river catchment issues and urban ecology. She is a Board Member of the Scottish Field Studies Association, a member of the Scottish Biodiversity Group and the SQA Advisory Panel on Land & Environment. She is active in educational developments in tertiary education and has national and international experience of environmental education. She is a member of the SNH Scientific Advisory Committee. On the Areas Board, she has particular responsibilities for SNH's Strathclyde & Ayrshire Area.

■ SCIENTIFIC ADVISORY COMMITTEE

Dr Richard Birnie's background is in geomorphology, resource assessment, remote sensing and GIS, and land use research. He is Manager of the Human Dimensions group programme at The Macaulay Land Use Research Institute. His research is now principally concerned with land resource assessment and the human dimensions of land use change. He convenes the Hill Land Use and Ecology Discussion Group.

Dr Mary Gibby is Director of Science at the Royal Botanic Gardens Edinburgh. She has particular expertise in ferns and their habitats, and her research interests include the investigation of plant population biology and genetics to inform conservation strategies for species. She is keen to increase the level of expertise in cryptogamic plants and fungi in Scotland - key areas of Scotland's biodiversity both nationally and internationally.

Dr David Houston is Professor of Zoology at the Institute of Biomedical and Life Sciences, University of Glasgow. He has a wide interest in natural history both in Scotland and internationally. He is particularly interested in field ornithology, birds of prey, scavenging birds, economic ornithology and the management of endangered species.

Dr Donald McLusky is Senior Lecturer in Biological Sciences at the University of Stirling and was formerly the Head of the Department of Biological Sciences. His main research interest is in estuarine ecology, especially of the Forth Estuary. He has been involved with assessing the impact of refinery discharges on coastal habitats, estuarine eco-toxicology and the conservation of a variety of aquatic habitats. He has been closely involved with coastal issues in Scotland for the last thirty years.

Dr Rupert Ormond is Director of the University Marine Biology Station Millport, which is located on the Isle of Cumbrae in the Firth of Clyde, and is managed by the University of London in association with the University of Glasgow. He has broad interests in marine ecology, but in particular has many years experience of research in marine conservation, protected areas, fish behaviour and fisheries management, mostly from tropical environments, but also in the UK.

Professor John Proctor is currently involved in the Conservation Degree Teaching Programmes at the University of Stirling. His particular expertise is in serpentine environments, but he has a more general interest in Scottish terrestrial plants, and a special interest in their soil environment. He also has considerable experience in tropical conservation, particularly of rain forests.

Dr Nigel Trewin is reader in Geology at the University of Aberdeen with 30 years experience of Scottish geology and geological sites. He is editor of 'Geology in Scotland', author of geological guide books and many contributions on Scottish geology and has broad interests in natural history, archaeology and fishing. His current research themes involve sedimentology, palaeontology and geochemistry, and include the Old Red Sandstone, the Rhynie Chert and the Jurassic.

■ NATURE CONSERVATION ORDERS AND SPECIAL NATURE CONSERVATION ORDERS MADE DURING YEAR TO 31 MARCH 2002

A full list of Nature Conservation Orders (NCOs) and Special Nature Conservation Orders (SNCOs) in force during the year to 31 March 2002 is listed in Facts and Figures 2001/02 published in association with this Report.

It remains our view that these Orders should only be used as a matter of last resort where there is a direct threat to the notified interest of an SSSI or where it is necessary to take exceptional measures to safeguard a site whilst negotiations continue to secure its future appropriate management.

As required by Section 29(11) of the Wildlife and Countryside Act 1981 and by Regulation 22(6) of the Conservation (Natural Habitats) Regulations 1994 we report that no new NCOs or SNCOs were made and no existing orders were revoked during 2001/02.

■ SNH MAIN OFFICES

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Edinburgh EH6 5NP
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f: 0131 446 2405

Battleby, Redgorton
Perth PH1 3EW
t: 01738 444177
f: 01738 458611

Caspian House
Mariner Court
Clydebank Business Park
Clydebank G81 2NR
t: 0141 951 4488
f: 0141 951 4510

Fraser Darling House
9 Culduthel Road
Inverness IV2 4AG
t: 01463 723100
f: 01463 723119

■ SNH AREA OFFICES

■ ARGYLL and STIRLING

The Beta Centre, Innovation Park,
University of Stirling
Stirling FK9 4NF
t: 01786 450362
f: 01786 451974

1 Kilmory Industrial Estate, Kilmory
Lochgilphead
Argyll PA31 8RR
t: 01546 603611
f: 01546 602298

Glencruittan Road, Oban
Argyll PA34 4DN
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f: 01631 567229

Main Street, Bowmore
Isle of Islay
Argyll PA43 7JJ
t: 01496 810711
f: 01496 810665

17 John Street, Dunoon
Argyll PA23 8BN
t: 01369 705377
f: 01369 705788

■ STRATHCLYDE and AYRSHIRE

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f: 0141 951 8948

22 Bannatyne Street
Lanark ML11 7JR
t: 01555 665928
f: 01556 661966

19 Wellington Square
Ayr KA7 1EZ
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f: 01292 269493

■ DUMFRIES and GALLOWAY

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f: 01387 259247

Holmpark Industrial Estate
New Galloway Road
Newton Stewart DG8 6BF
t: 01671 401075
f: 01671 401078

Cairnsmore of Fleet NNR
Reserve Office
Dromore Farm, Gatehouse of Fleet
Castle Douglas
Kirkcudbrightshire DG7 2BP
t: 01557 814435
f: 01557 815044

Caerlaverock NNR Reserve Office
Hollands Farm Road, Caerlaverock
Dumfries DG1 4RS
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■ NORTHERN ISLES

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Alexandra Wharf, Lerwick
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t: 01595 693345
f: 01595 692565

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Kirkwall, Orkney KW15 1AW
t: 01856 875302
f: 01856 876372

■ EAST HIGHLAND

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Park Dingwall IV15 9XB
t: 01349 865333
f: 01349 865609

Achantoul, Aviemore
Inverness-shire PH22 1QD
t: 01479 810477
f: 01479 811363

Creag Meagaidh NNR, Aberarder,
Kinlochlaggan
by Newtonmore
Inverness-shire PH20 1BX
t/f: 01528 544265

■ NORTH HIGHLAND

Main Street, Golspie
Sutherland KW10 6TG
t: 01408 633602
f: 01408 633071

17 Pulteney Street, Ullapool
Ross-shire IV26 2UP
t: 01854 613418
f: 01854 613419

■ WEST HIGHLAND

The Governor's House
The Parade, Fort William
Inverness-shire PH33 6BA
t: 01397 704716
f: 01397 700303

Bridge Road, Portree
Isle of Skye IV51 9ER
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f: 01478 613470

Anancaun, Kinlochewe
by Achnasheen, Ross-shire
IV22 2PA
t: 01445 760254
f: 01445 760301

The Reserve Office,
The White House
Isle of Rum PH43 4RR
t: 01687 462026
f: 01687 462805

■ WESTERN ISLES

2 Francis Street, Stornoway
Isle of Lewis HS1 2ND
t: 01851 705258
f: 01851 704900

Stilligarry, South Uist
Western Isles HS8 5RS
t: 01870 620238
f: 01870 620350

■ GRAMPIAN

16/17 Rubislaw Terrace
Aberdeen AB10 1XE
t: 01224 642863
f: 01224 635020

32 Reidhaven Street, Elgin
Morayshire IV30 1QH
t: 01343 541551
f: 01343 546406

Muir of Dinnet NNR,
New Kinord House
Dinnet, Aboyne, Aberdeenshire
AB34 5LQ
t: 01339 881669
f: 01339 881022

Forvie NNR,
Stevenson Forvie Centre
Little Collieston Croft,
Collieston, Ellon
Aberdeenshire AB41 8RU
t/f: 01358 751330

■ TAYSIDE and CLACKMANNANSHIRE

Battleby, Redgorton
Perth PH1 3EW
t: 01738 444177
f: 01738 458611

West Lodge, Lindertis, Airlie
by Kirriemuir, Angus DD8 5NP
t: 01575 530333
f: 01575 530220

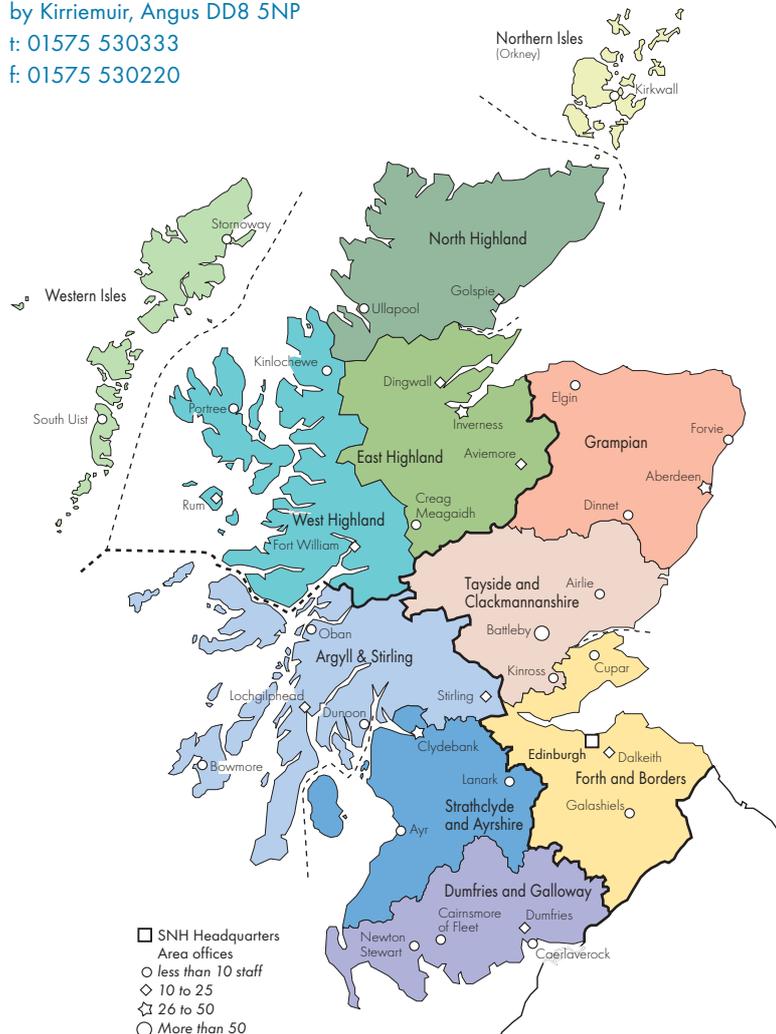
The Pier, Loch Leven
Kinross KY13 8UF
t: 01577 864439
f: 01577 865166

■ FORTH and BORDERS

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Dalkeith Country Park
Dalkeith, Midlothian EH22 2NA
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f: 0131 654 2477

46 Crossgate, Cupar
Fife KY15 5HS
t: 01334 654038
f: 01334 656924

Anderson's Chambers,
Market Street,
Galashiels TD1 3AF
t: 01896 756652
f: 01896 750427



□ SNH Headquarters
Area offices
○ less than 10 staff
◇ 10 to 25
☆ 26 to 50
○ More than 50



**AUDITED FINANCIAL ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002**

SCOTTISH NATURAL HERITAGE ACCOUNTS 2001-2002

■ FOREWORD

HISTORY AND STATUTORY BACKGROUND

1. Scottish Natural Heritage (SNH) was established on 1 April 1992 by the Natural Heritage (Scotland) Act 1991. SNH was financed by grant-in-aid borne in 2001-2002 on the Scottish Executive Environment and Rural Affairs Department's (SEERAD) programme operating budget for "Environmental Services: Central Government Expenditure". SNH is also recognised as a Scottish charity under the provisions of Section 1 (7) of the Law Reform Miscellaneous Provisions (Scotland) Act 1990.
2. The Joint Nature Conservation Committee (JNCC) was established on 5 November 1990 by Section 128(4) of the Environmental Protection Act 1990 to enable the statutory nature conservation agencies (SNH, English Nature (EN), Countryside Council for Wales (CCW)) to carry out certain functions previously discharged by the Nature Conservancy Council. The JNCC is funded jointly by SNH, EN and CCW. SNH's share of JNCC's net assets has been represented in the accounts in accordance with the funding agreement between the three country agencies.

