

# NatureScot Annual Report and Accounts

## Aithisg Bhliadhnaile agus Cunntasan

2020/21



**NatureScot**

Scotland's Nature Agency  
Buidheann Nàdair na h-Alba

NatureScot is the operating name of Scottish Natural Heritage.

All references to NatureScot should be taken as referring to Scottish Natural Heritage as the legal entity.

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Cover image: Pink-foot geese grazing in fields near Usan, Montrose, Angus

# Performance Report



## Green Infrastructure

The opening of the all abilities path at Claypits, Glasgow. March 29th 2018. A partnership project between Scottish Canals; Sustrans; NatureScot and local community groups. The path was constructed with money from the Green Infrastructure Fund.

# Performance Overview

## Foreword

By any measure it has been an extraordinary year. Like many others, NatureScot has faced the unique challenge of responding to the pandemic and continuing our work to address the twin crises of climate change and biodiversity loss.

This NatureScot annual report and accounts for 2020/21 summarises our performance in a very challenging year. We called our year three business plan *It's In Our Nature*. It outlined two priorities: Enriching Biodiversity and Leading on nature-based solutions to climate change.

Covid-19 restrictions presented significant challenges. Nonetheless, our focus on staff wellbeing and supporting the green recovery provided strong foundations for continued investment in nature and encouraging more people to enjoy the natural world around them.

For the people of Scotland, it is clear that nature has provided solace, restoration and comfort over a challenging year. People have been able to connect with and enjoy nature and our hope is that many continue to grow that connection in the months ahead.

On the 24th of August 2020 we rebranded to NatureScot. Our brand defines who we are, what we do, and why we do it. The stronger our brand the more effective we are in enhancing our natural environment and inspiring the people of Scotland to care more about it.

The Covid-19 pandemic has presented significant challenges throughout 2020/21. As an organisation we have faced the challenge head-on, flexing our priorities quickly to respond to both threats and opportunities. Internally our investment in Transforming our Workplaces enabled the majority of staff to continue homeworking without significant impact on how they deliver their role.

During 2020/21, the delivery of projects awarded funding through Phase 2 of the European Rural Development Fund (ERDF) Green Infrastructure Fund was delayed due to Covid-19. These delayed ERDF Green Infrastructure projects will now start in 2021/22, enabling a further investment of £8.9m in improving the quality, quantity and accessibility of well-managed green infrastructure in some of Scotland's most deprived areas. We have experienced a reduction in Peatland Action due to Covid-19 restrictions but have still successfully invested £6.215m to restore 3,600 ha of peatland. A further 16 projects were awarded in a second round of the Biodiversity Challenge Fund assisting the delivery of £2.45m of related activity during the year, as well as £0.387m and 35 projects through a Better Places fund focused on delivering a green recovery for our communities.

We are now working towards our next corporate plan, covering 2022 to 2026. We have identified three areas where we think that NatureScot can make a real difference. They are: advancing nature-based solutions to promote a thriving environment for all; tackling the climate emergency by leading net zero natural resource management on land and sea; and, redefining economic value by embedding the benefits of natural capital. Our organisational design work will confirm an operating model which best aligns us to deliver these offers throughout the next corporate plan.

As we discuss these with partners and customers, our thinking will be shaped by two important international conferences. We expect the Convention on Biological Diversity Conference of the Parties in China (CoP15) to establish a clear strategy for reversing global biodiversity decline. Meanwhile, CoP26 in Glasgow will seek further global agreement on limiting global warming to 1.5 degrees. We expect nature-based solutions to feature prominently.

We have performed very well throughout 2020/21, making progress with the majority of our planned work despite the challenges of Covid-19. This has been achieved through the commitment, passion and expertise of colleagues throughout the organisation. They are our biggest asset and we thank them for enabling us to make the progress we have over the last year.

We think we are stronger and more resilient. We look forward with confidence and ambition to delivering for Scotland in the year ahead.



Mike Cantlay,  
Chair



Francesca Osowska,  
Chief Executive



# About NatureScot

NatureScot is a non-departmental Public Body (NDPB) accountable to Scottish Ministers and the Scottish Parliament. Our statutory purpose is to:

- Secure the conservation and enhancement of nature and landscapes;
- Foster understanding and facilitate enjoyment of nature and landscapes;
- Advise on the sustainable use and management of nature and landscapes;
- Further the conservation, control and sustainable management of deer in Scotland.

We work in partnership, by cooperation, negotiation and consensus, with all relevant interests in Scotland, including public, private and voluntary organisations and individuals. We operate in a devolved manner, delegating decision-making to the local level, helping our organisation to be accessible, sensitive and responsive to local needs and circumstances. We operate in an open and accountable way in all our activities.

Our organisational values help us achieve our goals, setting out how we work with colleagues and partners:

- We communicate clearly and honestly;
- We listen to and respect the views of others and treat everyone with dignity and respect;
- We encourage people to deliver their best;
- We do what we say we will do;
- We take the initiative and are willing to adapt;
- We work together and learn from one another.

Our Annual Report for 2020/21 is presented in three parts:

- The **Performance Report** – which is divided into an overview section giving an overall summary and then an analysis section providing further detail. The report outlines our main objectives, strategies and principal risks and details our performance during the year;
- The **Accountability Report** – which includes key statements and reports how NatureScot meets accountability requirements and demonstrates compliance with good corporate governance;
- The **Primary Financial Statements** – which comprise the Annual Accounts for 2020/21.

# Our Strategy

Our 2018-22 Corporate Plan ‘Connecting People and Nature’ sets out four outcomes to help create a greener, healthier and more prosperous country for Scotland’s people:

- More people across Scotland are enjoying and benefitting from nature;
- The health and resilience of Scotland’s nature is improved;
- There is more investment in Scotland’s Natural Capital and its management to improve prosperity and wellbeing;
- We have transformed how we work.

The organisational structure of NatureScot is aligned with these four outcomes.

These outcomes support the delivery of the two key strategic priorities outlined in *It's In Our Nature: Year Three*, our Business Plan for 2020/21. These are:

## Enriching Biodiversity

Biodiversity loss is a global and generational threat to human wellbeing and the health of the planet. Underlying this crisis is a lack of connection with nature and the way that nature is undervalued in decision making. Through our work we are addressing the direct drivers of biodiversity loss – changes in land and sea use, climate change, direct exploitation of organisms, invasive non-native species and pollution.

## Leading on Nature Based Solutions to Climate Change

Climate change and biodiversity are intrinsically linked – climate change is one of the main drivers of biodiversity loss, along with its other consequences such as changes in global weather patterns with more extreme weather events leading to impacts such as increased flooding. We lead through advocating transformational change in strategies for land and marine use. We have developed nature-based approaches for peatlands, woodlands, grasslands, wetlands, soils, blue carbon and green infrastructure to capture carbon, adapt to climate change and enhance the state of nature. Internally we have also focused on reducing our own carbon emissions, showing we are committed to contributing to a net zero economy by 2045.

We plan, organise and allocate resources to achieve our four outcomes through a set of activities. Six areas were identified as core to securing these outcomes in 2020/21. These support day-to-day and longer-term decision making. Delivery spans across our four outcomes.



**Our strategy** aligns with the Scottish Government's National Performance Framework (NPF) which was revised in 2018. Eleven National Outcomes were identified to achieve its purpose. We have a direct role in supporting five of these (highlighted below) and make an indirect contribution to the remainder:



Performance against the National Performance Framework is considered through 81 national indicators. Further detail on national indicators that we either lead on or contribute towards is provided in the Performance Analysis section, **Performance against National Performance Framework Indicators**.

# Our Performance

This section provides a narrative summary of performance for each outcome and highlights delivery from across the six areas of focus identified through **Our Strategy** for achieving our Business Plan. Further detail on our performance within each outcome and against our indicators is provided in the **Performance Analysis** section of the report.

## Outcome 1: More people across Scotland are enjoying and benefiting from nature

2020/21 reinforced how important nature is to people's health and wellbeing. A programme of work was delivered through ourselves and others which identified opportunities to access and connect with nature. This has been achieved through online campaigns and by directing funding to areas of greatest impact. As a result more investment has been secured for the future to support large, ongoing partnership projects and the benefits they provide.

2020 was the year when people connected with nature. The travel restrictions in place meant people took the opportunity to immerse themselves in nature closer to home with a significant increase in visitors to our National Nature Reserves (NNR), and across the outdoors in Scotland. Our work supporting access to the outdoors and management of our land has provided opportunities for people to engage with nature wherever they are. With increased visitor number came increased visitor management challenges. We have worked with others through local authorities, community groups and voluntary organisations to build capacity and resilience. With a similar level of visitor management activity anticipated in the year ahead, the work and investment carried out this year will ensure greater resilience and a stronger collaborative approach to visitor management in 2021/22.

Key Highlights include:

Status	Highlights
	Implement the first phase of a new programme of work to inspire more people to enjoy, learn and care for nature close to home.
	Make the case through evidence and best practice for nature-based solutions in our towns and cities.
	Deliver a set of prioritised investment options to support income generation and diversification on our National Nature Reserves.
	Develop our investment options for NNRS has been delayed until 2021/22 as a result of re-prioritising work due to Covid-19. This enabled us to focus effort to address the challenges arising from increased visitor management activity.

Key:

Achieved/on-track

Planned progress not fully achieved but recoverable in 2020/21

## Outcome 2: The health and resilience of Scotland's nature is improved

During 2020/21, we facilitated a further £1.8m Biodiversity Challenge fund, set up a further fund for 2021/22 and provided national leadership on biodiversity, with development of the post-2020 biodiversity framework for Scotland. 2020 was to be the year for bringing biodiversity to the forefront on a world stage through the Conference of Parties 15 (COP 15), due to be held in China. This has been delayed to October 2021 as a result of Covid-19.

As an organisation that relies on evidence, Covid-19 has had a significant impact on our ability to gather evidence which would provide up to date information to support discussions with others or to identify trends in species and habitats. Citizen Science provided valuable data to close this gap and NatureScot recognises the effort from the volunteers involved.

Through our engagement with others, we have developed a leadership role in promoting nature-based solutions for a net zero economy, nature-rich and resilient future and taken forward significant improvements in our marine data management. Scottish Government designated a further 4 Marine Protected Areas (MPA) during 2020/21. These designations are the result of years of work by NatureScot staff as well as collaboration with JNCC and Natural England, and extensive public consultation and discussion with stakeholders. They represent a significant contribution to the conservation of these species, and to Scotland's seas more generally.

Key Highlights include:

Status	Highlights
✓	Provide national leadership on biodiversity, leading the development of the post-2020 biodiversity framework for Scotland.
✓	Develop a leadership role in promoting nature-based solutions for a net zero economy, nature-rich and resilient future.
✓	Lead on reporting on the state of nature and the actions taken to address the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) drivers of change.
✓	Improve the way in which our marine data is managed, including through completing the scope and build for Marine Recorder 2020.
✗	Our work to develop the Scottish MPA monitoring strategy, manage the MPA network and safeguarding Priority Marine Features has been delayed until Q1 2021/22. These areas are dependent on each other and require stakeholder engagement and a confirmation of responsibilities on key sites to progress.

**Key:**

✓ Achieved/on-track

✗ Planned progress not fully achieved but recoverable in 2020/21

Sea rocket (*Cakile maritima*),  
Sumburgh, Shetland.



## **Outcome 3: There is more investment in the management of Scotland's natural capital to improve prosperity and wellbeing**

The year was one of huge challenges but also tremendous opportunity as the issues of climate change and loss of biodiversity became ever more prominent in public discourse and the concept of green recovery became the 'new normal'. We were pleased to see our advice to the Scottish Government's Advisory Group on Economic Recovery substantially reflected in its report, including Natural Capital as one of the four pillars for economic recovery. Our audit of nature-based jobs and skills also made a key contribution to the Climate Emergency Skills Action Plan.

We delivered substantial elements of the Agri-Environment Climate Scheme (AECS) to land managers and supported Scottish Government's responses to the independent reviews on Grouse Moor Management and Deer Management in Scotland. We also supported the Scottish Government's climate change plan and adaptation programme through better understanding the role of dynamic coasts and carbon storage in marine habitats. Our 2020 Year of Coasts and Waters (YCW) 'Plunge In!' fund is helping to deliver communications and events across Scotland. Work began to create a new fund for marine environmental enhancement.

We made substantial progress in securing nature at the heart of the *4th National Planning Framework*, providing leadership and support to Scottish Government in the Positive Effects for Biodiversity working group. We also provided valuable input to strategic planning for the offshore wind sector, including to developers interested in the upcoming ScotWind process for new offshore wind farm leases.

Key Highlights include:

Status	Highlights
	Engage with key business interests and industry sectors to help them maximise the competitive advantage of nature and invest in the nature-based solutions required in response to the climate emergency and biodiversity crisis.
	Deliver Agri-Environment support to land managers including processing contract extensions for land managers coming out of the current AECS programme.
	Play a leading role in embedding natural capital approaches in Scotland including development of Natural Capital Investment planning.
	Influence the design of future land use policies – in particular by piloting an Outcomes Based Approach to public incentives in Scotland.
	Provide effective input to strategic sectoral and marine spatial planning, and advice on major developments, to guide sustainable use of our coasts and seas.

**Key:**

Achieved/on-track

Planned progress not fully achieved but recoverable in 2020/21

## Outcome 4: We have transformed how we work

The impact of Covid-19 meant a need to adapt to a rapidly changing environment. We focused efforts on staff wellbeing, designed to support our organisational resilience. This was further supported by investment in our infrastructure to take advantage of new opportunities to enable smarter working, enhance cyber protections and safeguard our business operations. The development of some of our systems and workspaces have been accelerated to support our recovery with others now prioritised early in 2021/22.

Our work on a Green Recovery Action Plan, and our future focus on our Net Zero Plan position us positively to deliver our own aspirations of a net zero emissions target by 2035, 10 years before the national target. Through our rebrand to NatureScot and communication campaigns, like 'Make Space for Nature', we have reinforced the importance of nature and its links to wellbeing.

Delivering our Business Plan is underpinned by targeted use of our available budget and by ensuring that our information and data are more valuable and re-useable for the public through strong organisational controls and by adhering to governance requirements and legislation. We have achieved the targeted £1.368m of efficiency savings.

As a result of the impacts of Covid-19, our running costs have reduced however our ability to generate income through service charging has also been impacted. Supplier relief payments have been made to support small external partners until they were able to deliver contracted work. Further details are noted in the **Supplier Payment Policy section (page 48)**.

Key Highlights include:

Status	Highlights
✓	Develop a ten year plan for our office portfolio which is aligned to NatureScot's new operating model and nature-rich vision for 2030.
✓	Diversify the range of funding sources that we are able to access, so that we can increase our investment in nature.
✓	Transform the digital capability of the organisation and deliver the infrastructure and services needed to take full advantage of new and innovative technologies.
✓	Develop and implement a public facing information campaign 'Make Space for Nature'.
✗	Covid-19 delayed our property portfolio plans. We focused on our property portfolio by progressing opportunities which delivered a consistent work environment for all staff.

Key:

✓ Achieved/on-track

✗ Planned progress not fully achieved but recoverable in 2020/21



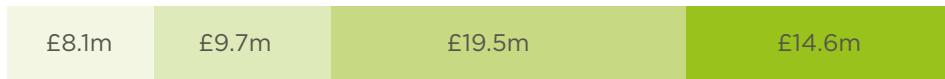
Giant Hogweed, *Heracleum mantegazzianum*, growing by the River Tay, Perth.

# Financial Highlights

## Net Spend by Outcome

Net spend is split across the four outcomes which achieve our corporate plan objectives. Segmental information (**financial statement note 3**) provides more detail about costs incurred across the four outcomes.

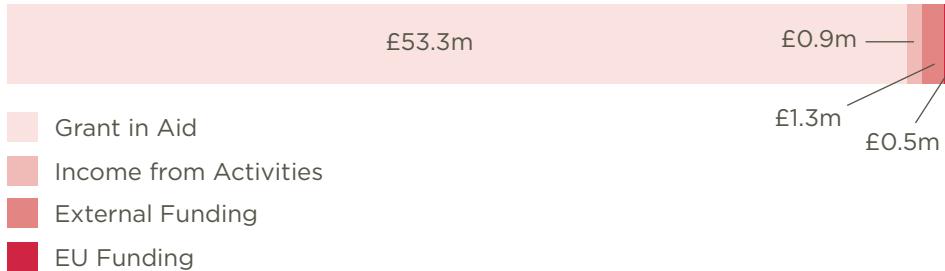
### Spend by Outcome



- More people enjoying & benefiting from nature
- The health & resilience of Scotland's nature is improved
- More investment in the management of Scotland's natural capital
- We have transformed how we work

## Income and Financing

NatureScot receives Grant in Aid (GIA) from the Scottish Government to finance the majority of our activities. Income from activities (**financial statement note 6**), external funding (**financial statement notes 5, 7 and 9**) and EU funding (**financial statement note 3**) provide opportunities to undertake collaboration and to share services. Details showing the out-turn against budgets are provided in the **Financial, Environmental and Social Summary section of the Performance Analysis report**.



## Expenditure

Staff costs were £28.7m (**financial statement note 3**), 51% of our total Departmental Expenditure Limit (DEL) budget. NatureScot is an advisory organisation and our staff are key in delivering our outcomes (**financial statement note 8**). Operating costs (**financial statement note 12**) represent a range of expenditure incurred to accomplish our goals, including grants, research, managing national nature reserves (NNRs) and management agreements. Other costs (**financial statement note 11**) represent the running costs of the organisation to support the delivery of outcomes.



# Key Risks

We manage our risks through a Corporate Risk Register. This ensures that risks to our ability to deliver our work are monitored throughout the year and reported to our Senior Leadership Team and Board on a regular basis. In 2020/21 there were five key risks which were rated as high during the year.

Key Risks	Risk Mitigation
Covid-19 Pandemic – Business Impact	Covid-19 held the potential for planned business activities and outputs to have been significantly impacted. This was due to the move to working from home, the potential for higher staff absences and through the inability to deliver Business Plan priorities and statutory work ourselves or through stakeholders and contractors. The Strategic Business Recovery Group was introduced. It implemented and monitored controls designed to offset these potential impacts; controls such as smarter working, investment in IT and a focus on wellbeing.
Computer Virus	With significant attacks on other public bodies across 2020/21, inadequate protection or inappropriate system use could have resulted in NatureScot systems becoming infected with a virus, resulting in systems and data being unavailable or corrupted, significant system downtime and major operational impacts. Our cyber security team have proactively managed this throughout the year through strong security protocols and awareness raising for staff.
SRDP – Outcomes for the Natural Heritage	As a result of uncertainties over European future programmes and funding levels, there is a risk to the full delivery of our objectives through this mechanism. This has been managed through a focus on targeting funding which delivers NatureScot's priorities, assessment of how collaboration helps achieve outcomes and through targeting of other funding sources.
Annual funding cycle	As a result of the Peatland Action programme having single year budget allocations the project may not meet restoration and spend targets. This is due to factors including tight delivery timescales from October to March and the vulnerability to winter weather. Commitments to a multi-year settlement and future planning as well as strong controls supporting ongoing monitoring and reporting will seek to reduce this risk in future years.
Wildlife Management – Our Ability to Influence Stakeholders	As an organisation we work with others to achieve common goals as part of delivering NatureScot's Business Plan. If we are unable to unite stakeholders to secure their co-operation on the management of wildlife this could result in the failure to achieve planned outcomes for wildlife and nature. We have continued to maintain close working relationships and engagement with stakeholders, ensuring communications plans for contentious projects and by retaining the appropriate skill set of staff to deliver practical wildlife management.

For more details please see our [risks and uncertainties](#) and [NatureScot's Governance Framework](#).

# Performance Analysis



Woman working in her allotment, Glasgow, Strathclyde and Ayrshire Area

# Performance against Key Deliverables

As well as reporting on our contribution towards the **National Performance Framework**, we also monitor and report on our performance towards achieving our key deliverables. These are specific objectives which we aim to complete over one or more years. Our plans have been regularly adjusted over the year to take account of Covid-19 restrictions.

Of the 43 key deliverables that we planned to achieve over the full year, 36 (84%) are rated Green (On track), and 7 (16%) are rated Amber (Slipped). The progress of those rated amber is summarised below.

- The development of investment options to support income generation and diversification on our National Nature Reserves was delayed during 2020/21. With the significant increase in visitor numbers experienced during 2020 expected again in the year ahead, this work is vital to ensure a sustainable response and positive engagement with nature.
- The Scottish Marine Protected Area Monitoring Strategy which will set out responsibilities for key sites is now being taken forward during 2021/22. This is along with our work to manage the Scottish Marine Protected Areas (MPA) network and safeguarding Priority Marine Features.
- Our software developments, infrastructure investment and office portfolio design have not progressed as quickly as planned as a result of the reprioritisation of our efforts to enhance cyber resilience and respond to Covid-19. Good progress has however been made with the accelerated rollout of collaborative tools, such as Microsoft Teams, and in early Q1 we will seek to accelerate delivery in these areas.

## 2020/21 Key Deliverables



# Performance against our 2020/21 corporate and business plans



Common frogs  
(*Rana temporaria*)  
mating in a garden pond.

## Outcome 1

More people across Scotland are enjoying and benefiting from nature

### Corporate Plan Indicator of Success:

*More people are getting outdoors, feeling healthier as a result of their experience of nature, volunteering and championing nature*

Indicator	Result	Performance Rating
Outdoor Visits Help to De-stress, Relax and Unwind	92% of outdoor visitors strongly agreed	 Performance Improving
Nature Matters	54% of people agree that nature matters to them	 Performance Maintaining
Volunteering	9% of all volunteering was in support of nature	 Performance Improving
Visits to Outdoors	56% of adults visited the outdoors at least once a week*	 * Performance Declining

\* Whilst we present above the most recent published data on visits to the outdoors (April 2020), it is important to note that this does not cover the substantial period during which Covid-19 restrictions were enforced. Anecdotal evidence points to a marked increase in visits to the outdoors over that period and we expect to see that reflected in the next Scottish People and Nature Survey due to be published in Autumn 2021. Whilst we anticipate that actual outdoor visits have significantly grown, we can also anticipate growth in awareness of the importance of contact with nature to people's physical health and mental wellbeing. We anticipate therefore, from evidence of more recent surveys during 2020, that an improved picture will be presented once the new statistics are published.

