

Scottish Natural Heritage Annual Report and Accounts

Dualchas Nàdair na h-Alba Aithisg Bhliadhnail agus Cunntasan

2019/20

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Performance Report



Sphagnum moss.

Overview

Foreword

Welcome to our annual report and accounts for 2019/20 in support of *Connecting People and Nature*, our corporate plan covering the period 2018 to 2022. *It's In Our Nature: Year Two* is our Business Plan for 2019/20. During year one we highlighted the changes and the connections we wanted to make by organising our work around four outcomes. We also set out our ambition for leadership on biodiversity.

In year two we set out to build on this work through focusing on our priorities: biodiversity and wildlife management. We did this by continuing to develop a range of new ways of working, from harnessing new technologies to engaging in place-based approaches to ensure the successful delivery of all our outcomes. This annual report summarises our performance for the year.

Scottish Natural Heritage (SNH) is Scotland's nature agency. We work to enhance our natural environment and inspire the people of Scotland to care more about it. SNH believes that a nature-rich future, where everyone is included, will make us all happier, healthier, wealthier and more equal. Our natural world will be at the heart of the nation's well-being.

In May 2019, the Scottish Government declared a Climate Emergency, and days later the International Panel on Biodiversity and Ecosystems published its Global Assessment. Our response focusses on connecting people and nature, tackling biodiversity loss and the climate emergency with large and small scale nature-based solutions. Working in partnership, these solutions must be bold, innovative, for everyone, built on sound science, ethical and drivers of green economic growth.

Our investment in nature has contributed to the value of Scotland's natural capital which is now estimated at £196bn.

2019/20 has been another successful year. We have achieved 11 out of 12 of our business plan indicators. These include progressing the key actions and recommendations from ReRoute, Scotland's Biodiversity Youth Panel, demonstrating how better investment in nature-based solutions can contribute to targets for climate, health, education, active travel and supporting a low-carbon economy; from running existing goose management projects to implementing the Scottish Beaver Mitigation Scheme.

During 2019/20 we have allocated £8m to seven new projects through the Green Infrastructure Strategic Intervention Fund. This will enable an investment of £23m to improve the quality, quantity and accessibility of well-managed green infrastructure in some of our most deprived urban areas. We've established the Biodiversity Challenge fund and allocated £2.64m to 21 projects during the year. Through Peatland Action we have invested £9.802m to restore c6,000ha of peatland.

The Covid-19 pandemic brought a challenging end to 2019/20. As an organisation we responded well. Our prior investment in *Transforming our Workplaces* enabled the majority of staff to quickly move to homeworking without significant impact on how they deliver their role. However we do not underestimate the effect on delivery of some of our services and we are working hard to mitigate the impact and maintain our organisational resilience.

In November 2019 we announced our intention to rebrand to NatureScot from 1 May 2020. Due to the current Covid-19 situation we have put this on hold as we focus on our strategic response to the recovery from Covid-19, whilst supporting our partner organisations and staff through these difficult times.

Work is progressing to ensure that we come out stronger, building on our role to improve our natural environment and inspire everyone to care more about it; to contribute to a green recovery; to build Scotland's resilience to future pandemics and to support the transition to a just, net zero economy. The recent (June 2020) report to Scottish Government from the Advisory Group on Economic Recovery confirms the role of nature and natural capital as one of the four pillars of Scotland's recovery. Nature is at the heart of what we do, and we look forward to continuing to deliver the transformational change needed to secure a nature-rich future for Scotland, as part of Scotland's green recovery.

Our performance during 2019/20 has been achieved through the commitment, passion and expertise of staff throughout the organisation. We congratulate and thank them for enabling us to make the progress we have and look forward to continuing this into 2020/21.



Mike Cantlay
Chair



Francesca Osowska
Chief Executive



About SNH

Scottish Natural Heritage (SNH) 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 manner 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 2018-22 Corporate Plan sets out four outcomes to help create a greener, healthier and more prosperous country for Scotland's people. We plan, organise and allocate resources to achieve these outcomes through a set of activities.

We measure the impact of our actions on these outcomes through a set of indicators. Alongside these Indicators our Business Plan for 2019/20 identified four Highlights to support delivery of our outcomes. This report details our performance against our Indicators and Highlights as well as information on how we supported the Scottish Government's National Performance Framework (NPF).

Our Annual Report for 2019/20 is presented in three parts:

- The Performance Report – which provides information on our main objectives, strategies and principal risks and details our performance during the year;
- The Accountability Report – which includes key statements and reports how SNH meets accountability requirements and demonstrates compliance with good corporate governance;
- The Primary Financial Statements – which comprise the Annual Accounts for 2019/20.



People enjoying connecting with nature, walking along a green path with views of the Firth of Clyde and Arran in the distance.

Performance Summary

We have summarised our progress against our Corporate Plan through the performance of our Highlights for the four outcomes and their 2019/20 Indicators.

Outcome 1: More People from Across Scotland are Enjoying and Benefiting from Nature

Highlight: Placemaking

Complete Phase 1 of the Green Infrastructure Fund Projects and fund new projects through Phase 2. We will also provide advice to local or settlement scale plans and projects encouraging them to look for place-based opportunities to connect more people with nature and facilitate active and healthier lifestyles as part of the transition to a net-zero economy



1. Getting Phase 2 Green Infrastructure Fund projects underway.



2. Providing specialist support to placemaking activity, focusing our effort on areas of greatest need and opportunity to enable more people to benefit from nature.



3. Progressing the key actions and recommendations from ReRoute (Scotland's Youth Biodiversity Panel) to improve young people's engagement with nature and the environment.



4. Developing recommendations for post-EU support mechanisms to deliver green infrastructure and benefits for people and nature.



Outcome 2: The Health and Resilience of Scotland's Nature is Improved

Highlight: Biodiversity

Lead implementation of the Scottish Biodiversity Strategy and manage the Biodiversity Challenge Fund to protect and promote nature



5. Managing the Biodiversity Challenge Fund to invest up to £2m in projects that will deliver progress towards the Aichi targets.



6. Demonstrate how better investment in nature based solutions can contribute to targets for climate, health, education, active travel and supporting a low-carbon economy.









7. Targeting our funding towards larger, more impactful projects that deliver on our four outcomes.



Outcome 3: More Investment in the Management of Scotland's Natural Capital to Improve Prosperity and Wellbeing

Highlight: Wildlife Management





We will work to ensure healthy populations of our native wildlife, reduce the impacts of invasive non-native species, and balance this to achieve the best combination of benefits for a low-carbon economy, environment and people

- | | | |
|---|--|---|
|  | 8. Running existing goose management schemes and developing strategic approaches including flyway plans and self-help adaptive management. |  |
|  | 9. Providing effective, timely advice on sustainable deer management, backed by targeted use of our regulatory powers of intervention, and report on progress to the Cabinet Secretary in autumn 2019. |  |
|  | 10. Implementing the Scottish Beaver Mitigation Scheme and working closely with the Scottish Beaver Forum. |  |

Outcome 4: We Have Transformed How We Work

Highlight: Harnessing Technology to Benefit Nature

Develop our capacity to utilise new technologies to improve environmental monitoring, particularly Earth Observation and remote sensing, to better inform decisions about the management of nature and to create a stronger public profile for the role and work of SNH

- | | | |
|---|--|---|
|  | 11. Investing in the skills and capacity that will allow us to utilise new technologies. The investment we make over the remaining 3 years of Connecting People and Nature offers the opportunity to deliver significant savings for reinvestment in delivery of our priorities. |  |
|  | 12. Using social media to increase the reach of our communications and raise awareness of our brand and corporate identity. |  |

Key:



Achieved/on-track



Planned progress not fully achieved but recoverable in 2020/21

Commentary on Amber Performance:



Provide specialist support to placemaking activity, focusing our effort on areas of greatest need and opportunity to enable more people to benefit from nature

We have been unable to fully resource our ambitions in this area due to competing priorities that arose through the year, particularly for our operational staff. However, good progress has been made on a number of place-based interventions including co-producing masterplans and also in relation to housing in a number of locations such as South East Scotland, Granton Waterfront, Inverclyde and East Lothian.

Financial Highlights

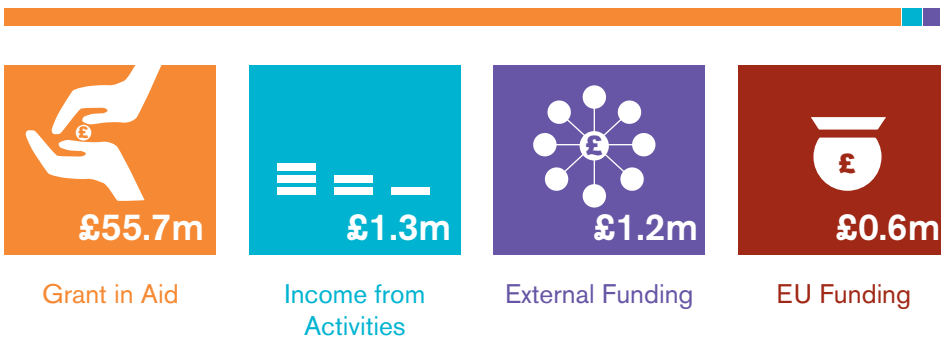
Spend by Outcome

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.



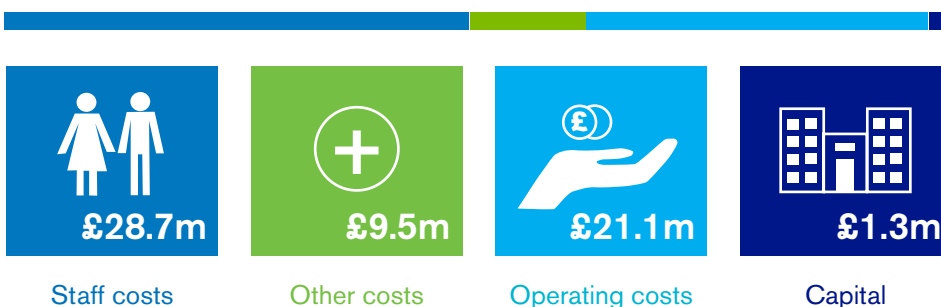
Income and Financing

SNH receives Grant in Aid (GIA) the Scottish Government to finance the majority of its activities. External funding (financial statement note 5,7 and 9) and income from activities (financial statement note 6) provide opportunities to undertake collaborative and share services. Details showing the out-turn against budgets are shown in the Financial, environmental and social summary section of the annual report.



Expenditure

Staff costs were £28.700m, 50% of our total Departmental Expenditure Limit (DEL) budget. SNH 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 notes 11,15-depreciation,16,17-amortisation and 21) represent the running costs of the organisation to support the delivery of outcomes.



Facts and Figures for 2019/20



April

The findings of a new study (<https://www.nature.scot/professional-advice/planning-and-development/social-and-economic-benefits-nature/natural-capital-asset-index>) highlighted that the value of Scotland's plants, wildlife, air, water and land - known as natural capital - are officially increasing for the first time, and delivering stronger benefits to people and businesses across Scotland than in the previous two decades. Scotland's Natural Capital Asset Index (NCAI) assesses the quality and quantity of our land-based habitats and their contributions to human wellbeing. The study showed the quality of all habitat types is improving.



May

In her lecture to the Royal Society of Edinburgh, our chief executive Francesca Osowska, highlighted that a nature-rich future is our best insurance against climate emergency. She said a 'momentous shift' in political and societal attitudes was needed to focus individual behaviour and attitudes on environmental and natural issues, and that 'it's not too late to act'.

June

It was announced that more than 100 miles of new and improved paths are being created across Scotland as part of a scheme to boost outdoor access. SNH is celebrating the construction of hundreds of routes through Improving Public Access (IPA), part of the Agri-Environment Climate Scheme. SNH has been working with the Scottish Government Rural Payments and Inspections Division (RPID) to deliver the scheme, with a total of £8.5 million committed.



July

Five new wildflower trails – specially designed to benefit Scotland's vital pollinators – have opened at SNH National Nature Reserves. The trails have been created on National Nature Reserves across Scotland from Forvie in Aberdeenshire, St Cyrus in Angus and Creag Meagaidh in the Highlands to Tainish in Argyll.



August

Internationally-recognised Jurassic sites on Skye, containing rare evidence of how dinosaurs and early mammals lived many millions of years ago, have been granted greater legal status, to help ensure their protection for future generations. Minister for Rural Affairs and the Natural Environment, Mairi Gougeon, signed a Nature Conservation Order (NCO) at Staffin Museum, home of dinosaur bones and footprints found nearby.



September

An autonomous 'SharkCam' was used in the UK for the first time to observe the behaviour of basking sharks in the Inner Hebrides. Scientists hope the stunning images captured by the autonomous underwater vehicle (AUV) will reinforce the case for creating the world's first protected area for basking sharks in this part of the sea. The project is funded by WWF/Sky Ocean Rescue, SNH, Woods Hole Oceanographic Institution (WHOI) and the University of Exeter.



October

BBC's Autumnwatch programme featured our work, including Isle of May seals, an insight into the colony of Manx shearwaters on Rum National Nature Reserve and staff taking Michaela Strachan on a 'wild goose chase' to see pink footed geese.



November

More than 100 schools have signed up to offer outdoor learning sessions in nature to pupils in our most disadvantaged areas. At our Outdoor Learning event Francesca and Deputy First Minister John Swinney joined children from the 100 schools at The Royal Botanic Gardens, Edinburgh, to create an art project from natural materials as they called on more schools across Scotland to join the scheme and get involved.

We also announced our plans to rebrand to NatureScot on 1 May 2020. We later took the decision to delay, to help us focus on the safety of our staff, the public, protecting the NHS, and delivering our essential services during the Covid-19 situation.



December

Work with our partners on a ground-breaking UK conservation initiative revealed that record numbers of people - over 10,000 volunteers and special project participants of all ages - have participated in a project to help protect and grow the golden eagle population in the south of Scotland. The pioneering South of Scotland Golden Eagle Project has been set up to address concerns about low numbers of golden eagles, which play a vital role in helping to maintain a healthy local ecosystem, in the south of Scotland.



January

A review revealed 2019 was a spectacular year for our National Nature Reserves, including the first-ever black grouse displaying at Beinn Eighe; a flowering of aspen trees at Muir of Dinnet for the first time in almost 25 years; a fifth record-breaking year for visitors to the Isle of May; and 300,000 walkers, cyclists and runners flocking to Loch Leven.



February

Scientists have developed a world-first method to help understand and conserve genetic diversity in some of our most iconic wild species. Heather, red squirrel, golden eagle, Scottish bluebell and Scots pine are among those assessed in a report published by SNH. The species were chosen for their conservation or cultural value, importance for food and medicines or because they provide crucial ecosystem services such as carbon storage.



March

Our communications focused on helping protect public health during the Covid-19 situation, supplying up-to-date information, and supporting and sharing Scottish Government's directives on social distancing and safely accessing the benefits of local nature. For those who could not get outside at this time, through social media we shared a range of alternative ways to connect with the sights and sounds of nature.

How we Supported the Scottish Government's National Performance Framework in 2019/20

The Scottish Government's National Performance Framework (NPF) 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:





The all abilities path
at Claypits, Glasgow.