PRINCIPAL ACTIVITIES

3. The statutory purpose of SNH is to secure the conservation, enhancement, understanding and enjoyment of Scotland's natural heritage. In recognition that Scotland's natural heritage is a local, national and global asset, SNH aims to promote its care and improvement, its responsible enjoyment, its greater understanding and appreciation and its sustainable use now and for future generations. Its mission is "working with Scotland's people to care for our natural heritage".

FINANCIAL RESULTS AND REVIEW OF ACTIVITIES

4. SNH's financial results for the year to 31 March 2002 are set out in the accounts below which have been prepared in accordance with Section 10 of the Natural Heritage (Scotland) Act 1991 and in a form directed by Scottish Ministers. The direction is reproduced as Appendix 1 to the accounts. The section on accounting policies explains the basis on which the accounts have been prepared. SNH currently manages its resources on a cash basis determined by its annual grant-in-aid payable by The Scottish Executive. As a Non-Departmental Public Body, SNH is also required to produce accruals accounts. These include a number of notional items and reserved funds in accordance with various accounting conventions. The accruals accounts can present either a surplus or deficit each year. Generally speaking these are not indications of financial performance for the year in terms of under or over spending in relation to grant-in-aid income. Details of the activities undertaken during the year by SNH are contained elsewhere in the Annual Report. Equally, *SNH Facts and Figures 2001-02* is a companion publication to the Annual Report and contains a range of useful facts and statistics about SNH's work and Scotland's natural heritage.
5. The results for the year show total operating expenditure of £54.4m and income (including grant-in-aid) of £52.6m. This left an operating deficit for the year of (£1.8m) which after interest earned of £0.1m left a deficit on ordinary activities of (£1.7m). After adding back notional charges of £3.0m this left a surplus for the year of £1.3m.
6. Total capital expenditure for the year amounted to £2.5m which was funded from grant-in-aid of £2.1m, the balance of £0.4m being funded from external sources (Note 2/16). In addition £31k of grant-in-aid was received and paid to JNCC for purposes of meeting their capital expenditure requirements

STATE AIDS

7. On 15 May 2001, MAFF, acting on behalf of UK-wide interests, received confirmation from the European Commission that new nature conservation management agreements entered into after 1 January 2000 were notified as approved State Aids.
8. A further decision by the Commission is awaited in respect of a separate retrospective notification covering the operation of management agreements up to 31 December 1999. In the meantime, Scottish Ministers have agreed that SNH should continue to make payments under all management agreements concluded in good faith before 1 January 2000. This recognises the valuable natural heritage benefits for Scotland, which derive from these payments and honours existing legal commitments to owners and occupiers of SSSI's.

SUPPLIER PAYMENT POLICY

9. SNH follows the principles of the Better Payment Practice Code. The policy is to ensure that all payments are made by the due date which is, either within 30 days of receipt of a valid invoice or as provided for under the terms of an agreed contract. This policy is known throughout the organisation. In the year to 31 March 2002, 94 % (2000-01: 93%) of invoices were paid within the due date. No payments (2000-01:1) were made during the year of statutory interest under The Late Payment of Commercial Debts (Interest) Act 1998.

FUTURE DEVELOPMENTS

10. **THEME 1 - CARING FOR THE NATURAL WORLD**

The effective conservation of Scotland's biodiversity and landscape remains a significant challenge. For SNH this includes supporting the Government's various international obligations including the Convention on Biological Diversity and the European Union's Directives on wild birds and on Habitats and Species (Natura 2000).

11. Work on Natura 2000 will remain a major commitment, moving on from terrestrial site selection to management and monitoring. However some further site selection and consultation is likely and there will be further work on the marine component of Natura. SNH's *Natural Care* programme provides the framework for improved management of protected areas including the Natura site series. Site casework will continue to present a heavy, and increasing, reactive workload due to the strict regulatory requirements of the European Directives, and while many of the regulatory authorities are becoming familiar with them. Proposals to reform Scotland's system of nature site protection are likely to lead to legislation in 2003/4 which could impact significantly on SNH's workload.
12. Supporting the Government's obligations under the Convention on Biological Diversity continues to require a wide-ranging programme of work to implement species & habitat action plans and to support Local Biodiversity Action Plans (including grant aid for project officers). There are also more modest, but nonetheless important, developments in landscape care, notably to improve planning and management in National Scenic Areas. SNH will be required to support the new National Parks and other approaches to integrated management of the natural heritage.
13. SNH has been reviewing and promoting the series of National Nature Reserves to increase their public profile and support their effective and efficient management. This effort will continue with some new reserves being declared and others which do not meet the criteria being dedeclared.

14. Finally, SNH has a central role to play in identifying and explaining natural heritage trends and in establishing and tracking suitable indicators. This work will complement and underpin the Executive's sustainable development indicators. Making more effective use of natural heritage information, especially through the National Biodiversity Network, remains a priority.

15. **THEME 2 - ENRICHING PEOPLE'S LIVES**

SNH has a duty to promote the understanding and enjoyment of the natural heritage. Our mission statement commits us to "working with Scotland's people". The Scottish Executive's programme for social and environmental justice, and especially land reform, will impact on our work and give it added impetus. By 2004, we expect work under this theme will benefit from a substantial real terms growth in resources available.

16. SNH has established a robust overview of the implications of the forthcoming legal right of responsible access to land and fresh water and the scale of new work associated with it. Tasks for us include promotion of the Access Code, facilitation of access management through funding for local authority access staff and ranger services and the provision of improved path networks in lowland, peri-urban and in upland areas. There will also be an increase in our work in and around Scotland's cities and towns which is relevant to the Government's priority for environmental justice. This includes Greenspace, Fresh Futures, open space strategies and renewed efforts on Local Nature Reserves. Finally, there is a supporting programme of work on environmental education and interpretation, community involvement and lifelong learning associated with natural heritage issues.

17. **THEME 3 - PROMOTING SUSTAINABLE USE**

Work under this theme involves SNH in advising on a wide range of activities which relate to the sustainable use of the natural heritage, and where appropriate supporting research and practical demonstrations relating to sustainable use. We work mainly in partnership with others and are able to lever resources to both benefit the natural heritage directly and also to help to reduce or eliminate perverse subsidies and activities which can damage it.

18. On land and water use we plan work to support Common Agricultural Policy reform, support for Farming & Wildlife Advisory Groups, on deer management, on forest management and water catchment management (including support for implementation of the Water Framework Directive). We shall modestly expand our work on maritime issues including Common Fisheries Policy reform, inshore fisheries and coastal zone management, while responding to diverse marine protection casework.
19. We shall continue to engage with local authorities and others to secure protection of the natural heritage through the statutory planning system while seeking supportive policy developments in sectors such as energy and transport. Finally, we continue to support rural development, especially promoting the link between tourism and a high quality natural environment to sustain jobs in Scotland's rural communities. We expect a significant amount of casework connected with meeting the Executive's targets for renewable energy.

20. **THEME 4 - DELIVERING THE STRATEGY**

The fourth Theme of the Corporate Strategy directly supports our primary purposes because it reflects the implications of adopting our three Operating Principles.

- **Partnership** requires us to work with others within and outwith Scotland towards joint goals which incorporate positive natural heritage outcomes.

- Our commitment to **devolved** operations requires a geographically dispersed network of offices and a clear framework of delegated authority and responsibility.
 - Our commitment to **openness** involves open Board meetings and consultations on a range of issues, easy access to information and an emphasis on our accountability through Parliament to Scotland's people with programmes of customer care and public engagement.
- 21.** We are aware that working in this way has a significant cost, which we believe is justified by the need to secure political and public confidence in our work which in turn leads to greater support for our natural heritage duties. We are investing in information technology to meet the Executive's e-government targets, for example through establishment of electronic records management. In addition, we have embraced all of the Scottish Executive's principles of 21st Century Government. We aim to demonstrate best practice in corporate governance and wise and efficient use of public funds to provide excellent customer service, so delivering a high quality public service. Maintaining the high quality and commitment of our staff is essential to delivery of our strategic aims, so we shall maintain our commitment to their personal development reflected in our *Investors In People* award.

RELOCATION

- 22.** The Scottish Executive has asked SNH to undertake a relocation review of the organisation as part of the rolling programme of review on decentralisation of government. The review will be undertaken by external consultants and will involve consultation at each stage with staff and unions. A report and evaluation of options is expected to be submitted to Ministers by October 2002.

PENSION SCHEME

- 23.** SNH proposes to join the Principal Civil Service Pension Scheme (PCSPS) during the year to 31 March 2003. The principal advantage of moving to PCSPS is the establishment of greater control and certainty over pension costs. Members of PCSPS meet their pension liabilities by paying accruing superannuation liabilities contributions (ASLC's) to the Civil Superannuation Vote and are not subject to the large financial fluctuations which may arise in a pay as you go scheme. Any transfer costs will be underwritten by Treasury and will be cost neutral to SNH. Reporting requirements under FRS 17 also will be simplified.

FRESH FUTURES

- 24.** During the year Scottish Natural Heritage and Forward Scotland formed a project partnership, called Fresh Futures, to manage and deliver a funding programme using monies provided by the New Opportunities Fund (NOF), a lottery distributing body. Over the lifetime of the project NOF will make available to Fresh Futures over £3 million to support projects that enable communities to understand, improve or care for their natural and living environment. The funds provided by NOF are held separately by SNH as restricted funds and, as well being used to employ staff and cover project running costs, they provide the finance to cover three schemes, including an open grants programme. A financial statement covering the receipt and expenditure of these funds is shown at Note 13.