There was a marked increase in awareness of the importance of contact with nature to people's physical health and mental wellbeing during the Covid-19 lockdowns. This also drew further attention to the unequal access to high quality local environments for many people. Release from the first lockdown led to some significant visitor management challenges, including on our National Nature Reserves, which we focus on in the case study.

In partnership with Ordnance Survey, we developed a greenspace mapping tool for schools to use to identify local greenspace suitable for outdoor learning activity. Based on previous work under the *Learning in Local Greenspace* project, this helped young people and schools to connect more with nature, and will build resilience to future pandemics.

The Dynamic Coast project, supporting coastal management and enhanced coastal resilience, completed its second phase, and during the year advised the Scottish Government on beach capacity within social distancing guidelines.

The green health partnership is a partnership we contribute to which co-ordinates activity across sectors to better connect the delivery of health outcomes with the health-improving potential of the natural environment. Following a positive evaluation the Active Scotland Delivery Group, chaired by the Minister for Public Health, agreed a further £1.6m investment in existing and new Green Health Partnerships, with discussions underway with partners to establish a new partnership in Glasgow.

In response to more people making more use of the outdoors in response to Covid-19 restrictions, we developed a Scottish Outdoor Access Code (SOAC) online campaign, which contributed to over 200,000 visits to the SOAC website and a combined Twitter & Facebook reach of 3.58 million during April to June alone.

Our investment in Green Infrastructure, National Walking & Cycling Network, and landscape partnership projects continued to support visits to the outdoors. The most recent evaluation report on impacts and benefits for the National Walking & Cycling Network showed that walkers and cyclists made 145.1 million trips on the network in 2019, contributing to improved health and well-being. Those benefitting added £2 billion to the economy and supported 27,500 jobs, took 19.5 million car journeys off the road and saved 7.1 million kg of CO<sub>2</sub>e.

From January to March, we provided in excess of £0.387m of funding to 35 community groups and voluntary organisations to develop plans and build capacity for visitor management though our new Better Places Green Recovery Fund.

We issued intentions to award an additional £1.4m of European Regional Development Fund, subject to pre-contract conditions. This is for four projects promoting natural and cultural heritage assets in Ardnamurchan, the Isle of Skye, Speyside and Unst which will be delivered by June 2023.

## Outcome 1: Case Study

### Let's Keep Scotland special! - NatureScot Nature Reserves and Visitor Management

Following the relaxation in July 2020 of strict Covid-19 pandemic restrictions, there was a massive surge in visits to the countryside. Our Covid-19-specific Scottish People and Nature Survey suggested that four fifths of adults took visits to the outdoors at least once a week (80%) in August and September – far more than in August 2019 (64%). More people reported health and wellbeing benefits from their time outdoors: 70% indicated their outdoor visits and engagement with nature helped them to de-stress, relax and unwind and 56% agreed it improved their physical health.



Walkers on the Loch Leven Heritage Trail at Loch Leven National Nature Reserve

On most of our 43 nature reserves, 29 of which are National Nature Reserves (NNR), visitor numbers increased dramatically by 50% to 100% with more at weekends. In numbers, this is over 300,000 visitors and it's likely our visit numbers passed one million in 2020.

We welcome this use of our reserves by the public because of the benefits it brings to people and nature, though it did place staff and infrastructure under significant and sustained pressure. This manifested itself in many ways. Whilst most left little or no trace, unfortunately some behaved in ways that are clearly not in keeping with these special places for nature.



An abandoned tent and waste at Knockan Crag NNR

Our reserve staff coped extremely well in the circumstances despite the challenges they faced. Key issues included traffic management; significant increases in overnight campervan parking; non-availability, inadequacy or non-use of toilet facilities resulting in a growing volume of human waste across reserves; fly-tipping and extensive littering; and camping with open fires and associated woodland damage. On our 9 NNRs in North and South Highland alone, we restored 300 fire sites; and had 32 fires in one car park, 3 wildfires, and 5 Scottish Fire and Rescue Service call-outs to one reserve. There were also a few unacceptable cases of anti-social and aggressive behaviour towards staff.



Fire damage due to campfire impact at Beinn Eighe NNR

We anticipate continued high visitor number pressures in 2021 and are better prepared with a range of short and long-term actions for staffing, visitor management and infrastructure. With support from Scottish Government, we have recruited additional staff for 2021 and invested in more toilets, car parking provision, signage and paths. New guidance is in place to ensure safety, clarity of roles and responsibilities, and to improve links with partners, including Police Scotland. Nationally, we are partnering with Visit Scotland, the National Parks, Forestry & Land Scotland and others to develop a more strategic approach to visitor management. This includes a higher profile and targeted *Scottish Outdoor Access Code* campaign to improve awareness and adoption of the responsible behaviours to keep Scotland special.



Visitors on paths at Forvie NNR

## Outcome 2

The health and resilience of Scotland's nature is improved

### Corporate Plan Indicator of Success:

*Scotland's nature is healthier and more resilient.*

Indicator	Result	Performance Rating
Condition Indicator	<b>14%</b> – the increase in abundance of terrestrial breeding birds since 1994	 Performance Improving
Condition Indicator	<b>78.3%</b> – the percentage of 5,389 features on protected nature sites in favourable or recovering condition	 Performance Maintaining
Functional Indicator	<b>10.3%</b> – the total area of available heathland habitat which species can move between, based upon their dispersal  No update available this year	 Performance Maintaining
Resilience Indicator	<b>183</b> – the total number of non-native invasive species which have been identified in Scotland that have a negative ecological or human impact	 Performance Maintaining

During the year, almost £3m worth of Biodiversity Challenge Fund projects continued to enhance nature including, for example, restoring part of the River Tweed's mosaic of wetlands and natural woodland; protect wading birds of global conservation concern in the Clyde Valley, and tackle the notoriously destructive invasive plant Japanese knotweed. In addition, a further round of the Fund will deliver in the region of £2m of projects improving nature in urban, river and marine settings during 2021/22, with an added emphasis on jobs, skills and training.

Emphasising the need for local delivery, NatureScot made a significant contribution to the Edinburgh Process for Subnational and Local Governments on the development of the Post 2020 global biodiversity framework (replacing a face to face meeting planned for 1-3 April). Over 400 people from around the world participated and over 70 local and subnational governments have now submitted their voluntary commitments. With over 144 signatories, the resulting Edinburgh Declaration will influence the outcome of the 15th Conference of Parties (COP15) and the post 2020 targets to be agreed in China in October 2021 for the UN Convention on Biological Diversity.

We continued to work closely with Scottish Government on the biodiversity programme, shaped by the biodiversity *Statement of Intent*, published in December. This includes a commitment to produce a new Scottish Biodiversity Strategy within a year of COP15 and to meet or exceed a target to protect 30% of Scotland's land and seas by 2030 ('30x30'). We reported on Aichi progress, the Scottish Biodiversity Strategy (report to Parliament 2017 to 2019), the State of UK Birds and trend data on wintering wader birds. We focus on Scotland's Marine Assessment in our case study.

We are an evidence based organisation. This evidence is gathered from a number of sources, including NatureScot staff surveys, specialist contracts and by an army of volunteer citizen scientists across the country. The Covid-19 pandemic meant that much of the fieldwork we rely on could not be carried out in 2020, and to some extent 2021, which has had implications on our Site Condition Monitoring programme and therefore our ability to enter in to management discussions with land managers based on the most up to date information. The impact was hardest on spring surveys, such as terrestrial breeding birds and seabirds, but some surveying of species such as summer-flying butterflies was possible.

This gap will make it harder for us to identify trends in species and habitats, something which is becoming increasingly important as we see species ranges shifting under the influence of climate change. Whilst we can make some inferences using statistical techniques, this lack of data will make it harder to get a clear picture of the state of nature in Scotland. In recognition of the value of the data which comes from citizen science and the difficult times we are in, NatureScot has reached out to thank volunteers for their invaluable work, via a short video on social media, and encourage them to get back into the field as soon as Scottish Government advise that it is safe to do so.

We have been reviewing our approach to protected areas, because they are such an important part of our work and we need to ensure that they are fit for the challenges of the 21st Century. The findings of the Protected Areas Review were endorsed by the Board in March and we will begin to pilot new approaches in four different areas during 2021. 95% of the Conservation Advice Packages for Natura sites are either complete or nearing completion and will be published on the NatureScot website by June. In December, the Scottish Government's *Statement of Intent on Biodiversity* included a commitment to '30x30'. We are working with partners to advise Scottish Government how best to realise that as part of the response to the climate-nature emergency.

We received funding for 3 Earth Observation projects to detect habitat change, develop a muirburn and wildfire monitoring system and to detect burnt habitats. Working with the private sector through the *Can Do* innovation challenge fund, we completed a habitat map of Scotland to 20m resolution and started to explore opportunities arising from that knowledge.

We published the Community-led Marine Monitoring Handbook alongside virtual survey training. Following our involvement in significant stakeholder engagement and public consultation, the Scottish Government announced a further 12 Special Protection Areas for marine birds and four Marine Protected Areas for mobile species (e.g. basking shark), habitats and geodiversity interests. We also provided advice to support the designation of the Red Rocks and Longay Urgent MPA to protect the egg-laying habitat of flapper skate.

## Outcome 2: Case Study

### Progress towards completing the Scottish MPA network



Atlantic puffin (*Fratercula arctica*) Isle of May National Nature Reserve.

2020 marked another big milestone year for Scotland's programme of Marine Protected Area (MPA) designations. Scottish Ministers announced a further 17 MPAs, taking the total to 231 for nature conservation purposes and covering over 225,000 km<sup>2</sup>. This included the classification of 12 Special Protection Areas (SPAs) covering foraging areas for our internationally important populations of breeding seabirds and wintering areas for seaducks, divers and grebes. Four new Nature Conservation MPAs were also designated for some of our iconic mobile species such as basking shark, minke whale and Risso's dolphin alongside seabed habitats and geomorphological features. Following the discovery by citizen scientists of a unique egg-laying habitat important for the critically endangered flapper skate (our largest skate species), our advice to Scottish Ministers resulted in an Urgent MPA being designated in early 2021 to protect the site whilst further survey work is carried out to inform decisions on longer term protection.



Long-tailed duck © John Dickenson

Collectively, these designations are underpinned by years of survey, analysis and assessment and use the best available evidence to build the scientific cases and provide advice on some of Scotland's most important areas for marine habitats, wildlife, geology and landforms. Much of our MPA designation work is also carried out in partnership, working in collaboration with organisations such as Marine Scotland, the Joint Nature Conservation Committee, Natural England, NGOs, the scientific community, including citizen scientists, and local communities. Significant contributions to improving our understanding of Scotland's seas continue to be made through initiatives including Seasearch, the Seabird Monitoring Programme and the Wetland Bird Survey, as well as more recently through initiatives such as the Community-led Marine Biodiversity Monitoring Programme.



Flapper skate monitoring

Scotland's network of MPAs now helps protect and enhance over 37% of our seas. This exceeds the proposed international target to achieve 30% of global MPA coverage by 2030, significantly contributing to wider global ambitions for conservation. These designations ensure our MPA network is representative of our marine biodiversity and contribute to the future health and resilience of Scotland's seas for generations to come.



Basking shark © Oceanographic Systems Lab, WHOI

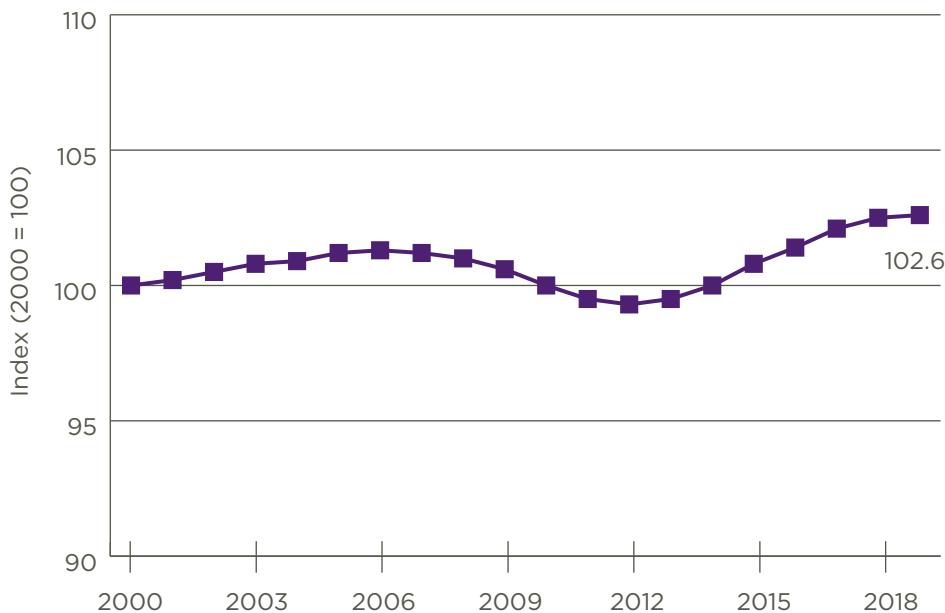
## Outcome 3

There is more investment in the management of Scotland's natural capital to improve prosperity and wellbeing

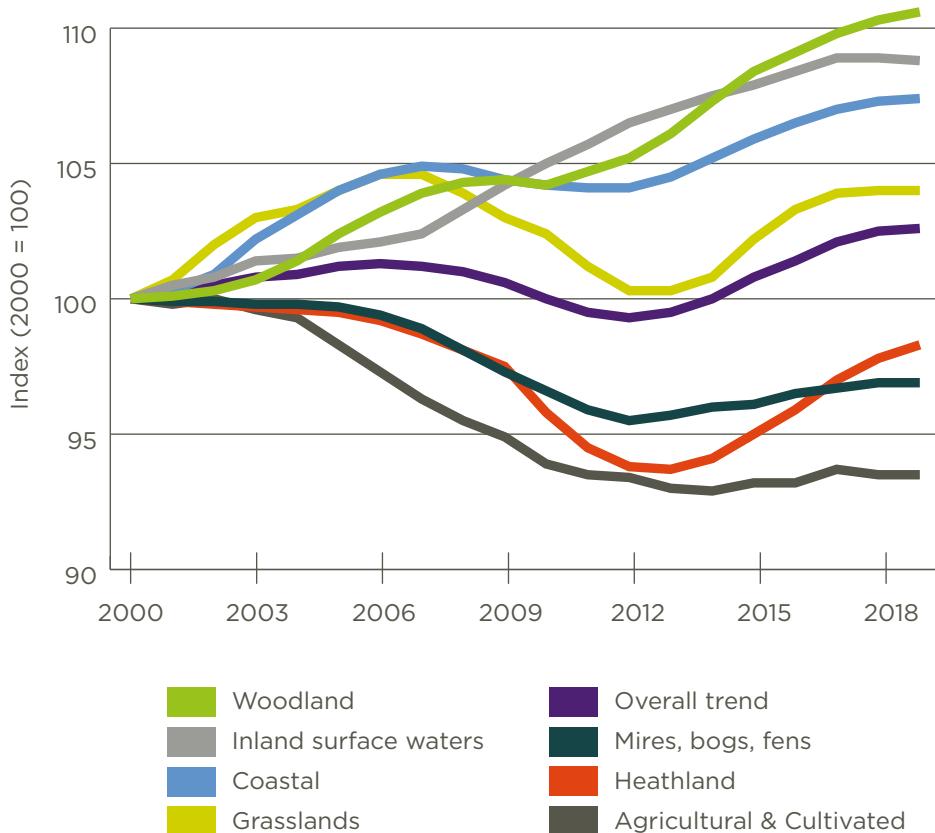
### Corporate Plan Indicator of Success:

*Measures of improved prosperity and wellbeing are associated with an increase in investment in natural capital*

#### Overall Natural Capital Asset Index (2000 to 2019)



#### Natural Capital Asset Index by type of habitat (2000 to 2019)



The **overall NCAI** is a composite index which tracks changes in the capacity of Scotland's terrestrial ecosystems.

We launched the *Shared Approach to Wildlife Management* in August, setting out a consensus on how organisations across Scotland will work together to establish healthy and valued populations of wildlife. We provided significant support to Scottish Government in developing their responses to the Werritty Grouse Moor Management and Deer Working Group reports. These have laid the foundations for nature-based solutions delivering for biodiversity, net zero and climate resilience. We worked closely with Police Scotland, the National Wildlife Crime Unit and key stakeholders to support wildlife crime prevention and detection particularly during the lockdown period where we saw an increase in reported incidents.

Working through CivTech we have reached pre-commercial agreement with two companies on innovative approaches to deer census and habitat impact monitoring in order to reduce carbon emissions whilst delivering robust data. We reported on the first year of the *Beaver Mitigation Scheme* and worked closely with the Scottish Beaver Forum to increase the use of live trapping as an alternative to lethal control. The National Stakeholder Group reviewed the White-tailed Eagle Action Plan which has been extended, with new options in a revised Sea Eagle Management Scheme aimed at increasing flexibility and focusing support on farmers and crofters with the most difficult issues. We made progress on the draft plan and population model for Greenland barnacle geese as elements of adaptive flyway management plans through the African-Eurasian Migratory Waterbird Agreement (AEWA). Greylag geese were added to the general licence in 2020 and remain there in 2021, although a change to the AEWA listing may require a review of this for 2022. The pandemic interrupted our invasive species control projects at a critical time of year in spring 2020.

We continued to deliver our licensing service through lockdown despite demand increasing significantly as a result of removing gulls from the General Licence from 1st April 2020, putting measures in place to prioritise applications for public health and safety and damage. Following the addition of Mountain Hare to Schedule 5 of the Wildlife & Countryside Act we developed licensing guidance in consultation with stakeholders and will publish this before 1st July 2021.

We made substantial progress in securing nature at the heart of the *4th National Planning Framework*, providing leadership and support to Scottish Government in the Positive Effects for Biodiversity working group. We invested significant effort in upstream engagement in the planning system, working collaboratively as set out in the Place Principle and responding to 17 local authority consultations on place-making and development planning. We also grew our on-line activity with a programme of webinars and work with industry organisations to promote nature-based solutions. Despite the pandemic curtailing site visits we continued to advise planners and developers on enabling good development and delivering Scotland's renewable energy target. Working closely with Scottish Government we secured the inclusion, for the first time, of natural infrastructure in the new *Infrastructure Investment Plan*.

After Covid restrictions curtailed work early in the year, we developed a restart protocol and delivered and restored 3,600 hectares of peatland through Peatland ACTION in 2020/21. Scottish Government announced the first multi-annual funding programme for peatland restoration and this move should stimulate considerable interest, allowing landowners and contractors to plan ahead with confidence.

With Scottish Government we jointly launched another Agri-Environment Climate Scheme round for 2021 and continue to play a growing role in designing future rural support. We contribute to the Farmer Led Groups preparing proposals for future agriculture support schemes, including developing a Biodiversity Audit template for the Suckler Beef Group's proposals for a new scheme. We continued to grow our Natural Capital Pilot Programme (NCAPP) and have secured £1.5m from Scottish Government to fully fund it in 2021/22. This includes 'Piloting an Outcome Based Approach in Scotland' (POBAS) and in Phase 2 we developed outcome score cards for key farm habitats and tested them on approximately 70 participating farms and crofts. We also secured investment from the CivTech programme to initiate the development of a smartphone application that will allow farmers to assess and track their progress in delivering biodiversity outcomes. Expanding our

horizons, we worked with *Space Intelligence* through the CAN DO Innovation Challenge Fund “AI for good” to create high resolution habitat maps to support repeatable assessments for the Natural Capital Asset Index. These maps can be used to improve land-use decision making and may be an important component of future natural capital accounts.

Growing the role of innovative green finance in delivering nature-based solutions has seen us collaborating with Scottish Government and new partners such as the Green Finance Institute, impact investors and SRUC, with a focus on: defining the policy and regulation that will help to develop markets in natural capital and ecosystem services; scaling up voluntary carbon markets in woodland creation and peatland restoration; building capacity to develop new projects and enterprises; and enabling research and demonstrations that underpin new markets with evidence. We ran a very successful pilot in the Tweed Forum area to explore new regional approaches to natural capital investment. With Scottish Forestry and Forest & Land Scotland we developed the *UK Land Carbon Registry*, combining projects under the Woodland Carbon and Peatland Codes. Supported by funds from Marine Scotland, Crown Estate Scotland and the offshore wind sector we began work on the establishment of the *Scottish Marine Environmental Enhancement Fund* (SMEEF). Alongside this we undertook research looking at good practice examples of restoration and reinstatement across 4 key marine habitats and species.

We provided important support to *Marine Scotland on their Sectoral Plan for Offshore Wind in Scotland*, offering guidance on identification and resolution of potential environmental concerns arising from it. We helped interested parties identify potential environmental sensitivities and advised on optimal approaches to site surveys as part of the ScotWind leasing round. We provided close support to Marine Scotland in relation to the introduction of an European Protected Species licensing process for Acoustic Deterrent Device (ADD) use on fish-farms, and helped draft guidance for industry on cumulative impact assessment of ADD use. We responded rapidly to Scottish Environmental Protection Agency (SEPA) and Marine Scotland's need for interim measures to help the aquaculture sector manage operations impacted by Covid restrictions. In a landmark case, we gave detailed technical evidence on the potential for nationally significant impacts on maerl beds to a hearing in support of SEPA's refusal to grant Controlled Activities Regulation (CAR) licences for two fish-farms in Orkney. SEPA's decision was upheld. Our support of Marine Scotland's *Inshore Fisheries Strategy*, and the Regional Inshore Fisheries Groups generally, included advice on cockle fishing, a razor clam trial, the cleaner fish fishery and a proposal for scallop dredging in the Loch Sunart to the Sound of Jura MPA.

We augmented our innovative and ground breaking work on Blue Carbon with employment of a graduate placement and work on an evidence map to be completed in 2021/2022. 2020/21 was the Year of Coasts & Waters. Our ‘Plunge In!’ fund supported 25 community projects around Scotland and there has been lots of creative and successful work to engage people with their local coasts and freshwaters<sup>1</sup>.

