

Annual Report and Accounts Aithisg Bhliadhnaile agus Cunntasan 2022-2023



NatureScot
NàdarAlba

Scotland's Nature Agency
Buidheann Nàdair na h-Alba

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



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Performance
Report

Foreword

NatureScot aims to secure a nature-rich future for Scotland. We will do that by protecting, restoring and valuing nature. This annual report shows our mission-critical progress.

The scale of the challenge to turn around the nature-climate emergency can feel daunting. There is a chasm between where we are now and where we need to get to. The abundance of Scotland's wildlife is still - by and large - showing a significant downward trend. Stopping the decline by 2030 is essential if we are to substantially regenerate our biodiversity by 2045. Both are Scottish Government objectives.

Yet, we must bend that biodiversity curve upwards, especially as our economy cannot function without the natural world, and we will not thrive unless nature thrives. We will not hit net zero, nor deal with the unavoidable impact of climate change, without nature restored. We are working hard with a wide range of partners to do just that.

This annual report - covering the first year of the Corporate Plan - showcases the enormous efforts of our employees. They are a talented group of passionate, dedicated experts who are driving a national endeavour to save nature in Scotland, at a time when public finances face severe pressure.

We believe progress is being made.

We are seeing interest in restoring nature increase and intensify. On the international stage at COP27 in Egypt, a healthy and thriving natural environment was recognised as essential to hitting net zero. Importantly, there was an international agreement in Montreal called the post-2020 Global Biodiversity Framework under the Convention on Biological Diversity. Scotland matched a commitment from that Framework to protect 30% of land and sea for nature by 2030. We also championed the Edinburgh Declaration, which called for international acknowledgement that sub-national administrations have a vital role to play.

There is much positive work being done by farmers, fishermen, land managers, local authorities and the voluntary sector in our towns, cities and rural areas.



Closer to home, we see these agreements playing out. We have an important role in the drafting of the Scottish Government’s renewed Scottish Biodiversity Strategy. We led consultations on 30x30 and at least one new National Park, supported engagement on enhanced marine protection and fed into an Agriculture Bill. We also saw passing of the Hunting with Dogs Bill and we look forward to supporting legislation on Wildlife Management and Muirburn through the Scottish Parliament later in 2023 and a Natural Environment Bill in 2024. Other Bills on land reform and the circular economy will also be important.

It’s also important to recognise the significant investment that the Scottish Government has committed to support nature: £250m for peatland restoration; £150m on woodland planting; and £65m for the Nature Restoration Fund.

In farming and crofting, we saw several initiatives to support the transition to nature friendly agriculture, including £44m of funding committed to successful applicants in the 2022 round of the Scottish Government’s Agri-Environment & Climate Scheme (AECS).

Wildlife management is a vital part of our work. We issued 4,225 licenses overall, helping to protect rare and vulnerable species, preventing damage to woodlands, agriculture and protect public safety. This work included a new policy on beaver translocations being implemented, with the transfer of a family of beavers to the Loch Lomond area. There was also a significant effort in working with deer management groups to reduce grazing pressure on our woodlands and peatlands, essential to both net zero and nature restoration.

It was also heartening to see many sectors across Scotland recognise the need to act decisively for nature. There is much positive work being done by farmers, fishermen, land managers, local authorities and the voluntary sector in our towns, cities and rural areas. These are sectors which can boast their own nature heroes, and for us there is the basis of a renewed partnership to secure a nature-rich future for Scotland.



Francesca Osowska Chief Executive



Mike Cantlay Chair (up to May 2023)



Colin Galbraith Chair (from June 2023)



[our employees] are a talented group of passionate, dedicated experts who are driving a national endeavour to save nature in Scotland.

Performance Overview



About NatureScot

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

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

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

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

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

In this work we aim to:

- Promote, care and improve Scotland's natural heritage,
- Help people to enjoy nature responsibly
- Enable a greater understanding and awareness of Nature
- Promote the sustainable use of Scotland's Natural heritage
- All of this work aims to provide Scotland with a nature-rich future and the essential benefits that flow from it.



Our Strategy

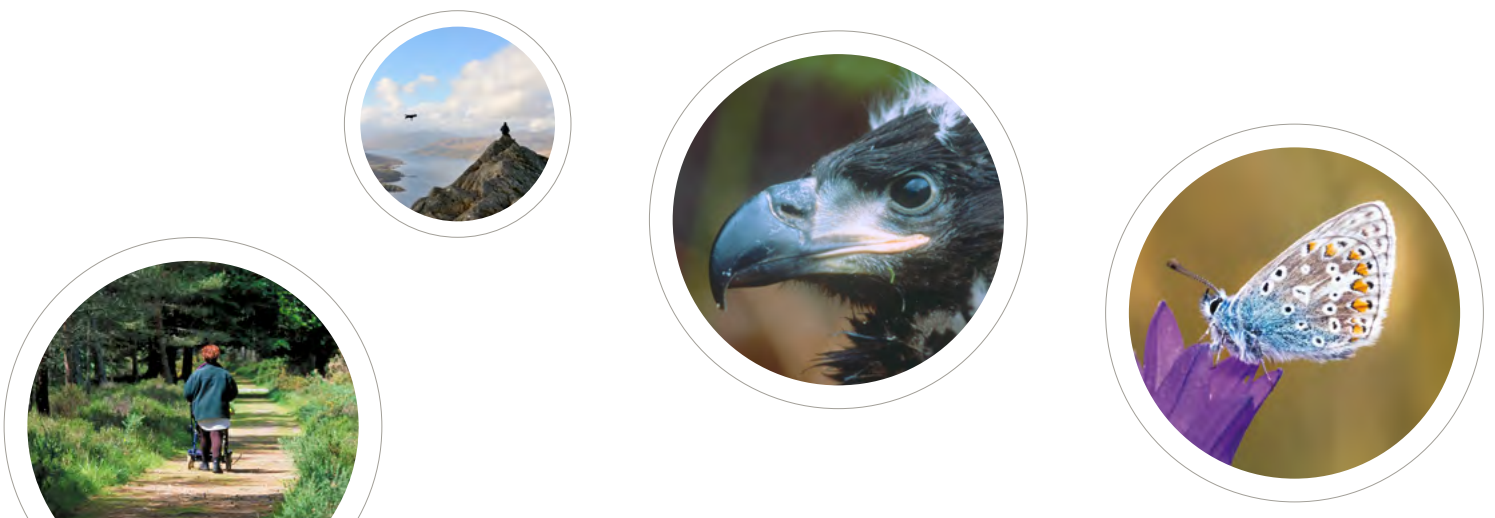
Our new Corporate Plan 2022-2026, “A Nature-Rich Future For All” sets out our four priorities and their outcomes to better help the Scottish people:

Protecting Nature Strengthened protection of existing biodiversity	Restoring Nature Halt the loss of biodiversity by 2030 and restore nature by 2045
Valuing Nature The value of nature is reflected throughout public and private sector policy, underpinning care for nature and investment towards a wellbeing economy	NatureScot Way Our passion, inspiration and expertise will put nature at the heart of Scotland's future

NatureScot delivers for Scotland through our Corporate Plan objectives with the detail on their delivery included in our annual Business Plan. Our work is structured across objective programmes through 7 Delivery teams and 8 Enabling Teams. This approach ensures employees from across the organisation collaboratively contribute to achieving our goals.



The priorities support the delivery of the two key strategic drivers outlined in Year One - A Nature-Rich Future for All, our Business Plan for 2022/23. These are:



Nature Crisis

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

Climate Change Emergency

Climate change and nature are intrinsically linked – climate change is one of the main drivers of nature loss, along with its other consequences such as changes in global weather patterns with more extreme weather events leading to impacts such as increased flooding. We lead through advocating transformational change in strategies for land and marine use. For peatlands, woodlands, grasslands, wetlands, soils, blue carbon and green infrastructure we have developed approaches to capture carbon, which allow us to adapt to climate change and enhance the state of nature. Internally we have also focused on reducing our own carbon emissions, showing we are committed to contributing to achieving net zero by 2035.

Supporting the National Performance Framework

The Scottish Government measures its progress in achieving its ambitions for Scotland through the National Performance Framework (NPF).

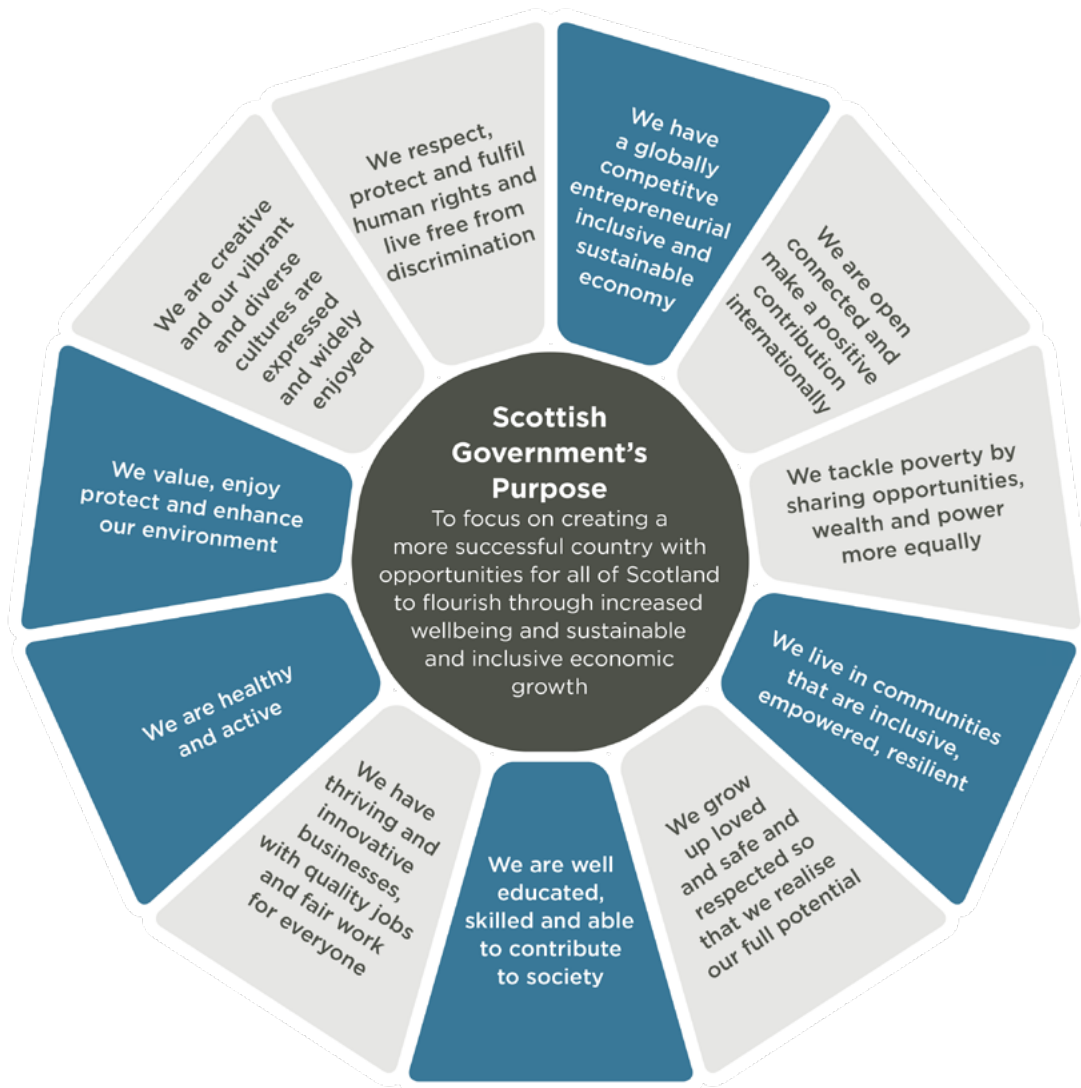
The framework sets out the aim for Scotland through 5 Strategic Objectives with 11 National Outcomes to help achieve its purpose. These describe the kind of Scotland the framework aims to create. The progress of these outcomes is measured through 81 National Indicators which give a measure of national wellbeing. They include a range of economic, social and environmental indicators. Our strategy aligns with the Scottish Government's National Performance Framework (NPF) which was revised in 2018.