Risks and Uncertainties

The principal risks and uncertainties faced by SNH are often out of our direct control. The most significant of these remain the risks associated with climate change. Global warming has a significant impact on habitats and species, the overall health of our network of protected nature sites, as well as new threats such as plant pathogens and invasive non-native species. However, the growing prominence given to the Climate Emergency has provided us with the opportunity to demonstrate the key role which nature plays in addressing climate change such as through carbon sequestration in our internationally important peatlands. Through our Climate Change Programme Board we have started to implement a series of actions to place nature front and centre in climate change solutions. This has included advice to Government on the role of nature, the roll out of a series of communications about the importance of nature in addressing climate change, and work to influence development of green finance to help mitigate its impact.

The most critical emerging threat towards the end of 2019/20 was the global pandemic caused by Covid-19. To manage the immediate risks to the health and wellbeing of our staff we followed Government guidance and closed our offices and began working from home. This was successfully achieved through implementation of our contingency plans, and enabled by our Transforming our Workplaces programme. This had already introduced agile working to the organisation which meant a smooth transition to homeworking and the continued delivery of our services. As a result, apart from the enforced halt to our field-based work, the overall impact on business operations was kept to a minimum.

Whilst the immediate impact was to our health and wellbeing, its longer-term consequences on the global economy have yet to be fully realised. This could have implications for public sector funding with the potential for reductions in future budget settlements. We have continued to mitigate this risk through pursuing initiatives to diversify our funding and work collaboratively with other organisations to invest in 'green finance'. The most immediate impact to SNH during the first quarter of 2020/21 however was on our ability, along with our partners, to deliver our planned priorities due to the restrictions to the normal working environment. This was managed through re-prioritisation of our tasks and developing plans over a shorter time horizon. A strategic business recovery group was also established to prepare the organisation for the long-term recovery and to ensure we are well positioned to respond to a post Covid-19 environment. This will reflect any potential changes in national policies, any changes in partners' sustainability and in any changes to people's attitudes and appreciation of nature.

Following the UK's departure from the EU on 31 January 2020, and current plans to leave existing trade arrangements by the end of 2020, there remain uncertainties over whether a new trade deal will be in place in time. If not, this could disrupt normal business and impact on related work for SNH. To mitigate against this risk we have developed Readiness Plans which will be implemented if the UK does begin to trade under World Trade Organisation rules. We are also working closely with the Scottish Government over any replacement funding mechanism to help support the management of protected nature sites.

We continue to manage a number of other environmental, financial and reputational risks to the organisation. These risks are managed as part of our corporate risk register and are reviewed by our Senior Leadership Team and reported to our Audit & Risk Committee on a quarterly basis. Our Board also review on a quarterly basis the most high-rated risks to the organisation.

To ensure we are alert to emerging risks and are pursuing an informed level of risk taking to deliver our services, we have continued to improve 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.



People watching seabirds at Fowlshough RSPB reserve near Stonehaven.

Performance Analysis

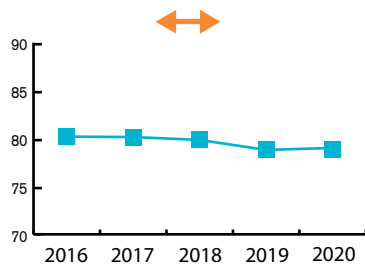
Performance Against National Performance Framework Indicators

During 2019/20, the Scottish Government identified 81 National Indicators to track progress towards achieving the 11 National Outcomes. We were responsible for leading reporting on three of these and also contributed to a further three.

Lead reporting on:

Protected nature sites

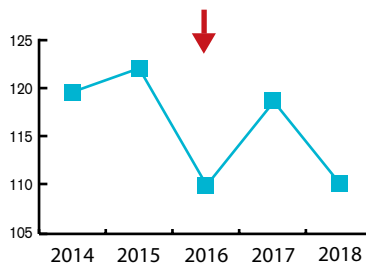
Percentage of natural features on protected nature sites found to be in favourable condition



2016	80.4
2017	80.3
2018	79.7
2019	78.9
2020	78.8

Biodiversity

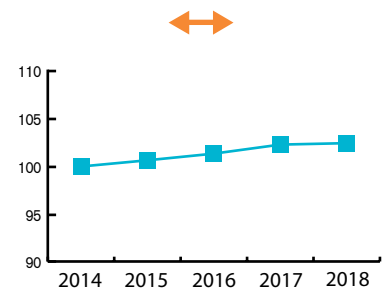
Index of abundance of Terrestrial Breeding Birds (1994 = 100)



2014	119.5
2015	121.9
2016	110.3
2017	119.0
2018	110.3

Natural Capital

Increase the stock of natural capital

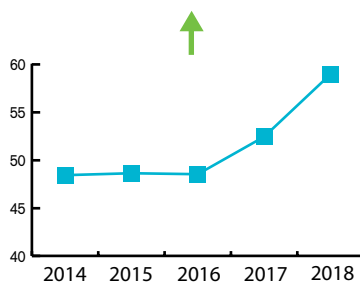


2014	99.8
2015	100.7
2016	101.3
2017	102.0
2018	102.3

Contributed to:

Visits to the outdoors

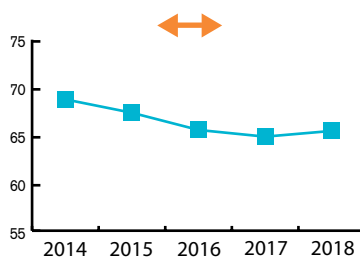
Proportion of adults making one or more visits to the outdoors per week



2014	48.4
2015	48.6
2016	48.5
2017	52.4
2018	58.9

Access to local green and blue space

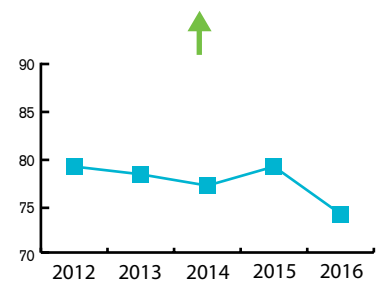
Proportion of adults within a 5 minute walk of their nearest local green or blue space



2014	68.6
2015	67.2
2016	65.4
2017	64.7
2018	65.3

Scotland's carbon footprint

Greenhouse gas footprint in million tonnes of carbon dioxide equivalent



2012	79
2013	78
2014	77
2015	79
2016	74

key: ↑ Performance Improving ↔ Performance Maintaining ↓ Performance Declining

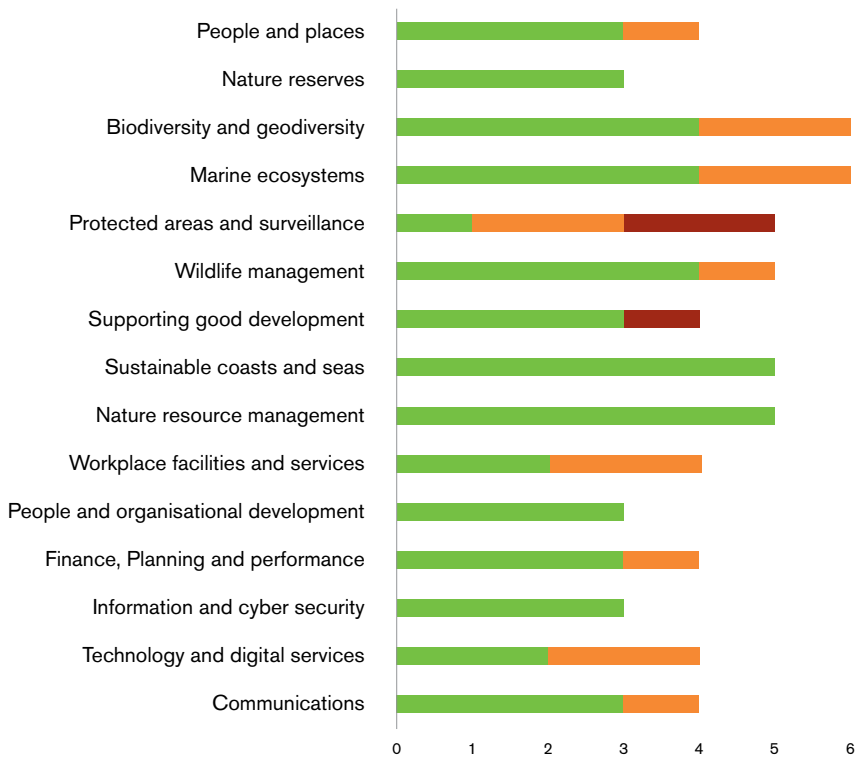
Source of data <https://nationalperformance.gov.scot/measuring-progress/national-indicator-performance>

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.

To support delivery of our outcomes, we identified four highlights, placemaking, biodiversity, wildlife management and harnessing technology to benefit nature, which focus on our most important areas of work Connecting People and Nature. A total of 64 key deliverables contributed toward achieving our outcomes through our 15 activities.

47 key deliverables were either achieved or remained on-track by year end (73% of total). A further 14 experienced minor slippage and are expected to be back on-track by early 2020/21. A further three concerning the delivering of favourable condition on protected nature sites, completion of Natura Conservation Advice Packages for terrestrial Special Area of Conservations (SACs), and being an active, valued and inclusive partner in development planning experienced significant slippage during 2019/20. In order to recover this in 2020/21 our Protected Areas Committee will be undertaking a review on our future approach to favourable condition and we have a new achievable target to complete the Natura Conservation Advice Packages by October 2020/21. We have also invested in additional staff capacity with our development planning work which will allow us to engage more pro-actively with developers during 2020/21.



key:





Pond dipping for invertebrates at Blawhorn Moss NNR.

Performance Against our 2019/20 Corporate and Business Plans

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

In the first year of Connecting People and Nature, we established a baseline to measure our progress in support of this outcome, using data from the most recent surveys with the general public. Year Two shows the change from the baseline and indicates whether there has been improvement.

We seek to improve these trends through our work on the National Walking and Cycling Network, the Outdoor Learning in Nature Fund, the Green Infrastructure Fund, the Central Scotland Green Network, promotion of the Scottish Outdoor Access Code, and providing opportunities for people to connect with nature at our suite of National Nature Reserves.

The percentage of people that agreed strongly that outdoor visits help them de-stress, relax and unwind, and the percentage of people who volunteer in support of nature have both dropped in performance from last year. However the changes are within the confidence limits associated with the estimates. These results are taken from the latest available data from the 2017/18 Scottish People & Nature Survey. Further survey results for 2019/20 will be published during 2020.

Outdoor Visits Help to De-stress, Relax and Unwind

67% of outdoor visitors strongly agreed



Nature Matters

54% of people agree that nature matters to them



Volunteering

6% of volunteering all was in support of nature



Visits to Outdoors

59% of adults visited the outdoors



key: ↑ Performance Improving ↔ Performance Maintaining ↓ Performance Declining

We allocated a further £8m of funding for seven new projects in Phase 2 of the Green Infrastructure Strategic Intervention Fund. Together with match funding, this will deliver an investment of £23m to improve the quality, quantity and accessibility of well-managed green infrastructure in some of our most deprived urban areas. These projects should get underway in 2020/21, although this may be delayed due to the restrictions in place for Covid-19. Three projects from the first round are already complete, including a project in Easterhouse, Glasgow which provides greenspace, new habitats and natural flood management in an area equivalent to the size of Glasgow Green.

We have focussed our effort on placemaking activities in areas of greatest need and opportunity to enable more people to benefit from nature. This has been achieved through a number of place-based interventions including green roofs and sustainable urban drainage, and through housing projects in a number of locations such as South East Scotland, Granton Waterfront, Inverclyde and East Lothian. We have also developed a set of place-based priorities for all area teams for the 2020/21 business plan. We will be reviewing our approach to place-based approaches during 2020 to inform our response to the post-Covid-19 recovery.

We are working to increase and diversify the use of our Tentsmuir National Nature Reserve. In 2020 we opened a new 'learning pavilion' to better support its use for outdoor learning - and which won a coveted Educational Buildings Scotland Award. We are working to encourage diverse community groups in nearby Dundee to connect with nature in their local greenspaces and at Tentsmuir.

We progressed key actions and recommendations from ReRoute (Scotland's Youth Biodiversity Panel) to improve young people's engagement with nature and the environment. The YoungScot ReRoute challenge fund awarded funds to 15 projects. A Junior Ranger Group started in Duthie Park, Aberdeen, but progress on junior rangers including local kit libraries has been slower than expected due to capacity issues with ReRoute, Scottish Countryside Rangers Association and SNH. Following the completion of phase three of the partnership work between SNH and Young Scot we have been reviewing our engagement and recommendations will follow in early 2020/21.

We started to develop recommendations for post-EU support mechanisms to deliver green infrastructure and benefits for people and nature. This work will gather pace as Green Infrastructure funded projects bed down and generate evidence of the benefits of connecting people and nature in some of the most deprived areas of Scotland. During the year we held events which have been attended and well received, with a rapidly growing interest in how nature-based solutions can contribute to addressing the Climate Emergency, and, more recently, the importance of nature to people under Covid-19 restrictions and the green recovery.



Green Infrastructure can help manage water and provide a home for nature

Outcome 1: Case Study – Place-based Approaches

SNH's place-based approach focusses on providing advice on the planning, design, delivery and good management of successful places, targeted investment in green infrastructure, strategic path networks and landscapes, and helping more people to connect with and benefit from nature, through outdoor learning, volunteering and recreation.

As part of this approach, the Social Housing & Green Infrastructure Project provided design support to social housing providers. It encouraged innovative methods that maximised the benefits of green infrastructure and provided opportunities for people to connect with nature close to where they live. The project was a collaboration between SNH and Scottish Government and was managed by a Steering Group that included Architecture and Design Scotland and the Scottish Federation of Housing Associations. Placemaking studies were commissioned at North Maryhill Glasgow and Meadowbank, Edinburgh.

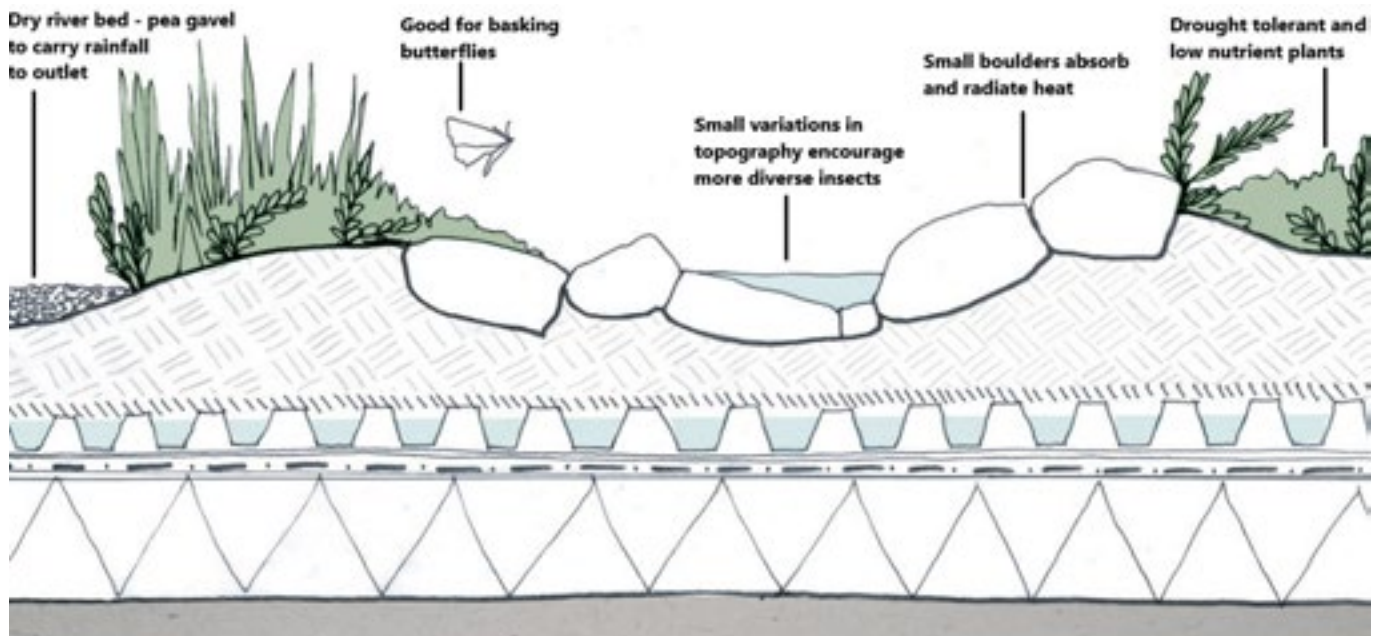
SNH, Glasgow City Council and Maryhill Housing Association undertook a 'green infrastructure first' approach to the regeneration of North Maryhill, one of eight Transformational Regeneration Areas (TRAs) in Glasgow. The design team comprised architects, hydrologists, landscape architects and quantity surveyors.