FEES AND CHARGES GUIDE

- 25.** Executive NDPB's: Annual Report and Accounts Guidance states that the accounts of Executive Non-Departmental Public Bodies (NDPB's) should include segmental information as described in paragraphs 3.8 and 3.9 of the Fees and Charges Guide. In the past SNH has provided segmental information but is of the opinion that to continue to do so would be inappropriate and misleading as all services provided are inter-related and contiguous and have the single objective of furthering our heritage aims as stated in the Natural Heritage (Scotland) Act 1991. Accordingly no segmental analysis is provided.

EQUAL OPPORTUNITIES

- 26.** SNH seeks to provide equality of opportunity for all individuals. SNH's aim is to select, recruit, train, promote and reward on the basis of merit, ability and performance. We are committed to creating a working environment free of discrimination on the grounds of age, colour, disability, ethnic or national origin, gender, marital status, religion or sexual orientation.

EMPLOYEE INVOLVEMENT

- 27.** SNH involves employees through its Whitley Council which brings together representatives, management and the Trade Unions in a working environment. Bulletins containing general news updates and information are issued to all staff. A staff newspaper "*Update*" is issued monthly.

BOARD MEMBERS

- 28.** In terms of the Natural Heritage (Scotland) Act 1991, the Board membership of SNH shall be not less than eight, nor more than twelve persons appointed by Scottish Ministers. Initial appointment is normally for three years, with some appointments then extended for a further period.

The membership of the Board at 31 March 2002 was as follows:

Chairman	John Markland CBE
Deputy Chairman	Michael Scott
	Peter Chapman
	Kevin Dunion OBE
	Simon Fraser
	Keith Geddes
	Isabel Glasgow
	Alice Lambert
	Peter Mackay CB
	Professor Jeremy Rowan Robinson
	Professor Janet Sprent
	Professor Susan Walker OBE

In accordance with its aims to be an open and accountable organisation the seven meetings of the SNH Board held during the year ended 31 March 2002 included open sessions which the public were free to attend. Agendas and Board papers are published on the SNH website

- 29.** The first terms of John Markland, Michael Scott and Alice Lambert were due to end on 31 March 2001. All three were re-appointed for a further three year term in accordance with the guidance issued by the Office of the Commissioner for Public Appointments.

AUDITORS

- 30.** The accounts of Scottish Natural Heritage are audited by auditors appointed by the Auditor General for Scotland. The auditor appointed is the Chief Auditor, Audit Scotland East Region.

Ian Jardine
Accountable Officer:
21 October 2002

■ STATEMENT OF BOARD RESPONSIBILITIES

The Board's responsibilities comprise both executive and advisory functions set down by Parliament and the Responsible Minister and advisory functions in relation to the organisation and staff of SNH. The executive functions of the Board are carried out on the basis of recommendations from the Management Team. The Board may initiate new or seek to develop existing strategies and policies, and, in such circumstances, will ask the Management Team to provide appropriate advice and guidance.

The Board has corporate responsibility for ensuring that:

- the statutory purposes of SNH are being fulfilled. The Board will take account of relevant Government policies and the broad policy framework set from time to time by the Responsible Minister in the discharge of its responsibilities; and
- the deployment of resources represents appropriate and effective use of public monies.

In addition, the Board has the following specific responsibilities:-

- Determining the Mission, Aims and Operating Principles of SNH
- Ensuring effective Corporate Governance
- Determining and monitoring SNH's corporate identity and public profile
- Developing and reviewing Corporate Strategy and Policy
- Developing and approving key planning documents
- Advising the Responsible Minister and others
- Making decisions on casework
- Discharging the special nature conservation functions
- Overseeing the work of SNH's subsidiary Boards and Committees
- Representing SNH externally
- With the Management Team, provide leadership, direction, support and guidance to staff

■ STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 10 of the Natural Heritage (Scotland) Act 1991, Scottish Natural Heritage is required to prepare a statement of accounts for each financial year in the form and on the basis determined by Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of Scottish Natural Heritage's state of affairs at the year-end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts Scottish Natural Heritage is required to:

1. observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
2. make judgements and estimates on a reasonable basis;
3. state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
4. prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Scottish Natural Heritage will continue in operation.

The Principal Accountable Officer of the Scottish Administration has designated Scottish Natural Heritage's Chief Executive as the Accountable Officer for Scottish Natural Heritage. His relevant responsibilities as Accountable Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Memorandum to Accountable Officers of Other Public Bodies issued by the Scottish Executive and reproduced as Appendix 2 to these accounts.

■ STATEMENT ON INTERNAL CONTROL

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SNH's policies, aims and objectives, set by Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of SNH's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. I expect to have the procedures in place in March 2003 necessary to implement guidance from Scottish Executive Finance. This takes account of the time needed to embed the processes that SNH has agreed should be established and improve their robustness.

Work has been undertaken to produce a Risk Management Strategy that includes a Controls Assurance Framework. A comprehensive Risk Management Register has been prepared and from this, an Inventory of Key Risks has been distilled. Following approval by the Audit and Risk Management Committee and the Board, these documents will be rolled out across the organisation to implement a reporting structure that will support our organisational philosophy to manage risk, not become risk averse and to avoid development of a blame culture.

The Management Team will consider risk management and internal control on a regular basis through the year and the Audit and Risk Management Committee will maintain an overview of the process and system on behalf of the main Board, to whom they will report annually.

Risk Management is being fully incorporated into the Corporate Planning and decision-making processes of the organisation. A full risk and control assessment will be conducted before 31 March 2003.

In addition to the actions mentioned above, in the coming year we will develop a Risk Management Implementation Plan to:

- Raise awareness of corporate objectives and related tasks.
- Identify the appropriate control strategies adopted to manage key risks.
- Obtain full 'buy-in' of key staff to risk management.
- Finalise monitoring and review processes.
- Establish training schemes as required, to train and develop staff in the principles and techniques of risk management.

SNH has an Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual. They submit regular reports which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of SNH's system of internal control together with recommendations for improvement.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within SNH who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Ian Jardine
21 October 2002

■ INDEPENDENT AUDITOR'S REPORT

To the members of Scottish Natural Heritage, the Scottish Parliament and the Auditor General for Scotland

I have audited the financial statements on pages 57 to 77 under the Natural Heritage (Scotland) Act 1991. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 60 to 61.

Respective responsibilities of the Scottish Natural Heritage Board, the Chief Executive and Auditor

As described on page 54 the Scottish Natural Heritage Board and the Chief Executive are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Board and the Chief Executive are also responsible for the preparation of the Foreword and other contents of the Annual Report. My responsibilities, as independent auditor, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder and whether, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if Scottish Natural Heritage has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 55 complies with Scottish Executive guidance on statements on the system of internal control. I report if it does not comply with the guidance, or if the statement is misleading or inconsistent with other information I am aware of from my audit.

Basis of audit opinions

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to Scottish Natural Heritage's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

As disclosed in note 28 to the accounts, the European Commission has been approached for approval that the system of management agreements operated throughout the United Kingdom up to 1 January 2000 could be deemed as allowable state aid. During 2001/02 Scottish Natural Heritage spent some £2.6 million under such agreements that without European Commission sanction must be deemed irregular. At present the European Commission has not given any indication whether or not they would grant retrospective approval for such payments or impose any financial sanction.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinions

Financial statements

In my opinion the financial statements give a true and fair view of the state of affairs of Scottish Natural Heritage at 31 March 2002 and of the retained surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder.

Qualified regularity opinion arising from limitation in audit scope

In my opinion, except for the limitation in scope of my work arising from uncertainty over the regularity of payments under management agreements entered into prior to 1 January 2000, in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Fiona Kordiak CPFA
Chief Auditor, Audit Scotland
Osborne House, 1/5 Osborne Terrace
Edinburgh EH12 5HG
23 October 2002

■ SCOTTISH NATURAL HERITAGE

Income and expenditure account for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Income			
Government grant-in-aid	2	48,049	39,343
Ring fenced grant-in-aid to JNCC	2/12	1,345	1,210
Fresh Futures	13	252	0
Transferred from Capital asset fund	3/25	1,496	1,860
Transferred from Revaluation Reserve	4/26	13	0
Bequest income	20	1	10
Income from activities	5	1,460	1,326
		<u>52,616</u>	<u>43,749</u>
Expenditure			
Board members and staff costs	6	17,765	15,718
Grants	7	14,015	10,581
Other operating costs	8	7,540	7,242
Management agreements	9	3,992	3,745
Research and Technical Support	10	3,900	2,701
Notional costs	11	2,973	2,695
Depreciation	16	1,509	1,441
Annual JNCC contribution	12	1,345	1,210
Fresh Futures	13	252	0
National Nature Reserves		1,012	730
Grants to Local Authorities for loan charges	14	110	122
Permanent diminution in asset values		0	436
		<u>54,413</u>	<u>46,621</u>
(Deficit) on operating activities		(1,797)	(2,872)
Bank Interest received		99	142
Interest received on bequest funds	20	2	2
(Deficit) on ordinary activities		(1,696)	(2,728)
Add back of Notional charges	11	2,973	2,695
Transfer to Bequest Fund	26	(3)	(12)
Retained Surplus (Deficit) for the year	26	<u>1,274</u>	<u>(45)</u>

Statement of recognised gains and losses for the year ended 31 March 2002

	2002 £000	2001 £000
Surplus (Deficit) for the financial year	1,274	(45)
Revaluation of fixed assets	(11)	(146)
Increase in share of JNCC reserves	21	1
Total recognised gains (losses) since last reported	<u>1,284</u>	<u>(190)</u>

No activities were discontinued during the year.
The accounting policies and notes on pages 60 to 77 form part of these accounts.

SCOTTISH NATURAL HERITAGE
Balance Sheet as at 31 March 2002

			Restated (see notes 26/27)	
	Notes	2002 £000	2002 £000	2001 £000
Fixed assets				
Tangible fixed assets	16		11,665	10,690
Current assets				
Stocks	18	311		236
Debtors	19	1,494		2,540
Cash at bank and in hand	20	2,201		286
		<u>4,006</u>		<u>3,062</u>
Creditors: Amounts falling due within one year	21/24	<u>(1,550)</u>		<u>(1,986)</u>
Net current assets			2,456	1,076
Total assets less current liabilities			<u>14,121</u>	<u>11,766</u>
Creditors: Amounts due outwith one year	22/24		(203)	(143)
Total assets less total liabilities			<u>13,918</u>	<u>11,623</u>
Financed by:				
Deferred income	25		9,279	8,258
Reserves	26		4,639	3,365
			<u>13,918</u>	<u>11,623</u>

Ian Jardine

Accountable Officer:

Date: 21 October 2002

The accounting policies and notes on pages 60 to 77 form part of these accounts.