“
Nature loss is a global and generational threat to human wellbeing and the health of the planet

National Outcomes

Our work – helping to deliver well-managed natural assets – also directly affects the delivery of at least 5 of the 11 National Outcomes.



Our contribution to the National Performance Framework

We lead on reporting against three Scottish Government National Indicators:

- **NI44:** Condition of protected nature sites
- **NI45:** Biodiversity: Terrestrial Abundance
- **NI46:** Natural Capital

We also contribute data and support to two other National Indicators:

- **NI43:** Visits to the outdoors
- **NI48:** Carbon footprint

You can learn more about these National Performance Indicators on the Scottish Government website <https://nationalperformance.gov.scot/measuring-progress/national-indicator-performance> where you can see the details of the indicators that we impact as well as others that are monitored to help improve Scotland.



Our
Performance

Key Facts and figures for 2022/23



Our Make Space for Nature Campaign encouraged **2.5 million people** (45.44% of the Scottish population) to take action by following our '10 ways to help wildlife' during each of the four seasons.

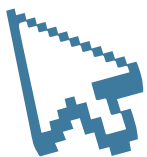
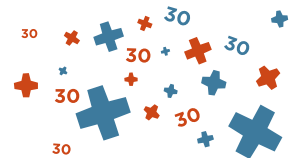
185 people from a range of sectors attended the Nature Restoration Jobs and Skills Conference.



The **Hermaness Nature reserve project** was delivered with funding of £0.562m (63%) from the Natural and Cultural Heritage Fund and VisitScotland's Rural Tourism and Infrastructure Fund making it more accessible and enhancing the visitor experience.



To help people understand what the challenge is, our work on 30x30 and Nature Networks saw the co-design process **engaging 316 people** from **130 organisations** and groups.



We had over **166.5k visitors** to the Scottish Outdoor Access Code (SOAC) website and over **400k page views** raising awareness to explore Scotland's great outdoors in a safe and responsible way.

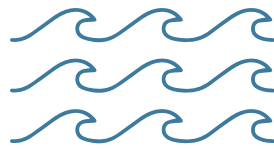
We developed portfolios of woodland and peatland projects that will attract investment of up to **£2bn** in landscape scale nature restoration that can restore and improve the natural environment.



Approximately **£44m of funding** has been committed to successful applicants in the 2022 round of the Scottish Government's Agri-Environment & Climate Scheme (AECS) which enhances nature and biodiversity through land management schemes.



Through leadership of the Scottish Marine Environment Enhancement Fund we distributed **£3 million of public funds to projects across Scotland** funding marine and coastal restoration.



Roughly **£1m** of AECS is likely to be spent on the **Improving Public Access (IPA)** option within AECS upgrading paths for public use.



Delivery of the **£1.4m Better Places Fund** supporting 94 seasonal rangers and 15 visitor operations employees, providing practical management of visitors in the outdoors.



We received **4,742 Licences and 269 trap registrations**. Issuing **4,225 licenses overall**, we are helping to protect rare and vulnerable species, preventing damage to woodlands, agriculture and protecting public safety. 517 licences were refused during 2022/23.



Over **500 people** took part in over 20 online and in person Nature Restoration Training Events demonstrating how nature can provide new opportunities for business and Scotland's workforce.



Peatlands - We have successfully invested **£10.3m to restore 5,000 ha** of peatland through our Peatland ACTION programme, improving the condition of bogs across Scotland to tackle climate change and improve biodiversity.

Our flagship ERDF Green Infrastructure Fund (GIF) provided **£1.7m** to two strategic projects that completed work in 2022/23 enabling **grant funding of £5.2m** delivering a wide range of ecosystem services, while also enhancing biodiversity.

Working with Others

Through the Facility for Investment Ready Nature in Scotland programme, in partnership with the National Lottery Heritage Fund, we have begun to stimulate investment of nearly £2m in a pipeline of projects seeking to access new nature-based markets in biodiversity and ecosystem services.

We continue to work with a range of partners on the Scottish Outdoor Access Code campaign – sharing messages promoting responsible behaviour to a wide audience.

In collaboration with NatureScot, the Botanical Society of Britain and Ireland published 'Plant Atlas 2020', a world-leading mapping project informed by 30 million new plant records across Britain and Ireland.

We have worked across Scotland with 7 established marine habitat restoration projects and provided guidance to around 25 organisations and coastal community groups interested in developing restoration of native oysters, seagrass and other habitats in their local areas.

Dynamic Coast project is managed by NatureScot, working with local authorities and utilising £11.7m of funding from Scottish Government, transforming the partnership approach to climate resilience and adaptation around Scotland's coast.

Working with Marine Directorate and Crown Estate Scotland, we formally launched the Scottish Marine Environmental Enhancement Fund to harness investment for work to restore nature in our coasts and seas.

With Visit Scotland, we have continued to lead the national co-ordination of the visitor management strategy, educating key audiences to enjoy our countryside responsibly.

The shared approach to wildlife management underpins our approach to stakeholder engagement. We have worked collaboratively with partners on deer, beavers, geese, sea eagles and a range of other key species to take forward work developing policy, licensing and best practice approaches delivering for climate and nature.

Working with the International Union for Conservation of Nature (IUCN) we led in developing the co-production of Scotland's Beaver Strategy. Development involved more than 50 stakeholder organisations with an implementation plan which sets out the goals, objectives and actions to be undertaken to deliver the strategy.

Our project on Piloting an Outcome Based Approach in Scotland (POBAS), funded by Scottish Government, is exploring the skills and capacity to enable land managers to consider some aspects of regenerative farming. We are involving farmers and crofters directly in testing the tools that we are developing to support their work to look after Scotland's nature.