The Masterplan integrated a wildlife-friendly sustainable urban drainage scheme into new housing developments. It supports active travel and provides new urban green spaces that serve as 'destinations', providing opportunities for people to connect with nature and with each other.

SNH and the City of Edinburgh Council explored the business case for incorporating green roofs into a major public-interest led housing development in Edinburgh. A place-based approach was taken to identify which types of green roof were suitable for which types of housing. The range of solutions was then subject to detailed long-term cost analysis.



Using green roofs to provide a range of benefits for people and nature.



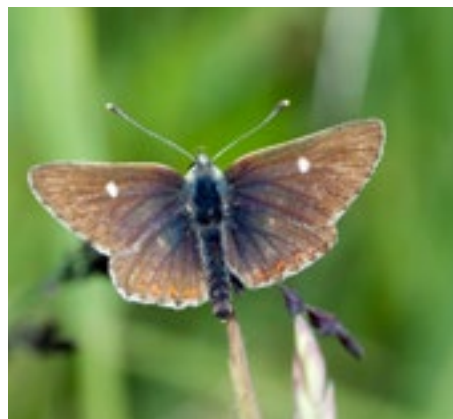
Green roof design to maximise benefits for wildlife.

The study found that green-roofs require an initial additional capital cost, but this is less than 0.25% of total construction costs and has a payback period of 6-20 years, based on longer term energy savings. They also reduce the need for underground water storage tanks and biodiverse roofs could provide much-needed habitats to support pollinators such as the rare Northern Brown Argus butterfly recorded on Arthur's Seat. At this site, green roofs could be linked to community health facilities to provide horticultural therapy or opportunities for urban growing.

Through these evidence, learning and demonstration projects, SNH continues to make the case for nature-based solutions and preventative spend on green infrastructure to support key Government and Community Planning Partnership priorities including public health, active travel, early years and attainment.



Design team discussing the benefits of different types of green roof.



Northern Brown Argus butterfly.

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.

In the first year of Connecting People and Nature we established a baseline to measure our progress in support of this outcome using data from the ecosystem health indicators.

Ecosystem health is a measure of the status of ecosystems through a combination of three inter-related elements: condition, function and resilience. Examples of the current state of some of the relevant indicators are displayed here.

We seek to influence these indicators through our work on: the Scottish Biodiversity Strategy; the Pollinator Strategy; peatland restoration; targeted species and habitat restoration projects; and the management of both terrestrial and marine protected nature sites.

The measure on increasing the abundance of terrestrial breeding birds decreased since it was last reported. Below is data from 2018. Between 2017 and 2018 the all-species and woodland indicators decreased, whilst the upland and farmland indicators were stable. The decline since 2017 probably has multiple causes but there is evidence that the harsh winter of 2017-18 was a factor.

Condition Indicator

12% – the increase in abundance of terrestrial breeding birds since 1994



Functional Indicator

10.3% – the total area of available heathland habitat which species can move between, based upon their dispersal



Condition Indicator

78.8% – the percentage of 5,389 features on protected nature sites in favourable or recovering condition



Resilience Indicator

183 – the total number of non-native invasive species which have been identified in Scotland that have a negative ecological or human impact.



key: Performance Improving Performance Maintaining Performance Declining

We set out to manage the Biodiversity Challenge Fund to invest up to £2m over two years in projects that will deliver progress towards the Aichi targets. In September, additional funding from Scottish Government increased the fund to a total of £4m over two years, with a wider scope for Phase Two projects (BCF2) to address biodiversity and climate change. £2.5m was offered during 2019/20 to fund projects which deliver against our six themes Farming, Coasts and Wetlands, Urban Networks, Combating Invasive Species, Connecting Reserves and Protected Areas.

A delivery framework for the next Scottish Biodiversity Strategy was established in conjunction with the Scottish Government and we will be looking to increase engagement with our partners next year.

Through working with partners we showed how better investment in nature-based solutions can contribute to targets for climate, health, education, active travel and supporting a low-carbon economy. SNH has positioned itself in a leading role for this work in Scotland. We attended a Net Zero Summit convened by the Chairs of Natural England and the Environment Agency for the statutory conservation and environment bodies across the UK, agreeing a common purpose in developing best practice for, and collaborating on, nature-based solutions in a net-zero economy. We will host a follow-up event in Scotland, probably in autumn 2020, depending on Covid-19 restrictions.

We are also contributing to the British Ecological Society's review of the potential of nature-based solutions and we held a highly successful online workshop on nature-based solutions with the Royal Scottish Geographical Society. (RSGS). We had two weeks to turn this face-to-face event into a virtual one, following the Covid-19 lockdown announcement. We had a high number of people attend and RSGS received positive feedback. The findings of this will inform a Scottish Environment, Food and Agriculture Research Institute (SEFARI) Fellowship, which will help us progress evidence and best practice on nature-based solutions.

While all of the above have been important in sponsoring change at local level, we also recognise the need to explore ways to target our funding towards larger, more impactful projects that deliver on our four outcomes. We are working with Scottish Wildlife Trust (SWT) and Scottish Environmental Protection Agency (SEPA) on the Scottish Conservation Finance Project's £1 Billion Pound Challenge, aiming to develop a 'pipeline' of projects linked to large-scale funding opportunities. We are working with the Environment and Economy Leaders Group within Scottish Government (including SEPA, Scottish Forestry, Royal Botanical Gardens Edinburgh and the National Parks) to apply nature-based solutions to the challenges we face.

Outcome 2: Case Study – Restoration of Alpine Blue-sowthistle

Scotland's biodiversity: a route map to 2020 sets out priority work to meet international Aichi biodiversity targets and to improve the state of nature in Scotland. The route map highlights a small number of species requiring targeted action. One of these, the alpine blue-sowthistle is found in the wild at only four sites in Scotland, all of them inaccessible cliff ledges high on mountains in the eastern Cairngorms.

Unlike most alpine plants which are adapted to surviving intense wind and cold, the relatively tall blue flowers of alpine blue-sowthistle erupt from plants with large leaves. The flower is a distant relative of lettuce and likely to be attractive to grazing animals. In continental Europe, where it is more common, alpine blue-sowthistle is also found in alpine meadows and woodland.

Collaboration between Scottish Natural Heritage and the Royal Botanic Garden Edinburgh (RBGE) has investigated why alpine blue-sowthistle is so rare in Scotland, and sought to establish populations at new sites and increased awareness of one of Scotland's rarest and most beautiful wild flowers. This work would not have been possible without the support of landowners in the Cairngorms.

Using genetic technology Dr Aline Finger, Biodiversity Scientist at RBGE, estimated how many individuals were at each of the four remaining native sites. The results were concerning. It was found that very few individual plants account for all the flowers at each site and the flowers at each site are closely related. This means that alpine blue-sowthistle is potentially at risk from further inbreeding. This is worrying because inbreeding can result in less variation within a population, reducing its ability to adapt to new situations in the future.

The next stage of the project was to establish a stock of individual plants in the horticulture section of RBGE. Individual plants were replicated by dividing them and then growing the clones in separate containers. These could then be grown at new sites in the wild in a process known as "conservation translocation".

In 2017 four sites were identified as suitable for translocation, three of which were planted in 2017 with the fourth planted in 2019. Three of the new sites are at a lower altitude than the four remaining native sites. These three "lowland" sites support similar habitats to those where alpine blue-sowthistle is frequently found in Scandinavia.

The first three sites planted out are Glen Doll, Mar Lodge and Morrone Birkwood. The Glen Doll translocation site, amongst cliffs, most resembles the four remaining native Scottish sites. Initial monitoring suggests the Glen Doll site is also the most successful new location with substantial flowering noted by 2018. Monitoring at the translocation sites confirmed that grazing is one of the greatest threats facing translocated plants.

The fourth translocation took place in 2019 right in the heart of Braemar where the road bridge crosses Clunie Water.

Braemar is the closest town to the remaining native populations. An interpretive panel has been installed beside the bridge explaining the conservation work undertaken there. Both the planting and new interpretive panel were filmed for Braemar TV and promoted on social media.

For those unable to visit the eastern Cairngorms, this beautiful flower can be seen at Benmore Botanic Garden, Dawyck Botanic Garden and in RBGE's demonstration garden in Edinburgh.



Alpine blue-sowthistle © RBGE.



Translocation site in the centre of Braemar.



Planting alpine blue-sowthistle at Braemar.

Clinging on to survival

We are helping wild populations of the threatened alpine blue-sowthistle by encouraging it to grow in new locations like the gorge below this sign.

The alpine blue-sowthistle is one of our rarest flowers. In Britain it can only be found in four small areas of the Cairngorms National Park. It is close to extinction, surviving in gullies and on cliff ledges, yet on the Alps and in Scandinavia it can be found in woodland and meadows. Without conservation measures this striking plant could disappear completely from our landscape.

A partnership comprising the Royal Botanic Garden Edinburgh, Scottish Natural Heritage and several dedicated landowners has carefully taken a few plants from the wild, grown them by dividing roots and introduced them to new locations such as this gorge.

Alpine blue-sowthistle facts
 Scientific name: *Cyananthus alpinus*
 Family: Dipsacaceae (Helleboraceae)
 History: First discovered in Britain in 1811 on Lochmole, 10 km south-west of here.
 Distribution: Upland and mountainous parts of Europe.
 Threats: Grazing, climate change.
 Size: Up to 1.3 m tall.

- Typical habitat: on cliff ledges
- Planting out of alpine blue-sowthistle at a new location in Cairngorms National Park
- To spot the alpine blue-sowthistle along the gorge, look out for tall, upright stems with blue or purple flowers in late summer

Interpretation about the conservation of alpine blue-sowthistle.

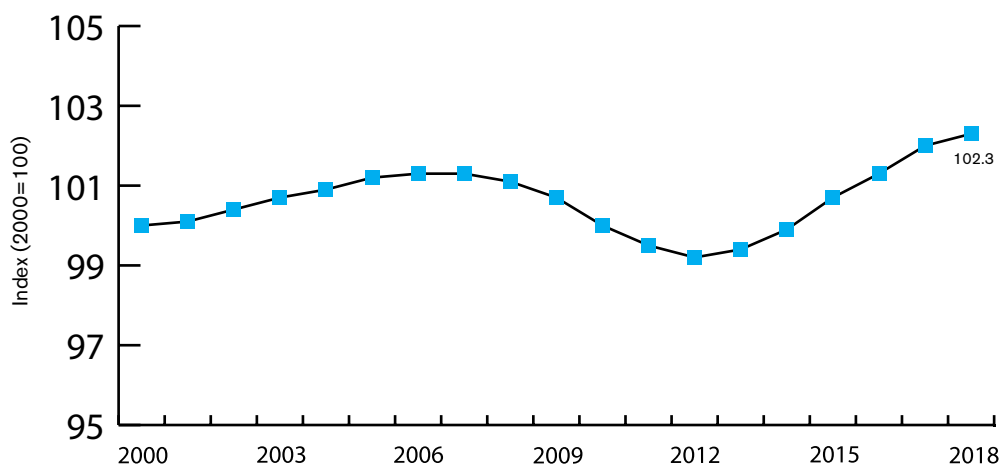
Outcome 3:

There is More Investment in the Management of Scotland's Natural Capital to Improve Prosperity and Wellbeing

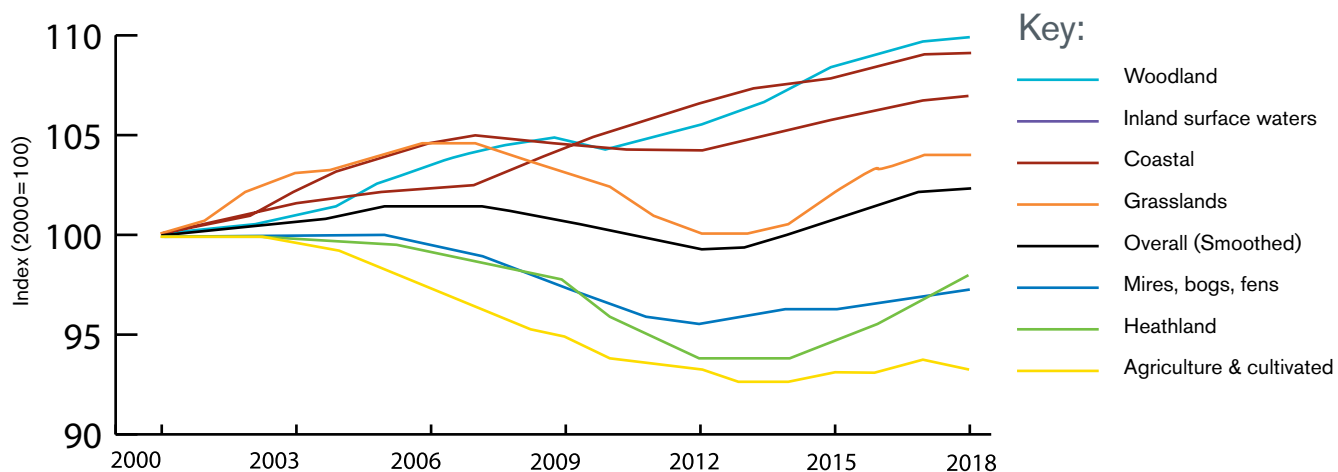
Corporate Plan Indicator of Success:

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

Natural capital Asset Index



NCAI 2000 to 2018 by type of habitat



The overall NCAI is a composite index which tracks changes in the capacity of Scotland's terrestrial ecosystems. More information can be found at <https://www.nature.scot/professional-advice/planning-and-development/social-and-economic-benefits-nature/natural-capital-asset-index>

Our work to develop and promote new natural capital tools is playing an important role in the development of new approaches to financing investment in natural capital.