■ **SCOTTISH NATURAL HERITAGE**

Cash Flow statement for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Net cash inflow (outflow) from operating activities	32	1,698	(261)
Returns on investment			
Bank interest received		99	142
Interest received on bequest funds		2	2
Investing activities			
Purchase of fixed assets	16	(2,433)	(2,193)
Sale of fixed assets		32	68
Net cash (outflow) from investing activities		(2,401)	(2,125)
Net cash (outflow) before financing		(602)	(2,242)
Financing			
Grants received and Applied to purchase fixed assets	25	2,517	2,201
Increase (Decrease) in cash		1,915	(41)
Reconciliation of net cash flow to movements in net funds			
Increase (Decrease) in cash for period		1,915	(41)
Net funds at 01.04.2001		286	327
Net funds at 31.03.2002	20	2,201	286

The accounting policies and notes on pages 60 to 77 form part of these accounts

■ **SCOTTISH NATURAL HERITAGE**
Notes to the Accounts for the year ended 31 March 2002

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts have been prepared under the historical cost convention modified in a form determined by Scottish Ministers. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and of the accounting standards issued and adopted by the Accounting Standards Board so far as those requirements are appropriate. The principal accounting policies are set out below.

1.2 Tangible Assets

Tangible assets (with the exception of Heritage Assets and assets under construction) are valued at the lower of depreciated replacement cost or net realisable amount.

With regard to feuhold land and buildings it is intended to commission professional valuations every 5 years. Valuations are conducted by District Valuers of the Valuation Office Agency acting in the capacity of external valuers on the under noted bases in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. In the intervening years valuations will be revised by SNH using appropriate indices. Where considered appropriate for main offices a desk valuation exercise will be requested from the Valuation Office Agency. The last full revaluation took place on 31 March 2001. All of the properties regarded by SNH as operational are valued by District Valuers on the basis of existing use value. Residential properties have been valued by District Valuer on the assumption that they are subject to assured tenancies in terms of the Housing (Scotland) Act 1988.

Feuhold land classified as a National Nature Reserve and non-operational buildings are regarded as Heritage Assets held in trust for the nation and as such do not carry a value in SNH's Balance Sheet.

Assets under construction are valued at their historical purchase cost. They are not revalued nor are they depreciated until they are brought into use.

Improvements to leasehold properties and premiums paid on leasehold properties have been included by SNH at depreciated historic cost.

Items of plant and machinery which would normally be regarded as an integral part of the properties and essential for their effective use have been included in the District Valuers' valuation and depreciated over their individual useful economic life.

Other assets, excluding computer equipment, have been revalued using appropriate Office for National Statistics Indices. Computer equipment has been valued using an index 1 in recognition of the pace of technological advance on computer equipment values.

Depreciation is provided on tangible fixed assets, other than feuhold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Feuhold buildings	Between 10 and 50 years as determined by the Valuation Office Agency
Leasehold buildings incl. improvements	Over 50 years or period of lease whichever is shorter
Computer equipment	Over 4 years
Other equipment	Over 7 years
Vehicles	Over 4 years
Furniture, fixtures & fittings	Over 10 years

1.3 Stock Valuation

With the exception of farm stocks all stocks are valued at the lower of cost or net realisable value. In the case of publication stocks cost comprises direct production cost. Farm stocks are valued at estimated market valuation less an allowance for gross profit margin.

1.4 Taxation

SNH is recognised by the Inland Revenue as a Scottish Charity for the purpose of section 505, Income and Corporation Taxes Act 1988. Consequently, it is not liable to Corporation Tax on revenue or Inheritance Tax on bequests, etc. received.

SNH is registered for VAT and has partially exempt status as Grant-in-aid received from the Scottish Executive is regarded non business income. A proportion of VAT input tax is recoverable based on an annually agreed formula.

1.5 JNCC

SNH has incorporated a share of the JNCC's expenditure and income and assets and liabilities and reserves and provisions based on the current year's funding agreement between the three Country Agencies. The funding percentages for the JNCC in 2001-02 were English Nature 56.60%, SNH 29.59% and CCW 13.81%. JNCC is a Joint Arrangement Not an Entity (JANE) as defined by FRS 9 which is applicable within these accounts. In accordance with the standard, SNH's share of JNCC's activities is included within these accounts. A separate set of financial statements for JNCC has been produced and is appended as a whole to the English Nature financial statements.

1.6 Grant-in-aid receivable

SNH receives Government grant-in-aid to finance its net expenditure. Grant-in-aid used for capital expenditure is credited to a Capital Asset Fund and an amount equivalent to the historical depreciation charge is released to the Income and Expenditure Account over the expected useful lives of the relevant assets.

1.7 Grants payable

Grant expenditure is charged to the Income and Expenditure Account when the actual payment is made. The offer of a grant is usually tied to a specific year of account and it is at the discretion of SNH whether an unclaimed grant is carried into the next year. SNH's policy is to recover grants where the conditions attached have been materially breached and no acceptable alternative conditions or remedies can be implemented.

1.8 Notional costs

In line with Executive NDPB's: Annual Report and Accounts Guidance SNH includes notional costs for cost of capital and employers' superannuation contributions at rates approved by H M Treasury.

1.9 Pensions

Pension liabilities are funded from annual grant-in-aid and are charged to the Income and Expenditure Account in the year of payment. In addition, contributions received and benefits paid in respect of the Widows Pension Scheme are charged to the Income and Expenditure Account in that year.

SNH provides for the cost of compensation payments up to normal retirement age for early retirees. These costs will be released to the Income and Expenditure Account over the period of the provision.

Current year pension costs are disclosed along with wages and salaries in note 6.1. The imputed cost of employer's superannuation costs are contained in note 11 (see policy note 1.8)

1.10 European Commission funding

European Commission funding is credited to the Income and Expenditure Account on the basis of amounts receivable in respect of expenditure incurred to 31 March on approved projects. External funds received in respect of capital expenditure are taken to Deferred Income in the year in which the funds are due and released to Income and Expenditure account to match depreciation policy over the useful life of the asset.

1.11 New Opportunities Fund

Funds received from the New Opportunities Fund are credited to the Income & Expenditure account in so far as they are needed to match the expenditure incurred during the accounting period. Funds received in excess of that need are shown as income in advance. Note 13 to the accounts provides details of the financial transactions during the year.

2. RECONCILIATION WITH APPROPRIATION ACCOUNT SCOTTISH EXECUTIVE FOR THE ENVIRONMENT AND RURAL AFFAIRS DEPARTMENT (SEERAD)

Total Grant-in-aid receivable for 2001-02 amounted to £51.5m (2000-01 - £42.5m).
This amount appears in the Accounts as follows:

	Note	2002 £000	2001 Restated (see note5) £000
Revenue Expenditure			
SNH		48,049	39,343
JNCC		1,345	1,210
		<u>49,394</u>	<u>40,553</u>
Capital Expenditure			
SNH		2,078	1,924
JNCC	12/16	31	26
	16	<u>2,109</u>	<u>1,950</u>
		<u>51,503</u>	<u>42,503</u>
		2002 £000	2001 £000
Grant-in-aid received per SEERAD 2001-02		51,503	41,303
Grant-in-aid receivable for pay review and settlement		0	1,200
		<u>51,503</u>	<u>42,503</u>

3. Transferred from Capital Asset Fund

		2002 £000	2001 £000
Release to match historic depreciation for the year		1,491	1,423
Release to match permanent diminution of fixed assets		0	436
Release of unexpended depreciation on asset disposals		5	1
	(Note 25)	<u>1,496</u>	<u>1,860</u>

4. Transferred from Revaluation Reserve

		2002 £000	2001 £000
Release to match additional depreciation on revalued fixed assets	(Note 26)	<u>13</u>	<u>0</u>

5. Income from Activities :

	2002 £000	Restated 2001 £000
Income from National Nature Reserves	283	254
Sales of publications, fees, royalties etc.	132	105
European Commission funding	297	212
Contributions to research and advisory work	524	489
Other operating income	221	263
Release from deferred rental income	3	3
	<u>1,460</u>	<u>1,326</u>

In prior years, income from activities have been shown gross and all capital expenditure has been shown as being met from grant-in-aid. The amount of external funds received for the purposes of purchasing fixed assets in 2001-02 was £439,000 (2000-01 : £277,000). The figures for 2000-01 have been restated to reduce income from activities and to increase revenue grant-in-aid.

6. BOARD MEMBERS AND STAFF COSTS

6.1 All employees

	2002 £000	2001 £000
Wages and salaries		
Chairman (note 6.3)	41	39
Main Board members (Note 6.4)	124	110
Area and Advisory Board members	185	175
Management Team (Note 6.6)	303	278
Temporary staff working on research projects & NNRs	1,621	1,338
All other staff	13,960	11,401
Pay review and settlement 2000-01	0	1,200
	<u>16,234</u>	<u>14,541</u>
Social security costs	1,149	936
Other pension costs (note 15)		
Pensions to retired former employees	513	453
Pension transfer values out	241	194
Pension transfer values in	(325)	(213)
Lump sum and short services awards	172	68
Net movement on early retirement provision (note 23)	55	(34)
Widow(er)s Pension Scheme contributions	(252)	(225)
Pension receipts for staff on secondment	(22)	(2)
	<u>382</u>	<u>241</u>
Total Costs	<u>17,765</u>	<u>15,718</u>

Salaries costs are included after deduction of superannuation receipts. During the year the outstanding pay review covering the period from 1 April 2000 was settled. A provision was made in 2000-01 to cover the amount of the settlement .

The increase in payroll costs covers the addition of 38 FTE posts and annual pay progression.

In 2001-02, there were no new early retirement / severance schemes. The terms offered in previous schemes were analogous to those under Civil Service compulsory early severance and compulsory severance retirement schemes.

During 2001-02 six employees retired early on medical grounds. Provision has been made for the costs of pension payments up to normal retirement age.(see note 23).

6.2 Staff numbers

The average number of employees during the year was:

By Occupational Group	2002 Number	2001 Number
Operational, professional and managerial	514	491
Administration and support	165	150
Estate workers, manual and domestic	28	28
Senior management	5	5
	712	674

By Contractual Type	2002 Number	2001 Number
Permanent	582	555
Fixed Term Appointments	66	51
Temporary and Casual	64	68
	712	674

Staff numbers are stated as full time equivalents based on an annual average of the numbers in employment at the end of each month.

The increases in permanent and fixed term appointments numbers are due to the filling of forty two new posts agreed in the Strategic Staffing Review. As at 31 March 2002 a further four posts remain to be filled.

6.3 Chairman

The Chairman's appointment is pensionable and on a part-time basis of three days a week. His total emoluments in 2001-02 were £40,681 (2000-01 : £38,806).

6.4 SNH Board Members

SNH's Main Board is appointed by the responsible Minister and meets at least six times a year to undertake its formal business. Its responsibilities comprise both executive and advisory functions set down by its enabling statutory provisions and by the Scottish Parliament and the responsible Minister. The Board has corporate responsibility for ensuring that:

- (1). the statutory purposes of SNH are being fulfilled: and
- (2). the deployment of resources represents appropriate and effective use of public monies.