Performance
Summary

As well as reporting on our contribution towards the National Performance Framework, we also monitor and report on our performance towards achieving our priorities – Protect, Restore, Value and the NatureScot Way.

Within our Corporate Plan, our priorities are broken down into programmes of work with milestones and indicators developed to evidence the progress towards delivering the ambitions of a Nature-Rich Future for All. These have been confirmed within our [2022/23 Year One Business Plan](#).


Protect

Objective	Status
Lead the delivery of 30% of land and sea being protected by 2030	
Build stronger collaboration reducing the impacts of deer and modernise our wildlife management and underpinning licencing functions to enable a net zero and nature positive future	
Engage and influence planning and other regulatory systems to ensure they deliver for nature and climate	
Influence the transformation of marine management through new marine planning, protection and fisheries management frameworks, and working with the marine renewable energy sector	

Restore

Objective	Status
Co-lead the production of the new Scottish Biodiversity Strategy and develop targets to include in a new Natural Environment Bill	
Scale up Peatland Restoration by delivering Peatland ACTION funding to projects	
Lead, enable and convene others around the development of ambitious and coherent actions to restore nature. Deliver a major Nature Restoration Fund targeted at high impact nature recovery projects and seeding greater investment from the private sector	
Demonstrate how agriculture can be transformed with new approaches to deliver targeted outcomes for nature and climate	

Value

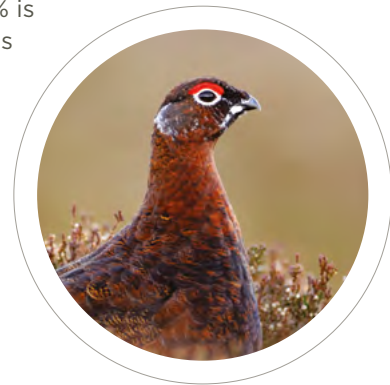
Objective	Status
Inspire people to connect with nature, increasing appreciation of nature's value through impactful delivery and communication of our work	
Influence the regulatory, policy, market and institutional infrastructure needed to stimulate private sector investment into nature	
Drive the establishment of Natural Capital as an integral part of public and private business planning and investment decisions at national, landscape and landholding/business scales	
Promote understanding and awareness of skills and capacity needs for the nature based sector	

NatureScot Way

Objective	Status
Deliver new ways of working to stimulate achievement of our ambitions	✔
Transform our individual and collective leadership capability	✔
Sustain our focus on developing a happy and resilient workforce	✔

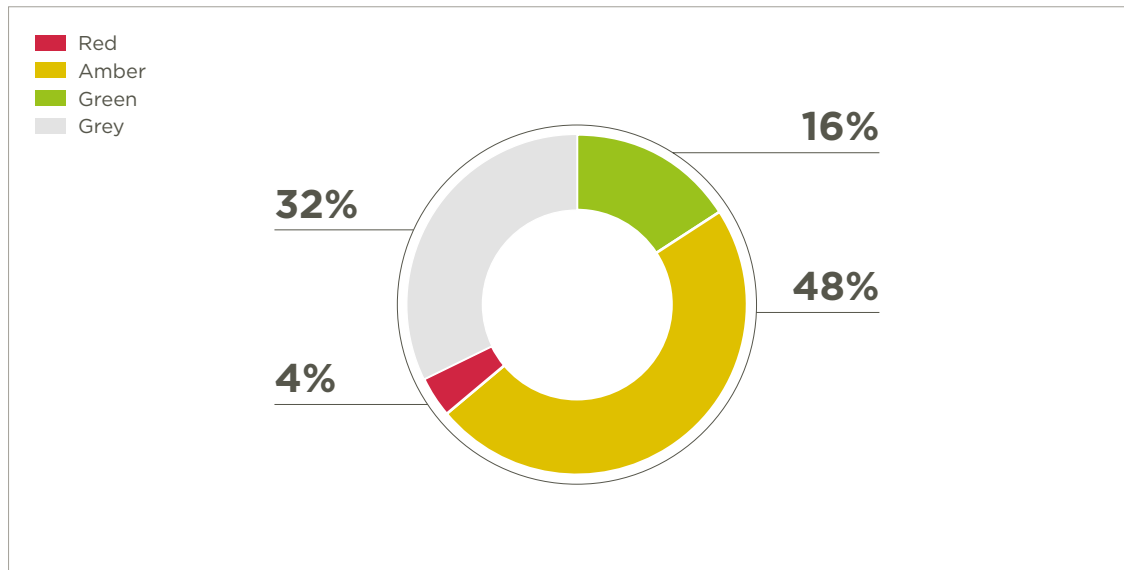
Key: ✔ Achieved/on-track ✖ Planned progress not fully achieved

14 of the 15 objectives were rated Green at the end of the year. Peatland Action was rated as planned progress not fully achieved. The programme delivered 20% more restoration than in 2021/22; the end year position of over 5,000ha is a huge achievement. Whilst 20% is a significant increase, it falls short of where we need to be to get onto the more ambitious restoration trajectory required.



Key Performance Indicators

We also track 25 indicators to provide further evidence of our progress against our Corporate Plan and Business Plan. Of the 25 indicators that sit under the priorities, 4 (16%) were rated Green, 12 (48%) were rated Amber and 1 (4%) was rated Red. With the implementation of a new Corporate Plan and new indicators to evidence performance, some indicators will not provide their first data point until 2023/24 (marked as grey). The focus for 2022/23 has been on development of policies and frameworks in these areas to provide the foundations for delivery in future years. There were eight (32%) of these indicators, marked as grey.



The indicators have been reviewed during the year as part of the 2023/24 planning round and changes have been reflected in the 2022-2026 Corporate Plan and the 2022/23 Business Plan. The changes to measures included were as a result of an inability to gather accurate and consistent data on those selected. The progress of those indicators, marked as grey, was covered through the qualitative reporting during the year. The progress of those rated amber and red is summarised. More details on our other indicators can be found in the [Performance Analysis](#) section.