We published ground-breaking Natural Capital Accounts on SNH land, and our CEO hosted a very successful roundtable with other public bodies on Natural Capital to promote consistent use of natural capital concepts. We are leading work to facilitate local investment in natural capital, helping researchers for the Scottish National Investment Bank develop thinking on lead markets in natural assets. We are also working with a range of private and public sector partners to develop a Landscape Enterprise Network (LENS) in SW Scotland that will bring together suppliers and those that benefit from ecosystem services to pay for investment in natural capital. With Crown Estate Scotland, Marine Scotland, the Royal Society for the Protection of Birds (RSPB) and offshore wind operators we are developing a new Scottish fund to drive more private sector investment in projects to enhance our coasts and sea.

In our role as a delivery partner for the Agri-Environment Climate Scheme we led the assessment on awards worth £34m. We are helping to shape the successor to the Scottish Rural Development Programme and lead the production of proposals for agri-environment support over the next 3 years. Our project to 'Pilot an Outcomes Based Approach in Scotland' is testing new approaches to future agri-environment delivery for post 2024. This is described in the accompanying case study.

2020 is the Year of Coasts & Waters and we launched our £0.150m Plunge In! community grant fund, receiving many excellent proposals from around Scotland. Our Natural and Cultural Heritage Fund supports new opportunities to promote the outstanding scenery, wildlife and culture of the Highlands and Islands of Scotland in ways which support inclusive and sustainable economic growth. It will help to retain jobs and sustain populations and services in rural communities. The Challenge Fund of £5.0m of European Regional Development Fund (ERDF) money was available through a single competitive funding round. Tourism & Culture Secretary Fiona Hyslop announced on 28 December that nine projects will share £5.0m from the Fund. Delivery of this fund and the Plunge In! fund is likely to be impacted by Covid-19 restrictions during 2020/21.

Our responsibilities for wildlife management remain critical, to ensure healthy populations of native wildlife and reduce the impacts of invasive non-native species, delivering benefits for a low-carbon economy, environment and people. We agreed new 'Wildlife Management Principles' with all of our key stakeholders, subsequently referenced in the Programme for Government. We modernised the suite of General Licences for 2020 and over the course of the year restricted their use on one Scottish Estate where there was evidence of wildlife crime. 2019 was a significant year for management of Scotland's uplands with publication of our own Review of Deer Management as well as reports to government from the Grouse Moor Management and Independent Deer Working Groups.

In relation to other species, beaver were afforded legal protection as a European Protected Species on 1st May 2019. SNH is now working to refine and implement the Beaver Management Framework to allow Beavers to remain in Scotland. We published the White-tailed Eagle Action Plan at the end of May 2019, and provided financial and specialist support to 130 land managers. In our work towards more sustainable geese populations and the impacts on farmers and crofters, we hosted a successful meeting in June 2019 of the European Goose Management International Working Group where all the range states (UK, Ireland, Iceland and Norway) jointly adopted a framework for adaptive flyway management plans for Greenland and Svalbard barnacle goose populations. This will provide Scotland with a transparent and legally acceptable way to manage a conflict species, balancing the needs of different domestic and international stakeholders.

We continued to invest significant resources in enabling good development and making progress towards Scotland's renewable energy targets. We supported the successful International Conference on Wind Energy and Wildlife and held a well-received workshop on Offshore Wind and Birds Guidance with over 75 participants from industry and regulatory bodies. Looking forward, we have begun to develop contributions to the 4th National Planning Framework and submitted supportive advice to Government on the Sectoral Plan for Offshore Wind.

Outcome 3: Case Study – Piloting an Outcome Based Approach in Scotland (POBAS)



POBAS team in Argyll.

Piloting an Outcome Based Approach in Scotland is an SNH-led project working with 40 farmers and crofters across Scotland, to test innovative approaches to delivering environmental outcomes on farms and crofts. The project also worked closely with two partner projects in Shetland (with the RSPB) and in the Outer Hebrides (with the European Forum for Nature Conservation and Pastoralism).

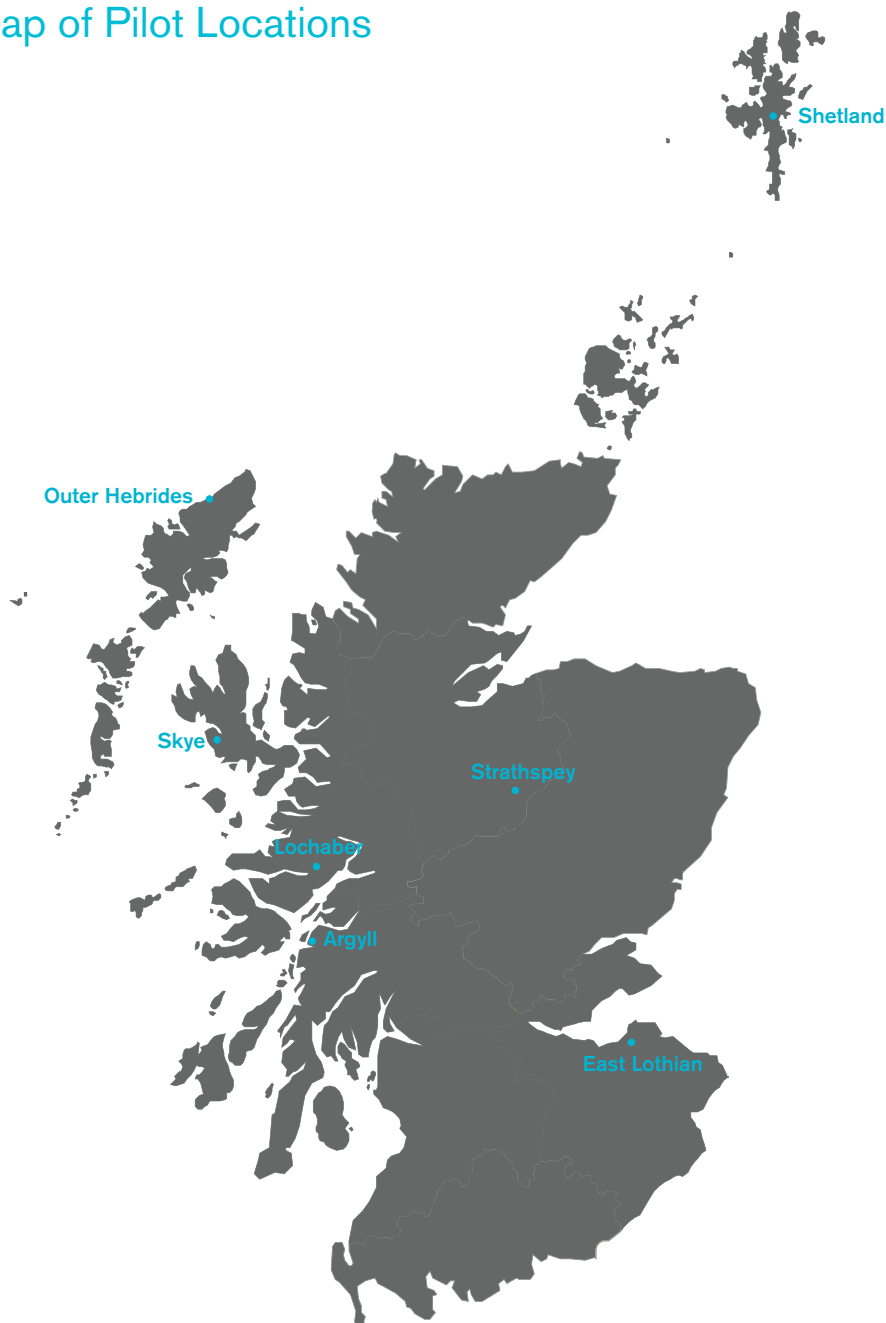
Phase 1 of the project ran from April 2019 – March 2020 and set out to demonstrate how a result based approach to agri-environment schemes can work in different regions across different farm types. This focussed on understanding implementation issues arising from a result based approach including practical barriers, issues and opportunities, and farmer behaviour. Engagement and utilising farmer and crofter skills in improving design and outcomes for schemes, and testing stakeholder support for this approach was key to its success. It required testing the range of outcomes that can be delivered through this approach and how these are translated to management measures and indicators at the field, farm and landscape levels. Phase 1 would identify solutions and recommendations to inform delivering an agri-environment scheme using this approach as part of future farming support architecture beyond 2024.



POBAS team in East Lothian.

Phase 1 of the project received positive support and feedback from participating farmers, crofters and stakeholders. The project met all its initial aims to test a payment by results based approach and there is now an increased understanding of this methodology. It has established four groups of farmers and crofters willing to participate, with positive engagement through, on average, 10-15 farmers attending each workshop, facilitated by expert advisors from Ireland and England. Outcomes that could be piloted and delivered for different farm types in different regions were agreed on. Effective result indicators were developed to monitor outcomes as well as scorecards for measuring quality of outcomes in relation to potential payments. Phase 1 consisted of a range of preparatory work and did not include making payments. We identified four groups of farmers and their advisory support needs to progress further testing and take into Phase 2.

Map of Pilot Locations



Outcome 4: We Have Transformed How we Work

Corporate Plan Indicator of Success:

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



Facebook

21,433 followers

19,550 reach



Twitter

27,622 followers

650,000 monthly impressions



Instagram *

14,112 followers

2.3% engagements per post

900,000 reach

* no comparative data available



Website visits

1,492,707 page views



Figures on webpage views are different than what was reported last year as we have switched Google Analytics profiles.

key: Performance Improving Performance Maintaining Performance Declining

We have made excellent progress on equipping and developing our staff to be more agile through our transforming workplaces and smarter working initiatives. This, coupled with a shift to cloud-based solutions for our key corporate applications, has been invaluable in facilitating the move to home based working for all of our staff as the Covid-19 crisis hit towards the end of the financial year. Our work on enhancing wellbeing and resilience has also had a critical role to play in supporting our staff, and through them their families during this difficult time. This has included access to a virtual Wellbeing Zone, a personal health screening and wellbeing coaching tool.

We are continuing on our journey of digital transformation. We have established a new Innovative Technologies Programme to coordinate and direct and oversee the implementation of a suite of innovative technologies that can improve environmental surveillance and monitoring and make our internal processes more efficient. This builds on the excellent work by one of our graduate placements during the year, to identify opportunities for the use of Artificial Intelligence (AI).

During the course of 2019/20 we have also invested considerable effort in enhancing the quality and accessibility of our environmental data holdings, particularly rich data such as high resolution images and audio-visual material. This uses a cloud-based web application with powerful search and data management tools. This will be made directly available to external partners to help inform decision making about nature.

We have also made great strides in connecting many more people with nature through our increased use of social media, reflected in our highest ever levels of reach and engagement through these channels.

We continue to seek out new sources of investment for both our own work and for nature in Scotland more widely. Our work on green finance with the newly formed Scottish National Investment Bank is critical to this purpose. We have also been successful in attracting funding through the CivTech and GovTech programmes. Through the latter we have secured £1.25m to develop a new online service for protected areas, the aim of which is to provide targeted information to land managers and developers to inform decision making.

We must also respond to changing circumstances. The declaration of the climate emergency during 2019 prompted us to renew our climate change commitments to ensure that we can play a full role in supporting progress towards the Scottish Government net-zero emissions target by 2045. We have invested in renewable technologies across our property portfolio for many years but have commissioned further work to ensure that these technologies are as effective as they need to be. We have also continued the roll-out of electric vehicles to replace our existing fleet of pool cars and invested in charging points across our estate. Further detail is provided in the following case study.

Outcome 4: Case Study – Electric Fleet

The Programme for Government, 2019/20 sets out the ambition for public sector bodies to phase out petrol and diesel cars by 2030. SNH is focusing on electric vehicles (EVs) as the replacement option at this time, as research has shown these are most viable, whilst keeping in mind and exploring other technologies, like hydrogen.

SNH is an active participant within the public sector in the roll out of EVs and installation of EV charging infrastructure, thereby supporting the Scottish Government’s approach and being strong advocates for change. We share our learning on the performance of EVs. We have stickers on our fleet so the public can see SNH is using them. This helps raise awareness and gives our partners and the public confidence to adopt new technology.

SNH currently has 55 cars, of which 10 are EVs. Collaborating with Transport Scotland through their ‘Switched on Fleets’ funding to procure these vehicles, we have maximised the use of income available to us. In addition, SNH also has 40 vans and 4x4 vehicles of which, 2 are EVs and 5 plug-in hybrids. Subject to technology developments, our aim is to stop buying any petrol or diesel vehicles by 2025, thereby reaching the Scottish Government’s 2030 target five years early.

During 2019/20, SNH staff travelled 54,000 miles in electric vehicles, resulting in a saving of 14,935 kg CO₂ tail pipe emissions. An essential part of this transition is ensuring SNH has the required EV charging infrastructure at all our offices. We are also supporting the installation of public charge points where suitable. We are making good progress in installing charge points at all SNH sites supported by Energy Saving Trust funding. Charging points have been installed in our offices at: Inverness, Edinburgh, Battleby, Golspie, Dingwall, Kinross, Aviemore, Ullapool, Newton Stewart and Forvie National Nature Reserve. We have also plans to install them at our other offices to help ensure capacity to locate EVs across the country.

Whilst SNH has been focussing on switching the fleet to EVs, we are also considering other suitable technologies. The option of hydrogen vehicles is currently limited by the location of hydrogen fuel stations. In conjunction with Aberdeen City Council, SNH will be involved in the local H2 project with the aim to start utilising hydrogen vehicles in 2020/21. This will complement the use of EVs and further drive down our emissions.



Electric Renault Zoe



Dingwall office - dual 22kw public point.



Electric Hyundai Ioniq charging at a public charge point.



Solar panel array,
Isle of May National
Nature Reserve.

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 2019/20 are shown in the table below:

Budget category	Per Budget Act £000	In-year budget revisions £000	Final budget for 2019/20 £000
Resource DEL	43,600	11,382	54,982
Non-cash Resource DEL	1,900	–	1,900
Total Resource DEL	45,500	11,382	56,882
Capital DEL	1,000	250	1,250
Total DEL budget	46,500	11,632	58,132

Included within the Budget Act figure for Resource DEL of £43.600m was a ring-fenced amount payable to JNCC of £1.019m.

The in-year budget revisions of £11.632m related to:

- an additional £10.000m to fund peatland restoration (ring-fenced);
- an additional £1.000m relating to Biodiversity Challenge funding (ring-fenced);
- an additional £1.008m to assist in funding increased pension contributions;
- an additional £0.574m to fund a variety of other initiatives;
- less our contribution of £1.200m to support Scotland's Rural Development Programme; and
- an additional £0.250m to fund grants towards GovTech challenge fund (ring-fenced)

No budget was provided relating to Annually Managed Expenditure (AME) as it was originally forecast to be in a credit position. Additional provisions emerged during the course of the year which resulted in AME expenditure for 2019/20. In the context of SNH 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 2019/20, revaluation losses of £0.104m, 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 68.