Board salaries for 2001-02 amounted to £124,000 (2000-01: £110,000). This equated to an equivalent daily rate of £243.35 (2000-01 : £236.26). On this basis, indicative annual salaries, which are not pensionable were as follows -

- Deputy Chairman, for 82 days p.a. £19,955
- Area Board Chairs, for 6 days per month, £ 17,521 p.a.
- Main Board members, for 2.5 days per month, £7,304 p.a.
- Areas Board members, for 2 days per month, £ 5,840 p.a.
- Scientific Advisory Committee, for 1 day per month, £ 2,920 p.a.

Main Board members' emoluments, excluding the Chairman, cover membership of subsidiary Boards and Committees as indicated:

Board Member	Committee membership	Emoluments 2002 £
Michael Scott, Deputy Chair Main Board	1,5	20,467
Simon Fraser, Chair North Areas Board	1,2	17,677
Keith Geddes *	1,6	6,727
Professor Jeremy Rowan- Robinson, Chair East Areas Board	1,4	17,670
Peter Chapman	1	7,356
Kevin Dunion	1	7,361
Isabel Glasgow, Chair West Areas Board *	1,3	17,577
Alice Lambert	1	7,367
Professor Janet Sprent, Chair SAC *	1,5	7,301
Peter Mackay, Chair Audit Committee	1,6	7,367
Professor Susan Walker	1,6	7,356
		<u>124,226</u>

* Appointed with effect from 1 April 2001

Differences in emoluments of individual Board members reflect committee responsibilities and number of days worked in the year. In addition small payments were made to certain Board members to correct underpayments relating to prior periods.

No Board member received any bonus payments

Key:

- 1 = Main Board member
- 2 = North Areas Board member
- 3 = West Areas Board member
- 4 = East Areas Board member
- 5 = Scientific Advisory Committee member
- 6 = Audit and Risk Management Committee member

SNH has the statutory power to establish further Committees as necessary. Currently there are three Area Boards, a Scientific Advisory Committee and an Audit Committee. The names of the members comprising these committees are listed in the annual report. The Main Board has responsibility for maintaining an overview of the matters delegated to them. It is a statutory requirement that all SNH Committees should have Main Board member representation.

6.5 Chief Executive

The Chief Executive, Roger Crofts, received total emoluments of £ 89,239 in 2001-02 (2000-01 : £82,830). This comprised a salary of £ 86,385 (2000-01: £79,986) and taxable benefits of £ 2,854 (2000-01 : £2,844). The principal taxable benefit was the provision of a car for which he also made a contribution. The Chief Executive was an ordinary member of SNH's pension scheme, which is non contributory, and he contributed to the to the Widows Pension Scheme at the standard rate of 1.5%. Under the terms of his contract all pay increases were entirely performance related and were superannuable. Performance was measured by targets based on the Chief Executive / Accountable Officer's responsibilities and key outputs /performance measures for SNH. Total emoluments included a 2001-02 performance-related pay increase of £ 6,399 (2000-01 : £5,925), representing an 8 % (2000-01 : 8 %) increase in salary.

Roger Crofts retired from SNH on 31 March 2002. Ian Jardine, formerly Director of Strategy & Operations (East), was appointed Chief Executive with effect from 1 April 2002.

6.6 Management Team

The salary and pension entitlements of SNH's Management Team were:

	Age	Years at Current Grade	Salary Paid in year (£)	Real Increase in Pension at 60 (£)	Total accrued pension at 60 as at 31/3/02 (£)
Roger Crofts Chief Executive	58	10	86,385	3,543	39,336
John Thomson Director of Strategy & Operations (West)	50	12	60,255	1,572	20,417
Ian Jardine Director of Strategy & Operations (East)	42	7 3/4	63,800	1,264	13,232
Jeff Watson Director of Strategy & Operations (North)	49	5	53,211	1,236	13,117
Ian Edgeler Director of Corporate Services	52	2 3/4	53,931	877	5,448
Total Paid In Year			<u>317,582</u>		
Less back pay relating to prior years			<u>(14,326)</u>		
Total due in year			<u>303,256</u>		

Pensionable service used to calculate accrued pension as at 31 March 2002 represents years service payable from SNH's pension scheme including any added years or transfers in.

An inflation factor for the year of 1.3 % (2000-01 : 2.3%), based on RPI, has been used. All salary rises take effect from 1 August. Previously increases took effect from 1 April but as part of the pay negotiations concluded during the year to 31 March 2002 this was changed to 1 August. With the exception of the Chief Executive, no Director is eligible for any bonus payment. The pay progression of Directors' salaries is determined in line with the approved pay settlement for all staff. Although SNH's pension scheme is non-contributory, staff contribute 1.5 % of pay to the Widows Pension Scheme.

7. Grants

	2002 £000	2001 £000
Public sector	6,545	4,654
Voluntary bodies	3,875	3,205
Private sector	2,253	1,431
Central Scotland Countryside Trust	850	806
Cairngorms Partnership	492	485
	<u>14,015</u>	<u>10,581</u>

The above grants paid to the Central Scotland Countryside Trust and Cairngorms Partnership represent ring fenced funding provided by The Scottish Executive.

8. Other operating charges

	2002 £000	2001 £000
Accommodation	1,716	1,740
Staff travel and subsistence	1,626	1,476
Equipment and consumables	1,130	1,387
Publicity, information and training	1,480	1,244
Dispatch and communications	572	533
Other administration	512	345
Design & information	203	181
Board members' travel and subsistence	147	139
Contractors and consultants fees (excluding land agency)	106	160
Audit fee	48	37
	<u>7,540</u>	<u>7,242</u>

9. Management Agreements and Leases of National Natural Reserves

	2002 £000	2001 £000
SSSI (Section 15) agreements	1,913	1,912
Wider environment management agreements	1,189	1,097
Wider environment (Section 49a) agreements	522	450
Nature reserve (Section 16) agreements	136	151
Legal and advisory costs	210	113
Leases of nature reserves	22	22
	<u>3,992</u>	<u>3,745</u>

10. Research and Technical Support

	2002 £000	2001 £000
Survey, inventory and monitoring	3,024	2,095
Wider environment (including Demonstration Projects)	326	367
Repayment contracts	113	143
EU LIFE projects	437	96
	<u>3,900</u>	<u>2,701</u>

Contributions totalling £524,000 (2000-01: £489,000) were received towards the cost of Research and Advisory work as disclosed in Note 5. The amounts shown above are gross.

11. Notional Charges

	2002 £000	2001 £000
Estimated employer's superannuation contribution	2,204	1,988
Cost of capital	769	707
	<u>2,973</u>	<u>2,695</u>

See accounting policy note 1.8

12. JNCC**12.1 Ring fenced grant-in-aid to JNCC**

	2002 £000	2001 £000
Ring fenced grant-in-aid	1,376	1,236
Capital expenditure during year	(31)	(26)
Per Income and Expenditure account	<u>1,345</u>	<u>1,210</u>

12.2 Annual JNCC contribution

	2002 £000	2001 £000 (Restated)
Expenditure:		
Conservation support	565	522
Staff costs	628	555
Depreciation	27	32
Other operating costs	349	297
Notional costs	12	11
	<u>1,581</u>	<u>1,417</u>
Income:		
Income from activities	(210)	(167)
Transferred from Capital Asset Fund	(50)	(42)
	<u>(260)</u>	<u>(209)</u>
Interest receivable	(3)	(4)
Notional costs	(12)	(11)
Retained surplus for year	39	17
Per Income and Expenditure Account	<u>1,345</u>	<u>1,210</u>

In the published accounts for the year 2001 certain costs were re-allocated between categories and this was not recognised in the comparable note in SNH's accounts. The adjustments referred to staff costs which were reallocated from conservation support and other operating costs as follows:-

	2001 £000 Original	2001 £000 Adjustment	2001 £000 Restated
Conservation support	675	(153)	522
Staff costs	421	134	555
Depreciation	32	0	32
Other operating costs	278	19	297
Notional costs	11	0	11
	<u>1,417</u>	<u>0</u>	<u>1,417</u>

12.3 Reconciliation of Movement in SNH's Share of JNCC

	2002 £000	2001 £000
Share of JNCC Net Reserves at 1 April	188	187
Movement in reserves position for year - 29.59% (Note 26)	21	1
Share of JNCC Net Reserves at 31 March	<u>209</u>	<u>188</u>

13. Fresh Futures

Background to the Fresh Futures programme, which commenced this year, is given in para 23 of the foreword. One of the conditions to receiving grant from the New Opportunities Fund is that SNH acts as the principal agent for the receipt and distribution of the funds, including those provided to Forward Scotland. Details of the transactions are also to be published in SNH's annual accounts. During the year 2001-02 the financial transactions of the programme amounted to -

	2002
	£000
Grants receivable from the New Opportunities Fund	326
Interest receivable	1
	<u>327</u>
Less funds not applied	(75)
Total Income per Income and Expenditure	<u>252</u>
Applied as follows -	
Wages and salaries (incl. ERNIC and superannuation)	100
Other operating costs	128
Grants	
- Green spaces for communities	15
- Open grants programme	9
	<u>24</u>
Total expenditure per Income and Expenditure	<u>252</u>
Funds not applied represented by -	
Debtors - Advances made (Note 19)	6
Cash at bank (Note 20)	69
Creditors - Income received in advance (note 21)	(75)
	<u>0</u>

14. Grants to Local Authorities for approved loan charges

	2002	2001
	£000	£000
Grants for approved annual loan charges	110	112
Grants to commute approved future loan charges	0	10
	<u>110</u>	<u>122</u>

SNH inherited the administration and payment of certain Local Authority loans for approved derelict land and countryside capital works following the merger in 1992 between the Nature Conservancy Council Scotland and Countryside Commission for Scotland. The loans are ongoing liabilities as a result of responsibilities transferred from the Scottish Development Department in the 1970's.

Fixed annual grant payments are made to meet the financing costs of the original capital expenditure. Local Authorities were permitted to finance the original capital expenditure by applying to the National Loans Fund for loans repayable over and up to 30 years. SNH is responsible for paying an annual grant to meet the approved schedule of debt financing charges and for compliance monitoring.

Details of forward commitments are contained in note 27.

15. Pension Commitments

SNH operates its own non-contributory pension scheme, which is analogous to the Principal Civil Service Pension Scheme and provides comparable defined retirement and related benefits to all eligible employees. Retirement benefits are based on individual final emoluments. SNH's own Pay as You Go pension scheme is unfunded and costs are met from its annual grant-in-aid (Note 6.1).

There is a separate contributory Widow(er)s Pension Scheme which is also non-funded where contributions received of £252,000 (2000-01 : £225,000) are classified as current income and any benefits paid are treated as current expenditure. Transfer Values £ 325,000 (2000-01 : £213,000) received from other organisations are also treated as current income. During the year £ 22,000 ; (2000-01 : £2,000) of net superannuation receipts were received in respect of staff on secondment .