Amber

- **Condition of protected sites** – We seek to improve this indicator through our work on the connectivity of land through nature networks and through our commitment to 30% of protected land by 2030.
- **Reducing Deer Numbers** – modernising deer management and our licensing approach will see more collaborative solutions to managing and reducing deer numbers, in turn reducing the impact on habitats.
- **More people visiting the outdoors** – A change in the approach to measurement as a result of the Covid-19 pandemic means that 2020/21 and 2021/22 are not comparable. We await the results of the 2022/23 Scottish Household Survey to confirm performance.
- **More people being aware of their responsibilities** – This shows minor improvement between 2020/21 and 2021/22 however we need 2022/23 data to be published to determine whether there is an improving trend.
- **National Nature Reserves Online Engagement** – A reduction over two quarters is anticipated during the winter months, however NatureScot will engage with Reserve teams where website activity has decreased to ensure that this is not a continuing trend.
- **Total Emission Reduction** – 2022/23 data will not be available until the Climate Change Report data is published during 2023/24. We expect this to reflect the impact of investment in our ambition to achieve net zero by 2035.
- **Awareness of NatureScot and role** – Although the percentage of awareness has risen, it is

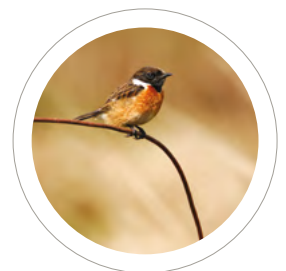
now back in line with previous trends rather than above. Our ongoing engagement work with Scottish Government evidences our effectiveness and leadership capability when delivering our role.

- **Reach in mainstream media** – These results continue the strong coverage trend of climate change and nature but are down during 2022/23 in line with expectations, due to all the media coverage of the avian influenza situation at its peak.
- **Impact of public facing campaigns** – The variations in quarters during 2022/23 are reflective of campaigns released early summer, therefore a reduction in numbers the following quarter was anticipated.
- **Workforce Diversity** – Over the financial year, compared to 2021/22, there has been an increase across all age ranges except 45-54 & 65+. The most significant increase was in the age range 25-34 with a change of 93 people. Disclosure however remains low and further campaigns to encourage disclosure are planned for 2023/24. We continue to focus on increasing opportunities within diverse communities as these figures remain relatively static.

Red

- **Woodland in favourable condition** – NatureScot is addressing the habitat condition reductions through the Scottish Biodiversity Strategy Delivery plan. They are predominantly grazing issues caused by deer populations.

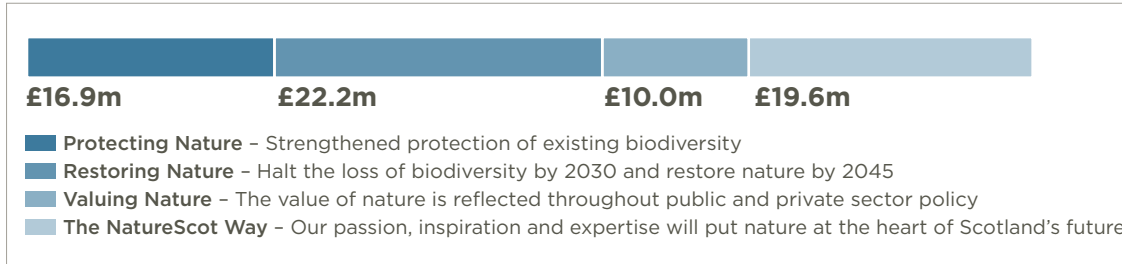
Our ongoing engagement work with Scottish Government evidences our effectiveness and leadership capability when delivering our role



Financial Highlights

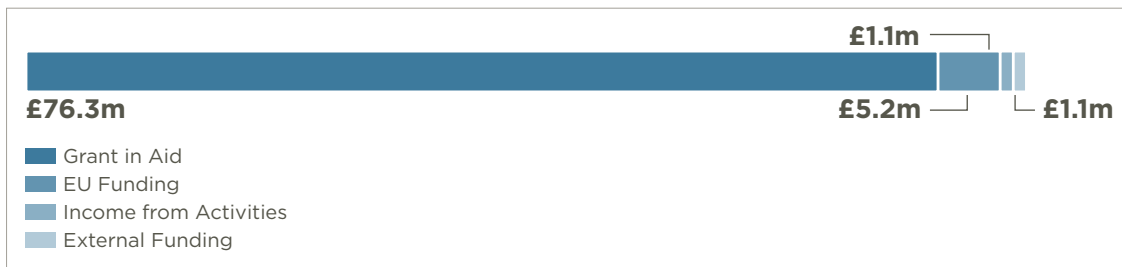
Net Spend by Priority

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



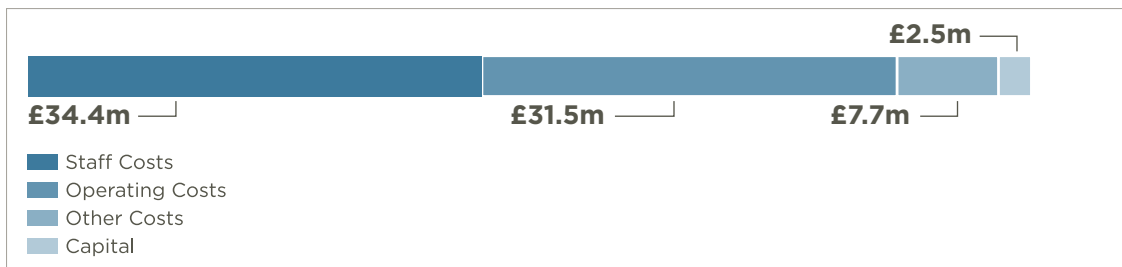
Income and Financing

NatureScot receives Grant-in-aid (GIA) from the Scottish Government to finance the majority of our activities. Income from activities ([financial statement note 6](#)), external funding ([financial statement notes 5, 8 and 10](#)) and EU funding ([financial statement note 3](#)) provide opportunities to undertake collaboration and to share services. Details showing the Out-turn against budgets are provided in the [Financial, Environmental and Social Summary](#) section of the [Performance Analysis report](#).