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

- For 2019/20, the DEL budget limit was £58.132m. SNH incurred £57.106m (table below) net expenditure against this limit, which resulted in an underspend of £1.020m (2018/19: £1.498m underspend), after the approval to underspend. This is analysed as follows:
 - Underspend of £0.276m against Resource DEL non-ring-fenced budget of £43.333m
 - Underspend of £0.203m against Resource DEL ring-fenced Peatland Action budget of £10.000m
 - Underspend of £0.430m against Resource DEL ring-fenced Biodiversity Challenge Fund budget of £1.480m (this includes £0.480m of budget committed by SNH). This was due to slow external project start ups.
 - Underspend of £0.091m against Resource DEL non-cash budget (depreciation and amortisation) of £1.900m
 - Underspend of £0.020m against Capital DEL budget of £1.250m, which included a £0.006m underspend relating to the ring-fenced GovTech challenge fund
- The out-turn against the AME budget was an overspend of £0.426m. This was due to additional dilapidation provisions emerging during the latter part of the year, revaluation losses from the interim desktop revaluations of property, plant and equipment that took place in 2019/20 and corporation tax.

Our cash budget allocation was £56.232m (resource and capital DEL) and we drew down £55.683m of this. The difference of £0.549m represents the return of cash underspends relating to 2018/19 for Peatlands Action (£0.540 million) and an estimated underspend of £0.009m relating to the GovTech project in late February 2020 when the final cash request for 2019/20 was submitted to Scottish Government.

Out-turn for 2019/20

The final out-turn against budget for 2019/20 is shown in the table below:

	Out-turn £000	Budget £000	Approved Underspend* £000	(Under)/ Overspend £000
Net expenditure per accounts	56,243	-	-	-
Expenditure/income adjustments for budget purposes:	(2,170)	-	-	-
Operating cash costs	54,073	54,982	-	(909)
Operating non-cash costs	1,809	1,900	-	(91)
Resource DEL costs	55,882	56,882	-	(1,000)
Capital DEL costs	1,224	1,250	6	(20)
Out-turn against DEL Budget	57,106	58,132	6	(1,020)
AME related provision movements	306	-	-	-
Revaluation losses on property, plant and equipment	104	-	-	-
Corporation Tax	16	-	-	-
Out-turn against AME Budget	426	-	-	426

* Approval to underspend by £0.006m was given by Scottish Government and this has been discounted from the out-turn arising against SNH's CDEL budget allocation at the end of the financial year.

Budget out-turn notes	£000
Operating cash cost adjustments	
– depreciation and amortisation	(1,809)
– revaluation losses on property, plant and equipment	(104)
– GovTech capital grants	(244)
– income funding the purchase of capital assets	309
– expenditure shown in provisions	13
– release of early retirement pension provision	(4)
– increase to provisions, classified as AME	(315)
– corporation tax expense, classified as AME	(16)
	(2,170)
Operating non-cash costs	
– depreciation and amortisation	1,809
Capital additions	
– heritage, property, plant and equipment and intangible assets	1,324
– income funding purchase of capital assets	(309)
– GovTech capital grants	244
– net book value of asset disposals	(35)
	1,224

Income from operating activities during the year was £2.983m (2018/19: £3.050m).

Significant capital asset additions during the year included:

– Vehicle fleet replacement	£0.240m
– NNR visitor facilities upgrade	£0.180m
– Charging points for electrical vehicles	£0.153m

SNH had net current assets of £0.041m at 31 March 2020 (2018/19: net current liabilities of £0.283m). The increase is due to the timing of expenditure and payments relating to the year ended 31 March 2020.

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.

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 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 budget, reviews of our fixed assets, maximising efficiencies for the procurement of goods and services, and in how we deploy and make best use of our people

- the monitoring of our performance, which is tracked throughout the year to ensure we are meeting our targets and reported quarterly to our Senior Leadership Team and Board
- 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 greening of our offices and maximising efficiency in their use, and our approach to travel and how we use energy

Social Inclusion

SNH's vision is that by 2030 Scotland is recognised as a world leader in looking after and improving nature. We want to see everyone involved and benefiting from nature. Throughout 2019/20 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 and benefiting from it. The information below covers some of the key highlights of this work from 2019/20.

In setting and delivering our outcomes we use evidence to guide us. Our national surveys collect data on protected groups and we continue to look for opportunities to strengthen the evidence base. In June 2019 we published [The Black and Minority Ethnic \(BME\) community and nature: key research findings](#). This found that, although more people from the BME community were visiting the outdoors for recreation, the proportion who visited at least once a week remained lower than average. To help to close this gap, we supported projects that specifically engaged people from BME communities with nature. The Backbone CIC Exploring Our Natural Heritage engaged refugees and asylum seekers in the north and east of Scotland in outdoor activities and visits. The TCV Building Roots programme involved natural heritage walks and workshops for Syrian refugee families who were rehoused in the eastern central belt.

Other engagement projects we funded during 2019/20 supported work to increase social inclusion with a particular focus on the following groups: disabled people; young people; people in poor health; and people with low incomes or in areas of deprivation. Projects ranged from community volunteering for biodiversity improvements (Volunteering Matters, Action Earth) to local path improvements by young people for skills development (Paths for All, Path Skillz). We also support delivery of the John Muir Award, with around 20,000 awards being achieved annually in Scotland, 25% by people experiencing disadvantage.

Through place-based working, we are involved in many aspects of social inclusion. Our work to deliver the ERDF Green Infrastructure Strategic Intervention project is improving a number of Scotland's most deprived areas both on the ground and through community activities. The Learning in Local Greenspace project supports schools in deprived areas to take pupils learning outdoors. The Outdoor Learning in Nature fund supports young people (3 – 26 years) from the most deprived and disadvantaged backgrounds, to have regular and progressive outdoor learning experiences. We also continue to work with four Local Green Health Partnerships in Lanarkshire, North Ayrshire, Dundee and Highland to help deliver the health outcomes sought in the Local Outcome Improvement Plans. A number of the landscape partnerships we are involved in also address disadvantage. For example, the Garnock Connections Landscape Partnership works with local communities to enhance, improve access to, and promote the natural and cultural heritage around the River Garnock in North Ayrshire. Similarly the Seven Lochs Park we support is focused on disadvantaged communities in North Lanarkshire and Glasgow. As highlighted in the performance summary, we weren't able to fully resource our ambitions for placemaking activity due to competing priorities but still made a significant contribution to place based interventions

At our National Nature Reserves we continue to encourage and enable diverse communities to connect with nature, providing opportunities for learning, creativity, health and wellbeing. For example pupils from Kingussie High School undertake the Rural Skills course, gaining vocational skills and experience, at Creag Meagaidh. Beechbrae Nature Club - a social enterprise and charity based at Blackridge, West Lothian, visits Blawhorn Moss where they engage local children with nature. The children gain skills and knowledge in practical woodland management and sustainability.

Young people continue to be an important focus for us. We continued our college, school and volunteer placement schemes, providing opportunities to young people to develop new skills. Our graduate placement scheme continued and we hosted 9 placements in 2019/20. One of our graduate placements ran a project Making Natural Connections, working to make a number of our National Nature Reserves more inclusive and accessible for local communities. This involved organising visits and activities to enable people to visit who otherwise might not, and to give them confidence in getting involved. The people involved say that they have loved the visits, learnt about wildlife and plan to return.

We also worked with a second ReRoute panel (biodiversity youth panel in partnership with Young Scot) and the young people helped us take forward the recommendations from the first ReRoute panel. Part of this involved awarding funds to 14 projects that help young people to connect with nature and make a positive impact on the environment in Scotland. We moved to a third phase with Young Scot, identifying opportunities for integrating young people into the work of SNH from strategic decision making to delivery.

Sustainable Development and Carbon Management

In 2019/20 our emissions were 950 tonnes CO₂¹. This is 11% lower than the previous year. This is largely due to a reduction in travel emissions (26%). A small reduction in building emissions is due to a change in conversion factors notably greener sources of electricity such as renewables.

We have increased the density at some of our offices as a result of co-locations and this has impacted on our reported building energy consumption but overall it has had a positive impact on carbon emissions.

We are continuing to replace our petrol and diesel car fleet with electric vehicles and plan to have this completed by 2025 (10 out of our 55 cars are now electric) and we have 2 electric vans and 5 plug in hybrid 4x4s. This is in line with the Scottish Government's target to phase out petrol and diesel cars. The cars have zero emissions although there is the carbon impact of electricity to charge them. During the year we travelled approximately 54,000 miles by electric vehicles. We also have electric vehicle charging points at 10 of our sites.

During the year we took part in many green challenges and initiatives to encourage our staff, raise awareness and show our support and commitment to the offsetting of greenhouse gases caused by human activities. We took part in a Cycle week in June and organised many events for staff such as biker's breakfasts, building cycle confidence and charity group rides, repair sessions and electric bike promotions. We also joined in Scotland's annual Climate Week during October, a national campaign to highlight the importance of reducing emissions and adapting to a changing climate. During the week we ran many staff events (climate presentations, repair workshops, promoting cleaner commuting, conversations about peat-free gardening and reducing food waste etc.), and we also joined on social media to highlight the work we do externally such as Peatland ACTION.

Data relates to figure available in May 2020. This includes estimates for March readings due to impact of Covid-19. Final figure will be published in the Scottish Government's Climate Change Duties Report.

During March we took part in Scottish Workplace Journey Challenge 2020. During the challenge staff are encouraged to take part by choosing to commute by bike, walking, buses and trains and log their journeys. This year we came in second in our category. Due to Covid-19 and lockdown measures, things changed mid-way with more entries this year for working from home (579) and teleconferencing (47) "journeys" logged. There was still a lot of cycling and walking. Together we logged an incredible 1,553 journeys, clocked up 25,863 miles and saved 2,621kg CO₂.

The work we do on our own carbon emissions is now 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 SNH's own emissions and sequestration, and states we will lead the way as a low carbon organisation, moving our activities towards Net Zero, and enhancing carbon storage and sequestration on land we own or manage. The document was published in October 2019 - <https://www.nature.scot/snhs-climate-change-commitments-2019>

SNH's work to reduce its own carbon emissions is part of its larger goal of reducing carbon emissions and improving the environment across Scotland. The organisation plays a lead role in restoring peatlands to reduce emissions nationally, and protecting habitats and species at risk from climate change.

Personal Data Related Incidents

SNH had no significant data-related security incidents during 2019/20.

We continue to work on ISO27001:13 and have our alignment externally assessed on an annual basis. We achieved re-certification of Cyber Essentials and Cyber Plus in November 2019 and take forward monthly testing of our key infrastructure internet interfaces to ensure we reduce the risk of a security breach and data loss.

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 2019/20, 93% of invoices were paid within the 10-day target (2018/19: 93%). We made no payments during the year for compensation under the Late Payment of Commercial Debts Regulation 2013 (2018/19: £64.53).

Nature Conservation Orders Made During the year to 31 March 2020

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 2020 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 2019/20:

- one new NCO was made to prevent damage to, and removal of, Jurassic vertebrate fossils on Skye;
- no existing NCOs were amended;
- no existing NCOs were revoked.

Further information on NCOs can be found on our website at www.nature.scot/professional-advice/safeguarding-protected-areas-and-species/protected-areas/conservation-orders/nature-conservation-order



Francesca Osowska
Chief Executive and Accountable Officer
29 July 2020

Accountability Report



Wild pansies and
storksbill growing
on fallow machair,
Benbecula, Hebrides.

Corporate Governance Report

Directors' Report

Information relating to membership of the Board, the Senior Leadership Team and on the auditors of Scottish Natural Heritage

SNH Board and Committees

SNH 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 SNH Board. The Chair of SAC is appointed from the SNH Board and all other SAC members are recruited by open recruitment. SNH 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 2020 was as follows:

	Appointed to SNH 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 2022

The full biographies for our Board members can be found on our website at this link: <https://www.nature.scot/about-snh/who-we-are/our-board>

SNH aims to be an open and accountable organisation. There were eight SNH Board meetings, two SAC meetings, three PAC meetings and five ARC meetings held in 2019/20 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 SNH website. Open session Board papers are available to download from the SNH website, five days before the meetings.

A register of interests is available on the SNH website <https://www.nature.scot/about-snh/who-we-are/our-board/role-our-board>

Board members have a corporate responsibility for ensuring that SNH 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 SNH's policies and actions support delivery of its statutory functions and the wider strategic policies of the Scottish Ministers and that SNH's affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out above for the SNH Board and, in particular, for ensuring that SNH 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 SNH 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 during 1 April 2019 and 31 March 2020, are set out below. Full biographies can be found on our website <https://www.nature.scot/about-snh/who-we-are/senior-leadership-team>.



Francesca Osowska
Chief Executive

Francesca leads SNH 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
Interim 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.

Robbie has undertaken the Interim Director, Sustainable Growth role since March 2020 while Nick Halfhide is on secondment.



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 TeamSNH to deliver for nature and the people of Scotland. Her focus is on enabling SNH, Scotland's nature agency, to be a successful, innovative and inclusive organisation.



Sally Thomas
Director, People and Nature

Sally is responsible for ensuring that nature is at the centre of all that we do, that we continue to tackle biodiversity loss, focus on nature-based solutions to climate change and enable people to access and connect with nature on our National Nature Reserves and more widely across Scotland. She is also SNH's Chief Scientist and maintains an oversight of science across all four outcomes.

Stuart MacQuarrie

Deputy Director, Business Services and Transformation

Stuart leads SNH'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.

Stuart took over the role of Deputy Director, Business Services and Transformation role in March 2020, from Alan Hampson.



Ross Johnson

Deputy Director, Sustainable Growth

Ross is responsible for our work with land managers to tackle biodiversity loss and to deliver nature-based solutions to climate change. Ross also oversees our operational teams located all around Scotland, working with them to ensure that our work is sensitive to local and regional issues and opportunities.



Eileen Stuart

Deputy Director, People and Nature

Eileen is the strategic lead for our work to tackle climate change and enhance people's connection with nature. Eileen leads teams of specialists providing advice on species conservation, landscape, recreation and designated sites to local authorities, and partners, to support the creation of a nature-rich and resilient future.



Jason Ormiston

Head of External Affairs

Jason is the strategic lead on our planned rebrand to NatureScot, stakeholder engagement and communications. Working with the Board and the Senior Leadership Team, Jason, along with the Communications and Executive Office teams, positions SNH as a leading supporter of Scotland's response to the climate emergency and biodiversity decline, and contributing to the recovery from Covid-19.



Jason was appointed to the role of Head of External Affairs in December 2019.

Alison Shields, Alan Hampson and Nick Halfhide were members of the Senior Leadership Team until December 2019, January 2020 and February 2020 respectively.

Auditors

SNH'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 £0.058m (2018/19: £0.057m). No other fees for non-audit related services were paid to them.

Statement of Accountable Officer's Responsibilities

SNH'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 SNH Board, the Chair of SNH and SNH's Accountable Officer. It includes the following points:

SNH's Accountable Officer

Under Section 10 of the Natural Heritage (Scotland) Act 1991, SNH 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 SNH 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 SNH, 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 SNH 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 SNH, 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 SNH'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 SNH'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 SNH
- that arrangements have been made to secure best value and for signing SNH's annual accounts
- that effective management systems are in place within SNH 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.

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

SNH's Governance Framework

SNH is a 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 SNH works.

The governance framework comprises the systems, processes, culture and values which direct and control SNH. We use the framework to monitor how well we achieve our strategic objectives and results.