With the support of the Scottish Executive and HM Treasury, SNH is pursuing entry into the Principal Civil Service Pension Scheme (PCSPS). It is anticipated that entry will be effected in the year ended 31 March 2003. A full actuarial valuation of the pension liability is not required to gain entry into PCSPS. An interim valuation, sufficient for resource accounting purposes, has been obtained from the Government Actuary's Department. This valued SNH's pension liability as at 31 March 2002 at £49,300,000. An updated valuation on this basis will calculate the bulk transfer entry payment that will be required when SNH is admitted to the PCSPS. Government will meet the costs of the bulk transfer.

Until SNH is admitted into the PCSPS scheme liabilities will continue to be financed by Government Grant-in Aid.

SNH is required to fully comply with FRS 17 in its financial statements for the year ending 31 March 2003, with transitional arrangements applicable for the year ended 31 March 2002. If SNH has not been admitted to the PCSPS by 31 March 2003, then the impact on the financial statements would be significant, as it would require SNH to include any current surplus or deficit in the pension scheme as a separate asset or liability on the Balance Sheet.

The transitional arrangements allowed under FRS 17 require the following additional disclosures, based on a full actuarial valuation, to be made in the financial statements, in preparation for the above change in accounting policy. These comprise the main assumptions used at the Balance Sheet date, disclosing individually:

- The present value of scheme liabilities and the resulting deficit.
- An analysis of reserves distinguishing the amount relating to the defined benefit scheme's liability.

SNH has decided not to obtain a full actuarial valuation because, as stated above, one is not required to gain entry into PCSPS. It is unable therefore to make the full disclosures required under the FRS 17 transitional arrangements. However this position is considered appropriate given the current circumstances described above.

16. Tangible Fixed Assets

	Freehold Land £000	Freehold Buildings £000	Leasehold Land & Buildings £000	Computer Equipment £000	Other Equipment £000	Vehicles £000	Fixtures Furniture & Fittings £000	Share of JNCC Assets £000	Total £000
Cost or Valuation									
As at 1 April 2001	1,680	5,978	988	6,299	3,548	1,798	689	371	21,351
Additions during year	0	793	18	730	573	255	148	31	2,548
Disposals	0	0	0	0	(315)	(268)	0	(42)	(625)
Surplus / (deficit) on revaluation	48	0	122	0	(47)	(17)	2	2	110
Permanent diminution	0	0	0	0	0	0	0	(47)	(47)
As at 31 March 2002	1,728	6,771	1,128	7,029	3,759	1,768	839	315	23,337
Depreciation									
As at 1 April 2001	0	7	329	5,085	3,013	1,461	511	255	10,661
Provided in year	0	155	53	808	219	201	73	27	1,536
Backlog	0	0	0	0	(40)	(14)	1	0	(53)
Depreciation on disposals	0	0	0	0	(310)	(268)	0	(39)	(617)
Surplus / (deficit) on revaluation	0	0	172	0	0	0	0	1	173
Permanent diminution	0	0	0	0	0	0	0	(28)	(28)
As at 31 March 2002	0	162	554	5,893	2,882	1,380	585	216	11,672
Net Book Value									
As at 31 March 2002	1,728	6,609	574	1,136	877	388	254	99	11,665
Net Book Value									
As at 31 March 2001	1,680	5,971	659	1,214	535	337	178	116	10,690

Included under Freehold Buildings are assets under construction with a value of £475,000 (2000-01: £575,000). These assets will not be depreciated until they are brought into use.

The accounting policy regarding leasehold assets has been amended resulting in a net decrease to the net book value of Leasehold buildings and a corresponding net decrease to Revaluation Reserve in the year of £ 50,000 . The accounting policy note (Note 1.2) has been changed to reflect the new treatment.

Purchases of fixed assets amounting to £2,548,000 (2000-01 : £2,226,000) were funded as follows :-

	2002 £000	2001 £000
Grant-in-aid	2,109	1,950
Heritage Lottery fund	255	176
European funding sources	151	85
Other external sources	33	15
	<u>2,548</u>	<u>2,226</u>

Purchases of SNH fixed assets in the above schedule of £2,548,000 (2000-01 : £2,226,000) appears in the cash flow statement as £2,433,000 (2000-01 : £2,193,000) after adjustment for increases in fixed asset creditors of £115,000 (2000-01 : £33,000).

17. Operating Leases

As at 31 March 2002, SNH had annual commitments under operating leases as set out below:

	Land		Buildings		Vehicles		Other Leases	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
Expiry:								
Within 1 year	0	0	75	92	0	3	28	1
In two to five years	7	7	415	415	0	0	21	99
Over five years	16	16	285	292	0	0	8	0
	<u>23</u>	<u>23</u>	<u>775</u>	<u>799</u>	<u>0</u>	<u>3</u>	<u>57</u>	<u>100</u>

18. Stocks

	2002 £000	2001 £000
Publications	210	163
Livestock	17	15
Other resaleable stock	12	8
Share of JNCC stock	72	50
	<u>311</u>	<u>236</u>

19. Debtors

	2002 £000	2001 £000
Trade debtors	165	188
Prepayments and accrued income	761	862
Other debtors	168	1,406
Claims due from European funding sources	161	51
Heritage Lottery Fund claims	159	0
Fresh Futures - Advances made (Note 13)	6	0
Share of JNCC debtors	74	33
	<u>1,494</u>	<u>2,540</u>

Other debtors include amounts totalling £61,000 (2000-01 : £72,000) which fall due after more than one year. Of this amount, £20,000 (2000-01 : £16,000) relates to car loans provided interest free to essential car users within SNH under a scheme approved by the Treasury. Other debtors also includes £40,000 (2000-01 : £56,000) of housing advances for staff who have been permanently relocated. There were 8 (2000-01 : 7) essential car loans and 16 (2000-01 : 19) housing advances loans outstanding at 31 March 2002. In 2000-01 other debtors included £1.2m of grant-in-aid from the Scottish Executive for funding an outstanding pay review and settlement.

20. Cash at bank and in hand

	2002 £000	2001 £000
Cash at bank and in hand (see note 31)	1,751	146
European Commission funds received in advance	298	49
Bequest funds	47	44
Fresh Futures (Note 13)	69	0
JNCC share	36	47
	<u>2,201</u>	<u>286</u>

Bequest funds, previously classified as short term investments are included within cash and bank totals.

During the year SNH received a bequest of £1,000 (2000-01 : £Nil) specifically for use within the Loch Lomond NNR and £ Nil (2000-01 : £10,000) unrestricted bequests. In addition interest of £2,000 (2000-01 : £2,000) was received on bequest funds on deposit. No monies from the funds were spent during the year.

21 Creditors - Amounts due in less than 1 year

	2002 £000	2001 £000
Trade creditors	438	300
Other creditors	470	205
Provision for payment of early retirement pension (note 23)	74	82
Pay review and settlement 2000-01	0	1,200
Accruals	418	138
Fresh Futures - Income received in advance (Note 13)	75	0
Deferred rental income	3	3
Share of JNCC creditors	72	58
	<u>1,550</u>	<u>1,986</u>

22. Creditors - Amounts due in more than 1 year

	2002 £000	2001 £000
Provision for payment of early retirement pension (note 23)	170	107
Deferred rental income	33	36
	<u>203</u>	<u>143</u>

Decrease in creditors of £(373,000) (2000-01 : Increase £1,571,000) is shown in the reconciliation of operating surplus to net cash flow (Note 31) as £(488,000) (2000-01 : increase £1,438,000) after adjustment for increases to fixed asset creditors of £115,000 (2000-01 : £33,000) (Note 16)

23. Early retirement provision

Included in other creditors is provision for pension payments to early retirees as follows -

	2002 £000	2001 £000
As at 1 April 2001	189	223
Transfer from I&E Account (for pension costs due after 31 March 2001) (Note 6.1)		
- Provision for employees retiring during 2001-02	133	0
- Provision for increases to existing retirees	20	66
Release for pension payments during year.	(98)	(100)
Net movement in provision for year (note 6.1)	<u>55</u>	<u>(34)</u>
As at 31 March 2002	<u>244</u>	<u>189</u>
Payable in the financial year 2002-03 (note 21)	74	90
Payable after 2002-03 (note 22)	170	99
	<u>244</u>	<u>189</u>

At 1 April 2001 there were a total of 10 former employees in receipt of early retirement pensions. During the year 2001-02 one former employee reached normal retirement age and six employees retired early on grounds of ill health leaving 15 former employees in receipt of early retirement pensions. Full provision has been made for the costs of pension payments to those employees who retired on grounds of ill health and other early retirees up to normal retirement age on the basis as described in accounting policy note 1.9

24. Deferred Income Funds and Reserves

The opportunity has been taken to regroup the following items to more accurately reflect their nature:

- Provisions for liabilities and charges
- Accruals and deferred income
- Capital and reserves

Early retirement provision and Pay review and settlement provision are known liabilities payable over a number of future years and as such are more appropriately classified as creditors.

Other items have been reclassified either as Deferred Income or as forming part of SNH's Reserves.

It is not considered necessary to distinguish between Deferred Government Grant and Capital Reserve and they are now combined as Capital Asset Fund.

The effect of these reclassifications on the amounts stated in the 2000-01 accounts is as follows :-

	Creditors £000	Deferred Income £000	Reserves £000
Creditors	701		
Early retirement costs	189		
Deferred rental income	39		
Pay review and settlement 2000-01	1,200		
Deferred Government Grant		7,009	
Capital Reserve		1,323	
Revaluation reserve			2,206
Share of JNCC reserves			188
Bequest reserve			44
Income and expenditure account			853
Total restatement of 2000-01 figures	<u>2,129</u>	<u>8,332</u>	<u>3,291</u>
Classified as -			
Payable within 1 year	2,003		
Payable beyond 1 year	<u>126</u>		
	<u>2,129</u>		

Statement of financial activities

The above adjustments have an impact on the Statement of Financial Activities for 2000-01 and this has been restated accordingly. The early retirement provision of £189,000 as at 31 March 2001 comprises provision of £223,000 at 31 March 2000 which has been deducted from reserves at that date of £11,369,000 to give a restated figure of £11,662,000 and the movement during 2000-01 of £34,000 has been adjusted against other income. The pay provision of £1,200,000 has been adjusted against managerial and administrative expenditure increasing this to £8,062,000.

25. Deferred Income

	Capital Assets Fund £000
As at 1 April 2001 (as restated)	8,332
Prior year adjustment (see note 26)	<u>(74)</u>
	8,258
Funds received during the year for purchase of fixed assets (Note 2/16)	2,517
Released to Income and expenditure	<u>(1,496)</u>
As at 31 March 2002	<u>9,279</u>

Prior year adjustment

Adjustment for the disposal of an asset incorrectly adjusted in prior years against Revaluation Reserve.