Expenditure

Staff costs were £34.4m ([financial statement note 3](#)), 45% of our total Departmental Expenditure Limit (DEL) budget. Whether through direct delivery or advising and supporting others to deliver, NatureScot's staff are at the heart of all our work ([financial statement note 9](#)). Operating costs ([financial statement note 13](#)) represent a range of expenditure incurred to accomplish our goals, including grants, research, managing national nature reserves (NNRs) and management agreements. Other costs ([financial statement note 12](#)) represent the running costs of the organisation to support the delivery of outcomes.



Key Risks

We manage our risks through a Corporate Risk Register. This ensures that risks to our ability to deliver our work are monitored throughout the year and reported to our Senior Leadership Team and Board on a regular basis. In 2022/23 there were seven key risks which were rated as high or very high during the year.

Future Funding of NatureScot

Risk

With pressures on public sector funding if we rely solely on grant-in-aid settlements, we may not be able to sustain resource delivery of agreed priorities, leading to failed outcomes and reputational damage.

Mitigation

We are actively seeking opportunities to increase funding through other sources such as private finance. Short, mid and long term financial plans are in place and used to consider potential financial scenarios and proposed solutions including ensuring delivery is prioritised in line with government priorities.



Computer Virus

Risk

With the ongoing risk of cyber-attacks, inadequate protection or inappropriate system use could have resulted in NatureScot systems becoming infected with a virus, resulting in systems and data being unavailable or corrupted, significant system downtime and major operational impacts.

Mitigation

Our cyber security team have proactively managed this throughout the year through strong security protocols and awareness raising for employees.



Wildlife Management – Our Ability to Influence Stakeholders

Risk

We work with others towards common goals for wildlife management to secure their co-operation to achieve planned outcomes for wildlife and nature.

Mitigation

We have continued to maintain close working relationships and engagement with stakeholders, ensuring communication plans for contentious projects and retaining the appropriate skill set of employees.



Structural Funds – failure of programme delivery and/or funding mechanism

Risk

A change to our delivery model during 2021/22, to bring us in line with other lead partners, has resulted in more financial exposure to ourselves and grantees involved in the fund.

Mitigation

There is regular liaison with the Managing Authority (MA) to ensure that the programme is continuing in a manner consistent with the requirements of grantees and EU audit. Robust controls and checks are also in place to provide assurance before submission to the MA.



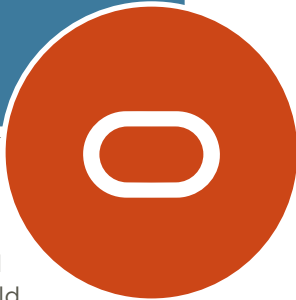
Lack of support for our key ERP system, Fusion

Risk

As a result of the specialised nature of Oracle FUSION, a lack of specialised resource and knowledge could result in the system processes and changing business needs being unable to be addressed, causing delays and payment challenges affecting all users.

Mitigation

Work towards building a FUSION team who can operate across Finance and HR modules and engage with other organisations who use FUSION to share knowledge and developments ensuring a more robust function.



Strategic Management and Integrity of Land Parcel Ownership/Management Contact Data

Risk

There is a need for more formal oversight and management of this data to maintain quality and adhere to ongoing legal requirements.

Mitigation

The data is being securely managed through our corporate system controls and via data sharing agreements. The data is being managed in line with ISO 27001 (Information security) and ISO 27201 (Personal Data) requirements.



Peatland Restoration target and budget

Risk

With a complex operating environment including a tight delivery deadline as a result of vulnerability to winter weather, there is the potential to be unable to deliver our restoration hectare targets or fully utilise the available budget.

Mitigation

Commitments to a multi-year settlement and future planning as well as strong controls supporting ongoing monitoring and reporting will seek to reduce this risk in future years.



A white Arctic hare is shown in profile, sitting on a snowy slope. The hare has long, upright ears and a thick white coat. The background is a soft, out-of-focus white, suggesting a snowy or misty environment. A large, white circular overlay is positioned in the center of the image, containing the text "Performance Analysis" in a dark blue, sans-serif font.

Performance
Analysis

Performance Analysis

Protecting Nature

Outcome: Strengthened protection of existing biodiversity

Lead the delivery of 30% of land and sea being protected by 2030

This past year, we have led the co-design of the approach to conserving at least 30% of land and sea by 2030, and establishing local Nature Networks in every Local Authority Area in Scotland. This process, involving 100 representative organisations and over 30 workshops has led to the development of Frameworks to guide delivery. These will be consulted on in 2023. For highly protected marine areas, we supported the Scottish Government’s consultation on proposals and draft selection guidelines with the Joint Nature Conservation Committee (JNCC), working towards the protection and recovery of marine ecosystems.

As part of the first phase of work to establish at least one new National Park by 2026, we provided advice to Scottish Ministers on the selection process for new National Parks and possible changes to the role and approach to National Parks to strengthen their contribution to tackling the nature-climate emergency including 30x30. After consultations in late 2022, which attracted around 240 responses and 150 people attending three online events, we presented our advice to Scottish Ministers in January 2023.

Result - People understand, promote and engage with marine protection commitments

Indicator	Trend	Performance
No. of restoration projects that we have provided advice for		Improving

Result - The condition of nature has improved across Scotland

Indicator	Trend	Performance
Condition of protected nature sites		Maintaining

Indicator	Trend	Performance
Area of Woodlands in Favourable Condition		Declining

This measure is declining as a result of sustained overgrazing, predominantly by deer. NatureScot is addressing these issues through the Scottish Biodiversity Strategy Delivery plan, through deer management planning and in collaboration with Scottish Forestry.

Build stronger collaboration reducing the impacts of deer and modernise our wildlife management and underpinning licencing functions to enable a net zero and nature positive future

The outbreak of Avian Influenza was a continuing theme through the year. The main species affected were gannets, skuas, geese and gulls, with losses in the tens of thousands. This devastating disease initially spread from captive birds to wild populations in the 1990s and has been circulating among captive and wild bird populations since. Once the disease gets into a population it is very difficult to control or eradicate it, with measures such as restricting access having little effect. The most effective controls in the long term are long-term conservation measures for affected populations with enhanced monitoring. Activities will continue to be overseen by Scotland's Avian Influenza Task Force, led by NatureScot.