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 SNH 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 SNH 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 SNH'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 2019 to 31 March 2020

Name	Number of meetings attended (8 held in year)
Mike Cantlay (Chair)	8
Angus Campbell (Deputy Chair)	8
Cath Denholm (Deputy Chair)	6
Kate Broughton	7
Bob Furness	8
Ian Gillies	7
Jackie Hyland	7
Aoife Martin	7
Susan Murray	8

Audit and Risk Committee Meetings Attended by Members in the year From 1 April 2019 to 31 March 2020

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

Scientific Advisory Committee Meetings Attended by Members in the year from 1 April 2019 to 31 March 2020

Name	Number of meetings attended (2 held in year)
Bob Furness (Chair)	2
Dan Haydon	0
Jackie Hyland	1
Neil Metcalfe	2
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 2019 to 31 March 2020

Name	Number of meetings attended (3 held in year)
Aoife Martin (Chair)	3
Angus Campbell	3
Bob Furness	3
Ian Gillies	2

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

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. SNH's Risk Management Strategy ensures that we properly manage the risks to achieve the organisation's priorities. The strategy 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:

- SNH 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 SNH'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

SNH 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.

Review of Effectiveness and Conclusion

During 2019/20 no critical risks materialised through our governance framework that had any significant impact on the organisation. There have been no significant data-related security incidents during the year. A formal assessment of our alignment to ISO27001:13 was completed and we have ensured that our practices conform to these information standards. We continue to adopt best practice for information security and were successfully recertified to Cyber Essentials and Cyber Essentials Plus standard in November 2019.

The recent Covid-19 outbreak has provided many challenges to our operation and we have had to adjust our ways of working in line with Government advice. The organisation has adapted well to the current restrictions which only came about at the end of the last quarter of the financial year and which had minimal impact in 2019/20. We have introduced a new Coronavirus-related risk to manage any impact on delivery of our operating priorities. Our Corporate Risk Register contains 15 risks of which 4 are rated high. None of these risks have materialised into issues during the year and the controls we have implemented are helping to mitigate these risks. As a result they have not significantly impacted the delivery of SNH's work during 2019/20.

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 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 a quarterly basis. These are reviewed by my Head of Internal Audit and Chief of Staff and I am satisfied that the majority of key business controls operated effectively during the year. While no critical risk materialised, due to our management practices, the tables highlight areas of our operation which require further closer monitoring going forward. We need to build capacity to ensure we continue to comply with GDPR and to maximise the benefit from our information assets. The management of health, safety and welfare across a diverse and geographically spread organisation is a high priority, and while I have no cause for concern, our monitoring arrangements need to be more proportionate and manageable. A routine management review of our Equality Impact Assessments also suggest that there are gaps in some areas of our operations, however I am satisfied that these are being followed up.

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.

Remuneration and Staff Report

The Remuneration and Staff Report is subject to audit except for the Remuneration Policy and Employment Contracts, Employee Involvement, 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. SNH does not have a remuneration committee.

For all other staff, SNH 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 SNH staff pay agreement. Performance is monitored and reviewed through SNH'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 SNH 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

SNH 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, SNH'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 2020 the Board consisted of 9 Members, including the Chair. SNH 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 2020 was £42,052 (2018/19: £41,693).

Other SNH 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 SNH Board and as an SNH appointed member of JNCC and its trading subsidiary JNCC Support Co.

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	
		2019-20 £	2019-20 £	2019-20 £	2019-20 £	2018-19 £
Mike Cantlay, Chair SNH Board	1	42,052	–	–	42,052	41,693
Angus Campbell, Depute Chair SNH Board	1,4	20,409	–	–	20,409	21,041
Cath Denholm, Depute Chair of SNH Board	1,3,5	20,409	–	–	20,409	20,009
Kate Broughton, Chair of Audit & Risk Committee	1,3	9,277	–	–	9,277	9,095
Robert Furness, Chair of Scientific Advisory Committee	1,2,4	15,461	10,165	–	25,626	9,095
Ian Gillies	1,4	9,277	–	–	9,277	9,095
Jackie Hyland	1,2,3	9,277	–	–	9,277	9,095
Aoife Martin, Chair of Protected Areas Committee	1,4	9,277	–	–	9,277	9,094
Susan Murray	1,3	9,277	–	–	9,277	9,094
		144,716	10,165	–	154,881	137,311

Robert Furness was reappointed to the Board with effect from 1st April 2019 with new terms and conditions including increased time provision relating to his duties to the Board and the Protected Areas and Scientific Advisory Committees. This was backdated to 1st April 2017. He therefore received remuneration arrears of £10,165 shown above - 2017/18 £7,133 and 2018/19 £3,032. Angus Campbell taxable allowances in 2019/20 was nil (2018/19: £1,032).

Key:

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

Chief Executive

SNH'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 2019/20 Francesca Osowska's total remuneration as Chief Executive for the year to 31 March 2020 was £115,833 (2018/19: £113,102).

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 1.41% for 2019/20 (2018/19: 1.45%) comprising progression and cost of living increases. This was

effective from 1 April 2019. In addition she received a non-consolidated pay award of 1% on Annual Salary before the Pay Award for 2019-20 (2018-19: 0%).

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 SNH's Senior Leadership Team for the full year in 2019/20 were as follows:

	Basic Salary 2019-20 £000	Bonus 2019-20 £000	Pensionable remuneration total 2019-20 £000	Accrued Pension Benefits ¹ 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 to 31 January 2020 ²	55-60	–	55-60	34	90-95
Stuart MacQuarrie – Deputy Director, Head of Business Services and Transformation: from 9 March 2020 ³	0-5	–	0-5	3	5-10
Nick Halfhide – Director, Sustainable Growth: 1 April to 2 February 2020 ⁴	65-70	–	65-70	28	95-100
Robbie Kernahan – Interim Director, Sustainable Growth: from 17 February 2020 ⁵	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 ⁶	20-25	–	20-25	8	25-30
Alison Shields – Head of External Affairs: 1 April to 17 December 2019 ⁷	50-55	–	50-55	–	50-55

Pensionable service used to calculate accrued pension at 31 March 2020 represents years of service payable from SNH's pension scheme, including any added year or transfers.

¹ 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 decreases due to a transfer of pension rights.

² Full year salary £65k-£70k

³ Full year salary £60k-£65k

⁴ Full year salary £75k-£80k

⁵ Full year salary £70k-£75k

⁶ Full year salary £65k-£70k

⁷ Full year salary £65k-£70k

The salary and pension entitlements of SNH's Senior Leadership Team in 2018/19 are shown below.

	Basic Salary 2018-19 £000	Bonus 2018-19 £000	Pensionable remuneration total 2018-19 £000	Accrued Pension Benefits 2018-19 ¹ £000	Total 2018-19 £000
Francesca Osowska – Chief Executive	110-115	–	110-115	83	195-200
Jane Macdonald – Director, Business Services and Transformation	70-75	–	70-75	44	115-120
Alan Hampson – Deputy Director, Business Services and Transformation	60-65	–	60-65	45	105-110
Nick Halfhide – Director, Sustainable Growth	75-80	–	75-80	31	110-115
Ross Johnston – Deputy Director, Sustainable Growth	65-70	–	65-70	50	115-120
Sally Thomas – Director, People and Nature	70-75	–	70-75	83	155-160
Eileen Stuart – Deputy Director, People and Nature	65-70	–	65-70	21	90-95
Alison Shields – Head of External Affairs	65-70	–	65-70	–	65-70

¹ The value of pension benefits accrued during 2018/19 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.

Senior Leadership Team's Total Pension Benefits

	Total accrued pension at pension age as at 31 March 2020 and related lump sum (unless stated) £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2020 (unless stated) £000	CETV at 31 March 2019 (unless stated) £000	Real increase in CETV £000
Francesca Osowska	40-45 plus lump sum of 85-90	2.5-5 plus lump sum of 0	702	641	21
Jane Macdonald	15-20	0-2.5	307	261	28
Alan Hampson	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 5-7.5	513 (at 31-1-20)	467	33
Stuart MacQuarrie	15-20 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	266	263 (at 9-3-20)	2
Nick Halfhide	35-40	0-2.5	583 (at 2-2-20)	542	15
Robbie Kernahan	15-20	0-2.5	253	245 (at 17-2-20)	7
Ross Johnston	30-35	0-2.5	546	496	25
Sally Thomas	30-35 plus lump sum of 35-40	2.5-5 plus lump sum of 0-2.5	686	599	57
Eileen Stuart	25-30 plus lump sum of 65-70	0-2.5 plus lump sum of 0-2.5	533	490	18
Jason Ormiston	0-5	0-2.5	6	0 (at 9-12-19)	4
Alison Shields	n/a	n/a	n/a	n/a	n/a

Alison Shields did not participate in the Civil Service pension arrangements. She contributed to a partnership pension arrangement and therefore there were no additional pension benefits disclosures required other than the pension contributions payable in year to her leaving date on 17 December 2019 which was £8,835 (2018/19 Full Year: £14,572).

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 staff and the majority of those already in service, joined Alpha. Prior to that date, staff 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 have or will switch into alpha sometime between 1 June 2015 and 1 February 2022. 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. 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. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% of pensionable earnings for members. 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 a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. 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.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk. The last valuation of the pension scheme took place as at 31 March 2016 (published February 2019). The next valuation of the scheme will be as at 31 March 2020.

For 2019/20, employer's contributions of £5.496m (2018/19: £4.229m) were paid to the PCSPS and other pension providers. These contributions were payable at one of four rates ranging from 26.6% to 34.1% (2018/19: 20.0% to 24.5%) of pensionable pay, based on salary bands. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation.

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 SNH in 2019/20 was £117,500 (2018/19: £112,500). This was 3.33 times (2018/19: 3.28) the median remuneration of the workforce, which was £35,291 (2018/19: £34,263).

In 2019/20, remuneration (excluding the highest paid director) ranged from £1,098 to £90,000 (2018/19: £617 to £113,102). SNH employs seasonal part-time workers which are reflected in the remuneration ranges shown above. In 2019/20 no employees (2018/19: nil) received remuneration in excess of the highest paid director.

	2019-20	2018-19
Band of highest paid director's total remuneration	£115k - £120k	£110k - £115k
Median total remuneration	£35,291	£34,263
Ratio	3.33	3.28

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	2019-20	2018-19
	Number	Number	Number	Number
Senior management	7	1	8	8
Operational, professional and managerial	427	36	463	474
Administration and support	88	19	107	108
Estate workers, manual and domestic	26	7	33	31
	548	63	611	621

Senior management represents members of Senior Leadership Team.

Staff Costs (Including Board Members)

	2019-20	2018-19
	£000	£000
Salaries:		
Chairman	42	42
Board members	113	95
Other committee members	13	16
Senior Leadership Team:		
– permanent contracts	571	538
– fixed term contracts	53	69
All other staff:		
– permanent contracts	17,739	17,834
– fixed term contracts	2,716	2,476
	21,247	21,070
Social security costs	2,081	2,057
Pension costs	5,496	4,229
Apprenticeship levy	90	89
Severance and other costs	12	–
Total staff costs	28,926	27,445
Agency staff costs	25	65
Less: Recoveries in respect of outward secondments and joint contract agreements	(251)	(257)
Total net employment costs	28,700	27,253

There were no salaries capitalised against projects in 2019/20 (2018/19: £nil). The increase in staff costs in 2019/20 is due primarily to increased costs of fixed term contracts and to pay award and incremental increases.

Severance and other costs incurred in 2019/20 amounted to £11,500 (2018/19: £nil)

Pension Costs

SNH makes pension contributions for employees to PCSPS, which is a multi-employer defined benefit pension scheme and Alpha, a scheme which provides benefits on a career average basis (note 2.12). SNH is unable to identify its share of the underlying assets and liabilities and therefore any liability for future benefits is a charge on the PCSPS, which prepares its own scheme statements.

A breakdown of pension costs payable for year is as follows:

	2019-20	2018-19
	£000	£000
Accruing superannuation liability charges (ASLCs)	5,434	4,154
Stakeholder partner pension contributions	51	64
	5,485	4,218
Annual pension costs	11	11
Total pension costs	5,496	4,229

Equality and Diversity

We are committed to supporting and promoting diversity in SNH – on our Board, Committees, Senior Leadership Team and in our workforce. Equality is a priority under our Organisational Development framework. The framework will help us make the connections we need to make the behavioural change required that ensure equality is truly engrained in our organisational culture and the services we provide.

We are a Positive about Disability Confident Scheme employer which means we are committed to inclusive recruitment and supporting employees who may need additional support throughout their career with SNH. Our Deaf Awareness Working Group provides a forum for sharing knowledge, skills and development for deaf awareness in our organisation and ensuring that those with hearing loss have access to the same opportunities at work.

We continue to be committed to the work of the First Ministers National Advisory Council for Women & Girls (NACWG). In 2019 our CEO made a pledge to the First Ministers National Advisory Council for Women & Girls to continue to work towards reducing the pay gap. In October 2019 we co-hosted a NACWG Satellite Wee Circle Event which explored the pay gap across Scotland with key stakeholders from equality groups in the Highlands.

We have achieved our target of reducing our gender pay gap to 9% from 10.95% in 2019. This is partly through further exploring opportunities to reduce the gap between the lowest and our highest earners, resulting in a consolidation of our A grade staff into B grade. Our Women's Network has been instrumental in improving the transparency and accessibility of our recruitment policies and processes, resulting in increasing transparency of temporary promotional opportunities and accessibility of the internal applications process.

We recognise the value of an intergenerational workforce and the importance of developing an age inclusive culture that values everyone, this is one of our refreshed Equality Outcomes ([Equality Report 2019](#)). We have been working in partnership with our Young Employee Panel, our Change Partner Network and Age Scotland to achieve the Age Scotland Age Inclusive Matrix. We will review our equality actions under this outcome to ensure that it reflects this work and our corporate objectives.

Feedback from our recent People Surveys has highlighted the need to strengthen dignity at work. We have integrated this into our Leadership Development Programme and delivered Personal Leadership sessions across all our SNH teams to help people understand themselves and their impact on others.

At 31 March 2020, SNH employed the following number of persons (note this is not FTE):

Category	Male	Female	Total
Board	4	5	9
Senior Leadership Team	4	4	8
Employees	287	416	703
Total 2019/20	295	425	720
Total 2018/19	308	428	736

Employee Involvement

We have continued to widen our employee engagement approach during 2019/20. Our Change Partner Network has been the main route for engaging all teams in the development of our response to our employee surveys, which in turn has shaped our Organisational Development Framework. The network includes representatives from each of our teams, trade unions and our equality networks.

Our 2018 People Survey highlighted that one of the areas requiring strengthening was Leadership. The first phase of our Leadership Development Programme focused on Personal Leadership and was delivered in early 2020 to employees across SNH. These sessions focused on developing our understanding of ourselves to help us develop stronger relationships and individual wellbeing strategies.

We introduced Action Learning Sets as a means to help us resolve some of our organisational dilemmas from the 2018 People Survey. Change Partners were integral to this process, as were our Senior Leadership Team members who each led on a specific dilemma.

We have a number of employee networks which engage with groups of staff who share a protected characteristic: Young Employee Network, Women's Network and our Carers Network. We have recently established a Deaf Awareness Group which provides a forum to sharing knowledge, skills and development for deaf awareness in our organisation. We are also working with Age Scotland to improve our engagement with older employees and build stronger intergenerational relations.

In October 2019 we conducted a second Wellbeing Survey as part of our ongoing commitment to Healthy Working Lives. The results were positive in terms of our strengthened approach to our employee's mental health.