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<sup>1</sup> [www.nature.scot/plungeinfund](http://www.nature.scot/plungeinfund)

## Outcome 3: Case Study

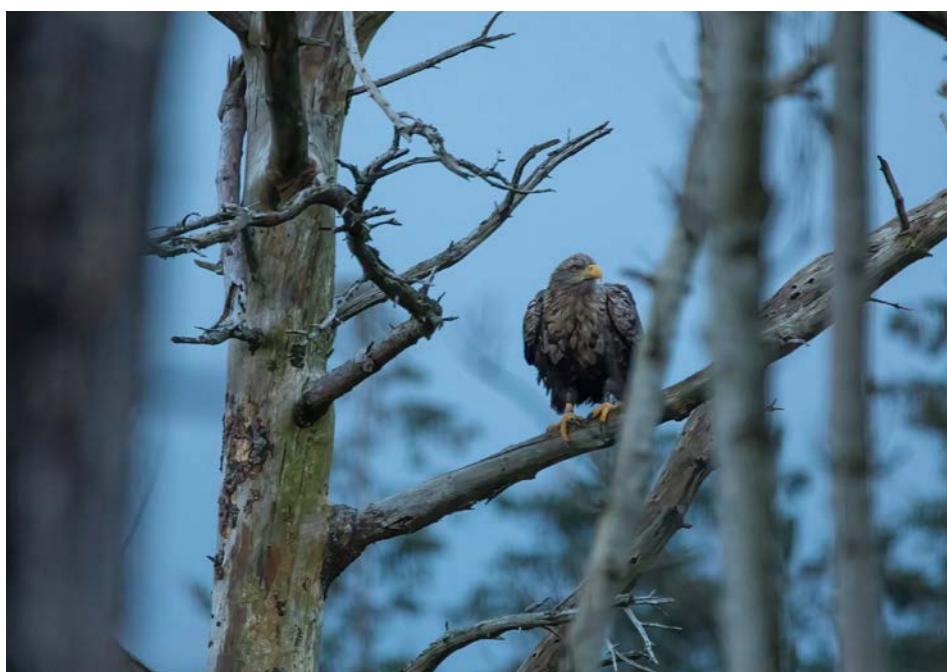
### Shared Approach to Wildlife Management

The Shared Approach to Wildlife Management was launched at the end of August 2020. This joint initiative was the result of in-depth discussions with a range of stakeholders involved in managing nature, including NatureScot. The aim was to identify our common ground in wildlife management and set out ways of working together. It is the responsibility of all the stakeholders to roll-out the approach and to start meeting its challenge of working together to manage Scotland's wildlife for the benefit of all.



Red deer stag in Glen Etive

The way we manage deer is integral to delivering on the challenge of net zero and will play a significant role in the Green Recovery. In the uplands, Deer Management Groups provide coordination for reconciling competing objectives and setting cull targets at a landscape scale. These discussions enable management of Scotland's upland deer populations to contribute towards climate change objectives whilst supporting rural jobs and providing food from nature.



White tailed eagle perched on a branch in Argyll

The Sea Eagle Management Scheme (SEMS) supports farmers and crofters in areas on the west coast where sea eagles are impacting negatively on livestock. The SEMS panel brings together different opinions to ensure actions to tackle sea eagle impacts balance the conservation objectives for sea eagles with addressing the damage caused to livestock. The SEMS encourages and assists with the collection of information on sea eagle impacts and can provide financial support for enhancing shepherding and other actions to help reduce lamb losses.

Working for Waders was established in 2017. It comprises a number of organisations and individuals committed to reversing the steep declines in wading bird numbers. There are differing views on the actions required to help reverse these declines; some parties favour predator control as the key to success whilst others believe the focus should be on habitat management. The role of Working for Waders is to facilitate, encourage and support everyone to take action. It recognises that decisions on the actions required need to be based on information that all parties can trust. This need for information which is accepted, trusted and shared sits at the heart of the Shared Approach. However, the old adage of 'knowledge is power' still holds sway in some quarters and is a barrier that the Shared Approach is hoping to break down. One way in which Working for Waders is attempting to do this is through piloting a nest camera project. Trail cameras are being distributed to farmers and crofters across Scotland, with the aim of learning about wader nest successes and the causes of failures. The project will further connect people with nature and with each other and help to develop our collective understanding of what we can do to reverse the declines of waders.



Hare visiting an oystercatcher sitting on her nest monitored by a trail camera

## Outcome 4

### We have transformed how we work

#### Corporate Plan Indicator of Success:

*We are increasing the reach, visibility and influence of our communications*

Indicator	Result	Performance Rating
Facebook	<b>27,380</b> followers <b>6.1m</b> reach	 Performance Improving
Twitter	<b>32,959</b> followers <b>1.3m</b> monthly impressions	 Performance Improving
Instagram	<b>19,940</b> followers <b>2.54%</b> engagements per post <b>1.73m</b> reach	 Performance Improving
Website visits	<b>1,906,801</b> page views	 Performance Improving

Much of our core business services effort has been focused on ensuring business continuity and resilience throughout what has been an extraordinarily challenging year as a result of the Covid-19 pandemic. We quickly and successfully moved to a more agile approach for planning and prioritising resources, maximising flexibility and responsiveness to the continuously fluctuating operating environment.

Early priority was given to maintaining our core IT infrastructure. We accelerated our business transformation ambitions around collaborative technologies with investment in M365/MS Teams and implemented the final phase of Fusion, which holds our core finance & people business information. This continued our drive for simplification, improved user experiences and our journey to the Cloud. We also rolled out a comprehensive package of cyber security training to all staff to help reduce the risk of cyber criminals exploiting our increased reliance on virtual networks.

Thanks to strategic work we had already undertaken to embed smarter working we were able to successfully make and sustain a swift transition to organisation-wide homeworking, with minimal impact on delivery. An assessment was conducted for all staff to support everyone's safety and wellbeing in their homeworking set-up. We could then ensure that colleagues received the equipment they needed to work from home safely and effectively. We have developed restart protocols focusing on safe access to sites and buildings for our staff and visitors as restrictions are relaxed. All of our buildings are now ready for safe, Covid-19-compliant occupation when this is once more permitted.

We have placed staff wellbeing at the heart of our thinking and response to these unprecedented times. We sought feedback through regular pulse surveys during the year, so that we could continually refine and adapt to changing circumstances. We have continued throughout to provide support to staff by adapting the rules around our ways of working. This has helped staff with home-schooling and other caring responsibilities to balance these with their work. We supplemented this with a Winter Carnival of engagement events which culminated in a virtual staff conference to ensure that staff felt connected with the organisation and were clear on our future direction.

In the midst of all this we successfully rebranded to NatureScot on 24 August; supporting our work to enhance our natural environment and inspire the people of Scotland to care more about it. Our highly successful Make Space for Nature campaign, also recognised the increasing importance of nature to physical and mental health and wellbeing during lockdown.

We have also begun to build towards recovery through the development of our Green Recovery Action Plan; a key part of this is a step change in the scale of our investment in Youth Employment. During 2020/21 we doubled our existing commitment to provide opportunities for young people. Our exciting new Programme for Youth Employment is already in train for 2021/22.

Our focus on the future and a Green Recovery is also reflected in Board approval of our first Net Zero Plan. This sets out how we will achieve our ambitious 2035 net zero emissions target by reducing our operational emissions and working to decarbonise our estate through developing and investing in further renewable energy systems at our offices and on our land and replacing our fleet with electric vehicles, which we have continued to progress throughout the year. We have already seen the benefits different ways of working can bring and we fully intend to build on this to determine how much further we can go in embedding these positive changes in our future ways of working.

Our programme of work to use innovative technologies has also continued apace with work such as habitat mapping using satellite data; working with CivTech on projects as diverse as natural capital accounting and wildlife crime; and our collaboration with Data Lab to use artificial intelligence solutions to image recognition and classification, which is described in our case study.

## **Outcome 4: Case Study**

### Innovation Through Partnership – Data Lab

NatureScot has a great track record of working with graduates to offer them paid placements which give them real workplace opportunities for skills development. One such programme which we were proud to be a part of this year was Data Lab.

The Data Lab is one of 8 Scottish Innovation Centres backed by the Scottish Government. The Data Lab and partner MBN Academy find 8-12 week placements for about 130 MSc Data Science & Engineering students. These provide fantastic opportunities for the students to gain hands-on experience and apply their academic skills to real life challenges.

We had two such challenges. Firstly we had thousands of hours of footage from wildlife camera traps. Since these are motion activated only a tiny proportion of the images we capture are actually relevant for our work, and we were having to manually trawl through them to identify the ones which were worth uploading to our Digital Asset Management (D.A.M.) system. Secondly we had a vast bank of historical images containing people, which we were concerned may fall foul of the General Data Protection Regulations (GDPR).

To help streamline the process of reviewing the archive and camera trap images an Artificial Intelligence (AI) solution was considered. NatureScot joined The Data Lab's MSc Placement Programme. Our graduate, Ioannis Katsadas, researched and assessed various options and identified the best AI solution to reduce the amount of time members of staff would have to spend physically reviewing and classifying images before uploading them to the D.A.M. system.

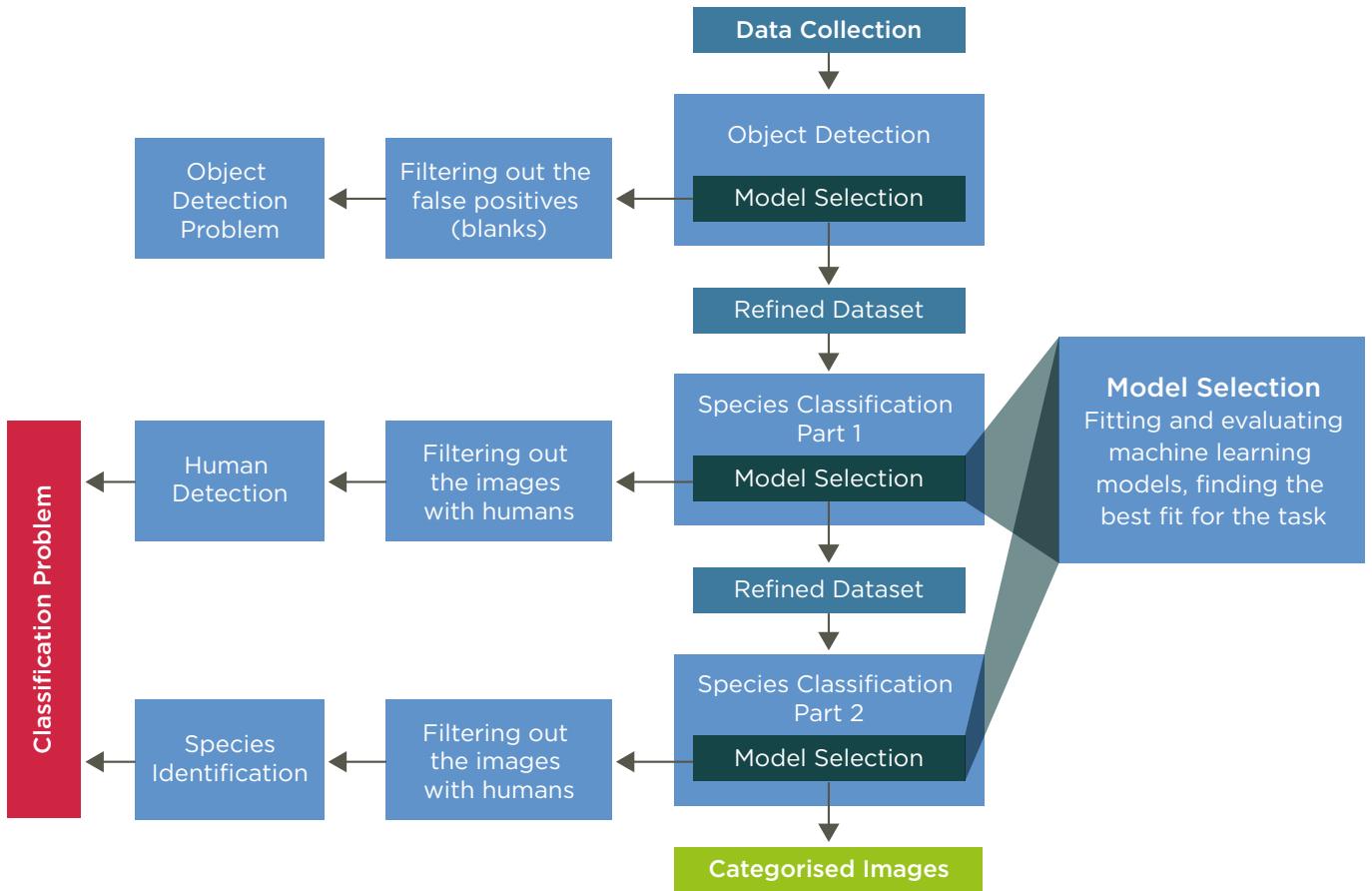
The detection capabilities, which need to be taught to detect the presence of 2D images produced by camera traps, in Microsoft's AI for Earth project proved ideal for NatureScot's purposes. The classification task, however, would need to be custom built, as Microsoft's solution was based mainly on tropical species, not ideal for Scottish habitats! Although Covid-19 moved everyone to homeworking, this did not restrict the ability to deliver this project, supporting Ioannis working from Greece, a testament to our ability to adapt to the crisis.

Within a few months, NatureScot had already filtered over 120,000 images through Ioannis' model, freeing up over £20,000 worth of employee hours to devote to other projects and improving the quality of our image dataset. We also avoided the need to invest a higher amount with a specialist AI supplier, while benefitting from Ioannis' deep and up to date knowledge of the latest developments in the field thanks to his ongoing studies.



Ioannis Katsadas, NatureScot and Data Lab's MSc Placement

## Process for Machine Learning



Drawing on his problem-solving experiences, as well as the soft skills he picked up in collaborating with team members and presenting his work to the wider organisation, has already helped Ioannis differentiate himself in a competitive job market. He believes the dissertation he produced based on the work he did during his time at NatureScot was more fulfilling than a purely theoretical piece, and has since graduated with a distinction from his MSc in Data Science.

Our Graduate Placement Programme and work with organisations such as Data Lab is part of our wider support of youth employment and skills development. This forms a key pillar of our work to stimulate a green recovery from the Covid-19 pandemic. In the coming year we have expanded our offer and our programme will result in the recruitment of up to 37 young people in a variety of apprenticeships, traineeships and placements.

# Performance against National Performance Framework Indicators

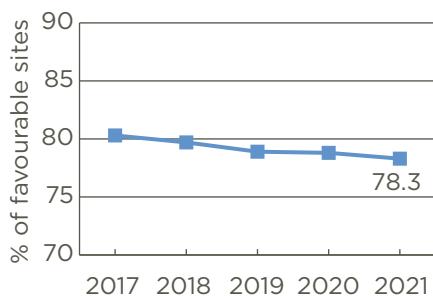
In 2018, the Scottish Government identified 81 National Indicators to track progress towards achieving the 11 National Outcomes. We are responsible for leading reporting on three of these and also contributed to a further three.

## National Indicators we lead on:

### Condition of protected nature sites

This indicator reports the percentage of natural features on protected nature sites found to be in favourable condition

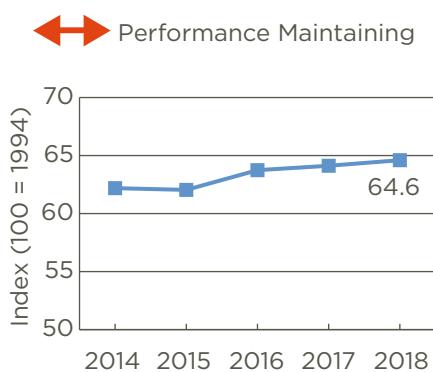
↔ Performance Maintaining



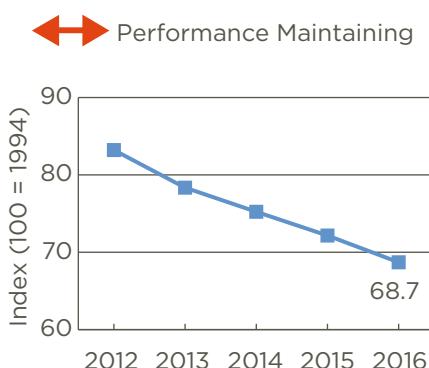
### Biodiversity

This indicator is a combination of trends for three measures of Scottish species, index of abundance of marine species (based on seabirds), index of abundance of terrestrial species and index of occupancy of terrestrial species

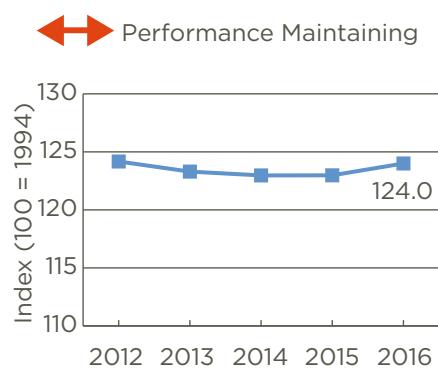
#### Marine abundance



#### Terrestrial abundance



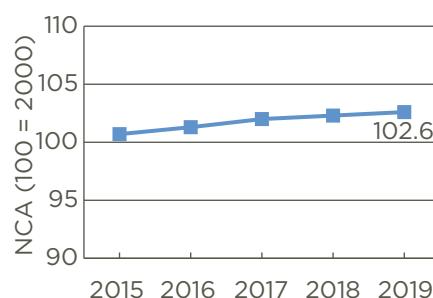
#### Terrestrial occupancy



### Natural Capital

The Natural Capital Asset Index (NCAI) monitors the quality and quantity of terrestrial habitats in Scotland, according to their potential to deliver ecosystem services now and into the future. It is a composite index, based (i.e. equal to 100) in the year 2000

↔ Performance Maintaining

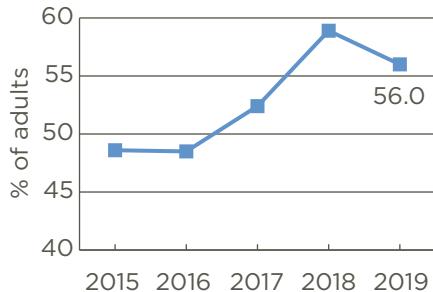


## National Indicators we contributed to:

### Visits to the Outdoors

Proportion of adults making one or more visits to the outdoors per week<sup>2</sup>

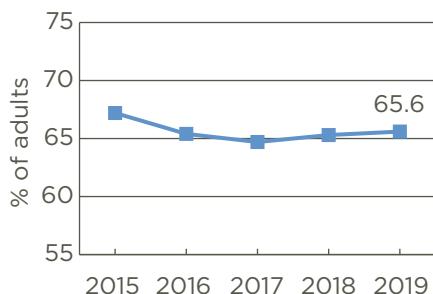
↓ Performance Declining



### Access to green and blue space

Proportion of adults who live within a 5 minute walk of their local green or blue space

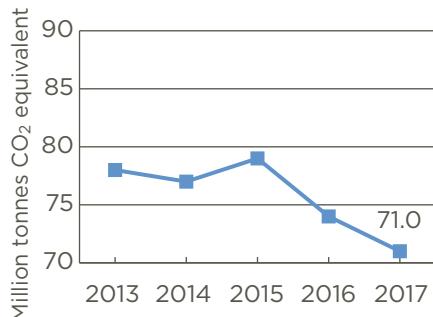
↔ Performance Maintaining



### Carbon footprint

Scotland's carbon footprint expressed in million tonnes of carbon dioxide equivalent

↑ Performance Improving



Source of data **National Indicator Performance**

<sup>2</sup> Whilst we present the most recent published data on visits to the outdoors (April 2020), it is important to note that this does not cover 2020/21 and the substantial period during which Covid-19 restrictions were enforced. Anecdotal evidence points to a marked increase in visits to the outdoors over that period and we expect to see an improved picture reflected in the next Scottish People and Nature Survey due to be published in Autumn 2021.

# Risks and Uncertainties

The principal risks and uncertainties to achieving our ambition for a nature-rich future for Scotland are often out of our direct control. The most significant of these remain those associated with climate change and its impact on our habitats and species. However, nature-based solutions play a key role in addressing climate change through both emissions-reduction and adaption. With the continued global prominence given to the Climate Emergency, this provides us with the opportunity to position nature front and centre in climate change responses and thereby help address a key driver for biodiversity loss.

The actions we take are co-ordinated through our Climate Change Programme Board. These include our role with influencing national policies such as the Scottish Government's Climate Change Plan and its Adaptation Programme; our work on carbon sequestration in our internationally important peatlands; and for 2021, a number of related activities in the lead up to the Convention of Parties (COP) 26 due to be held in Glasgow. Alongside promoting the benefits of nature-based solutions to address climate change, we also undertake a number of actions to achieve our aim for Net Zero emissions from our operations and more details about this are provided later in this Report.

The most significant emerging risk at the start of 2020 was the global pandemic caused by Covid-19. Following government guidance, we immediately closed our offices and implemented our Business Continuity Plan. Aside from enforcing the halt of some of our field-based work, we were able to successfully deliver our services with colleagues quickly adapting to new ways of working. With the pandemic expected to continue for the foreseeable future, we expect that these new ways of working will become standard practice as we continue to ensure we remain an agile and responsive organisation to changing circumstances.

Whilst most of our services were able to continue during the pandemic we adjusted our approach to business planning through implementing shorter term plans to help drive prioritisation of effort. We also took a long-term view of the future operating environment and the impact from the pandemic by establishing a strategic business recovery group who co-ordinated a number of actions to help a 'Green Recovery'. Alongside this, the group have also taken account of the financial risks from the pandemic on our partners with the establishment of a strategic project alliance group. Working alongside the Scottish Biodiversity Programme Delivery Group, this will seek to match priority biodiversity projects that can be delivered by our partners with available funding opportunities.

We continue to manage a number of other strategic, environmental, financial and reputational risks to the organisation. These risks are managed as part of our corporate risk register and are reviewed on a quarterly basis by our Senior Leadership Team and Audit & Risk Committee. Our Board also review quarterly the most highly rated risks. To ensure we are alert to emerging risks and are pursuing an informed level of risk taking to deliver our services, we continue to seek improvements to our risk maturity. This has included the further development and articulation of our risk appetite, actions to make our corporate risk register more active, and more in depth reviews of our long-standing corporate risks.

Risk Papers presented to the Audit & Risk Committee and Board are available on request.

# Looking Ahead and Future Plans

As we move towards 2022, there are environmental milestones which push us forward towards our ambition of a nature rich future for all.