Capital Assets Fund

This fund represents the balance of income received for purposes of purchase of fixed assets after releases to Income and expenditure to match historical depreciation written off, unexpired depreciation on sale and other permanent diminution in value recognised from time to time. The amount released to Income and Expenditure represents an amount to cover the historical depreciation charge against fixed assets for the year of £1,492,000 and unexpired depreciation on disposals of £4,000. The difference between this and the modified historical charge of £1,509,000 shown in the income and expenditure account amounts to £13,000 and this is released from revaluation reserve (Note 26).

26. Reserves

	Revaluation Reserve £000	Share of JNCC (note 12) £000	Bequest Reserve (note 20) £000	Income & Expenditure £000	Total £000
As at 1 April 2001 (as restated)	2,206	188	44	853	3,291
Prior years adjustment (see note 25)	84	0	0	(10)	74
	2,290	188	44	843	3,365
Retained surplus for the year	0	21	0	1,274	1,295
Revaluation gain	39	0	0	0	39
Effect of change of policy re leasehold properties	(50)	0	0	0	(50)
Bequest funds received	0	0	3	0	3
Release to Income and Expenditure (note 4)	(13)	0	0	0	(13)
As at 31 March 2002	2,266	209	47	2,117	4,639

Prior year adjustment

Adjustment for the disposal of an asset incorrectly adjusted in prior years against Revaluation Reserve and to correct the release of funds to Income and Expenditure to match ongoing historical depreciation (£10k) calculated after the disposal of the asset.

Of the above funds £1,500 of Bequest funds are restricted as to use. All other reserves are unrestricted.

27. Capital and other Commitments

As at 31 March 2002 SNH had various commitments under its capital programme totalling £ 730,000 (2000-01 : £715,000) This expenditure fell into the following categories:

	2002 £000	2001 £000
Capital:		
Contracted for:	560	217
Authorised but not contracted for :	170	498

As a result of management agreements concluded by 31 March 2002, commitments to continuing annual payments for 2002-03 under leases and management agreements amount to £ 3,366,000 (£3,230,000). Of this total it is estimated that an amount of £2,222,000 refers to agreements entered into prior to 1 January 2000. These agreements are currently awaiting notification as approved State Aids (see note 28).

Grant forward commitments on offers made and accepted as at 31 March 2002 covering the years up to and including 31 March 2006 and amount in total to £10,593 (2000-01 : £4,824) as follows:-

	2002 £000	2001 £000 (restated)
Payable within 1 year	6,022	1,311
Payable in 2-4 years.	4,571	3,513
	10,593	4,824

Total forward commitment on grants to local authorities for loan charges outstanding until 2008 is £467,000 (2000-01 : £577,000) including repayments in 2002-03. Grants to commute approved future loan charges during 2001-02 totalled £ Nil (2000-01 : £10,000).

28. Contingent Liabilities

A separate examination is being conducted by the European Commission of management agreements entered into before 1 January 2000. Although the notification of pre January 2000 management agreements has not yet been settled, it is thought unlikely that any financial penalties will be levied.

During the year 2001-02, as a result of the Foot and Mouth outbreak in the South of Scotland, SNH, acting with the agreement of SEERAD, made payments to farmers amounting to £494,000 for agreed natural heritage and access projects. Every effort was made to ensure that these payments did not breach Community Guidelines for State Aids and it is thought unlikely that any penalties will be levied.

A contingent liability of approximately £929,000 (2000-01 : £731,000) exists in respect of site safeguard compensation cases where claims have been lodged and are under arbitration. Subject to the results of the arbitration SNH may have potential obligation for back payments and accrued interest.

29. Losses Statement

During the year losses and special payments totalled £14,871 (2000-01 : £17,853)

30. Related party transactions

SNH is a Non Departmental Public Body of the Scottish Executive. SNH's sponsoring Department is SEERAD.

The Scottish Executive and SEERAD are regarded as related parties. During the year, SNH has had various material transactions with the Scottish Executive and other entities within the various Departments of the Scottish Executive.

In addition, SNH has had a small number of material transactions with other Government Departments and other Non Departmental Public Bodies. Most of these transactions have been with English Nature and Countryside Council for Wales.

The chairman, John Markland, is a director of Forward Scotland which organisation is in a project partnership with SNH to manage a funding programme called Fresh Futures, funded by the New Opportunities Fund.

SNH has set a materiality limit for disclosure of transactions between SNH, Main Board Members and other parties designated as related under FRS 8 of £1,000.

During the year, payments amounting to £9,000 were made, on normal commercial terms, to Vanessa Halhead the wife of a member of the Management Team for project consultancy services. With the exception of this payment none of the Main Board Members, Management Team, or other related parties has undertaken any material transactions with SNH during the year. Material transactions cover payments made under contract for goods or services and site safeguard management agreements.

In pursuit of its natural heritage remit SNH provides financial assistance, often by way of a grant, to a number of organisations in which a Main Board Member or a member of the Management Team may have an interest either personally or by virtue of office held.

Other staff, Area Board Members and members of the Scientific Advisory Committee are not considered to be within the definition of related party.

31. Key Financial Targets

The need to operate within certain cash carry forward limits was withdrawn and SNH was permitted to carry forward cash balances at 31 March 2002 sufficient to meet requirements.

Performance against other financial targets agreed between the Scottish Executive and SNH, but not derivable from the accounts are referred to in the annual report.

32. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	2002 £000	2001 £000
(Deficit) on operating activities	(1,797)	(2,872)
Depreciation charge	1,536	1,472
Profit on sale of tangible fixed assets	(24)	(60)
Notional charges	2,973	2,695
Transfers from deferred income :-		
Capital Assets Fund	(1,496)	(1,858)
Deferred Rental	(3)	(3)
Release from reserves :-		
Revaluation Reserve	(14)	436
JNCC reserves	40	1
(Increase) / decrease in stocks	(75)	(25)
(Increase) / decrease in debtors	1,046	(1,485)
Increase / (decrease) in creditors-	(488)	1,438
Net cash inflow (outflow) from operating activities	<u>1,698</u>	<u>(261)</u>

33. Statement of Financial Activities

The table below is provided in accordance with the requirements of SORP 2, the Statement of Recommended Practice on the accounts of charities. It analyses the expenditure of SNH by functional and administrative categories, and separately identifies income in the form of grants and donations. New Opportunities funds of £75,000 and Bequest funds of £47,000 are restricted funds.

	2002 £000	2001 (Restated Note24) £000
Incoming Resources		
Grant income	51,942	42,754
Income from activities	1,712	1,326
Donation, legacies and similar income	1	10
Other income	3,074	2,839
Total Incoming Resources	<u>56,729</u>	<u>46,929</u>
Resources Expended		
Direct charitable expenditure	47,553	38,351
Managerial and administration expenditure	6,881	8,324
Total Resources Expended	<u>54,434</u>	<u>46,675</u>
Net movement in Funds	<u>2,295</u>	<u>254</u>
Funds balance at 1 April 2001	11,623	11,369
Funds balance at 31 March 2002	<u>13,918</u>	<u>11,623</u>
Total Fund balances made up by:		
General funds	<u>13,918</u>	<u>11,623</u>

SCOTTISH NATURAL HERITAGE
■ DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of Section 10(3) of the Natural Heritage (Scotland) Act 1991, hereby give the following direction.

2. The statement of accounts which it is the duty of the Scottish Natural Heritage to prepare in respect of the financial year ended 31 March 2002 and in respect of any subsequent financial year, shall comprise:
 - 2.1 a foreword;
 - 2.2 an income and expenditure account;
 - 2.3 a balance sheet;
 - 2.4 a cash flow statement;
 - 2.5 a statement of total recognised gains and losses;
 - 2.6 a statement of accountable officer's responsibilities; and
 - 2.7 a statement on the system of internal control.including such notes as may be necessary for the purposes referred to in the following paragraphs.

3. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs as at the end of the financial year. Subject to this requirement, the accounts shall be prepared in accordance with:
 - 3.1 the accounting and disclosure requirements of the Companies Act for the time being in force; and
 - 3.2 generally accepted accounting practice in the UK, including accounting standards issued or adopted by the Accounting Standards Board and statements of recommended practice issued by the Charity Commission; and
 - 3.3 guidance which Scottish Ministers may issue from time to time in respect of accounts which are required to give a true and fair view;
 - 3.4 the accounting and disclosure requirements given in "Executive NDPBs: Annual Reports and Accounts Guidance", as amended or augmented from time to time;insofar as these are appropriate to Scottish Natural Heritage and are in force for the financial year for which the statement of accounts is to be prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
 - 5.1 fixed assets at their value to the business by reference to current costs; and
 - 5.2 stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

6. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 13 March 2001 is hereby revoked.

Andrew Dickson
Signed by the authority of the Scottish Ministers
Date: 2 October 2002

**SCHEDULE 1
APPLICATION OF THE ACCOUNTING AND DISCLOSURE
REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS**

Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate, the equivalent information relating shall be contained in the foreword.
3. When preparing its income and expenditure account Scottish Natural Heritage shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet Scottish Natural Heritage shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.
5. The Scottish Natural Heritage is not required to provide the additional information required by paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed and dated by Scottish Natural Heritage's Accountable Officer and be submitted to the Scottish Ministers by 30 September each year.

Accounting Standards

7. The Scottish Natural Heritage is not required to include a note showing historical cost profits and losses as described in FRS3.
8. Scottish Natural Heritage shall not adopt the Financial Reporting Standard for Smaller Entities.

**SCHEDULE 2
ADDITIONAL DISCLOSURE REQUIREMENTS**

1. The foreword shall, *inter alia*:
 - 1.1 state that the statement of accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 10(3) of the Natural Heritage (Scotland) Act 1991.
 - 1.2 include a brief history of Scottish Natural Heritage and its statutory background including its status as a Scottish charity under the provisions of Section 1(7) of the Law Reform Miscellaneous Provisions (Scotland) Act 1990.
2. The notes to the accounts shall include:
 - 2.1 details of any key corporate financial targets set by the Scottish Ministers together with an indication of the performance achieved, and
 - 2.2 details of the pension arrangements operated by Scottish Natural Heritage and confirmation that the scheme accords with the guidance contained in "Non-Departmental Public Bodies: A guide for Departments".

MEMORANDUM TO ACCOUNTABLE OFFICERS OF OTHER PUBLIC BODIES

1. Introduction

- 1.1 Sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000 (PFA Act) make provision for my appointment as Principal Accountable Officer for the Scottish Administration and specify my functions as such. These include designating Accountable Officers for such parts of the Scottish Administration as I may specify and for certain other bodies whose accounts are subject to audit by the Auditor General for Scotland.
- 1.2 Accountable Officers are personally answerable to the Scottish Parliament in accordance with section 15 of the PFA Act. The text of this Memorandum has been drafted to reflect this situation. In the text, reference to Parliament and Minister(s) should be interpreted as the Scottish Parliament and the Scottish Ministers. References to the Board are to the statutory Board, or other ruling entity, of the Body, or if there is no Board to the senior appointee of the Body.
- 1.3 The purpose of this Memorandum is to set out the responsibilities that are common to all Accountable Officers that I may designate in respect of bodies who receive money directly from the Scottish Consolidated Fund or who receive a grant or other funding (including the power to raise charges) from a Department of the Scottish Administration.