The Covid-19 emergency has forced SNH and our employees to transform how we work over a very short period. In response we have fast tracked smarter working plans and reviewed our people policies. Regular employee wellbeing surveys have enabled us to continuously assess our wellbeing offer to employees throughout the emergency.

SNH continues to work very constructively in partnership with the recognised trade unions through the Consultation and Negotiation Committee and the Partnership. Work this year has focused on improving employee wellbeing and developing our policies to better support the organisation, a particular focus being dignity and respect at work. 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 2019/20	22
Full-time equivalent employee number	2.48 FTE
Percentage of time spent on facility time	No of staff
0%	–
1%-50%	21
51%-99%	–
100%	1
Percentage of pay bill spent on facility time	0.4%
Time spend on paid trade union activities as a percentage of total paid facility time hours	66.7%

Sickness Absence

The average number of staff sick days per headcount has increased since 2018/19, from 5.6 days to 6.9 days.

This is due to increases in absences related to stress, depression or mental health. In quarter 4 we had 8 unconfirmed cases of coronavirus recorded with a total of 30 lost days and expect this to increase further in next financial year.

Overall SNH's recorded average number of staff sick days compares very favourably with the statistics detailed in the CIPD Health and Well-Being Report published in March 2020 for UK public sector, which reported an average level of absence of 8 days per employee (days across all sectors).

We continue to proactively manage sickness in the organisation, and the Health and Safety Committee monitors sickness levels and reasons for sickness on a quarterly basis. SNH's Board receives Quarterly Performance Reports summarising sickness absence information. SNH also has in place an Employee Assistance Programme which is available to all employees by telephone through a helpline, as well as an online service.

Number and Cost of Exit Packages

Exit package cost band	Number of compulsory redundancies	Number of departures agreed 2019/20	Cost of exit packages 2019/20 £000	Number of compulsory redundancies	Number of departures agreed 2018/19	Cost of exit packages 2018/19 £000
<£10,000	–	–	–			–
£10,000 to £25,000	–	1	12			–
£25,000 to £50,000	–	–	–			–
£50,000 to £100,000	–	–	–			–
Total number/cost of exit packages	–	1	12			–

Parliamentary Accountability Disclosures

Losses and Special Payments

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

	2019-20	2018-19
	£000	£000
Losses of assets, stores and equipment, including cash losses	30	8
Fruitless payments and constructive losses	2	1
Claims waived or abandoned	–	–
Special payments	–	2
	32	11

In 2019/20 there were two losses totalling £0.023m which accounted for the increase from 2018/19.

In 2019/20 it was identified that there had been overpayments of claims totalling £0.031m in 2017/18 and 2018/19 which have not been recovered. As these related to, and were accounted for in prior years they have not been included in the table above.

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
29 July 2020

Independent Auditor's Report to the Members of Scottish Natural Heritage, the Auditor General for Scotland and the Scottish Parliament

Report on the Audit of the Financial Statements

Opinion on Financial Statements

I have audited the financial statements in the annual report and accounts of Scottish Natural Heritage for the year ended 31 March 2020 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 2019/20 Government Financial Reporting Manual (the 2019/20 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 2020 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 2019/20 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 four 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.

Emphasis of Matter: Valuations of Land and Buildings

I draw attention to Note 2.19 'Accounting estimates and assumptions' and Note 15 'Property, plant and equipment' in the financial statements which describe the effects of material uncertainties, caused by Covid-19, included in the valuation report for land and buildings. My opinion is not modified in respect of this matter.

Conclusions Relating to Going Concern Basis of Accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of Material Misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other Information in the Annual Report and Accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report 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. 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.

Report on Other Requirements

Opinions on Matters Prescribed by the Auditor General for Scotland

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.

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

Primary Financial Statements and Notes



Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Income			
External funding	5	(1,138)	(1,163)
Income from activities	6	(1,211)	(1,206)
EU funding		(634)	(681)
Income from operating activities		(2,983)	(3,050)
Profit on disposal of non-current assets	7	(70)	(13)
Total income		(3,053)	(3,063)
Expenditure			
Staff costs	8	28,700	27,253
Other costs	11	7,234	7,686
Operating costs	12	21,134	18,160
Capital grand in kind	14	–	25
Increase (decrease) in provisions	21,22 & 23	315	(4)
Depreciation of property, plant and equipment	15	1,591	1,697
Amortisation of intangible assets	17	218	165
Revaluation losses (gains) on property, plant and equipment	16	104	(131)
Total operating expenditure		59,296	54,851
Net operating expenditure			
Interest receivable	9	(16)	(13)
Net expenditure after interest		56,227	51,775
Corporation tax	13	16	–
Net expenditure		56,243	51,775
Other Comprehensive Expenditure			
Net gain on revaluation of property, plant and equipment	14, 15 & 16	(299)	(1,515)
Total Comprehensive Expenditure for the year ended 31 March 2020		55,944	50,260

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

The notes on pages 73 to 93 form part of these accounts

Statement of Financial Position as at 31 March 2020

	Note	2019-20 £000	2018-19 £000
ASSETS			
Non-current assets			
Heritage assets	14	1,614	873
Property, plant and equipment	15	24,742	25,064
Intangible assets	17	299	307
Total non-current assets		26,655	26,244
Current assets			
Trade and other receivables	18	1,882	1,609
Cash and cash equivalents	19	6,598	5,965
Total current assets		8,480	7,574
Total assets		35,135	33,818
LIABILITIES			
Current liabilities			
Trade and other payables	20	(8,356)	(7,809)
Provision for dilapidations and other provisions	21	(79)	(44)
Provision for payments of pensions to early retirements	22	(4)	(4)
Provisions for relocation liabilities and charges	23	–	–
Total current liabilities		(8,439)	(7,857)
Total assets less current liabilities		26,696	25,961
Non-current liabilities			
Trade payables	20	(18)	(26)
Provision for dilapidations and other provisions	21	(291)	(20)
Provision for payments of pensions to early retirements	22	–	(4)
Total non-current liabilities		(309)	(50)
Assets less liabilities		26,387	25,911
TAXPAYERS' EQUITY			
General reserve		22,356	22,034
Revaluation reserve		4,031	3,877
Bequest reserve		–	–
Total taxpayers' equity		26,387	25,911



Francesca Osowska
Chief Executive and Accountable Officer

29 July 2020

The Accountable Officer authorised these financial statements for issue on 29 July 2020

The notes on pages 73 to 93 form part of these accounts

Statement of Cash Flows for the year ended 31 March 2020

	Note	2019-20 £000	2018-19 £000
Operating activities			
Net operating expenditure		(56,243)	(51,788)
Adjustment for items not involving the movement of cash			
<i>Non-cash:</i>			
Depreciation of property, plant and equipment		1,591	1,697
Amortisation of intangible assets		218	165
Revaluation losses on property, plant and equipment		104	(131)
Profit on disposal of non-current assets		(70)	(13)
Capital grant in kind		–	25
<i>Working capital adjustments:</i>			
(Increase) decrease in trade and other receivables		(273)	(145)
Increase in trade and other payables		566	1,354
<i>Movements in provisions</i>			
Corporation tax paid		(16)	–
Net cash outflow from operating activities		(53,821)	(48,891)
Cash flows from investing activities			
Payments to acquire heritage assets	14	(2)	–
Payments to acquire property, plant and equipment	15	(1,132)	(1,019)
Payments to acquire intangible assets	17	(215)	(12)
Receipts from sales of non-current assets	7	104	57
Interest received	9	16	13
Net cash outflow from investing activities		(1,229)	(961)
Cash flows from financing activities			
Grant-in-aid funding from Scottish Government	4	55,683	51,598
Other cash funding from Scottish Government	4	–	24
Net cash inflow from financing activities		55,683	51,622
Increase in cash and cash equivalents in the year		633	1,770
Cash and cash equivalents at 1 April 2019	19	5,965	4,195
Cash and cash equivalents at 31 March 2020	19	6,598	5,965
Net movement in cash and cash equivalents		633	1,770

The notes on pages 73 to 93 form part of these accounts

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

	Note	General Reserve £000	Asset Revaluation Reserve £000	Bequest Reserve £000
Balance at 31 March 2018		21,881	2,580	61
Changes in taxpayers' equity for 2018-19				
Net expenditure	SoCNE	(51,775)	–	–
Revaluation reserve movement		218	(218)	–
Revaluation gains	14 & 15	–	1,515	–
Capitalisation of land not previously recognised	14 & 15	27	–	–
Bequest reserve movement		61	–	(61)
Total recognised income and expense for 2018-19		(51,469)	1,297	(61)
Resource DEL grant-in-aid	4	50,718	–	–
Capital DEL grant-in-aid	4	880	–	–
Other cash funding received from Scottish Government	4	24	–	–
		51,622	–	–
Balance at 31 March 2019		22,034	3,877	–
Changes in taxpayers' equity for 2019-20				
Net expenditure	SoCNE	(56,243)	–	–
Revaluation reserve movement		145	(145)	–
Revaluation gains	14 & 15	–	299	–
Capitalisation of land not previously recognised	14 & 15	737	–	–
Total recognised income and expense for 2019-20		(55,361)	4,031	–
Resource DEL grant-in-aid	4	54,442	–	–
Capital DEL grant-in-aid	4	1,241	–	–
		55,683	–	–
Balance at 31 March 2020		22,356	4,031	–

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 73 to 93 form part of these accounts

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 2019/20 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 2020/21 and consider that SNH 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 29 and the budget allocation for 2020/21 can be seen at <https://www.nature.scot/about-snh/our-work/how-our-work-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 Scottish Natural Heritage (SNH) for the purpose of giving a true and fair view has been selected. The particular policies adopted by SNH 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 provided information on the uncertainty surrounding the impacts that Covid-19 may have on property markets.

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, SNH 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

SNH classify 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 7.1.31 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'. SNH's heritage assets are held by SNH 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 SNH we have identified two types of Heritage Assets which are accounted for as follows:

Heritage Land

On its creation in 1992, SNH took over stewardship of land, either in the form of ownership or through leasehold interest, from the Nature Conservancy Council for Scotland. These are held in support of our primary objective to look after all of Scotland's nature and landscapes, across all of Scotland for everyone.

These holdings at 31 March 2020 extended to 41,770 hectares. This land is owned or leased by SNH and managed as or associated with the management of national nature reserves (NNR) or SNH 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.

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 SNH 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. SNH reviews the inventory of antiques for accuracy on an annual basis.

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 SNH 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 0.50% (2018/19: 0.29%). Where discounting is used, the carrying amount of a provision increases in each year to reflect the passage of time. This charge 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

SNH 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 SNH'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 SNH 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

SNH 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 SNH 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 2020 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 SNH 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.

SNH 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, SNH 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 SNH leases are leases where substantially all the risks and benefits of ownership of the asset have not transferred to SNH 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. SNH 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. SNH'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 SNH's operating costs reduced accordingly.

2.16 Impairment of Non-financial Assets

SNH 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

SNH 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 SNH will be unable to collect an amount due in accordance with agreed terms. Trade and other payables are recognised at fair value.

2.19 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.

The outbreak of COVID-19, declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets meaning there is an unprecedented set of circumstances on which to base a judgement. Attention is drawn to note 15 where the Valuation Office Agency provides information on the uncertainty surrounding the impact that Covid-19 may have on property valuations. The valuer's report has been used to inform the measurement of assets in these financial statements. 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 2020. Other than estimates and assumptions relating to provisions as stated in accounting policy at 2.7 above, no other material estimates or judgements were made by SNH 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 SNH, but not 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 January 2019 to those beginning 1 April 2021. This standard specifies how to recognise, measure, present and disclose leases. Adoption of this standard in 2021/22 will necessitate recognising a right of use asset category within property, plant and equipment representing SNH's right to use the underlying leased asset and a lease liability representing SNH's obligation to make lease payments for the asset as at 1 April 2021. 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 £0.007m. Right of Use assets totalling £1.590m and will be brought onto the Statement of Financial Position, with an associated lease liability of £1.590m.

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. SNH reports segmental information based on the four outcomes agreed by Senior Leadership Team as effective areas of work to best achieve the organisations goals and objectives. The accounting policies of the reportable outcomes are the same as those accounting policies described in note 2.

During 2019/20 SNH 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 2020.

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	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)
Total income	(786)	(227)	(887)	(1,153)	(3,053)
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
Total operating expenditure	7,877	11,293	23,147	16,979	59,296
Net operating expenditure	7,091	11,066	22,260	15,826	56,243
Interest receivable	–	–	–	(16)	(16)
Net expenditure after interest	7,091	11,066	22,260	15,810	56,227
Corporation tax	–	–	–	16	16
Net expenditure	7,091	11,066	22,260	15,826	56,243
Capital additions (excluding non-operational asset additions)	557	2	6	758	1,323
Non-operational asset additions	737	–	–	–	737
Capital asset additions	1,294	2	6	758	2,060

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

3. Segment Information (continued)

	Outcome 1	Outcome 2	Outcome 3	Outcome 4	Total of operating segments
Year ended 31 March 2019	£000	£000	£000	£000	£000
Income					
External funding	(352)	(148)	(588)	(75)	(1,163)
Income from activities	(212)	(10)	(5)	(979)	(1,206)
EU Funding	(198)	(120)	(363)	–	(681)
Profit on disposal of non-current assets	(1)	–	–	(12)	(13)
Total income	(763)	(278)	(956)	(1,066)	(3,063)
Expenditure					
Staff costs	3,177	4,385	8,623	11,068	27,253
Other costs	461	215	916	6,094	7,686
Operating costs	3,597	2,671	10,561	1,331	18,160
Capital grant in kind	25	–	–	–	25
Decrease in provisions	–	–	–	(4)	(4)
Depreciation of property, plant and equipment	–	–	–	1,697	1,697
Amortisation of intangible assets	–	–	–	165	165
Revaluation gains on property, plant and equipment	–	–	–	(131)	(131)
Total operating expenditure	7,260	7,271	20,100	20,220	54,851
Net operating expenditure	6,497	6,993	19,144	19,154	51,788
Interest receivable	–	–	–	(13)	(13)
Net expenditure after interest	6,497	6,993	19,144	19,141	51,775
Corporation tax	–	–	–	–	–
Net expenditure	6,497	6,993	19,144	19,141	51,775
Capital additions (including non-operational asset additions)	311	21	34	627	993

4. Cash Grant-in-aid

Total cash grant-in-aid drawn down from the Scottish Government in 2019/20 was £55.683m (2018/19: £51.598m). This included ring-fenced cash grant-in-aid within SNH's operating budget for a JNCC grant of £1.019m (2018/19: £1.054m) and Peatlands Action funding of £10.000m (2018/19: £7.600m).

	2019-20 £000	2018-19 £000
Resource DEL grant-in-aid	54,442	50,718
Capital DEL grant-in-aid	1,241	880
	55,683	51,598
Other cash funding	–	24

Scottish Government previously provided cash funding to fund the relocation provision expenditure in any year (note 23). This provision ended in 2018/19.

5. External Funding

	2019-20 £000	2018-19 £000
Partnership and other grant income	794	1,022
Other external funding	344	141
	1,138	1,163

6. Income from Activities

	2019-20 £000	2018-19 £000
Professional services	18	87
Managing resources	1,035	876
Other income from activities	158	243
	1,211	1,206

Professional services are a demand driven activity and includes providing services to other public sector bodies; there has been less demand in 2019/20. Managing resources includes income derived from property and site use.