The publication of the Dasgupta report, the independent global review on the economics of biodiversity published in February 2021, included key recommendations which suggest that in order to achieve sustainable prosperity we need to take a different path than the one we are on:

- Increase nature's supply – invest in restoration and conservation of natural assets
- Change our measure of economic success – adopt Inclusive Wealth as our measure of success (i.e. not GDP), move towards natural capital accounting
- Transform our institutions and systems to enable and sustain change

The Conference of Parties (CoP) 15, Convention on Biological Diversity and CoP 26, the United Nations Climate Change summit, both delayed from 2020, are to be held during 2021. We expect nature-based solutions to feature prominently.

These milestones are well timed to provide further strategic direction in the development of our new corporate plan 2022-2026. Through this plan, we will emphasize NatureScot's purpose in connecting people with nature, through inspiring action to address the emergency in our natural world, because our future, and that of following generations, depends on it. The key drivers of enriching biodiversity and leading nature based solutions to climate change are more important than ever given our experiences over the last year.

Going forward NatureScot has identified 3 core offers which will underpin our planning and prioritisation. These are:

- Advancing nature-based solutions to promote a thriving environment for all;
- Tackling the climate emergency by leading net zero natural resource management on land and sea; and
- Redefining economic value by embedding the benefits of natural capital.

We will do this by releasing our expertise to support nature recovery, caring for nature so that it is there for future generations and connecting people and nature so that everyone takes action to address the emergency in our natural world. We will transform our organisation to deliver these core offers through our organisational design framework which has three areas of focus; a new operating model, increased resilience & wellbeing and improved leadership capability.

A key factor in the re-emergence from Covid-19 moving into next year will be the path we set ourselves. We will support a green recovery that is low carbon, resource efficient and socially inclusive.

# Financial, environmental and social summary

## Financial performance

### Budget and cash funding

Each year a budget is agreed with Scottish Government (known as Departmental Expenditure Limit or DEL). This is to cover cash costs, accrued expenditure (capital and operating), net of income from other sources and non-cash costs of depreciation, amortisation and certain impairments.

The budget allocations by Scottish Government and budget revisions during 2020/21 are shown in the table below:

Budget category	Per Budget Act £000	In-year budget revisions £000	Final budget for 2020/21 £000
Resource DEL	45,608	2,760	48,368
Non-cash Resource DEL	2,450	100	2,550
<b>Total Resource DEL</b>	<b>48,058</b>	<b>2,860</b>	<b>50,918</b>
Capital DEL	1,000	4,373	5,373
<b>Total DEL budget</b>	<b>49,058</b>	<b>7,233</b>	<b>56,291</b>

Included within the Budget Act figure for Resource DEL of £45.608m was a ring-fenced amount payable to JNCC of £1.020m.

The in-year budget revisions of £7.233m related to:

- an additional £7.407m to fund peatland restoration (ring-fenced);
- an additional £0.490m to fund grants towards GovTech challenge fund (ring-fenced)
- an additional £0.100m to fund the movement on staff leave related accruals (non-cash)
- an additional £0.436m to fund a variety of other initiatives; and
- less our contribution of £1.200m to support Scotland's Rural Development Programme

The in-year budget revisions of £7.233m were lower in 2020/21 compared to the previous year (£11.632m) due to the adverse effect of Covid-19 restrictions on commencement of Peatland restoration activity.

A budget relating to Annually Managed Expenditure (AME) of £0.145m was provided. In the context of NatureScot operations, this provides budget cover for any new provisions, certain changes relating to provisions, corporation tax and also revaluation gains or losses where they relate to changes in asset values from volatile markets. In 2020/21, revaluation gains of £0.193m, resulting from the desktop valuations of land and buildings, are included within the AME expenditure.

The financial statements showing the results for the year start on [page 76](#).

We are required to manage the out-turn within the Scottish Government budget limits:

- For 2020/21, the DEL budget limit was £56.291m. NatureScot incurred £53.183m net expenditure against this limit, which resulted in an underspend of £1.710m (2019/20: £1.020m underspend), after the approval to underspend of £1.398m. This is analysed as follows:
  - Underspend of £0.593m against Resource DEL non-ring-fenced budget of £44.844m
  - Underspend of £0.417m against Resource DEL ring-fenced Peatland Action budget of £3.524m
  - Overspend of £0.090m against Resource DEL non-cash costs budget of £0.100m resulting from the final out-turn for staff leave related accruals
  - Underspend of £0.775m against Capital DEL ring-fenced Peatland Action budget of £3.883m
  - Underspend of £0.015m against remaining Capital DEL budget

The combined underspend of £1.192m on Peatland Action was a result of adverse weather conditions in the final months of 2020/21 as well as a build-up of activity towards the end of the year due to delays caused by Covid-19 restrictions in the first half of 2020/21. Where not completed, this activity has largely been carried forward into 2021/22.

- The out-turn against the AME budget was an underspend of £0.309m. This was due to the impact of net revaluation gains from the interim desktop revaluations of property, plant and equipment that took place in 2020/21.

Our cash budget allocation was £53.741m (Resource and Capital DEL) and we drew down £53.256m of this. The difference of £0.485m represented the forecast agreed underspend relating to the GovTech project in late February 2021 when the final cash request for 2020/21 was submitted to Scottish Government.

## Out-turn for 2020/21

The final out-turn against budget for 2020/21 is shown in the table below:

	Out-turn £000	Budget £000	Approved Underspend <sup>3</sup> £000	(Under)/ Overspend £000
Net expenditure per accounts	51,878			
Expenditure/income adjustments for budget purposes	(4,520)			
<b>Operating cash costs</b>	<b>47,358</b>	<b>48,368</b>	<b>-</b>	<b>(1,010)</b>
<b>Operating non-cash costs</b>	<b>1,727</b>	<b>2,550</b>	<b>(913)</b>	<b>90</b>
<b>Resource DEL costs</b>	<b>49,085</b>	<b>50,918</b>	<b>(913)</b>	<b>(920)</b>
<b>Capital DEL costs</b>	<b>4,098</b>	<b>5,373</b>	<b>(485)</b>	<b>(790)</b>
<b>Out-turn against DEL Budget</b>	<b>53,183</b>	<b>56,291</b>	<b>(1,398)</b>	<b>(1,710)</b>
AME related provision movements	22			
Revaluation gains on property, plant and equipment	(193)			
Corporation tax	7			
<b>Out-turn against AME Budget</b>	<b>(164)</b>	<b>145</b>	<b>-</b>	<b>(309)</b>

<sup>3</sup> Approval to underspend by £1.398m was given by Scottish Government and this has been discounted from the out-turn arising against NatureScot's non-cash Resource and Capital DEL budget allocations at the end of the financial year.

Budget out-turn notes	£000
<b>Operating cash cost adjustments</b>	
– depreciation and amortisation	(1,537)
– revaluation gains on property, plant and equipment	193
– GovTech capital expenditure	(5)
– income funding the purchase of capital assets	168
– peatland grant 3rd party expenditure, classified as capital	(3,108)
– movement on staff leave accrual, classified as non-cash	(190)
– expenditure shown in provisions	13
– release of early retirement pension provision	(4)
– capital grant in kind	(12)
– increase to provisions, classified as AME	(31)
– corporation tax expense, classified as AME	(7)
	(4,520)
<b>Operating non-cash costs</b>	
– depreciation and amortisation	1,537
– movement on staff leave accrual, classified as non-cash	190
	1,727
<b>Capital additions</b>	
– heritage, property, plant and equipment and intangible assets	1,255
– income funding purchase of capital assets	(168)
– GovTech expenditure	5
– Peatland grant 3rd party expenditure, classified as capital	3,108
– net book value of asset disposals	(114)
– capital grant in kind	12
	4,098

Income from operating activities during the year was £2.664m (2019/20: £2.983m). The reduction was due to the impact of Covid-19.

Significant capital asset additions during the year included:

– Vehicle replacement including electric vehicles	£0.532m
– Investment in property, plant and equipment on NNR's	£0.206m
– IS infrastructure investment	£0.152m

NatureScot had net current assets of £1.631m at 31 March 2021 (2019/20: net current assets of £0.041m). The increase is due to higher levels of cash and receivables at 31 March 2021 – further analysis is shown in notes **18** and **19**.

## Financial Sustainability

Whilst core grant in aid has remained static in recent years, new funding opportunities have arisen in support of our objectives. We expect to see the continued economic impact of Covid-19 for years to come. We mitigate the impact of this in part by preparing a longer term financial plan with scenario plans reflecting increases and reductions to core grant in aid and other income streams. Our investment in smarter ways of working and concentration on the priority work we have to deliver will identify areas where we can reduce our costs and continue to deliver on our Corporate Plan ambition.

## Best Value

We continue to deliver best value in line with the duty set out in the Scottish Public Finance Manual (SPFM) issued by Scottish Ministers.

In keeping with the best value themes, we did this through:

- our corporate plan and business plan, which clearly articulate our long-term vision and our leadership role addressing biodiversity loss and leading on nature-based solutions to climate change
- our leadership in 2020/21 was further demonstrated by the introduction of 90 day plans that enabled an agile response to the challenges presented by Covid-19
- our approach to partnership working, which underpins much of what we do, involving building positive, mutually beneficial relationships with other organisations
- our governance and accountability, reflected in our management structure, policies and leadership, which sets out clear lines of responsibility and reporting, as well as robust systems used in decision-making, budget and risk management.
- our approach to how we manage our resources through the continuous monitoring of our projected income, expenditure and capital investment plans, maximising efficiencies for the procurement of goods and services, and in how we deploy and make best use of our people, property, land and information technology to deliver our outcomes
- the monitoring of our performance, which is tracked throughout the year and reported quarterly to our Senior Leadership Team and Board to ensure we are meeting our targets and outcomes as they relate to the National Performance Framework and the Programme for Government
- our approach to equality and dignity at work, which underpins our values and behaviour, both in the treatment of staff and how we conduct our business
- building sustainability in how we operate – through our procurement practice, the efficient use of our offices, and our approach to travel and how we use energy

## Social Inclusion

NatureScot's vision is that by 2030 Scotland is recognised as a world leader in looking after and improving nature. To achieve this, we want to see more people regularly involved in, and benefiting, from nature. Throughout 2020/21 we have continued to work with disadvantaged groups and communities to help remove some of the barriers that people can face in connecting with nature. The information below covers some of the key highlights of this work.

In setting and delivering our outcomes we use evidence to guide us. Our **national surveys** collect data on protected groups and show that older people, those living in the most deprived areas, members of the BAME population, and people with a long-term illness or disability remain under-represented in terms of visits to the outdoors. Our research suggests that some progress has been made since 2012 in terms of increasing participation among those aged 65 plus and those living in our most deprived areas. However, there is less evidence to suggest a significant change overall in participation among the BAME population or those with a long-term illness or disability.

The Covid-19 crisis further highlighted some of these existing inequalities. **Research** undertaken by NatureScot during the first six months of the pandemic showed that many people visited the outdoors and engaged with nature more regularly during this time, with most experiencing positive impacts to their health and wellbeing, particularly to their mental health. However, the research also underlined the inequality of access to gardens and good quality local greenspace which still exists, especially among younger adults, less affluent people and those with a long-term illness or disability. The research on changing behaviours during lockdown has informed our communication and engagement campaign **Make Space for Nature**

During 2020/21 we continued to host a graduate placement who led our ‘Making Natural Connections’ work. This involved researching the barriers to engagement with nature amongst particular disadvantaged groups through a case study at Tentsmuir National Nature Reserve (NNR) and Dundee, to suggest ways to make our NNRS more accessible and inclusive. Our research helped to guide selection of four demographic groups:

- Low income households
- Black and Minority Ethnic communities
- People with mental health challenges
- People with physical health issues and disabilities.

This was a highly successful project with barriers identified and in some cases resolved, many groups engaged with, and future recommendations made in a **final report**. An ‘Engaging Under-represented Groups’ handbook was written for our staff as part of the placement.

We continued to provide opportunities for direct engagement at our NNRS however the impact of Covid-19 limited the opportunities that we could offer in 2020. Our investment in visitor infrastructure in 2020/21 included the refurbishment of toilet facilities at St Cyrus NNR to provide a Changing Places toilet to improve accessibility. A wildlife hide at Caerlaverock NNR has been replaced with a new hide with accessible access.

Working with partners such as **Backbone CIC CLP programme, Paths for All, TCV Scotland, Volunteering Matters** and the **John Muir Trust** we continued to fund a number of projects that involve or target minority or under-represented groups. Several of our current, external funds focus on connecting people with nature, and these prioritise marginalised communities and groups, such as our **Green Infrastructure Strategic Intervention** funds (GISI), **Outdoor Learning in Nature Fund** (OLIN), **Future Routes Fund**, and the **Natural and Cultural Heritage Fund**.

A number of the GISI projects have involved supporting aspects of work by social enterprises, including **Broomhouse Market Garden** which will be a small community home farm run on a social enterprise model based in Broomhouse, an area of multiple deprivation in Edinburgh. Other social enterprises supported are the **Gathering Ground** in Glasgow and the **Merkinch Partnership** in Inverness. This is part of our focus on how NatureScot can support a Green Recovery that addresses the twin challenges of climate change and biodiversity loss as central components of a more resilient and inclusive “well-being economy”.

We continued to lead the **Our Natural Health Service** (ONHS) programme, alongside partners including Public Health Scotland, Scottish Forestry and Transport Scotland. The central tenet of the programme is that Scotland’s natural environment and green infrastructure can be part of the solution to key health, social care and public health issues. As part of ONHS the four Green Health Partnerships (GHPs) established in Lanarkshire, Dundee, North Ayrshire and Highland continued. These supported greater use of the outdoors by people experiencing disadvantage include, for example, a community growing project in Lanarkshire that works with people experiencing severe and enduring mental health issues in the community or hospitals.

## Sustainable Development and Net Zero Emissions

In 2020/21 our estimated emissions were 571 tonnes CO<sub>2</sub><sup>4</sup>. This is 40% lower than the previous year with significant reductions owing to travel restrictions and office closures relating to Covid-19. The largest reduction is in travel emissions (75%) where in line with advice and restrictions, public transport was hardly used, and the majority of travel was either in grey fleet or fleet vehicles (mainly used for operational work). There was a reduction in building emissions of 30% owing to offices being closed for a majority of the year. Helicopter use increased by 65% compared to 2019/20.

We are continuing to replace our petrol and diesel car and van fleet with electric vehicles and plan to have this completed by 2025 (currently 51% of our cars and vans are electric, and it is planned this will rise to 85% by the end of 2021/22). This is in line with the Scottish Government's target to phase out petrol and diesel cars and vans. The electric vehicles have zero tailpipe emissions. We are also continuing the roll out of electric vehicle charging points and these now cover 16 of the sites where NatureScot is based.

Due to the pandemic this year our staff worked from home and we were therefore not able to take part in all of our usual challenges and initiatives. We did, however, take part in the Zero Waste Scotland - Home to Work commuting tool during February. Sustainable Scotland Network, in collaboration with Zero Waste Scotland, piloted the tool with a small number of member organisations. 21% of our staff took part and we gathered 130 responses. This allowed us to see how our staff would have travelled to and from work prior to the pandemic compared to now when they are working from home. The tool gathers data on commuting distance, duration and mode of transport and in the future it will allow us to see what the daily, quarterly and yearly emissions for commuting would be. Even though this is not a part of the reporting requirement we plan to implement this to be able to see and understand our entire commuting footprint.

During May we took part in the Step Count Challenge. The Step Count Challenge is a walking challenge for Scottish workplaces, with one simple aim: to walk more to feel happier and healthier. More than ever, it is important that we look after our physical and mental wellbeing. Step Count Challenge is a Paths for All initiative. The 4 week challenge took place in May 2020 and Paths for All created a special edition of the Challenge to help us through the period of Covid-19 restrictions.

NatureScot works to reduce its own corporate CO<sub>2</sub> emissions as part of its larger goal of reducing carbon emissions and improving the environment across Scotland. Scottish Government declared a climate emergency in 2019, and its Programme for Government announced an ambitious plan for Scotland to become net zero by 2045. As a public body we have a strong leadership role in delivering the transition to net zero and have announced our own target for Zero Direct emissions by no later than 2040, with a stretch target of Net Zero by 2035.

The work we do on our own carbon emissions is embedded within our Climate Change Commitments. This is a public facing document that sets out what we plan to do to tackle the climate emergency and biodiversity loss. Commitment 6 is focused on managing our corporate emissions and sequestration. **NatureScot's Climate Change Commitments 2019** was published in October 2019.

<sup>4</sup> Data relates to figure available in May 2021. This year it includes estimates where data is not available due to the impact of Covid-19. Figures are based on 2019/20 conversion factors as 2020/21 factors will not be available until SSN take on the Scottish Government's Climate Change Duties reporting in July 2021 and final figures will be included in the Change Duties Report due to be published in November 2021.

## **Personal Data Related Incidents**

NatureScot had no significant data-related security incidents during 2020/21.

We continue to work on ISO27001:13 and have our alignment externally assessed on an annual basis. We achieved re-certification of Cyber Essentials in March 2021 and take forward monthly testing of our key infrastructure internet interfaces to ensure we reduce the risk of a security breach and data loss. In the light of increased risk to public sector from phishing emails we have implemented mandatory Cyber Security and Information Management e-learning on a monthly basis.

We use National Cyber Security Centre (NCSC) best practice, review our mitigation strategy and work closely with our colleagues across the sector. We do this to ensure that we continually improve the way we manage our sensitive systems and information.

## **Supplier Payment Policy**

Our ambition is to comply with the Government's Better Payment Practice Code. We therefore aim to pay invoices within 10 days from the receipt of goods and services or the presentation of a valid invoice, whichever is later - the target is 95%.

In 2020/21, 89% of invoices were paid within the 10-day target (2019/20: 93%). Timely payment of invoices can be impacted by a variety of issues and working from home across the organisation, has played into the 89% result for 2020/21. We made no payments during the year for compensation under the Late Payment of Commercial Debts Regulation 2013 (2019/20: nil). Estimated supplier relief payments totalling £0.132m were made during the year to support small external partners until they were able to deliver contracted work.

# Nature Conservation Orders made during the year to 31 March 2021

The Nature Conservation (Scotland) Act 2004 (2004 Act) came into force on 29 November 2004. The provisions of Section 23(1) ensured that all Nature Conservation Orders (NCOs) and Special Nature Conservation Orders in place before that date continued in force as NCOs under the 2004 Act. It remains our view that these orders should be used only as a matter of last resort where there is a direct threat to the natural features of an SSSI and/or a European site.

At the end of March 2021 there were six NCOs in force, with another four Amendment Orders, giving an overall total of ten orders in force.

As required by Section 28 of the 2004 Act (as amended by Regulation 9 of the Conservation (Natural Habitats, &c.) Amendment (Scotland) Regulations 2004), we report that during 2020/21:

- no new NCOs were made;
- no existing NCOs were amended;
- no existing NCOs were revoked.

Further information on NCOs can be found on our website at [Nature conservation order](#).



Francesca Osowska  
Chief Executive and Accountable Officer

28 July 2021

# Accountability Report



Volunteers working at  
Greenhead Moss Community  
Nature Park, Wishaw

# Corporate Governance Report

## Directors' Report

Information relating to membership of the Board, the Senior Leadership Team and on the auditors of NatureScot.

### NatureScot Board and Committees

NatureScot has a non-executive Board, which is supported by the Scientific Advisory Committee (SAC), the Protected Areas Committee (PAC) and the Audit and Risk Committee (ARC). Members of the PAC and ARC committees are appointed from the NatureScot Board. The Chair of SAC is appointed from the NatureScot Board and all other SAC members are recruited by open recruitment. NatureScot Board Members are appointed by Scottish Ministers initially through a process of open competition for a 3 year period. Consecutive terms up to a maximum of 8 years may be approved by Scottish Ministers based on an annual review of performance. The membership of the Board at 31 March 2021 was as follows:

	Appointed to NatureScot Board	Term	Date at which current term of appointment ends
Mike Cantlay (Chair)	15 May 2017	2nd	14 May 2022
Angus Campbell (Deputy Chair)	1 April 2013	3rd	31 March 2021
Cath Denholm (Deputy Chair)	1 April 2016	2nd	31 March 2022
Kate Broughton	1 April 2016	2nd	31 March 2022
Robert Furness	1 April 2013	3rd	31 March 2021
Ian Gillies	1 April 2013	3rd	31 March 2021
Jackie Hyland	1 April 2016	2nd	31 March 2022
Aoife Martin	1 April 2016	2nd	31 March 2022
Susan Murray	1 April 2016	2nd	31 March 2021

Board appointments for Angus Campbell, Robert Furness and Ian Gillies ended on 31st March 2021. Susan Murray resigned from the Board on 31st March 2021.

A process to recruit new Board members was undertaken during 2021. This resulted in the appointment of seven Board members from 1st April 2021. The new members are Colin MacPhail, Peter Higgins, David Johnstone, Ian Gambles, Wayne Powell, Heather Reid and Nikki Yoxall.

The full biographies for our current Board members can be found on our website: [Board, Directors and Committees](#)

NatureScot aims to be an open and accountable organisation. There were six NatureScot Board meetings, two SAC meetings, five PAC meetings and five ARC meetings held in 2020/21 and included open sessions, which the public were welcome to attend. All agendas and open session minutes of Board meetings can be viewed and downloaded from the NatureScot website. Open session Board papers are available to download from the NatureScot website, five days before the meetings.

A register of interests is available on the NatureScot website: [Register of Interests – NatureScot Board and Committees](#)

Board members have a corporate responsibility for ensuring that NatureScot fulfils its statutory duties and the aims and objectives set by the Scottish Ministers, and for promoting the efficient and effective use of staff and other resources in accordance with the principles of Best Value.

The Chair is responsible to the Scottish Ministers, on behalf of the Board, for ensuring that NatureScot's policies and actions support delivery of its statutory functions and the wider strategic policies of the Scottish Ministers and that NatureScot's affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out above for the NatureScot Board and, in particular, for ensuring that NatureScot fulfils the aims and objectives set by the Scottish Ministers.

In addition, the Chair will ensure that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. The Chair will advise the Scottish Ministers of the needs of NatureScot when Board vacancies arise, with a view to ensuring a proper balance of professional and financial expertise; he will also assess the performance of individual Board Members on an annual basis.