2. General Responsibilities of Accountable Officers

- 2.1 The essence of your role as Accountable Officer is a personal responsibility for the propriety and regularity of the public finances for the Body for which you are answerable. You must ensure that, in the consideration of policy proposals relating to the expenditure or income, for the part for which you have responsibilities, all relevant financial considerations, including any issues of propriety, regularity or value for money, are taken into account.
- 2.2 It is incumbent on you to combine your duties as an Accountable Officer with your duty to serve the Body to whom you are responsible and from whom you derive your authority. The Body is in turn responsible to the Parliament in respect of its policies, actions and conduct.
- 2.3 You have the personal duty of signing the accounts described in your financial memorandum or other similar document and consequently you may also have the further duty of being a witness before the Audit Committee of the Scottish Parliament. You will be expected to deal with questions arising from the accounts or, more commonly from reports made to the Parliament by the Auditor General for Scotland. Associated with these duties are the further responsibilities, which are the subject of this Memorandum. More detailed guidance is contained in the Scottish Public Finance Manual.
- 2.4 You must make sure that arrangements for delegation promote good management and that you are supported by the necessary staff with an appropriate balance of skills. The latter requires careful selection and development of staff and the sufficient provision of special skills and services (scientific, economic, statistical, accountancy consultancy, inspection and review etc). You should ensure that the Body's staff are as conscientious in their approach to costs not borne directly on the Body's Budget (such as costs incurred by other Departments or financing costs, e.g. relating to banking and cash flow) as they would be were such costs directly borne.

3. Specific Responsibilities of Accountable Officers

- 3.1 As Accountable Officer you must, in relation to the Body for which you are designated:
 - 3.1.1 ensure that from the outset proper financial systems are in place and applied and that procedures and controls are reviewed from time to time to ensure their continuing relevance and reliability, especially at times of major changes;
 - 3.1.2 sign the accounts assigned to you, and in doing so accept personal responsibility for their proper presentation as prescribed in legislation or in your financial memorandum or other similar document;
 - 3.1.3 ensure that proper financial procedures are followed and that accounting records are maintained in a form suited to the requirements financial memorandum or other similar document as well as in the form prescribed for published accounts;
 - 3.1.4 ensure that the public funds for which you are responsible are properly managed and safeguarded, with independent and effective checks of cash balances in the hands of any official;
 - 3.1.5 ensure that assets for which you are responsible such as land, buildings or other property, including stores and equipment, are controlled and safeguarded with similar care, and with checks as appropriate;
 - 3.1.6 ensure that, in the consideration of policy proposals relating to the expenditure or income for which you have responsibilities as Accountable Officer, all relevant financial considerations, including any issues of propriety, regularity or value for money are taken into account and where necessary brought to the attention of the Body;
 - 3.1.7 ensure that any delegation of responsibility is accompanied by clear lines of control and accountability together with reporting arrangements;
 - 3.1.8 ensure that effective management systems appropriate for the achievement of the organisation's objectives, including financial monitoring and control systems, have been put in place;
 - 3.1.9 ensure that managers at all levels have a clear view of their objectives, and the means to assess and measure outputs or performance in relation to those objectives;
 - 3.1.10 ensure managers at all levels are assigned well defined responsibilities for making the best use of resources (both those consumed by their own commands and any made available to organisations or individuals outside the Body) including a critical scrutiny of output and value for money;

- 3.1.11 ensure managers at all levels have the information (particularly about costs), training and access to the expert advice which they need to exercise their responsibilities effectively.

4. Regularity and Propriety of Expenditure

- 4.1 You have a particular responsibility for ensuring compliance with parliamentary requirements in the control of expenditure. A fundamental requirement is that funds should be applied only to the extent and for the purposes authorised by the Parliament in Budget Acts (or otherwise authorised by section 65 of the Scotland Act 1998). The Parliament's attention must be drawn to losses or special payments, by appropriate notation of the relevant account. In the case of expenditure approved under the Budget Act any payments made must be within the scope and amount specified in that Act. In cases not covered by the Budget Act, e.g. in connection with a service not contemplated when the Budget Bill was presented, you must ensure that Scottish Executive Finance is informed in order that appropriate advice can be given, and, if necessary, parliamentary procedures followed.
- 4.2 In your stewardship of public funds all actions must be able to stand the test of parliamentary scrutiny, public judgements on propriety and professional codes of conduct. You must not misuse your official position to further your private interests and care should be taken to avoid actual, potential, or perceived conflicts of interest when employing consultants and their staff.

5. Advice to the Body

- 5.1 In accordance with section 15(8) of the PFA Act you have particular responsibility to ensure that, where you consider that any action that you are required to take is inconsistent with the proper performance of your duties as Accountable Officer, you obtain written instructions from the Body for which you are designated and to send a copy of this as soon as possible to the Auditor General. You should see that appropriate advice is tendered to the Body on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration, efficiency and effectiveness. You will need to determine how and in what terms such advice should be tendered, and whether in a particular case to make specific reference to your own duty as Accountable Officer to the Audit Committee of the Scottish Parliament in relation to the transactions for which you are accountable.
- 5.2 You have particular responsibility to see that appropriate advice is tendered to the Body on all matters of financial propriety and regularity. If you consider that the Body is contemplating a course of action, which you consider would infringe the requirements of regularity or propriety, you should set out in writing the objection to the proposal, the reasons for this objection. You also have a duty to inform the Auditor General for Scotland should the advice be overruled. If the Body decides to proceed, you should seek a written instruction to take the action in question. If your advice is overruled and the proposal is one that you would not feel able to defend to the Audit Committee of the Scottish Parliament as representing value for money, you should also inform your sponsoring Department's Accountable Officer of the position. If possible this should be done before the Body takes its decision or in any event before the decision is implemented, so that the Department, if it considers it appropriate, can intervene with the Body and inform Scottish Ministers. If the outcome is that you are overruled your request for the instruction and the instruction itself should be communicated without undue delay to the Body's external auditors, and to the Auditor General for Scotland.
- 5.3 If a course of action is in contemplation which raises an issue not of formal propriety or regularity but relating to your wider responsibilities for economy, efficiency and effectiveness, it is your duty to draw the relevant factors to the attention of the Body and to advise in whatever way you deem appropriate. If your advice is overruled and the proposal is one that you would not feel able to defend to the Audit Committee of the Scottish Parliament as representing value for money, you should also inform your sponsoring Department's Accountable Officer of the position. If possible this should be done before the Body takes its decision or in any event before the decision is implemented, so that the Department, if it considers it appropriate, can intervene with the Body and inform Scottish Ministers. If the outcome is that you are overruled your request for the instruction and the instruction itself should be communicated without undue delay to the Body's external auditors, and to the Auditor General for Scotland as in cases of propriety or regularity. Provided that this procedure has been followed, the Audit Committee can be expected to recognise that you bear no personal responsibility for the transaction.
- 5.4 If because of the extreme urgency of the situation there is not time to submit advice in writing to the Body in either of the eventualities referred to in paragraphs 5.2 and 5.3 above before the Body takes a decision, you must ensure that, if the Body overrules the advice, both your advice and the Body's instructions are recorded in writing immediately afterwards.
- 5.5 If you are also the Chair or a member of the Management Board of the Body, you should ensure that your responsibilities as Accountable Officer do not conflict with those as Board member. For example, if the Body proposes action which as Accountable Officer you could not endorse, and would therefore advise against, you should, as a Board member, vote against such action, or ensure that your opposition as Board member as well as Accountable Officer is clearly recorded if no formal vote is taken. In serious cases it will not be sufficient to protect your position as Board member merely by abstaining from a decision which cannot be supported.

6. Appearance before the Audit Committee of the Scottish Parliament

- 6.1 Under section 23 of the PFA Act the Auditor General may initiate examinations into the economy, efficiency and effectiveness with which any part of the Scottish Administration, or certain other authorities or bodies including your own, have used their resources in discharging their functions. You may expect to be called upon to appear before the Audit Committee of the Scottish Parliament from time to time to give evidence on the reports arising from these examinations. You will also be expected to answer the questions of the Committee concerning expenditure and receipts on the budgets and other accounts for which you are Accountable Officer and on related activities. You may be supported by other officials who may, if necessary, join in giving evidence or the Committee may agree to hear evidence from other officials in your absence.
- 6.2 You will be expected to furnish the Committee with explanations of any indications of weakness in the matters covered by paragraphs 5 above, to which their attention has been drawn by the Auditor General or about which they may wish to question you.
- 6.3 In practice, you will have delegated authority widely, but cannot on that account disclaim responsibility. Nor, by convention, should you decline to answer questions where the events took place before taking up appointment.
- 6.4 You must make sure that any written evidence or evidence given when called as a witness before the Audit Committee is accurate. You should also ensure that you are adequately and accurately briefed on matters that are likely to arise at the hearing. You may ask the Committee for leave to supply information not within your immediate knowledge by means of a later note. Should it be discovered subsequently that the evidence provided to the Committee has contained errors, you should let this be made known to the Committee at the earliest possible moment.
- 6.5 In general, the rules and conventions governing appearances of officials before the Audit Committee of the Scottish Parliament apply, including the general convention that officials do not disclose the advice given to the Body. Nevertheless, in a case where the procedure described in paragraph 5.2 was used concerning a matter of propriety or regularity, your advice, and its overruling by the Body, would be disclosed to the Committee. In a case covered by paragraph 5.3 where your advice has been overruled in a matter not of propriety or regularity but of prudent and economical administration, efficiency or effectiveness, the Auditor General will have made clear in the report to the Committee you were overruled. You should, however, avoid disclosure of the terms of the advice given to the Body or disassociation from the decision. Subject where appropriate to the Body's agreement you should be ready to explain the reasons for such a decision and may be called on to satisfy the Committee that all relevant financial considerations were brought to the Body's attention before the decision was taken.

7. Absence of Accountable Officer

- 7.1 You should ensure that you are generally available for consultation, and that in any temporary period of unavailability due to illness or other cause, or during the normal period of annual leave, there will be a senior officer in the Body who can act on your behalf if required.
- 7.2 If it becomes clear to the Body that you are so incapacitated that you will not be able to discharge these responsibilities over a period of four weeks or more, it should notify me so that I can appoint an Accountable Officer, pending your return. The same applies if, exceptionally, you plan an absence of more than four weeks during which you cannot be contacted.
- 7.3 Where you are unable by reason of incapacity or absence to sign the accounts in time for them to be submitted to the Auditor General the Body may submit unsigned copies pending your return.