7. Profit on Disposal of Non-current Assets

	2019-20 £000	2018-19 £000
Profit on disposal of non-current assets	70	13

The total proceeds from the sale of property, plant and equipment were £0.104m (2018/19: £0.057m).

8. Staff Costs

Staff costs for 2019/20 were £28.700m (2018/19: £27.253m). Further analysis of these costs is shown within the Accountability Report on page 59. The increase in staff costs is due to the impacts of increased employer pension costs and the 2019/20 pay award.

9. Interest Receivable

	2019-20 £000	2018-19 £000
Bank interest	16	13

10. Green Infrastructure Strategic Intervention

SNH 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. SNH acts as an agent for Scottish Government (SG) in that the ultimate approval of claims comes from SG who only then forwards funding to SNH to enable the claim to be paid. The balance due from SG at 31 March 2020 is reflected within receivables:

	2019-20 £000	2018-19 £000
Relating to third party claims		
Claims receivable from SG at 1 April 2019	40	–
Claims paid out by SNH in 2019/20	139	47
Cash received from Scottish Government relating to claims	–	(7)
Amounts receivable from Scottish Government at 31 March 2020	179	40

SNH 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

	2019-20 £000	2018-19 £000
Staff related costs	467	435
Office and other accommodation	2,565	2,530
Travel	661	737
Communications	1,556	1,327
Supplies and services	1,115	1,282
Vehicle costs	325	338
Consultancy costs	487	980
Audit fee payable to Audit Scotland	58	57
	7,234	7,686

The above costs include operating leases amounting to £0.757m (2018/19: £0.679m). The audit fee to Audit Scotland for the year was £57,730 (2018/19: £56,980).

12. Operating Costs

	2019-20 £000	2018-19 £000
Promotion	660	561
Research	4,701	3,574
Grants	10,370	8,408
Partnership funding	1,328	1,451
Management agreements	2,134	2,251
Managed sites	1,941	1,915
	21,134	18,160

Operating costs include European Union funded expenditure amounting to £0.059m (2018/19: £0.205m). The grants figure of £10.370m includes ring-fenced funding to JNCC of £1.019m (2018/19: £1.054m) and the majority of the increase from 2018/19 to 2019/20 in grant expenditure relates to Peatland Action grants.

Grant and partnership funding expenditure of £11.698m (2018/19: £9.859m), comprises £3.047m grants made to the public sector and £8.651m to the private and third sectors.

13. Corporation Tax

	2019-20 £000	2018-19 £000
Corporation tax	16	–

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

14. Heritage Assets

	Heritage land £000	Heritage building £000	Antiques and works of art £000	Total heritage assets £000
Year ended 31 March 2020				
Cost or valuation				
At 1 April 2019	81	–	792	873
Additions	1	1	–	2
Recognition of non-operational assets	710	–	–	710
Reclassification	11	–	–	11
Revaluation gains	4	14	–	18
At 31 March 2020	807	15	792	1,614

The recognition of non-operational assets comprises the recognition of heritage land as follows: £0.650m Glencripesdale Nature Reserve and £0.060m Dunnet Forest Nature Reserve. This is in accordance with SNH's accounting policy note 2.4.

	Heritage land £000	Heritage building £000	Antiques and works of art £000	Total heritage assets £000
Year ended 31 March 2019				
Cost or valuation				
At 1 April 2018	81	–	792	873
Additions	–	–	–	–
Recognition of non-operational assets	25	–	–	25
Disposals – capital grant	(25)	–	–	(25)
At 31 March 2019	81	–	792	873

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

14.1 Heritage Land

At 31 March 2020 41,770 hectares (ha) of heritage land were either owned or leased by SNH. 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

	2019-20 ha	2018-19 ha	2017-18 ha	2016-17 ha	2015-16 ha
Holdings owned b/f	34,363	35,420	35,421	35,421	35,421
Holdings leased b/f	7,404	7,605	7,571	7,571	7,656
Adjustments	–	(14)	(1)	–	–
Total Holdings b/f	41,767	43,011	42,991	42,992	43,077
Acquisitions					
Land – owned	3	–	–	–	–
Land – leased	–	–	488	–	–
Total acquisitions	3	–	488	–	–
Disposals					
Land – owned	–	(1,043)	–	–	–
Land – leased	–	(201)	(454)	–	(85)
Total disposals	–	(1,244)	(454)	–	(85)
Holdings owned c/f	34,366	34,363	35,420	35,421	35,421
Holdings leased c/f	7,404	7,404	7,605	7,571	7,571
Total holdings c/f	41,770	41,767	43,025	42,992	42,992

In September 2019 SNH concluded the acquisition of two old fishing bothies and 2.76 ha of associated ground at St Cyrus NNR for £1 from the Esk District Salmon Fishery Board. The ground includes areas of sand dunes within the SSSI.

There were no acquisitions of leased heritage land by SNH in 2019/20.

There were no disposals of owned or leased heritage land by SNH in 2019/20.

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

Management of the Natural Heritage

We manage our NNRs to maintain or restore their nature conservation interests to the best achievable condition. Our management on NNRs 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.

Property Management

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 2021. An annual reconciliation of the collection (carried out by staff) in 2019/20 financial year has demonstrated no loss of assets in this period.

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.

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 SNH, although for the 2020 season it is anticipated no tours will take place due to Covid-19. Ultimately the future of the collection is linked to the future of the building itself, which is still currently being explored.

15. Property, Plant and Equipment

Purchases of total property, plant and equipment in the schedule of £1.107m (2018/19: £0.954m) appear in the cash flow statement as £1.132m 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
Cost or valuation											
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
Depreciation											
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)
Net Book Value at 31 March 2020	2,397	19,256	641	201	474	642	780	312	–	39	24,742
Net Book Value at 31 March 2019	2,381	19,424	623	218	181	868	840	254	–	275	25,064

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 SNH, has made the following comments within their valuation report for 2019/20 accounts:

“The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial

markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuations 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 these properties under frequent review." SNH intends to follow up with the Valuation Office Agency during 2020/21 to discuss any emerging impacts and if necessary, we will instruct that a full desktop valuation is undertaken for the 2020/21 annual accounts.

	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
Cost or valuation											
At 1 April 2018	2,418	19,760	528	406	1,236	3,445	2,410	1,915	1,611	12	33,741
Additions	–	87	–	–	24	246	212	81	–	304	954
Capitalisation of land not previously recognised	2	–	–	–	–	–	–	–	–	–	2
Disposals	–	(23)	–	–	(31)	(583)	(264)	(411)	(24)	–	(1,336)
Reclassification	–	(61)	76	–	19	–	–	7	–	(41)	–
Revaluation gains	49	171	19	(188)	–	–	13	–	–	–	64
Revaluation losses	(88)	(510)	–	–	–	–	–	(3)	–	–	(601)
At 31 March 2019	2,381	19,424	623	218	1,248	3,108	2,371	1,589	1,587	275	32,824
Depreciation											
At 1 April 2018	–	(973)	(72)	(299)	(1,052)	(2,388)	(1,466)	(1,680)	(1,611)	–	(9,541)
Charge for year	–	(819)	(22)	(8)	(46)	(427)	(307)	(68)	–	–	(1,697)
Disposals	–	4	–	–	31	575	250	410	24	–	1,294
Reclassification	–	19	(19)	–	–	–	–	–	–	–	–
Revaluation gains	–	1,557	113	307	–	–	(8)	–	–	–	1,969
Revaluation losses	–	212	–	–	–	–	–	3	–	–	215
At 31 March 2019	–	–	–	–	(1,067)	(2,240)	(1,531)	(1,335)	(1,587)	–	(7,760)
Net Book Value at 31 March 2019	2,381	19,424	623	218	181	868	840	254	–	275	25,064

16. Revaluation Losses

At 31 March 2020, the 25% review of land and property was undertaken by District Valuers of the Valuation Office Agency. This resulted in revaluation losses of £0.185m (2018/19: £0.386m). In addition, prior year revaluation losses of £0.081m were reversed resulting in the revaluation loss of £0.104m (2018/19: £0.131m gain) as shown in the statement of comprehensive net expenditure.

17. Intangible Assets

Purchases of total intangible assets in the schedule of £0.215m (2018/19: £0.012m) appears in the cash flow statement as £0.215m 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
Cost or valuation				
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
Amortisation				
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)
Net Book Value at 31 March 2020	44	210	45	299
Net Book Value at 31 March 2019	192	3	112	307

	Internally developed software £000	Internally developed software AUC £000	Software licences £000	Total intangible assets £000
Cost or valuation				
At 1 April 2018	1,368	–	1,090	2,458
Additions	–	3	9	12
Disposals	(216)	–	(55)	(271)
Reclassification	–	–	–	–
At 31 March 2019	1,152	3	1,044	2,199
Amortisation				
At 31 March 2018	(1,095)	–	(900)	(1,995)
Charge for year	(79)	–	(86)	(165)
Disposals	214	–	54	268
At 31 March 2019	(960)	–	(932)	(1,892)
Net Book Value at 31 March 2019	192	3	112	307
Net Book Value at 31 March 2018	273	–	190	463

18.1 Trade and Other Receivables

	2019-20 £000	2018-19 £000
Trade receivables	236	220
Other receivables	18	20
Prepayments and accrued income	395	428
Claims due from European funding sources	932	569
Other funding claims	301	372
	1,882	1,609
Trade and other receivables falling due after one year	–	–
Trade and other receivables	1,882	1,609

There are no bad debt impairments in trade and other receivables at 31 March 2020 (2018/19: £0.014m)

18.2 Whole of Government Accounts Trade and Other Receivable Balances

	2019-20 £000	2018-19* £000
Comprising balances with:		
Other central government bodies	1,174	752
Local authorities	111	48
	1,285	800
All other trade and other receivables	597	809
	1,882	1,609

*Restated prior year's figures to conform with current year's presentation.

19. Cash and Cash Equivalents

	2019-20 £000	2018-19 £000
Cash and cash equivalents	6,408	5,776
European Commission and partnership funds received in advance	190	189
	6,598	5,965

Cash at bank earns interest at the floating interest rate linked to base rate within commercial bank accounts. No accounts are held with the Government Banking Services.

20.1 Trade and Other Payables

	2019-20 £000	2018-19 £000
Trade payables	597	493
Accruals and deferred income	7,067	6,635
Other tax and social security	512	525
VAT payable	92	77
Project funds and deposits in advance	106	105
	8,374	7,835
Trade and other payables falling due after one year	(18)	(26)
Trade and other payables falling due within one year	8,356	7,809

The increase in trade and other payables of £0.539m (2018/19: increase of £1.297m) is shown in the statement of cash flows as an increase of £0.566m (2018/19: increase of £1.354m) 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 (2018/19: £0.009m) has been released from the accrual.

20.2 Whole of Government Accounts Trade and Other Payable Balances due within one year

	2019-20 £000	2018-19 £000
Comprising balances with:		
Other central government bodies	2,167	1,801
Local authorities	200	130
	2,367	1,931
All other trade and other payables	5,989	5,878
	8,356	7,809

21. Provision for Dilapidations, Onerous Leases and Other Provisions

	2019-20 £000	2018-19 £000
Opening balance at 1 April 2019	64	80
Increase to provisions during the year	315	–
Expenditure in the year charged against the provision	(9)	(16)
	370	64
Closing balance at 31 March 2020 falling due within one year	(79)	(44)
Closing balance at 31 March 2020 falling due after one year	291	20

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

22. Provision for Payment of Pension to Early Retirees

	2019-20 £000	2018-19 £000
Opening balance at 1 April 2019	8	19
Expenditure in the year charged against the provision	(4)	(11)
Closing balance at 31 March 2020 falling due within one year	4	8
Closing balance at 31 March 2020 falling due after one year	4	(4)
	-	4

23. Provisions for Relocation Liabilities and Charges

	2019-20 £000	2018-19 £000
Opening balance at 1 April 2019	-	27
Increase(decrease) to provisions (including impact of increase in discount rate)	-	(3)
Expenditure in the year charged against the provision	-	(24)
	-	-

24. Commitments Due and Receivable Under Operating Leases

24.1 At 31 March 2020, SNH had the following future minimum lease payments under non-cancellable operating leases:

	2019-20				2018-19			
	Land £000	Buildings £000	Other £000	Total £000	Land £000	Buildings £000	Other £000	Total £000
Expiry within:								
One year	40	666	58	764	37	608	41	686
Two to five years	158	1,279	29	1,466	149	1,367	56	1,572
After five years	162	103	26	291	187	209	27	423
	360	2,048	113	2,521	373	2,184	124	2,681

24.2 At 31 March 2020, SNH 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.

	2019-20			2018-19		
	Buildings £000	Land £000	Total £000	Buildings £000	Land £000	Total £000
Expiry within:						
One year	534	12	546	458	13	471
Two to five years	1,040	50	1,090	985	52	1,037
After five years	980	211	1,191	933	236	1,169
	2,554	273	2,827	2,376	301	2,677

25. Capital and Other Commitments

25.1 Capital

As at 31 March 2020 SNH had various commitments for spend under its future capital programme for 2020/21 totalling £1.039m (2019/20: £0.977m). This expenditure fell into the following categories:

	2019-20			2018-19		
	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	186	835	1,021	248	665	913
Intangible assets	13	–	13	64	–	64
Heritage assets	–	5	5	–	–	–
	199	840	1,039	312	665	977

SNH are also due contributions totalling £0.145m towards the above capital commitments.

25.2 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:

	2019-20 £000	2018-19 £000
Payable within 1 year	314	393
Payable in 2-5 years	846	913
Payable after 5 years	1,809	1,959
	2,969	3,265

25.3 Grants

Forward commitments on grants accepted or offered as at 31 March 2020 covering the years up to and including 31 March 2024 are as follows:

	2019-20 £000	2018-19 £000
Payable within 1 year	4,265	2,382
Payable in 2-5 years	151	239
	4,416	2,621

26. 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 SNH becoming involved in legal proceedings. At this time we are progressing through preliminary stages and have no definite clarity on timescales or any potential costs.

27. Events After Reporting Date

There are no events after the reporting date that requires adjustment or disclosure.

28. Related Party Transactions

SNH 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, SNH 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

SNH 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 SNH.

29. Financial Instruments

SNH resource requirements are met from Scottish Government via the annual grant-in-aid provision and from other income generated from activities. SNH 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, SNH holds no financial instruments. Because of the nature of its activities and the way in which SNH is financed, SNH is not exposed to the degree of financial risk faced by business entities.

	Floating interest rate (linked to base rate) £000	Non interest bearing £000	Total £000
Trade and other receivables	–	1,882	1,882
Cash at bank and in hand	6,598	–	6,598
Total financial assets	6,598	1,882	8,480
Trade and other payables	–	8,374	8,374
Total financial liabilities	–	8,374	8,374

Liquidity Risk

Scottish Ministers make provision for SNH'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 SGEFD and SNH to operate for the financial year. SNH 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 SNH are currency risk and interest rate risk.

SNH 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, SNH has no power to borrow and all surplus funds are held in interest bearing deposit accounts. SNH 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. SNH 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 (FRM) 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

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