## Senior Leadership Team

The responsibilities of our Senior Leadership Team, who were in post after 1 April 2020, are set out below. Full biographies can be found on our website [NatureScot Senior Leadership Team](#)

### Francesca Osowska

Chief Executive

Francesca leads NatureScot work to enhance our natural environment and inspire the people of Scotland to care more about it. Working closely with the Scottish Government and partners, Francesca builds consensus on the vital role of nature-based, nature-rich solutions to the climate emergency and as a cornerstone of Scotland's green recovery from Covid-19.



### Robbie Kernahan

Director, Sustainable Growth

Robbie leads our work to deliver Sustainable Growth. Working across the business and with a range of external stakeholders, Robbie provides leadership and strategic vision to secure greater investment in nature to tackle the twin challenges of climate change and biodiversity loss.



### Jane Macdonald

Director, Business Services and Transformation

Jane is the strategic lead on organisational transformation and the delivery of excellent business and corporate services. Working collaboratively across the organisation, she and her teams provide the expertise, functions and facilities to empower colleagues to deliver for nature and the people of Scotland. Her focus is on enabling NatureScot, Scotland's nature agency, to be a successful, innovative and inclusive organisation.



### Nick Halfhide

Director, Nature & Climate Change

Nick leads NatureScot's drive to reverse the current decline in nature, and work with nature to tackle climate change. Nick champions solutions on NatureScot's own land, and works with a range of stakeholders so that nature can thrive across Scotland's land and seas.



Nick was appointed to the role of Director, Nature & Climate Change in March 2021 having returned from a secondment to South of Scotland Enterprise and following the retirement of Sally Thomas in November 2020.

## **Stuart MacQuarrie**

**Deputy Director, Business Services and Transformation**

Stuart leads NatureScot's business planning functions to ensure our resources are fully aligned to deliver bold and effective solutions towards restoring and growing Scotland's biodiversity. This includes working across teams to respond rapidly to emerging resourcing needs which help progress determined action to address the twin challenges of tackling biodiversity loss and the climate emergency.



## **Claudia Rowse**

**Deputy Director, Sustainable Growth**

Claudia provides leadership on supporting transformative land use and investing in natural capital to address the twin challenges of biodiversity loss and climate change. Claudia also oversees our operational teams located across Scotland, working with them to ensure that our work is sensitive to local and regional issues and opportunities. She supports the organisation's work on how nature contributes to a wellbeing and green recovery.



Claudia was appointed to the role of Deputy Director, Sustainable Growth in September 2020 following the secondment of Ross Johnston to a role within Scottish Government.

## **Eileen Stuart**

**Deputy Director, Nature & Climate Change**

Eileen is NatureScot's lead for science, monitoring and surveillance on land and sea. Eileen drives forward action to enhance people's connection with nature, promoting our work on landscape, recreation as well as overseeing our funding streams on biodiversity and place to support the creation of a nature-rich and resilient future.



## **Jason Ormiston**

**Head of External Affairs**

Jason is the strategic lead on the NatureScot brand, stakeholder engagement and communications. Working with the Board and the Senior Leadership Team, Jason, along with the Communications and Executive Office teams, positions NatureScot as a leading supporter of Scotland's response to the twin crises of climate emergency and biodiversity decline and the Green Recovery from Covid-19.



Ross Johnston, Sally Thomas and Graham Neville were members of the Senior Leadership Team until August 2020, November 2020 and February 2021 respectively.

## **Auditors**

NatureScot's accounts are audited by Audit Scotland, which is appointed by the Auditor General for Scotland. The costs relating to their statutory audit work in respect of the financial year were £0.059m (2019/20: £0.058m). No other fees for non-audit related services were paid to them.

# Statement of Accountable Officer's Responsibilities

NatureScot's Framework Document agreed with its sponsoring Scottish Government Directorate, sets out the roles and responsibilities of Scottish Ministers, the sponsoring team in the Directorate, the NatureScot Board, the Chair of NatureScot and NatureScot's Accountable Officer. It includes the following points:

## NatureScot's Accountable Officer

Under Section 10 of the Natural Heritage (Scotland) Act 1991, NatureScot is required to prepare annual accounts for each financial year in the form of and on the basis determined by Scottish Ministers. The annual accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of NatureScot as at the end of the financial year, and of the income and expenditure, recognised gains and losses, and cash flows for the financial year. In preparing the annual accounts, the Accountable Officer is required to comply with the requirements of the Financial Reporting Manual and in particular to:

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the annual accounts
- prepare the accounts on a going concern basis
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

In addition, the Accountable Officer is responsible for safeguarding the assets falling within the stewardship of NatureScot, taking all such reasonable steps to prevent and detect fraud and other irregularities and ensuring that appropriate records are kept.

The Principal Accountable Officer of the Scottish Government appointed the Chief Executive as the Accountable Officer for NatureScot in accordance with sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000. As Accountable Officer, the Chief Executive is responsible to Scottish Ministers.

The Chief Executive's relevant responsibilities, as Accountable Officer for NatureScot, are set out in the Accountable Officers' Memorandum issued by the Principal Accountable Officer for the Scottish Government. The Accountable Officer has responsibility for the propriety and regularity of the public finances, for which they are answerable to the Scottish Parliament.

## Disclosure of Audit Information to the Auditors

So far as the Accountable Officer is aware, there is no relevant audit information of which NatureScot's auditors are unaware. The Accountable Officer has taken all possible steps to ensure she is aware of any relevant audit information and to establish that NatureScot's auditors are aware of that information.

# Governance Statement

## Scope of Responsibility

As Accountable Officer, I have responsibility for maintaining sound systems of internal management control. These support the achievement of the organisation's policies, aims and objectives, set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible.

My responsibilities are assigned to me in the Scottish Public Finance Manual and by the Scottish Parliament under Section 15 of the Public Finance and Accountability (Scotland) Act 2000 for ensuring:

- the propriety and regularity of financial transactions under my control and for the economic, efficient and effective use of resources provided to NatureScot
- that arrangements have been made to secure best value and for signing NatureScot's annual accounts
- that effective management systems are in place within NatureScot and that risks are identified, assessed and managed appropriately

The Scottish Public Finance Manual is issued by Scottish Ministers to guide the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness and promotes good practice and high standards of propriety.

NatureScot aims for the highest standards in corporate governance, and we follow the Cabinet Office Guidance on Codes of Practice for Public Bodies.

## NatureScot's governance framework

NatureScot is a non-departmental public body (NDPB), established by the Natural Heritage (Scotland) Act 1991. We receive most of our funding as grant-in-aid from the Scottish Government. Our framework document outlines the administrative and financial structure within which NatureScot works.

The governance framework comprises the systems, processes, culture and values which direct and control NatureScot. We use the framework to monitor how well we achieve our strategic objectives and results. The governance framework has been in place for the full year ending 31 March 2021 and up to the date of approval of the annual report and accounts.

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It is designed to manage, rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on a continuous process, designed to identify the principal risks to NatureScot achieving its policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. For information risks, our Director of Business Services and Transformation fulfils the role of Senior Information Risk Owner (SIRO). As SIRO, she takes overall ownership of the organisation's Information Risk Policy, acts as champion for information risk to the Board and provides written advice to the Accountable Officer on the content of the organisation's Governance Statement relating to information risk.

Our governance structure operates at four levels: Scottish Government, Board, Senior Leadership Team and staff.

The role of the NatureScot Board is to effectively lead, direct, support and guide the organisation and ensure that we implement the policies and priorities of Ministers and the Scottish Government. The Board is supported by the Audit and Risk Committee (ARC), which has a key role in promoting the development

of NatureScot's arrangements for corporate governance, including risk management, and advising the Board as appropriate. Other Board committees are the Scientific Advisory Committee and Protected Areas Committee. The roles and responsibilities, terms of reference and ways of working of the Board and committees are available on our website. Our Board is committed to openness and transparency in decision making. Formal Board meetings and some committee meetings are open to the public to attend. In addition agendas and approved minutes of board and Audit and Risk Committee meetings and any papers, other than those marked Official Sensitive, are freely available to download from the website.

### **Board Meetings attended by members in the year from 1 April 2020 to 31 March 2021**

Name	Number of meetings attended (6 held in year)
Mike Cantlay (Chair)	6
Angus Campbell (Deputy Chair)	6
Cath Denholm (Deputy Chair)	5
Kate Broughton	6
Bob Furness	6
Ian Gillies	6
Jackie Hyland	5
Aoife Martin	5
Susan Murray	6

### **Audit and Risk Committee meetings attended by members in the year from 1 April 2020 to 31 March 2021**

Name	Number of meetings attended (5 held in year)
Kate Broughton (Chair)	5
Cath Denholm	5
Jackie Hyland	4
Susan Murray	4

### **Scientific Advisory Committee meetings attended by members in the year from 1 April 2020 to 31 March 2021**

Name	Number of meetings attended (2 held in year)
Bob Furness (Chair)	2
Dan Haydon	2
Jackie Hyland	1
Neil Metcalfe	1
Aileen Mill	2
Ruth Mitchell	2
Martin Price	2
Jeremy Wilson	2

The Scientific Advisory Committee is chaired by Professor Robert Furness who is a member of the Board. Jackie Hyland attends SAC as a Board observer and the additional 6 members are independent and recruited on an open and transparent basis. Each term of appointment is for 3 years, and depending on satisfactory performance, a further term may be offered.

## Protected Areas Committee meetings attended by members in the year from 1 April 2020 to 31 March 2021

Name	Number of meetings attended (5 held in year)
Aoife Martin (Chair)	4
Angus Campbell	5
Bob Furness	5
Ian Gillies	5

I, along with directors and deputy directors from the Senior Leadership Team, take responsibility for the operational management of NatureScot and for developing, in partnership with the NatureScot Board, the policies and strategies of NatureScot.

Details of our work priorities and funding are set out in our budget allocation and monitoring letter, corporate plan and business plans. We have robust governance arrangements in place to provide clarity and accountability in the way we manage the organisation and deliver our work. NatureScot's Risk Management Policy ensures that we properly manage the risks to achieve the organisation's priorities. The policy also supports decision-making.

Standards of behaviour support our good governance policies and ensure we achieve the highest possible standards in all that we do. The *Code of Conduct for Board and Committee Members* sets out the principles they are expected to uphold in carrying out their duties. Our employee *Standards of Conduct Policy* and our *Whistleblowing Policy* encourage staff to raise serious concerns about wrongdoing or alleged impropriety. The policy is consistent with, and makes explicit references to, the Public Interest Disclosure Act 1998.

## Assurance

As Accountable Officer, I review the effectiveness of the governance framework, including the internal control systems. My review requires assurances from the following groups and individuals:

- NatureScot managers, who agree and measure the effectiveness of controls and also regularly monitor and report on performance, finance and risk for the senior leadership team, ARC and the Board
- The work of internal auditors, who submit regular reports to our ARC. These include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of NatureScot's internal control systems, together with recommendations for improvement
- The ARC, which oversees the work of internal auditors, considers and comments on other matters within its terms of reference, and provides me with appropriate assurance
- An assurance by the Director of Business Services and Transformation on the adequacy of the organisation's fraud detection protocols, together with any recommendations for improvement
- An assurance by the organisation's Senior Information Risk Owner (SIRO) on the adequacy of the organisation's information and security management protocols, together with any recommendations for improvement
- Comments made by Audit Scotland, our external auditors, in their management letter and other reports

NatureScot has a suite of policies and practices aimed at enabling and encouraging excellence in our staff and managing their performance. The Board and ARC also conducts individual and collective self-assessment of performance.

## Risk Management

During 2020/21 no critical risks materialised through our governance framework that had any significant impact on the organisation. Our Corporate Risk Register contains 15 risks of which 4 are rated high at 31st March 2021. None of these high rated risks have materialised into issues during the year and the controls we have in place are satisfactorily managing them. As a result they have not significantly impacted on the delivery of NatureScot's work during 2020/21.

There have been no significant data-related security incidents during the year. We achieved, through an external independent review, a good alignment with ISO27001:13 in January 2021 and the action plan arising from the report will be monitored by our Audit and Risk Committee. We continue to adopt best practice for information security and were successfully re-certified on Cyber Essentials and Cyber Plus standard.

Like all of society, the Covid-19 pandemic has provided many challenges to our operation and we have had to adjust our ways of working in line with Government advice. Through careful planning and staff engagement the organisation has adapted well to the restrictions. We completed an assessment of Covid-19 risks to our organisational resilience, including infrastructure and cyber security. We implemented a proactive, strategic approach to our operations, and a Covid-19 Lessons Learned exercise showed that we had responded to the pandemic well. Many of the lessons learned and ways of working will be built upon in our developing new operating model.

NatureScot manages a number of high value grant funding streams. One of the grants in question relates to EU structural funds where reimbursement is from the Managing Authority (Scottish Government). During the year there were delays in processing subsequent grant claims due to the complexity of the administration process for EU funds and resource pressure due to Covid-19. As an interim measure NatureScot has paid some grantees directly in order to mitigate the cash flow risks to them. This creates a financial risk to NatureScot if the Managing Authority decides not to reimburse the claims. The ongoing delays have created a heightened reputational risk to NatureScot as they could result in incomplete projects which would fail to deliver the expected strategic outcomes as well as impact on our ability to effectively manage future funding streams. We are working with government officials to ensure that payment performance is improved to ensure that this is avoided.

During the year we have paid particular attention to information management and cyber security which had become even more critical as a result of staff working remotely. A suite of on-line training has been delivered to all staff, raising awareness of best practice and I am assured that this along with the increased resilience being built into our systems, such as moving our system backups to the cloud, will enhance business continuity across the organisation.

The support and wellbeing of our staff has also been a priority and I am satisfied that responses received from regular organisation-wide pulse surveys has provided sufficient feedback for managers to act on and provide effective engagement and support for their teams.

There are a few areas which require further work in the coming year. Like many organisations, we have been unable to complete routine asset and inventory checks during the year due to offices being closed. This will recommence when we open our offices. Our work to diversify our workforce has moved forward, and we will continue to work to widen this during 2021/22.

I recognise the potential that these issues may expose the organisation to reputational damage, however I am satisfied that the risk, if this were to occur, is very small and can be tolerated, and the measures we have put in place to deal with these are appropriate.

As we move into a new financial year we are very aware of the economic, social and environmental recovery challenges ahead. I am confident that our governance systems ensure that our resources are managed and deployed effectively and we continue to operate at a high standard.

## **Review of Effectiveness and Conclusion**

A key element of our governance controls is a set of Governance Tables which are based on the Scottish Public Finance Manual's Internal Control Checklist. The tables, which were updated at the beginning of the year to align with a revised version of the Checklist, focus on the key management controls that are required across parts of the organisation. Senior Managers are responsible for maintaining the tables and reporting on the controls on a quarterly basis. These are reviewed by my Head of Internal Audit and Chief of Staff and I am satisfied that NatureScot's internal control and risk management framework has operated effectively during the year.

# Remuneration and Staff Report

The Remuneration and Staff Report is subject to audit except for the Remuneration Policy and Employment Contracts, Employee Involvement (including the disclosures under the Trade Union (Facility Time Publication Requirements) Regulations 2017), Sickness Absence and Equality and Diversity sections which are reviewed by Audit Scotland for consistency with the audited accounts.

## Remuneration Policy

The remuneration, allowances and expenses paid to Board Members comply with specific guidance issued by Scottish Ministers. NatureScot does not have a remuneration committee.

For all other staff, NatureScot submits a pay remit to the Scottish Government Environment and Forestry Directorate for approval (normally annually, unless a multi-year deal has been agreed), which is within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance. On approval of the pay remit, a pay settlement is negotiated with the relevant Trade Unions. Annual salaries are paid in accordance with the standard NatureScot staff pay agreement. Performance is monitored and reviewed through NatureScot's staff appraisal arrangements. Increases in staff salary and any exceptional performance awards, if earned, are based on managers' assessment of individual performances. Exceptional performance awards have been suspended for the present, this being a condition in the Scottish Government Public Sector Pay Guidance.

The Chief Executive's salary is reviewed each year and approved by the Chair, in line with the Scottish Government Remuneration Committee and Ministers steer, and is governed by any further conditions set out in the Scottish Government Pay Guidance for Senior Staff. The Chief Executive was appointed under a loan agreement between Scottish Government and NatureScot and it provides for a notice period, by either party, of three months. The terms and conditions of the Chief Executive's performance bonus remain suspended as per Pay Guidance for Senior Staff.

## Employment Contracts

NatureScot is committed to ensuring a fair, transparent and consistent approach to filling vacant posts. Appointments are made on merit following a fair selection process within defined policy.

The senior staff covered in this report, NatureScot's Senior Leadership Team, hold appointments which are open-ended. Their contracts provide for a notice period of three months. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

At 31 March 2021 the Board consisted of 9 Members, including the Chair. NatureScot's Board Members are appointed by Scottish Ministers initially through a process of open competition for a 3 year period. Consecutive terms up to a maximum of 8 years may be approved by Scottish Ministers based on an annual review of performance.

## Chair and Board Members

The Chair, Mike Cantlay was appointed on 15 May 2017. The appointment is on a non-pensionable part-time basis and his total remuneration, in his capacity as Chair, for the year ended 31 March 2021 was £43,012 (2019/20: £42,052).

Other NatureScot Board Members' remuneration covers membership of the Board and is non-pensionable. Angus Campbell and Cath Denholm both received additional remuneration due to their responsibilities as Depute Chair of the NatureScot Board. Cath Denholm was also the NatureScot appointed member of JNCC and its trading subsidiary JNCC Support Co. during the year.

Board Members do not receive any bonus payments and details of their remuneration and taxable allowances are shown below.

Board Member	Key	Remuneration	Arrears	Taxable Allowances	Total	
		2020-21 £	2020-21 £	2020-21 £	2020-21 £	2019-20 £
Mike Cantlay, Chair NatureScot Board	1	43,012	-	-	<b>43,012</b>	42,052
Angus Campbell, Depute Chair NatureScot Board	1,4	20,937	-	-	<b>20,937</b>	20,409
Cath Denholm, Depute Chair of NatureScot Board	1,3,5	20,937	-	-	<b>20,937</b>	20,409
Kate Broughton, Chair of Audit and Risk Committee	1,3	9,517	-	-	<b>9,517</b>	9,277
Robert Furness, Chair of Scientific Advisory Committee	1,2,4	15,861	-	-	<b>15,861</b>	25,626
Ian Gillies	1,4	9,517	-	-	<b>9,517</b>	9,277
Jackie Hyland	1,2,3	9,516	-	-	<b>9,516</b>	9,277
Aoife Martin, Chair of Protected Areas Committee	1,4	9,516	-	-	<b>9,516</b>	9,277
Susan Murray	1,3	9,516	-	-	<b>9,516</b>	9,277
		148,329	-	-	<b>148,329</b>	154,881

Robert Furness has an increased time provision relating to his duties to the Board and the Protected Areas and Scientific Advisory Committee. There were no remuneration arrears paid in 2020/21 (2019/20: £10,165 to Robert Furness).

**Key:**

- 1 = NatureScot Board
- 2 = Scientific Advisory Committee
- 3 = Audit and Risk Committee
- 4 = Protected Areas Committee
- 5 = NatureScot's appointed member of the JNCC and its trading subsidiary JNCC Support Co

## Chief Executive

NatureScot's Chief Executive, Francesca Osowska was appointed on 1 October 2017 under a loan arrangement with Scottish Government. The initial appointment was for a period of two years with the possibility of extension for up to a period of two years. The current loan arrangement expires on 30 September 2021. In 2020/21 Francesca Osowska's total remuneration as Chief Executive for the year to 31 March 2021 was £116,702 (2019/20: £115,833).

Bonuses continue to be suspended, this being a condition of the Scottish Government Public Sector Pay Guidance. Under the terms of their contracts, all pay increases (excluding performance related bonus) are pensionable. The Chief Executive's salary is 'progression based' and is included above on this basis. Francesca Osowska received a total pay award increase of 1.74% for 2020/21 (2019/20: 1.41%) comprising progression and cost of living increases. This was effective from 1 April 2020. Her non-consolidated pay award on annual salary was nil for 2020/21 (2019/20: 1%).

Francesca Osowska is an ordinary member of the Civil Service Pension Scheme. She paid a percentage of her pensionable salary into the Alpha scheme.

## Senior Leadership Team Salaries and Pension Benefits

The salary and pension entitlements of NatureScot's Senior Leadership Team for the full year in 2020/21 were as follows:

	Basic Salary 2020-21 £000	Bonus 2020-21 £000	Pensionable Remuneration Total 2020-21 £000	Accrued Pension Benefits <sup>5</sup> 2020-21 £000	Total 2020-21 £000
Francesca Osowska - Chief Executive	115-120	-	115-120	57	170-175
Jane Macdonald - Director, Business Services and Transformation	80-85	-	80-85	43	125-130
Stuart MacQuarrie - Deputy Director, Business Services and Transformation	60-65	-	60-65	61	125-130
Sally Thomas - Director, People and Nature: 1 April to 30 November 2020 <sup>6</sup>	55-60	-	55-60	37	90-95
Eileen Stuart - Deputy Director of People and Nature: 1 April to 30 November 2020, Director of Nature and Climate Change: 1 December 2020 to 28 February 2021 and Deputy Director of Nature and Climate Change: 1 March to 31 March 2021	65-70	-	65-70	46	110-115
Graham Neville - Deputy Director of Nature and Climate Change: 1 December 2020 to 28 February 2021 <sup>7</sup>	15-20	-	15-20	16	30-35
Nick Halfhide - Director of Nature and Climate Change: 1 March to 31 March 2021 <sup>8</sup>	5-10		5-10	-2	5-10
Robbie Kernahan - Interim Director, Sustainable Growth	75-80	-	75-80	100	175-180
Ross Johnston - Deputy Director of Sustainable Growth: 1 April to 31 August 2020 <sup>9</sup>	25-30	-	25-30	17	45-50
Claudia Rowse - Deputy Director of Sustainable Growth: 1 September 2020 to 31 March 2021 <sup>10</sup>	35-40	-	35-40	36	70-75
Jason Ormiston - Head of External Affairs	65-70	-	65-70	31	95-100

No benefits in kind were paid to Senior Leadership Team in 2020/21

<sup>5</sup> The value of pension benefits accrued during 2020/21 is calculated as: (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

<sup>6</sup> Full year salary £80k-£85k

<sup>7</sup> Full year salary £60k-£65k

<sup>8</sup> Full year salary £80k-£85k

<sup>9</sup> Full year salary £70k-£75k

<sup>10</sup> Full year salary £60k-£65k

Pensionable service used to calculate accrued pension at 31 March 2021 represents years of service payable from NatureScot's pension scheme, including any added years or transfers.