The wildlife management shared approach principles have underpinned our work with stakeholders as we continue to facilitate living with wildlife. Our efforts on beavers have seen the publication of Scotland's Beaver Strategy, more trapping and translocation taking place, including within new catchments. Beaver populations continue to increase and expand in range.

We have worked with Scottish Government to establish a Deer Management Strategic Board, providing oversight of delivering the Deer Working Group Recommendations and future framework for deer management in Scotland. Our work on deer has focused on four work streams; on new primary and secondary legislation; the development of incentives for management; the application of effective regulation; and the setting of operational priorities for addressing deer impacts and reducing deer populations.

Our licencing functions are expanding to include provisions for Hunting with Dogs, with significant work being undertaken in preparation for the Wildlife Management (Grouse) Bill which includes further provisions for licencing grouse shooting, Muirburn and trapping. Our move to an online licencing service has progressed in line with developing the [Digital Scotland Service Standard](#) requirements.

Result - Deer populations have reduced

Indicator	Trend	Performance
Reducing Deer Numbers		Maintaining

Result - Licences are processed in accordance with our licencing standards

Indicator	Trend	Performance
No. of licence applications that have a turnaround time within standards	Indicator dataset available once new licencing system is implemented	N/A

Result - Beavers found in new catchments

Indicator	Trend	Performance
No. of catchments with established beaver population	Indicator developed during 2022/23 - first data point in 2023/24	N/A

There is no comparable information to present historic data for these measures. A new approach is being introduced for 2023/24 which will ensure consistency and comparability for future measurement.

Engage and influence planning and other regulatory systems to ensure they deliver for nature and climate

Our influence helped to put nature and climate at the centre of the 4th National Planning Framework (NPF4). We published ‘Developing with Nature’ guidance alongside NPF4 to support the step change sought from the planning system, from simply minimising impacts on nature, to delivering biodiversity enhancement. We have been working with SG and industry to clarify what that means and we continue to support SG’s work on how best to achieve our ambitions. This includes the possibility of establishing a biodiversity metric that will provide developers and planners with a clear approach that enables them to deliver enhancement with confidence.

We also prepared for the rollout of Informed Decision, an AI tool that will streamline the process for our planning and Sites of Special Scientific Interest (SSSI) consent customers. It will confirm whether they need to consult us, help them to provide the information that we need and help our case officers respond more swiftly.

Result - Nature is in a better state than before development

Indicator	Trend	Performance
No. of new Local Delivery Plans that have a clear intent toward the SBS and Biodiversity enhancement	New approach developing during 2023/24. This will be measureable in 2024.	N/A

Influence the transformation of marine management through new marine planning, protection and fisheries management frameworks, and working with the marine renewable energy sector

Working with Marine Scotland Directorate and Crown Estate Scotland, we formally launched the Scottish Marine Environmental Enhancement Fund to harness investment for work to restore nature on our coasts and seas. We have distributed around £3 million of public funds to marine enhancement projects across Scotland, having created a robust governance structure and due diligence process. With support from marine sectors, especially the offshore wind industry, we have recently completed our first privately funded grant round of almost £0.300m. We worked with ScotWind developers and the Innovation and Targeted Oil and Gas (INTOG) leasing round to influence outcomes for nature.

Result - We can help meet net zero targets through marine renewable energy avoiding major impacts on nature

Indicator	Trend	Performance
No. of marine renewable energy consultation where we have provided advice on avoiding impacts on nature	Indicator developed during 2022/23 - first data point in 2023/24	N/A

Restoring Nature

Outcome: Halt the loss of biodiversity by 2030 and restore nature by 2045

Co-lead the production of the new Scottish Biodiversity Strategy and develop targets to include in a new Natural Environment Bill

We led the development and delivery of the new Scottish Biodiversity Strategy including consultation on the vision and outcomes leading to a further consultation on the associated delivery plans, which will continue into 2023. We especially value the contributions from young people. The Strategy will reflect the Global Biodiversity Framework agreed in Montreal in December 2022. Metrics are being developed with Scottish Government to evidence the delivery of the strategy after publication.

Scale up Peatland Restoration by delivering Peatland ACTION funding to projects

2022/23 saw 5,000 ha of degraded peatland habitat on the road to recovery – a 20% increase from 2021/22. We also laid the foundations for an increased pace and scale of peatland restoration in 2023/24 by promoting the broad benefits of restoration to a range of stakeholders, providing new technical and operational guidance on how to restore and thorough training almost 600 contractors in peatland restoration skills. Delivering our programme included expanding our network of project officers to initiate design and development of new projects, and through development of a monitoring strategy and piloting a new monitoring network, we are now able to assess the success of our restoration.

Result - We have reduced biodiversity loss

Indicator	Trend	Performance
Area (hectares) of Peatland on Road to Recovery		Improving

Lead, enable and convene others around the development of ambitious and coherent actions to restore nature. Deliver a major Nature Restoration Fund targeted at high impact nature recovery projects and seeding greater investment from the private sector

The Nature Restoration Fund has so far secured considerable improvements for habitats and species. During 2022-23 we awarded funding to 78 projects, totalling £12.9m worth of investments in nature. For the first time this included development funding to help 23 big restoration projects plan and research their project before groundworks begin, addressing a key capacity gap in the sector. In addition, we allocated £1.3m to local delivery, aligning with the [Edinburgh Declaration](#), which emphasises the key role of local delivery of global biodiversity targets.

The Nature Restoration Fund is divided into two funding streams: the Transforming Nature element for large scale projects in excess of £250,000 awarded funding to 32 projects in 2022/23, and the Helping Nature element for projects between £25,000 and £250,000 which awarded funding to 46 new projects. Since its launch in July 2021, the NRF has awarded around £17m to projects across Scotland through these two funding streams.