The salary and pension entitlements of NatureScot's Senior Leadership Team in 2019/20 are shown below.

	Basic Salary 2019-20 £000	Bonus 2019-20 £000	Pensionable Remuneration Total 2019-20 £000	Accrued Pension Benefits <sup>11</sup> 2019-20 £000	Total 2019-20 £000
Francesca Osowska - Chief Executive	115-120	-	115-120	47	160-165
Jane Macdonald - Director, Business Services and Transformation	75-80	-	75-80	43	120-125
Alan Hampson - Deputy Director, Business Services and Transformation: 1 April 2019 to 31 January 2020 <sup>12</sup>	55-60	-	55-60	34	90-95
Stuart MacQuarrie - Deputy Director, Business Services and Transformation: from 9 March 2020 <sup>13</sup>	0-5	-	0-5	3	5-10
Nick Halfhide - Director, Sustainable Growth: 1 April 2019 to 2 February 2020 <sup>14</sup>	65-70	-	65-70	28	95-100
Robbie Kernahan - Interim Director, Sustainable Growth: from 17 February 2020 <sup>15</sup>	5-10	-	5-10	11	15-20
Ross Johnston - Deputy Director, Sustainable Growth	70-75	-	70-75	37	105-110
Sally Thomas - Director, People and Nature	75-80	-	75-80	55	130-135
Eileen Stuart - Deputy Director, People and Nature	65-70	-	65-70	28	95-100
Jason Ormiston - Head of External Affairs: from 9 December 2019 <sup>12</sup>	20-25	-	20-25	8	25-30
Alison Shields - Head of External Affairs: 1 April to 17 December 2019 <sup>12</sup>	50-55	-	50-55	-	50-55

No benefits in kind were paid to members of Senior Leadership Team in 2019/20.

<sup>11</sup> The value of pension benefits accrued during 2019/20 is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>12</sup> Full year salary £65k-£70k

<sup>13</sup> Full year salary £60k-£65k

<sup>14</sup> Full year salary £75k-£80k

<sup>15</sup> Full year salary £70k-£75k

## Senior Leadership Team's Total Pension Benefits

	Total accrued pension at pension age as at 31 March 2021 and related lump sum (unless stated) £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2021 (unless stated) £000	CETV at 31 March 2020 (unless stated) £000	Real increase in CETV £000
Francesca Osowska	45-50 plus lump sum of 85-90	2.5-5 plus lump sum of 0-2.5	767	702	31
Jane Macdonald	20-25	0-2.5	351	307	28
Stuart MacQuarrie	20-25 plus lump sum of 40-45	2.5-5 plus lump sum of 2.5-5	319	266	38
Sally Thomas	30-35 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	732 (at 30-11-20)	686	39
Eileen Stuart	25-30 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	588	533	35
Graham Neville	15-20	0-2.5	214 (at 28-2-21)	198 (at 1-12-20)	9
Nick Halfhide	40-45	-	693	695(at 1-3-21)	-2
Robbie Kernahan	20-25	5-7.5	333	253	66
Ross Johnston	30-35	0-2.5	576 (at 31-8-20)	546	12
Claudia Rowse	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 2.5-5	349	308 (at 1-9-20)	30
Jason Ormiston	0-5	0-2.5	25	6	18

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or Alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined Alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into Alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable pay for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in Alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of Alpha. The pension figures quoted for officials show pension earned in PCSPS or Alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit schemes but NatureScot is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the PCSPS as at 31 March 2016. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation. Further details about the Civil Service pension arrangements can be found at [Civil Service Pension Scheme](#).

## Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Fair Pay Disclosure

Public sector bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as any severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

The midpoint of the banded remuneration of the highest paid director in NatureScot in 2020/21 was £117,500 (2019/20: £117,500). This was 3.23 times (2019/20: 3.33) the median remuneration of the workforce, which was £36,350 (2019/20: £35,291).

In 2020/21, remuneration (excluding the highest paid director) ranged from £19,733 to £82,728 (\*2019/20: £18,812 to £90,000). In 2020/21 no employees (2019/20: nil) received remuneration in excess of the highest paid director.

\*2019/20 comparatives have been restated from £1,098 to £18,812 to conform to current year's presentation. The basis on which seasonal part-time workers salaries are disclosed has been changed to reflect the annualised full time equivalent salary - previously it did not reflect the full time equivalent value.

	2020-21	2019-20
Band of highest paid director's total remuneration	£115k - £120k	£115k - £120k
Median total remuneration	£36,350	£35,291
Ratio	3.23	3.33

# Staff Report

## Average Number of Employees

The average number of full-time equivalent (FTE) persons employed during the year by occupational group was:

	Permanent	Other	2020-21	2019-20
	Number	Number	Number	Number
Senior management	8	-	8	8
Operational, professional and managerial	424	33	457	463
Administration and support	81	17	98	107
Estate workers, manual and domestic	25	6	31	33
	538	56	594	611

Senior management represents members of Senior Leadership Team.

Staff turnover for the year was 7.90% (2019/20 10.51%). This is calculated by dividing the number of leavers in the year by the average staff headcount for that year.

## Staff Costs (including board members)

	2020-21 £000	2019-20 £000
<b>Salaries:</b>		
Chairman	43	42
Board members	105	113
Other committee members	14	13
Senior Leadership Team:		
— permanent contracts	622	571
— fixed term contracts	-	53
All other staff:		
— permanent contracts	17,766	17,739
— fixed term contracts	2,791	2,716
	21,341	21,247
Social security costs	2,104	2,081
Pension costs	5,606	5,496
Apprenticeship levy	91	90
Severance and other costs	1	12
<b>Total staff costs</b>	<b>29,143</b>	28,926
Agency staff costs	1	25
Less: Recoveries in respect of outward secondments and joint contract agreements	(417)	(251)
<b>Total net employment costs</b>	<b>28,727</b>	28,700

There were no salaries capitalised against projects in 2020/21 (2019/20: nil).

The increase in staff costs in 2020/21 is due primarily to increased costs of pay award and incremental increases partly offset by increased income from secondment and joint contract agreements. Severance and other costs incurred in 2020/21 amounted to £854 (2019/20: £11,500).

## Pension Costs

NatureScot makes pension contributions for employees to civil service pension arrangements and stakeholder pension arrangements. Further details on the civil service pensions are provided on [page 64](#). NatureScot is unable to identify its share of the underlying assets and liabilities and therefore any liability for future benefits is a charge on the Principal Civil Service Pension Scheme (PCSPS), which prepares its own scheme statements. A breakdown of pension costs payable for year is as follows:

	2020-21 £000	2019-20 £000
Employer pension contributions to PCSPS	5,550	5,434
Employer pension contributions re Stakeholder partner pension arrangements	45	51
	5,595	5,485
Other annual pension costs	11	11
Total pension costs	5,606	5,496

## Equality and Diversity

We are committed to ensuring that equality, diversity and inclusion are at the heart of everything NatureScot does. There is a growing body of evidence demonstrating the significant negative impact Covid-19 has had on those already experiencing inequalities within our society. Our response to the disproportionate impact of the Covid-19 pandemic has been to focus on young people. Much of our youth engagement work takes an intersectional approach, with the aim of increasing the overall diversity of NatureScot and the environmental sector.

Through our Programme for Youth Employment we have diversified our current reach for young talent beyond graduate and student placements. Our work around future nature-based jobs and skills and research into Minority Ethnic (ME) diversity in the sector will help us develop a longer term strategy for both a Green Recovery and increase diversity within our sector.

We have achieved our target of reducing our gender pay gap. At the time of reporting our average (mean) gender pay gap was 8.5%. We know that there is more to do and we are committed to continuing to work towards reducing our pay gap further.

Internally, we have focused on looking at how we can engage and work differently, through increased opportunities for employee voice and on developing our understanding of how we more effectively engage marginalised communities around this agenda and co-design solutions. We recognise that we need to invest in more resources and upskilling of staff to allow us to engage these communities and groups with nature.

We continue to encourage greater disclosure of equality information from our employees, however continued low disclosure rates in tandem with a move to a new HR system in 2019 has resulted in some significant data gaps which we are working to address.

There is more we can do to work with minority businesses and social enterprises to support our inclusive economic growth objectives. The increased opportunities arising from our Green Recovery will help Scotland to develop a more sustainable and inclusive economy.

At 31 March 2021, NatureScot employed the following number of persons (note this is not FTE):

Category	Female	Male	Total
Board	5	4	9
Senior Leadership Team	4	4	8
Employees	422	288	710
<b>Total 2020/21</b>	<b>431</b>	<b>296</b>	<b>727</b>
Total 2019/20	425	295	720

## Employee Involvement

NatureScot continues to work in partnership with the recognised trade unions through the Partnership and Consultation and Negotiation Committee. The Partnership has continued to work together to ensure people remain at the heart of NatureScot. Some policies have been flexed to support NatureScot's Covid-19 response, and we have undertaken regular wellbeing surveys. People policies have been reviewed and streamlined to ensure these are clear, concise and support a more empowered and flexible workforce. A new homeworking policy has been agreed.

Under the Trade Union Act 2016, there is a requirement for public sector employers to report annually on paid time provided to TUS representatives for trade union duties and activities:

Number of employees who were relevant union officials during 2020/21	24
Full-time equivalent employee number	2.83 FTE
Percentage of time spent on facility time	No of staff
0%	-
1%-50%	23
51%-99%	-
100%	1
Percentage of pay bill spent on facility time	0.3%
Time spend on paid trade union activities as a percentage of total paid facility time hours	66.7%

As every touchpoint in our employee journey has gone virtual, we had to seek new means of engaging with our employees and targeting support for their individual needs. Our Covid-19 and beyond Equality Impact Assessment examined the differential impact of the pandemic on equality groups and initial actions to consider whilst our regular *Wellbeing in times of Uncertainty* surveys provided the means to gather data and take action quickly. As a result of our focus on wellbeing and regular surveys we delayed our biannual People Survey to May 2021.

In response to the continued need to work from home, and to support our organisational resilience through the winter months we launched our Winter Carnival in December. The carnival aimed to increase opportunities for connection with wider colleagues, engage staff in shaping our strategic direction, and encourage opportunities for learning and development. We have successfully widened our employee engagement during 2020/21 with the launch of our LGBTQ+ and Disability Employee Networks and we are exploring opportunities to collaborate with partner organisations to create a Race Network. Our more established Young Employee Network (YEN) and associated Young Employee Panel (YEP) have seen a number of progressions and achievements. The YEP authored a board paper detailing the challenges faced for youth employment in NatureScot. The associated recommendations were agreed and have been included in the newly established Youth Engagement Action Plan.

We have also seen an increase of engagement from wider staff with the panel, and the increase of young people involved in decision-making and the governance process. There are now YEN representatives on three of the NatureScot's programme boards including the Climate Change Programme, Programme for Youth Employment and the Intranet Improvement Project.

Our Change Partner Network plays a key role in supporting successful and efficient organisational change, ensuring that change initiatives are communicated to the teams they represent, and that feedback from the team flows back to the decision-makers. Our employee networks are represented in the Change Partner Network also. We continue to involve Change Partners and staff in targeted focus groups (Action Learning Sets) as a means to help us resolve challenges within NatureScot and to shape our future core offers.

## Sickness Absence

The average days lost to sickness in 2020/21 was 3.9 days (2019/20: 6.9 days). Due to the pandemic, and the amount of disruption to many organisations, along with differences in the inclusion of Covid-19 related absences in absence rates, there is no valid comparative statistics this year for the average sickness absence rate. However, we understand that days lost to sickness has reduced across all sectors, and NatureScot still compares favourably in terms of recorded days lost to sickness. We believe this is, in part, due to much less contact with other people during the last year due to the pandemic. Lockdown and working from home have helped to reduce absence, which has allowed the general downward trend to continue.

We have had a relatively low number of Covid-19 related absences during 2020/21. During the final quarter of 2020/21 we had 3 confirmed cases and 4 unconfirmed cases recorded with a total of 98 days lost.

We continue to encourage our employees to take action to maintain their wellbeing at work through a number of wellbeing initiatives and support offered by NatureScot, such as coaching and regular check-ins.

## Number and Cost of Exit Packages

Exit package cost band	Number of compulsory redundancies 2020/21	Number of departures agreed 2020/21	Cost of exit packages 2020/21 £000	Number of compulsory redundancies 2019/20	Number of departures agreed 2019/20	Cost of exit packages 2019/20 £000
<£10,000	-	1	1	-	-	-
£10,000 to £25,000	-	-	-	-	1	12
£25,000 to £50,000	-	-	-	-	-	-
£50,000 to £100,000	-	-	-	-	-	-
Total number/cost of exit packages	-	1	1	-	1	12

# Parliamentary Accountability Disclosures

## Losses and Special Payments

The following losses are included in the statement of comprehensive net expenditure:

	2020-21 £000	2019-20 £000
Losses of assets, stores and equipment, including cash losses	1	30
Fruitless payments and constructive losses	-	2
Claims waived or abandoned	178	-
Special payments	1	-
	180	32

The claims waived or abandoned includes £0.148m that NatureScot could have received under terms of a grant relating to a property acquisition by The National Trust of Scotland. NatureScot waived its right to claim a proportion of the proceeds when this property is sold but ensured that ongoing conservation rights attached to the property are preserved using a Conservation Burden.

## Fees and Charges

NatureScot does not levy any statutory fees and charges for its advisory or licencing services. Income shown in the accounts of £2.664m relate to project and estate management which is on a cost recovery basis – details are shown in **notes 5 and 6**.

## Gifts

No gifts were made during the year.

## Remote Contingent Liabilities

There are no remote contingent liabilities to disclose.



Francesca Osowska  
Chief Executive and Accountable Officer

28 July 2021

# Independent auditor's report

Independent auditor's report to  
the members of NatureScot, the  
Auditor General for Scotland and  
the Scottish Parliament

Reporting on the audit of the  
financial statements

## Opinion on financial statements

I have audited the financial statements in the annual report and accounts of NatureScot for the year ended 31 March 2021 under the Natural Heritage (Scotland) Act 1991. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2020/21 Government Financial Reporting Manual (the 2020/21 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2021 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 FReM; and
- have been prepared in accordance with the requirements of the Natural Heritage (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers.

## Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the **Code of Audit Practice** approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is five years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

## Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

## Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

## Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

# Reporting on regularity of expenditure and income

## Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

## Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities to detect material misstatements in the financial statements in respect of irregularities, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

# Reporting on other requirements

## Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers.

## Statutory other information

The Accountable Officer is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this statutory other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

# **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Natural Heritage (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers.

## **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

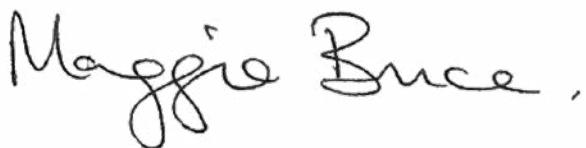
I have nothing to report in respect of these matters.

## **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

## **Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Maggie Bruce  
Senior Audit Manager  
Audit Scotland  
The Green House  
Beechwood Business Park North  
Inverness, IV2 3BL

28 July 2021

# Primary Financial Statements and Notes

Scots pine woodland,  
Mar Lodge Estate,  
Upper Deeside, Aberdeenshire

**NatureScot**  
**Statement of Comprehensive Net Expenditure**  
For the year ended 31 March 2021

	Note	2020-21 £000	2019-20 £000
<b>Income</b>			
External funding	5	(1,227)	(1,138)
Income from activities	6	(892)	(1,211)
EU funding		(545)	(634)
Income from operating activities		(2,664)	(2,983)
Profit on disposal of non-current assets	7	(41)	(70)
<b>Total income</b>		<b>(2,705)</b>	<b>(3,053)</b>
 <b>Expenditure</b>			
Staff costs	8	28,727	28,700
Other costs	11	6,059	7,234
Operating costs	12	18,407	21,134
Capital grant in kind	14	12	-
Increase in provisions	21	31	315
Depreciation of property, plant and equipment	15	1,438	1,591
Amortisation of intangible assets	17	99	218
Revaluation (gains) / losses on non-current assets	16	(193)	104
<b>Total operating expenditure</b>		<b>54,580</b>	<b>59,296</b>
 <b>Net operating expenditure</b>		<b>51,875</b>	<b>56,243</b>
Interest receivable	9	(4)	(16)
Net expenditure after interest		<b>51,871</b>	<b>56,227</b>
Corporation tax	13	7	16
<b>Net expenditure</b>		<b>51,878</b>	<b>56,243</b>
 <b>Other Comprehensive Expenditure</b>			
Net gain on revaluation of non-current assets	14, 15, & 16	(783)	(299)
<b>Total Comprehensive Expenditure for the year ended 31 March 2021</b>		<b>51,095</b>	<b>55,944</b>

All income and expenditure is derived solely from continuing operations and is attributable to the taxpayer

The notes on pages 81 to 101 form part of these accounts

**NatureScot**  
**Statement of Financial Position**  
**as at 31 March 2021**

	Note	2020-21 £000	2019-20 £000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Heritage assets	14	1,742	1,614
Property, plant and equipment	15	25,283	24,742
Intangible assets	17	198	299
<i>Total non-current assets</i>		<b>27,223</b>	26,655
<b>Current assets</b>			
Trade and other receivables	18	2,372	1,882
Cash and cash equivalents	19	7,728	6,598
<i>Total current assets</i>		<b>10,100</b>	8,480
<b>Total assets</b>		<b>37,323</b>	35,135
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	20	(8,374)	(8,356)
Provision for dilapidations and other provisions	21	(121)	(79)
Provision for payments of pensions to early retirements	22	-	(4)
<i>Total current liabilities</i>		<b>(8,495)</b>	(8,439)
<b>Total assets less current liabilities</b>		<b>28,828</b>	26,696
<b>Non-current Liabilities</b>			
Trade payables	20	(9)	(18)
Provision for dilapidations and other provisions	21	(271)	(291)
<i>Total non-current liabilities</i>		<b>(280)</b>	(309)
<b>Assets less liabilities</b>		<b>28,548</b>	26,387
<b>TAXPAYERS' EQUITY</b>			
General reserve		23,844	22,356
Revaluation reserve		4,704	4,031
<i>Total taxpayers' equity</i>		<b>28,548</b>	26,387



Francesca Osowska  
Chief Executive and Accountable Officer

The Accountable Officer authorised these financial statements for issue on 28 July 2021

The notes on pages 81 to 101 form part of these accounts

**NatureScot**  
**Statement of Cash Flows**  
**for the year ended 31 March 2021**

	Note	2020-21 £000	2019-20 £000
<b>Operating activities</b>			
Net operating expenditure		(51,875)	(56,243)
<b>Adjustment for items not involving the movement of cash</b>			
<i>Non-cash:</i>			
Depreciation of property, plant and equipment		1,438	1,591
Amortisation of intangible assets		99	218
Revaluation losses (gains) on non-current assets		(193)	104
Profit on disposal of non-current assets		(41)	(70)
Capital grant in kind		12	-
<i>Working capital adjustments:</i>			
Decrease in trade and other receivables		(490)	(273)
(Decrease) increase in trade and other payables		(55)	566
<i>Movements in provisions</i>		17	302
<i>Corporation tax paid</i>		(4)	(16)
<b>Net cash outflow from operating activities</b>		<b>(51,092)</b>	<b>(53,821)</b>
<b>Cash flows from investing activities</b>			
Payments to acquire heritage assets	14	(13)	(2)
Payments to acquire property, plant and equipment	15	(1,167)	(1,132)
Payments to acquire intangible assets	17	(13)	(215)
Receipts from sales of non-current assets	7	155	104
Interest received	9	4	16
<b>Net cash outflow from investing activities</b>		<b>(1,034)</b>	<b>(1,229)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid funding from Scottish Government	4	53,256	55,683
<b>Net cash inflow from financing activities</b>		<b>53,256</b>	<b>55,683</b>
<b>Increase in cash and cash equivalents in the year</b>		<b>1,130</b>	<b>633</b>
Cash and cash equivalents at 1 April 2020	19	6,598	5,965
Cash and cash equivalents at 31 March 2021	19	7,728	6,598
<b>Net movement in cash and cash equivalents</b>		<b>1,130</b>	<b>633</b>

The notes on **pages 81 to 101** form part of these accounts

**NatureScot**  
**Statement of Changes in Taxpayers' Equity**  
For the year ended 31 March 2021

	Note	General Reserve £000	Asset Revaluation Reserve £000
<b>Balance at 31 March 2019</b>		<b>22,034</b>	<b>3,877</b>
<b>Changes in taxpayers' equity for 2019-20</b>			
Net expenditure	SoCNE	(56,243)	-
Revaluation reserve movement		145	(145)
Revaluation gains	14 & 15	-	299
Capitalisation of land not previously recognised	14 & 15	737	-
<b>Total recognised income and expense for 2019-20</b>		<b>(55,361)</b>	<b>154</b>
Resource DEL grant-in-aid	4	54,442	-
Capital DEL grant-in-aid	4	1,241	-
		55,683	-
<b>Balance at 31 March 2020</b>		<b>22,356</b>	<b>4,031</b>
<b>Changes in taxpayers' equity for 2020-21</b>			
Net expenditure	SoCNE	(51,878)	-
Revaluation reserve movement		110	(110)
Revaluation gains	14 & 15	-	783
<b>Total recognised income and expense for 2020-21</b>		<b>(51,768)</b>	<b>673</b>
Resource DEL grant-in-aid	4	48,368	-
Capital DEL grant-in-aid	4	4,888	-
		53,256	-
<b>Balance at 31 March 2021</b>		<b>23,844</b>	<b>4,704</b>

The General Reserve serves as the chief operating fund. The General Reserve is used to account for all financial resources except those required to be accounted for in the other reserves. The Revaluation Reserve records the unrealised gains or losses on revaluation of assets.

The notes on pages 81 to 101 form part of these accounts

# NatureScot

## Notes to the Accounts

### 1. Basis of accounts

These financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2020/21 Government Financial Reporting Manual (FReM) issued by HM Treasury and the Accounts Direction issued by Scottish Ministers. The direction is reproduced as an appendix to the accounts.

The Board and Accountable Officer have considered the budget and associated grant in aid allocation for 2021/22 and consider that NatureScot has adequate resources to continue in operational existence in the foreseeable future. The accounts are therefore prepared on a going concern basis. An assessment of liquidity risk is shown in **note 28** and the budget allocation for 2021/22 can be seen at **How our work is funded**.

The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment.

### 2. Accounting policies

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NatureScot for the purpose of giving a true and fair view, has been selected. The particular policies adopted by NatureScot are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 2.1 Property, plant and equipment

The threshold for capitalising assets is £10,000 for land and buildings, including improvements; £1,000 for information technology hardware and £5,000 for all other categories.

On initial recognition, property, plant and equipment are measured at cost including any costs such as installation directly attributable to bringing them into working condition. All property, plant and equipment are reviewed annually for impairment and are carried at fair value. Land and buildings are stated at their fair value based on the valuation policy noted below. Infrastructure assets are valued at depreciated replacement cost which is considered a reasonable proxy of fair value. Assets under construction are carried at cost and are transferred to the appropriate property, plant and equipment category when completed and ready for use, with impairment reviews being undertaken in accordance with the stated policy note shown below. No depreciation is charged until the asset is operational. Vehicles, other equipment and furniture, fixtures and fittings are valued at depreciated replacement cost using published indices. Information technology equipment is valued at depreciated historic cost which is considered a reasonable proxy of fair value due to the short-life of the assets.

Depreciation is provided on a straight-line basis on all property, plant and equipment (other than freehold land) at rates calculated to write down the cost or valuation of each asset over its estimated useful life.

Land	Not depreciated
Freehold buildings	10 to 50 years as determined by Valuation Office Agency
Infrastructure assets	7 to 50 years depending on the nature of the asset
Leasehold buildings including improvements	50 years or period of lease whichever is shorter
Information technology equipment	4 years
Other equipment	7 years
Vehicles	5 years

Furniture, fixtures and fittings are expensed when purchased

In line with the SPFM, regular professional valuations of land and property (which includes buildings, dwellings and infrastructure assets) are carried out. Full valuations are undertaken every 5 years with interim reviews of 25% of the land and property portfolio undertaken in each of the intervening four years. The last full valuation was undertaken at 31 March 2019 by District Valuers of the Valuation Office Agency, following the principles set out in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, and acting in the capacity of External Valuers. Vehicles and other equipment are valued using published indices each year. Attention is drawn to **note 15** where the Valuation Office Agency has commented on the status of property markets in light of Covid-19.

## 2.2 Intangible assets

Expenditure on intangible assets, which includes purchased computer software licences and internally developed software, has a threshold for capitalisation of £1,000. When capitalising internally generated intangible assets such as software, only directly attributable costs including staff costs and staff-related costs, are included where it is deemed that the asset will generate future economic benefits in the way of savings or improvements to internal processes.

FReM directs users to value intangible assets at fair value of the asset rather than cost and recommends depreciated replacement cost as an appropriate method. However, NatureScot does not currently index software on the basis that assets have a short useful life, costs are unlikely to fluctuate significantly over that life, and that the asset may not be replaceable like for like due to technological advances. Applying indexation to the original cost would also not give a reliable estimation of the replacement cost of the asset. Intangible assets are therefore carried at depreciated historical cost less any impairment.

Intangible assets are amortised over 4 years.

## 2.3 Non-current assets classified as held for sale

NatureScot classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the asset is actively being marketed by management, it is available for immediate sale in its present condition, the sale is considered to be highly probable and is expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. Depreciation or amortisation for such assets is not charged from the date they are classified as an asset held for sale.

## 2.4 Heritage assets

FReM section 10.1.31 provides a definition of a heritage asset as 'a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture'. They are those that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations'. NatureScot's heritage assets are held by NatureScot in pursuit of its overall objectives in relation to the maintenance of the natural heritage and clearly fall within the Accounting Standards Board's definition.

International Accounting Standard 16 – Property, Plant and Equipment requires us, where practicable, to value our Heritage Assets and report these on the Statement of Financial Position. Within NatureScot we have identified two types of Heritage Assets which are accounted for as follows:

### Heritage Land

On its creation in 1992, SNH now operating as NatureScot, took over stewardship of land, either in the form of ownership or through leasehold interest, from the Nature Conservancy Council for Scotland. Our landholding has continued to evolve to help support our primary objective to look after all of Scotland's nature and landscapes, across all of Scotland for everyone.

These holdings at 31 March 2021 extended to 41,667 hectares. This land is owned or leased by NatureScot and managed as or associated with the management of national nature reserves (NNR), NatureScot nature reserves (NR) or sites of special scientific interest (SSSI). Due to the diverse nature of these assets, the land being held with the long term objective of the realisation of non-monetary public benefits, and the lack of a comparable valuation basis, we do not recognise these assets in the Statement of Financial Position unless cost information is available.

Acquisitions are made by purchase, donation or exchange. If land no longer meets the requirements of our policies for ownership, it will be considered for disposal within the wider public sector or to any other appropriate body. We will also consider asset transfer requests by eligible community bodies for any of our heritage land properties. When a sale takes place the land will be recognised as an asset addition and disposed of at the agreed sale value.

Attention is drawn to **note 14** where Bidwells included a material uncertainty clause in light of Covid-19 with respect to the valuation of land at Glencripesdale.

Expenditure which is required to maintain and preserve owned and leased heritage land is recognised in the Statement of Comprehensive Net Expenditure when it is incurred.

Further information on heritage land is given in **note 14.1**.

## **Antiques and Works of Art**

The items that form the collection of antiquities within Kinloch Castle on the Isle of Rum are reported in the Statement of Financial Position at auction based valuation. The collection was acquired by donation at the time the castle itself was bequeathed in 1957, initially to the Nature Conservancy and subsequently to NatureScot via the Nature Conservancy Council.

A specialist external valuer, Bonhams Limited, carried out a full assessment of the collection of antiquities as at 31 March 2016. The valuations were undertaken on a basic auction level, including recent transaction information from sales where similar types of items are regularly purchased. Full valuations will be carried out every five years in accordance with the requirements in FReM. NatureScot reviews the inventory of antiques for accuracy on an annual basis.

Attention is drawn to **note 26** where Bonhams Limited's full valuation as at 31 March 2021 was delayed until May 2021 due to Covid-19 restrictions. The outcome of the valuation will be reflected in 2021/22 accounts.

The items forming the collection are deemed to have indeterminate lives; therefore it is deemed appropriate that no depreciation is charged.

Any expenditure which is required to preserve or prevent further deterioration of individual collection items will be recognised in the statement of comprehensive net expenditure when it is incurred.

## **2.5 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand.

## **2.6 Foreign currency exchange**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Any outstanding monetary assets and liabilities at the year-end are translated into sterling at the rates ruling at 31 March. Translation differences are dealt with in the statement of comprehensive net expenditure.

## **2.7 Provisions**

Provisions are recognised when NatureScot has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the statement of comprehensive net expenditure net of any reimbursement. Pension related provisions are discounted where appropriate using the real rate set by HM Treasury of (0.95)% (2019/20: (0.50)%). Where discounting is used, the carrying amount of a provision increases in each year to reflect the passage of time. This change is recognised as a financial expense adjacent to interest but disclosed separately from other interest on the face of the statement of comprehensive net expenditure.

## **2.8 Taxation**

NatureScot lost its charitable status from 1 April 2007 under the Charities and Trustees Investment (Scotland) Act 2005. However, HM Revenue & Customs (HMRC) has confirmed that NatureScot's charitable status has been preserved for taxation purposes.

### **VAT**

Revenues, expenses and assets are generally recognised inclusive of the amount of VAT except where, in limited circumstances, the VAT incurred on a purchase of assets or services is recoverable from HMRC. Receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the statement of financial position.

### **Corporation Tax**

Corporation tax becomes due when NatureScot has taxable income in excess of HMRC's small trading threshold of £50,000. Where such taxable income exists, the related corporation tax expense, and where appropriate, a corporation tax liability will be reflected in the accounts.

## 2.9 Grant in aid

NatureScot receives Grant in aid from the Scottish Government to finance its net expenditure. Grant in aid is credited to the general reserve in the period in which it is received. The net cost of NatureScot is charged to this fund.

## 2.10 Funding from the European Commission

European Commission funding receivable is included in the Statement of Comprehensive Net Expenditure to match expenditure incurred to 31 March 2021 on approved projects.

## 2.11 Income and expenditure recognition

Income from activities and expenditure is accounted for in the year to which it relates and not when cash payments are made or received. Where income and expenditure has been recognised but cash has not been received or paid, a receivable or payable for the corresponding amount is recorded in the Statement of Financial Position.

## 2.12 Employee benefits

### Pensions

The provision of the Principal Civil Service Pension Scheme (PCSPS) covers some present and past employees and is an unfunded, defined benefit, contributory public service occupational pension scheme. PCSPS is a multi-employer defined benefit scheme but NatureScot is unable to identify its share of the underlying assets and liabilities. Liability for payment of future benefits is a charge on the PCSPS which prepares its own scheme statements. The scheme actuary valued the PCSPS as at 31 March 2016. Further details on this can be found at [Principal Civil Service Pension Scheme Actuarial Valuation: 31 March 2016](#) and the resource accounts of the [Cabinet Office: Civil Superannuation](#).

Further information on pensions, including the changes that took effect from 1 April 2015 with the creation of the Alpha Pension scheme, is contained in the remuneration and staff report.

NatureScot recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS and Alpha of amounts calculated on an accruing basis. In respect of the defined contribution elements of the schemes, NatureScot recognises the contributions payable for the year.

### Other employee benefits

A liability and an expense are recognised for accrued but unused annual leave and flexi leave balances at the 31 March, in accordance with the underlying policy. These costs are included in the amounts shown in the [remuneration and staff report](#).

## 2.13 Operating leases

All NatureScot leases are leases where substantially all the risks and benefits of ownership of the asset have not transferred to NatureScot and are therefore classified as operating leases. Rentals payable are charged in the statement of comprehensive net expenditure on a straight line basis over the lease term. NatureScot recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

## 2.14 Grants and management agreements

Grants and management agreements are accounted for in the financial year to which the underlying activity relates. NatureScot's policy is to recover grants where the conditions attached to that grant have been materially breached and no acceptable alternative conditions or remedies can be implemented.

## 2.15 Research and development

Research and development expenditure, excluding certain IT projects, is charged to the statement of comprehensive net expenditure. IT projects which lead to an intangible asset being created are included in the statement of financial position as additions to intangible fixed assets, and NatureScot's operating costs reduced accordingly.

## 2.16 Impairment of non-financial assets

NatureScot assesses at each reporting date whether there is an indication that any assets may be impaired. This assessment is made through discussions with property colleagues to identify any events which have occurred that would indicate that impairment may have taken place and also from the formal or interim valuations undertaken in accordance with the policy at **notes 2.1** and **2.4**.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in the statement of comprehensive net expenditure, except for assets previously re-valued where the revaluation was taken to the asset revaluation reserve. In this case the impairment is recognised in the asset revaluation reserve up to the amount of any previous revaluation.

## 2.17 Interest income

Interest income is recognised as interest accrues using the effective interest rate and is included in the statement of comprehensive net expenditure as non-operating income.

## 2.18 Financial instruments

NatureScot does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, cash and cash equivalents and payables (**notes 18, 19** and **20**). Trade and other receivables are recognised initially at fair value (which is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale) less any impairment for any amounts assessed as irrecoverable. An impairment of debt for irrecoverable amounts is made where there is evidence that NatureScot will be unable to collect an amount due in accordance with agreed terms. Trade and other payables are recognised at fair value.

## 2.19 Judgements, accounting estimates and assumptions

The preparation of the accounts requires the Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Attention is drawn to **note 14** where Bidwells have included a material uncertainty clause with respect of their valuation on a parcel of land at Glencripesdale. Although the valuer has reported on the basis of material valuation uncertainty, the valuer has continued to exercise professional judgement in preparing the valuation and therefore this is the best information available at 31 March 2021 and can be relied upon. The valuer has not quantified the impact of the uncertainty; the valuation is not material to the accounts.

There were no material estimates, assumptions or judgements made by NatureScot in preparing these accounts.

## 2.20 Accounting standards issued but not yet effective

At the date of authorisation the following Accounting Standard had been issued which related to NatureScot, but was not yet effective:

- IFRS 16: Leases – the implementation date for the public sector has been deferred from accounting periods beginning on or after 1 April 2021 to those beginning 1 April 2022. This standard specifies how to recognise, measure, present and disclose leases. Adoption of this standard in 2022/23 will necessitate recognising a right of use asset category within property, plant and equipment representing NatureScot's right to use the underlying leased asset and a lease liability representing NatureScot's obligation to make lease payments for the asset as at 1 April 2022. This will result in changes to the accounting treatment and disclosures relating to lease arrangements.

The application of this standard is expected to increase total expenditure by £0.003m. Right of Use assets totalling £0.963m will be brought onto the Statement of Financial Position, with an associated lease liability of £0.963m.

### 3. Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the organisation that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. NatureScot reports segmental information based on the four outcomes agreed by Senior Leadership Team as effective areas of work to best achieve the organisation's goals and objectives. The accounting policies of the reportable outcomes are the same as those accounting policies described in **note 2**.

During 2020/21 NatureScot delivered its Corporate Strategy through the following outcomes as set out in the Performance Report section of the annual report.

The table presents management information, produced on an IFRS basis, on income, expenditure, net operating cost and capital additions relating to the operating segments for the year ended 31 March 2021.

Other assets and liabilities are not reported on a segmental basis as they do not form part of the regular review by management to make decisions about resources to be allocated to the segment or to assess its performance.

	Outcome 1 £000	Outcome 2 £000	Outcome 3 £000	Outcome 4 £000	Total of operating segments £000
<b>Year ended 31 March 2021</b>					
Income					
External funding	(232)	(245)	(511)	(239)	(1,227)
Income from activities	(114)	-	(1)	(777)	(892)
EU funding	(151)	(119)	(275)	-	(545)
Profit on disposal of non-current assets	(66)	-	-	25	(41)
<b>Total income</b>	<b>(563)</b>	<b>(364)</b>	<b>(787)</b>	<b>(991)</b>	<b>(2,705)</b>
Expenditure					
Staff costs	4,309	5,745	10,629	8,044	28,727
Other costs	496	165	536	4,862	6,059
Operating costs	3,828	4,176	9,091	1,312	18,407
Capital Grant in kind	12	-	-	-	12
Increase in provisions	-	-	-	31	31
Depreciation of property, plant and equipment	-	-	-	1,438	1,438
Amortisation of intangible assets	-	-	-	99	99
Revaluation gains on property, plant and equipment	-	-	-	(193)	(193)
<b>Total operating expenditure</b>	<b>8,645</b>	<b>10,086</b>	<b>20,256</b>	<b>15,593</b>	<b>54,580</b>
Net operating expenditure	8,082	9,722	19,469	14,602	51,875
Interest receivable	-	9	-	(13)	(4)
<b>Net expenditure after interest</b>	<b>8,082</b>	<b>9,731</b>	<b>19,469</b>	<b>14,589</b>	<b>51,871</b>
Corporation tax	-	-	-	7	7
<b>Net expenditure</b>	<b>8,082</b>	<b>9,731</b>	<b>19,469</b>	<b>14,596</b>	<b>51,878</b>
<b>Capital asset additions</b>	<b>350</b>	<b>-</b>	<b>22</b>	<b>883</b>	<b>1,255</b>

Outcome 1 - more people from across Scotland are enjoying and benefiting from nature

Outcome 2 - the health and resilience of Scotland's nature is improved

Outcome 3 - more investment in the management of Scotland's natural capital to improve prosperity and wellbeing

Outcome 4 - we have transformed how we work

	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Total of operating segments
Year ended 31 March 2020	£000	£000	£000	£000	£000
Income					
External funding	(426)	(30)	(610)	(72)	(1,138)
Income from activities	(191)	(2)	(7)	(1,011)	(1,211)
EU funding	(169)	(195)	(270)	-	(634)
Profit on disposal of non-current assets	-	-	-	(70)	(70)
<b>Total income</b>	<b>(786)</b>	<b>(227)</b>	<b>(887)</b>	<b>(1,153)</b>	<b>(3,053)</b>
Expenditure					
Staff costs	4,270	6,892	9,863	7,675	28,700
Other costs	398	371	806	5,659	7,234
Operating costs	3,209	4,030	12,478	1,417	21,134
Increase in provisions	-	-	-	315	315
Depreciation of property, plant and equipment	-	-	-	1,591	1,591
Amortisation of intangible assets	-	-	-	218	218
Revaluation gains on property, plant and equipment	-	-	-	104	104
<b>Total operating expenditure</b>	<b>7,877</b>	<b>11,293</b>	<b>23,147</b>	<b>16,979</b>	<b>59,296</b>
<b>Net operating expenditure</b>	<b>7,091</b>	<b>11,066</b>	<b>22,260</b>	<b>15,826</b>	<b>56,243</b>
Interest receivable	-	-	-	(16)	(16)
<b>Net expenditure after interest</b>	<b>7,091</b>	<b>11,066</b>	<b>22,260</b>	<b>15,810</b>	<b>56,227</b>
Corporate tax	-	-	-	16	16
<b>Net expenditure</b>	<b>7,091</b>	<b>11,066</b>	<b>22,260</b>	<b>15,826</b>	<b>56,243</b>
Capital additions (excluding non-operational asset additions)	557	2	6	758	1,323
Non-operational asset additions	737	-	-	-	737
<b>Capital asset additions</b>	<b>1,294</b>	<b>2</b>	<b>6</b>	<b>758</b>	<b>2,060</b>

#### 4. Cash Grant-in-aid

Total cash grant-in-aid drawn down from the Scottish Government in 2020/21 was £53.256m (2019/20: £55.683m).

This included ring-fenced cash grant-in-aid within NatureScot's operating budget for a JNCC grant of £1.020m (2019/20: £1.019m) and Peatlands Action funding of £7.407m (2019/20: £10.000m).

	2020-21 £000	2019-20 £000
Resource DEL grant-in-aid	48,368	54,442
Capital DEL grant-in-aid	4,888	1,241
	<b>53,256</b>	<b>55,683</b>

## 5. External funding

	2020-21 £000	2019-20 £000
Partnership and other grant income	664	794
Other external funding	563	344
	<b>1,227</b>	<b>1,138</b>

## 6. Income from activities

	2020-21 £000	2019-20 £000
Professional services	2	18
Managing resources	820	1,035
Other income from activities	70	158
	<b>892</b>	<b>1,211</b>

Professional services are a demand driven activity and include providing services to other public sector bodies; there has been less demand in 2020/21. Managing resources includes income derived from property and site use which has been lower in 2020/21 due to the impact of Covid-19.

## 7. Profit on disposal of non-current assets

	2020-21 £000	2019-20 £000
Profit on disposal of non-current assets	41	70

The total proceeds from the sale of non-current assets were £0.155m (2019/20: £0.104m).

## 8. Staff costs

Staff costs for 2020/21 were £28.727m (2019/20: £28.700m). Further analysis of these costs is shown within the **Accountability Report on page 67**.

## 9. Interest receivable

	2020-21 £000	2019-20 £000
Bank interest	4	16

## 10. Green Infrastructure Strategic Intervention

NatureScot leads on the Scottish Government's Green Infrastructure Strategic Intervention (GISI), part of the 2014-2020 European Regional Development Fund (ERDF) Programme. The aim of the ERDF is to invest in communities to help them to grow economic activity and employment. NatureScot acts as an agent for Scottish Government (SG) in that the ultimate approval of claims comes from SG who only then forwards funding to NatureScot to enable the claim to be paid. The balance due from SG at 31 March 2021 is reflected within receivables:

	2020-21 £000	2019-20 £000
<b>Relating to third party claims</b>		
Claims receivable from SG at 1 April 2020	179	40
Claims paid out by NatureScot in 2020/21	60	139
Cash received from Scottish Government relating to claims	-	-
Amounts due from Scottish Government at 31 March 2021	<b>239</b>	179

NatureScot submits claims to SG for its own activities relating to its role as lead partner for GISI and these are reflected in the Statement of Net Comprehensive Expenditure and Statement of Financial Position.

## 11. Other costs

	2020-21 £000	2019-20 £000
Staff related costs	332	467
Office and other accommodation	2,305	2,565
Travel	51	661
Communications	1,384	1,556
Supplies and services	1,103	1,115
Vehicle costs	257	325
Consultancy costs	568	487
Audit fee payable to Audit Scotland	59	58
	<b>6,059</b>	7,234

The above costs include operating leases amounting to £0.833m (2019/20: £0.757m). The audit fee to Audit Scotland for the year was £59,150 (2019/20: £57,730).

## 12. Operating costs

	2020-21 £000	2019-20 £000
Promotion	488	660
Research	3,795	4,701
Grants	8,923	10,370
Partnership funding	1,364	1,328
Management agreements	1,952	2,134
Managed sites	1,885	1,941
	<b>18,407</b>	21,134

Operating costs include European Union funded expenditure amounting to £0.017m (2019/20: £0.059m). The partnership funding figure of £1.364m includes ring-fenced funding to JNCC of £1.020m (2019/20: £1.019m). The majority of the decrease from 2019/20 to 2020/21 in grants and research expenditure relates to Peatland Action grants.

Grant and partnership funding expenditure of £10.287m (2019/20: £11.698m), comprises £1.529m grants made to the public sector and £8.758m to the private and third sectors.

## 13. Corporation tax

	2020-21 £000	2019-20 £000
Corporation tax	7	16

Corporation tax is payable on net income arising from renewable heat incentives and feed in tariffs activities.

## 14. Heritage assets

Year ended 31 March 2021	Heritage Land £000	Heritage Building £000	Antiques and works of art £000	Total Heritage Assets £000
<b>Cost or Valuation</b>				
At 1 April 2020	807	15	792	<b>1,614</b>
Additions	13	-	-	13
Disposals	(60)	-	-	(60)
Reclassification	(5)	(15)	-	(20)
Revaluation gains	195	-	-	195
Adjustments	1	-	(1)	-
<b>At 31 March 2021</b>	<b>951</b>	<b>-</b>	<b>791</b>	<b>1,742</b>

Year ended 31 March 2020	Heritage Land £000	Heritage Building £000	Antiques and works of art £000	Total Heritage Assets £000
<b>Cost or Valuation</b>				
At 1 April 2019	81	-	792	<b>873</b>
Additions	1	1	-	2
Recognition of non-operational assets	710	-	-	710
Reclassification	11	-	-	11
Revaluation gains	4	14	-	18
<b>At 31 March 2021</b>	<b>807</b>	<b>15</b>	<b>792</b>	<b>1,614</b>

Disposal of heritage assets in 2020/21 related to the sale of land at a discounted value of £0.048m which resulted in a capital grant in kind of £0.012m.

A revaluation was undertaken in March 2021 relating to land at Glencripesdale by Bidwells which included the following material valuation uncertainty clause:

“Our valuation(s) is / are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.”

Details relating to the valuation of Heritage Assets can be found in **accounting policy note 2.4**.

## 14.1 Heritage land

At 31 March 2021 41,667 hectares (ha) of heritage land were either owned or leased by NatureScot. The majority of this land is managed as national nature reserves (NNR) – nationally important places where we encourage people to come and experience the best of Scotland's nature. The remaining land is either associated with the NNR but not designated as such, or is managed as a site of special scientific interest or for other conservation purposes.

### Five year summary of heritage land transactions

	2020-21 ha	2019-20 ha	2018-19 ha	2017-18 ha	2016-17 ha
Holdings owned b/f	34,366	34,363	35,420	35,421	35,421
Holdings leased b/f	7,404	7,404	7,605	7,571	7,571
Adjustments	-	-	(14)	(1)	-
Total Holdings b/f	41,770	41,767	43,011	42,991	42,992
Acquisitions					
Land - owned	-	3	-	-	-
Land - leased	-	-	-	488	-
Total Acquisitions	-	3	-	488	-
Disposals					
Land - owned	(103)	-	(1,043)	-	-
Land - leased	-	-	(201)	(454)	-
Total Disposals	(103)	-	(1,244)	(454)	-
Holdings owned c/f	34,263	34,366	34,363	35,420	35,421
Holdings leased c/f	7,404	7,404	7,404	7,605	7,571
Total Holdings c/f	41,667	41,770	41,767	43,025	42,992

In February 2021 we concluded the sale of 103 ha of land at Dunnet Forest to Dunnet Forestry Trust for £48,000, thereby transferring the land into community ownership. This land was managed as a National Nature Reserve from 1985 to 2004 and leased to Dunnet Forestry Trust from 2002 until its community transfer.

There were no acquisitions of owned or leased heritage land by NatureScot in 2020/21.

There were no disposals of leased heritage land by NatureScot in 2020/21.

NatureScot manages its heritage land through adherence to the following management objectives:

## **Management of the Natural Heritage**

We manage our NNRs and NRs to maintain or restore their nature conservation interests to the best achievable condition. Our management of nature reserves is informed by research, survey and monitoring. We use this information to better understand the nature conservation interests of the reserves, and develop new knowledge and skills to improve our management of wildlife habitats. We may use specialised management techniques to achieve our conservation aims, and our reserves allow us to demonstrate and share our knowledge and experience of these with others.

## **Management for People**

Our visitors are important to us and our management is committed to raising the profile of NNRs and ensuring that they are accessible to as wide a range of people as possible. We want our visitors to know they are welcome; and to leave knowing more and appreciating the special nature conservation qualities each reserve has to offer.

## **Management of the Property**

We strive to ensure that all of our property is well maintained, clean and safe. We comply with legislative requirements and are committed to reducing our environmental impact through sustainable initiatives.

## **14.2 Antiques and works of art**

The Kinloch Castle collection consists of paintings, furniture, ceramics and musical instruments of Victorian and Japanese origins. The collection is valued every five years as described in **accounting policy note 2.4**. The next valuation will take place in May 2021 (delayed from February 2021 due to Covid-19 travel restrictions).

In December 2020 NatureScot received a report that an alleged theft had taken place involving assets from the castle. The NatureScot Fraud Response Plan was enacted and as a result of a subsequent Police Scotland investigation, items reported as removed were recovered. A full inventory check and independent valuation will be carried out 2021/22.

The values of the items may reduce due to both the market and the overall condition of the assets. The valuation, when undertaken, is gauged on a basic auction level. Though it's possible for the worth of the antiques to improve, we have been advised by the auctioneers that the value will likely reduce further over the coming years due to condition and market trends.

At present, we continue to ensure that as much of the collection is made available to view through the castle as is practically possible via tours which are run by NatureScot. We are unsure at the moment when tours will commence in the 2021 season due to Covid-19 restrictions. Due to the recent incident involving Police Scotland, we may need to review how best to protect the collection for the longer term benefit of the castle and the people of Scotland. Police Scotland is undertaking a review of the castle's security at the same time as the inventory check and valuation.

## 15. Property, plant and equipment

Purchases of total property, plant and equipment in the schedule of £1.229m (2019/20: £1.107m) appear in the cash flow statement as £1.167m after adjustment for opening and closing property, plant and equipment accruals in trade and other payables.

	Land £000	Buildings £000	Dwellings £000	Infrastructure assets £000	Leasehold Improvements £000	Information Technology £000	Vehicles £000	Other Equipment £000	Furniture Fixtures & Fittings £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>											
At 1 April 2020	2,397	19,532	664	243	1,592	2,980	2,267	1,664	1,556	39	32,934
Additions	-	220	6	-	16	169	681	59	-	78	1,229
Disposals	-	(3)	-	-	(174)	(672)	(377)	(13)	(14)	-	(1,253)
Reclassification	5	15	-	-	-	-	-	37	-	(37)	20
Revaluation gains	73	107	1	(15)	-	-	-	-	-	-	166
Revaluation losses	(2)	(39)	(10)	-	-	-	(67)	(231)	-	-	(349)
Adjustments	1	-	(1)	-	(1)	1	(1)	-	2	(1)	-
At 31 March 2021	2,474	19,832	660	228	1,433	2,478	2,503	1,516	1,544	79	32,747
<b>Depreciation</b>											
At 1 April 2020	-	(276)	(23)	(42)	(1,118)	(2,338)	(1,487)	(1,352)	(1,556)	-	(8,192)
Charge for year	-	(669)	(28)	(26)	(50)	(312)	(284)	(69)	-	-	(1,438)
Disposals	-	-	-	-	169	667	338	13	14	-	1,201
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Revaluation gain	-	699	1	18	-	-	-	-	-	-	718
Revaluation losses	-	6	8	-	-	-	44	188	-	-	246
Adjustments	-	1	1	-	-	1	-	-	(2)	-	1
At 31 March 2021	-	(239)	(41)	(50)	(999)	(1,982)	(1,389)	(1,220)	(1,544)	-	(7,464)
<b>Net Book Value at 31 March 2021</b>	<b>2,474</b>	<b>19,593</b>	<b>619</b>	<b>178</b>	<b>434</b>	<b>496</b>	<b>1,114</b>	<b>296</b>	<b>-</b>	<b>79</b>	<b>25,283</b>
Net Book Value at 31 March 2020	2,397	19,256	641	201	474	642	780	312	-	39	24,742

The names and qualifications of the valuer, frequency of valuations, the date on which they were valued and the property, plant and equipment that is subject to revaluation using indices can be found in **accounting policy note 2.1**.

The Valuation Office Agency, who undertakes the valuation work for NatureScot, has made the following comments within their valuation report for 2020/21 accounts:

"The outbreak of Covid-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. In some cases, "lockdowns" have been applied to varying degrees and to reflect further "waves" of Covid-19; although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle Covid-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date some property markets have started to function again, with transaction volumes and other relevant evidence returning to levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation - Global Standards.

For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of Covid-19 we highlight the importance of the valuation date."

	Land £000	Buildings £000	Dwellings £000	Infrastructure assets £000	Leasehold Improvements £000	Information Technology £000	Vehicles £000	Other Equipment £000	Furniture Fixtures & Fittings £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>											
At 1 April 2019	2,381	19,424	623	218	1,248	3,108	2,371	1,589	1,587	275	32,824
Additions	-	179	31	15	151	174	262	133	-	162	1,107
Capitalisation of land not previously recognised	27	-	-	-	-	-	-	-	-		27
Disposals	-	(3)	-	-	-	(302)	(401)	(79)	(31)	-	(816)
Reclassification	(11)	168	-	37	193	-	-	-	-	(398)	(11)
Revaluation gains	-	(69)	10	-	-	-	35	21	-	-	(3)
Revaluation losses	-	(167)	-	(27)	-	-	-	-	-	-	(194)
At 31 March 2020	2,397	19,532	664	243	1,592	2,980	2,267	1,664	1,556	39	32,934
<b>Depreciation</b>											
At 1 April 2019	-	-	-	-	(1,067)	(2,240)	(1,531)	(1,335)	(1,587)	-	(7,760)
Charge for year	-	(682)	(27)	(43)	(52)	(398)	(310)	(79)	-	-	(1,591)
Disposals	-	-	-	-	-	300	376	79	31	-	786
Reclassification	-	(1)	-	-	1	-	-	-	-	-	-
Revaluation gain	-	399	4	-	-	-	(22)	(17)	-	-	364
Revaluation losses	-	8	-	1	-	-	-	-	-	-	9
At 31 March 2020	-	(276)	(23)	(42)	(1,118)	(2,338)	(1,487)	(1,352)	(1,556)	-	(8,192)
<b>Net Book Value at 31 March 2020</b>	<b>2,397</b>	<b>19,256</b>	<b>641</b>	<b>201</b>	<b>474</b>	<b>642</b>	<b>780</b>	<b>312</b>	<b>-</b>	<b>39</b>	<b>24,742</b>

## 16. Revaluation gains and losses

At 31 March 2021, the 25% review of land and property was undertaken by District Valuers of the Valuation Office Agency which resulted in the following revaluation gains and losses:

Revaluation losses (**note 15**) of £0.103m (2019/20: £0.185m) of which £0.078m is charged to the statement of comprehensive net expenditure and £0.025m is charged to the revaluation reserve to reverse previous revaluation gains.

Revaluation gains (notes **14** and **15**) of £1.079m (2019/20: £0.379m) of which £0.271m is credited to the statement of comprehensive net expenditure to reverse prior year revaluation losses and £0.808m is credited to the Revaluation Reserve.

These are reflected as revaluation gains of £0.783m within the Revaluation Reserve (**page 80**) and the revaluation gain of £0.193m in the statement of comprehensive net expenditure (**page 77**).

## 17. Intangible assets

	Internally Developed Software £000	Internally Developed Software AUC £000	Software Licences £000	Total Intangible Assets £000
<b>Cost or Valuation</b>				
At 1 April 2020	866	210	502	1,578
Additions	13	-	-	13
Disposals	(677)	-	-	(677)
Reclassification	210	(210)	-	-
Adjustments	1	-	(1)	-
At 31 March 2021	413	-	501	914
<b>Amortisation</b>				
At 31 March 2020	(822)	-	(457)	(1,279)
Charge for year	(78)	-	(21)	(99)
Disposals	661	-	-	661
Adjustments	-	-	1	1
At 31 March 2021	(239)	-	(477)	(716)
<b>Net Book Value at 31 March 2021</b>	<b>174</b>	-	<b>24</b>	<b>198</b>
Net Book Value at 31 March 2020	44	210	45	299

Purchases of total intangible assets in the schedule of £0.013m (2019/20: £0.215m) appears in the cash flow statement as £0.013m as there were no adjustments for opening and closing intangible asset accruals in trade and other payables.

	Internally Developed Software £000	Internally Developed Software AUC £000	Software Licences £000	Total Intangible Assets £000
<b>Cost or Valuation</b>				
At 1 April 2019	1,152	3	1,044	2,199
Additions	-	210	5	215
Disposals	(289)	-	(547)	(836)
Reclassification	3	(3)	-	-
At 31 March 2020	866	210	502	1,578
<b>Amortisation</b>				
At 31 March 2019	(960)	-	(932)	(1,892)
Charge for year	(147)	-	(71)	(218)
Disposals	285	-	546	831
At 31 March 2020	(822)	-	(457)	(1,279)
<b>Net Book Value at 31 March 2020</b>	<b>44</b>	<b>210</b>	<b>45</b>	<b>299</b>
Net Book Value at 31 March 2019	192	3	112	307

## 18.1 Trade and other receivables

	2020-21 £000	2019-20* £000
Trade receivables	246	236
Other receivables	251	197
Prepayments and accrued income	720	395
Claims due from European funding sources	974	753
Other funding claims	181	301
Trade and other receivables falling due after one year	2,372	1,882
Trade and other receivables	2,372	1,882

There are no bad debt impairments in trade and other receivables at 31 March 2021 (2019/20: nil).

\* 2019/20 comparatives have been reclassified to comply with 2020/21 presentation.

## 18.2 Whole of Government Accounts trade and other receivable balances

	2020-21 £000	2019-20 £000
Comprising balances with:		
Other central government bodies	1,527	1,174
Local authorities	88	111
All other trade and other receivables	1,615	1,285
	757	597
	2,372	1,882

## 19. Cash and cash equivalents

	2020-21 £000	2019-20 £000
Cash and cash equivalents	7,695	6,408
European Commission and partnership funds received in advance	33	190
	<b>7,728</b>	<b>6,598</b>

Cash at bank earns interest at the floating interest rate linked to base rate within commercial bank accounts. Balances were higher at 31 March 2021 as slippage of projects due to Covid-19 during 2020-21, resulted in higher levels of cash at 31 March 2021. No accounts are held with the Government Banking Services.

## 20.1 Trade and other payables

	2020-21 £000	2019-20 £000
Trade payables	607	597
Accruals and deferred income	7,134	7,067
Other tax and social security	550	512
VAT payable	50	92
Project funds and deposits in advance	42	106
	<b>8,383</b>	<b>8,374</b>
Trade and other payables falling due after one year	(9)	(18)
Trade and other payables falling due within one year	<b>8,374</b>	<b>8,356</b>

The increase in trade and other payables of £0.009m (2019/20: increase of £0.539m) is shown in the **statement of cash flows** as a decrease of £0.055m (2019/20: increase of £0.566m) after adjustment for movements in property, plant and equipment and intangible asset payables (notes 15 and 17).

Payables falling due after more than one year relates to the accrual of a rent free period on the Silvan House lease in Edinburgh which is being amortised over the remainder of the lease term. During the year £0.009m (2019/20: £0.009m) has been released from the accrual.

## 20.2 Whole of Government Accounts trade and other payable balances due within one year

	2020-21 £000	2019-20 £000
Comprising balances with:		
Other central government bodies	1,871	2,167
Local authorities	208	200
	<b>2,079</b>	<b>2,367</b>
All other trade and other payables	6,295	5,989
	<b>8,374</b>	<b>8,356</b>

## 21. Provision for dilapidations, onerous leases and other provisions

	2020-21 £000	2019-20 £000
Balance at 1 April 2020	370	64
Increases to provisions during the year	31	315
Expenditure in the year charged against the provision	(9)	(9)
	<b>392</b>	370
Balance at 31 March 2021 falling due within one year	(121)	(79)
Balance at 31 March 2021 falling due after one year	<b>271</b>	291

The provision relates to dilapidation provisions relating to six NatureScot offices. Due to the short term nature of these provisions, no discounting has been applied.

## 22. Provision for payment of pension to early retirees

	2020-21 £000	2019-20 £000
Balance at 1 April 2020	4	8
Expenditure in the year charged against the provision	(4)	(4)
	-	4
Balance at 31 March 2021 falling due within one year	-	4
Balance at 31 March 2021 falling due after one year	-	-

## 23. Commitments due and receivable under operating leases

- 23.1 At 31 March 2021, NatureScot had the following future minimum lease payments under non-cancellable operating leases:

	2020-21				2019-20			
	Land £000	Buildings £000	Other £000	Total £000	Land £000	Buildings £000	Other £000	Total £000
Expiry within:								
One year	33	691	100	824	40	666	58	764
Two to five years	128	920	102	1,150	158	1,279	29	1,466
After five years	123	35	2	160	162	103	26	291
	<b>284</b>	<b>1,646</b>	<b>204</b>	<b>2,134</b>	<b>360</b>	<b>2,048</b>	<b>113</b>	<b>2,521</b>

- 23.2 At 31 March 2021, NatureScot expects to receive the following future minimum lease payments under non-cancellable MOTU's and leases arising from co-location arrangements with other public sector bodies.

	2020-21			2019-20		
	Land £000	Buildings £000	Total £000	Land £000	Buildings £000	Total £000
Expiry within:						
One year	393	12	405	534	12	546
Two to five years	851	50	901	1,040	50	1,090
After five years	707	198	905	980	211	1,191
	<b>1,951</b>	<b>260</b>	<b>2,211</b>	<b>2,554</b>	<b>273</b>	<b>2,827</b>

## 24. Capital and other commitments

### 24.1 Capital

As at 31 March 2021 NatureScot had various commitments for spend under its future capital programme for 2021/22 totalling £3.061m (2020/21: £1.039m). The increase in commitments for 2021-22 is due to an increase in capital budget. This expenditure fell into the following categories:

	2020-21			2019-20		
	Authorised and contracted £000	Authorised but not contracted £000	Total £000	Authorised and contracted £000	Authorised but not contracted £000	Total £000
Property, plant and equipment	412	1,579	1,991	186	835	1,021
Intangible assets	-	1,070	1,070	13	-	13
Heritage assets	-	-	-	-	5	5
	412	2,649	3,061	199	840	1,039

NatureScot is also due contributions totalling £0.606m towards the above capital commitments.

### 24.2 Management Agreements

Forward commitments to continuing annual payments, under leases and management agreements covering the years up to and including 31 March 2089 are as follows:

	2020-21 £000	2019-20 £000
Payable within 1 year	438	314
Payable in 2-5 years	999	846
Payable after 5 years	1,665	1,809
	3,102	2,969

### 24.3 Grants

Forward commitments on grants accepted or offered as at 31 March 2021 covering the years up to and including 31 March 2024 are as follows:

	2020-21 £000	2019-20 £000
Payable within 1 year	5,891	4,265
Payable in 2-5 years	28	151
	5,919	4,416

## 25. Contingent liabilities

A compensation claim has been lodged relating to a management agreement that was in place between 1987 and 2012. Negotiations are ongoing with the claimant and at this time it is not possible to determine the potential liability, if any, that will arise. There are also two further cases which could result in NatureScot becoming involved in legal proceedings. At this time we are progressing through preliminary stages there is still no definite clarity on timescales or potential costs.

## 26. Events after reporting date

The valuation of the antiques and works of art held in Kinloch Castle is undertaken every five years and was scheduled to have taken place in February/March 2021. Due to Covid-19 restrictions this did not take place until May 2021 with a valuation of £0.760m which reflects a reduction of £0.031m on the value shown in **note 14**. The outcome of the valuation itself will be reflected in 2021/22 accounts.

Other than noted above, there are no events after the reporting date that requires adjustment or disclosure.

## 27. Related party transactions

NatureScot is a non-departmental public body sponsored by the Scottish Government Directorate for Environment and Forestry. The Directorate is regarded as a related party.

During the year, and in the normal course of business, NatureScot has had a number of material transactions with the Directorate and other entities for which the Directorate is regarded as the sponsor, viz;

- Scottish Environment Protection Agency
- Loch Lomond and The Trossachs National Park Authority
- Cairngorms National Park Authority
- The Royal Botanic Garden Edinburgh

NatureScot has also had a number of transactions with other government departments, central government bodies, local government and other non-departmental public bodies including:

- Forestry & Land Scotland
- Department for Environment, Food & Rural Affairs

During the year no Board or Senior Leadership Team members have undertaken any material transactions with NatureScot.

## 28. Financial instruments

NatureScot resource requirements are met from Scottish Government via the annual grant-in-aid provision and from other income generated from activities. NatureScot has no power to borrow funds and all surplus funds are held in interest bearing deposit accounts. Other than financial assets and liabilities which are generated by day-to-day operational activities, NatureScot holds no financial instruments. Because of the nature of its activities and the way in which NatureScot is financed, NatureScot is not exposed to the degree of financial risk faced by business entities.

The financial instruments shown below exclude any statutory amounts imposed by government (e.g. taxes) or where there is no entitlement to cash (e.g. prepayments and deferred income).

	Floating interest rate (linked to base rate) £000	Non-interest bearing £000	Total £000
Trade and other receivables	-	1,851	1,851
Cash at bank and in hand	7,728	-	7,728
Total financial assets	7,728	1,851	9,579
Trade and other payables	-	6,661	6,661
Total financial liabilities	-	6,661	6,661

### Liquidity risk

Scottish Ministers make provision for NatureScot's use of resources, for revenue and capital purposes, in its budget for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the budget. An overall cash authorisation is also agreed between Scottish Government Environment and Forestry Directorate (SGEFD) and NatureScot to operate for the financial year. NatureScot is not therefore exposed to significant liquidity risks.

## **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices that could affect NatureScot are currency risk and interest rate risk.

NatureScot minimises currency rate risk (which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates) on EU funded projects, by identifying in the memorandum of agreement for the projects a mechanism for partners to agree how a shortfall or surplus will be handled. Any shortfall or surplus would be covered in proportion to the partner's contributions to the overall project.

As noted above, NatureScot has no power to borrow and all surplus funds are held in interest bearing deposit accounts. NatureScot has no other investments and therefore there is limited exposure to interest rate risk.

## **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or contract, leading to a financial loss. NatureScot is exposed to credit risk from its operating activities (primarily for trade and other receivables) and foreign exchange transactions but the level of risk is not deemed significant.

Credit risk related to trade and other receivables is managed through procedures relating to the review of all new customers and the monitoring and follow up of outstanding balances. Credit risk relating to foreign exchange transactions is managed as noted above under currency rate risk.

## **Fair values**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

There is no difference between the book value and fair value for the cash and cash equivalents shown in **note 19**.

# Accounts Direction



**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 for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The Direction given on 2 October 2002 is hereby revoked.

I. R. Hooper (Head of Countryside and Natural Heritage Division)

Signed by the authority of the Scottish Ministers

Dated 12 January 2006

[www.nature.scot](http://www.nature.scot)

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ISBN: 978-1-78391-962-8