Result - We have increased investment for nature restoration


Indicator	Trend	Performance
Area (hectares) Improved for habitats and species through the nature restoration fund.	A change to multi-year projects means there is no comparable data points prior to 2023/24.	N/A 

Demonstrate how agriculture can be transformed with new approaches to deliver targeted outcomes for nature and climate

To help farmers and crofters assess the condition of key farmland habitats and nature outcomes in seven farm and croft clusters across Scotland, we continued to develop and test a series of scorecards. Results from these trials have been used to develop a biodiversity audit process to inform the future rural support framework and the development of [enhanced conditionality measures](#). This enables links to a stronger set of mandatory requirements, for nature and climate, that are being tested under the Agriculture Reform National Test Programme.

Alongside this, our work delivering the Piloting an Outcome Based Approach in Scotland (POBAS), supports delivery of net zero through a just transition by developing the skills and capacity to enable land managers to shift to regenerative farming.

Result - Land managers are motivated to take action to improve nature and climate

Indicator	Trend	Performance
No. of farmers and crofters that have successfully applied to the ACES scheme or have a management agreement with NatureScot after utilising a biodiversity audit	New process developed during 2022/23 - first data point 2023/24	N/A 

Valuing Nature

Outcome: The value of nature is reflected throughout public and private sector policy, underpinning care for nature and investment towards a wellbeing economy

Inspire people to connect with nature, increasing appreciation of nature’s value through impactful delivery and communication of our work

The reach of Our Make Space for Nature campaign continues to grow with web page visits totalling 104,840 over the year, with each seasonal phase achieving a high average dwell time, consistently sitting at around 9 minutes. We also delivered an expanded SOAC campaign and refreshed resources for schools were launched, with summer radio activity reaching over 1.3m adults and social media (paid-for) achieving over 1.8 million impressions.

We supported the development and implementation of the NHS Climate Emergency and Sustainability Strategy, including work on the mapping and natural capital assessment of the greenspace and biodiversity of the NHS estate. Evaluation of the Green Health Partnerships continues to show how their pioneering approach has increased the use of nature-based solutions in health practice, with over 550 opportunities for green health activities provided and more than 11,500 health and social care employees engaged during the first three years of the pilots.

We contributed to the Scottish Government’s review of Learning for Sustainability Action Plan and published research on the provision of outdoor learning in early years and schools settings – the latter showing significant decline from previous surveys. We piloted work in Dundee, South Lanarkshire and elsewhere to develop outdoor learning practice and a new digital nature mapping tool for schools.

The European Regional Development Fund (ERDF) Green Infrastructure Fund (GIF) provided £1.7 million to two more projects that completed work in 2022/23: Cuningar Loop in South Lanarkshire, and Middlefield In Aberdeen. The grant enabled a total for £5.2 million investment in nature-based solutions to adapt to climate change and improve the quality, quantity and accessibility of well-managed greenspace in some of Scotland’s most deprived areas, supporting our just transition to a fairer, greener future for all.

Result – More people visit nature

Indicator	Trend	Performance
More people reporting to have visited the outdoors more frequently*		Maintaining

**This indicator has been marked as maintaining due a change in measurement approach in 2020. 2022 will return to face to face interviewing and therefore those results are not comparable with the approach used in 2020 and 2021 in place due to Covid-19.*

Indicator	Trend	Performance
Hectares of Green Infrastructure Improved*		Improving

Result - More people who visit nature understand their responsibilities

Indicator	Trend	Performance
More people are aware of their responsibilities (SOAC)*	<p>2022: 20% 2021: 19%</p>	Maintaining

*2022/23 data will not be available until after the publication of the Annual Report and Accounts

Indicator	Trend	Performance
National Nature Reserves Online Engagement	<p>2020/21, 2021/22, 2022/23 (million)</p>	Maintaining

There has been a drop in online engagement in the final 6 months of 2022/23. We expect some decrease over autumn winter as online engagement reflects the level of visits on the ground. NatureScot is reviewing this fall in engagement with reserves where social media posts are lower than expected, to better understand the reasons behind this change.

Influence the regulatory, policy, market and institutional infrastructure needed to stimulate private sector investment into nature

We worked closely with an array of divisions of Scottish Government on their Private Investment in Natural Capital programme. We led on developing the project pipeline and contributed to work on monitoring, reporting and verification, on the future market framework and on skills, jobs and supply chains.

We developed and ran the Investment Ready Nature in Scotland (IRNS) grant scheme, with Esmée Fairbairn Foundation and National Lottery Heritage Fund (NLHF), awarding nearly £600,000 of grants to seven innovative projects from the Flow Country to the Scottish Rainforest to inner city Glasgow. With NLHF, we subsequently launched the Facility for Investment Ready Nature in Scotland (FIRNS), aiming to award grants totalling over £1m to even more cutting-edge projects seeking to enter and enable new and developing natural and nature-based capital markets.

We established a new private finance partnership with the private bank Hampden & Co, Lombard Odier Investment Managers and global impact firm Palladium – to mobilise up to £2 billion in private finance investment in landscape scale nature restoration projects.

Result - Private investment has funded projects that meet Scottish Government Interim principles

Indicator	Trend	Performance
% of projects that deliver the SG interim principles	Developmental year - First data point in 23/24	N/A

Drive the establishment of Natural Capital as an integral part of public and private business planning and investment decisions at national, landscape and landholding/business scales

During 2022/23 we developed and tested a natural capital assessment draft template for land managers; started a Natural Capital landscape assessment digital tool; and established a landscape partnership stakeholder group to help co-design its development. We also supported the production of a Natural Capital Assessment (that includes both terrestrial and coastal habitats) for the National Development at Hunterston. A digital tool will facilitate decision makers to take a natural capital approach for managing land at the landscape scale in Scotland, and support the full range of benefits that we receive from nature to be taken into consideration within the decision making process.

We have helped develop the LENS approach (Landscape Enterprise Networks) and facilitate its application to new areas in Scotland. These establish collaborative value chains, each driving specific landscape outcomes for different groupings of businesses. We have updated the Natural Capital Asset Index for Scotland, which tracks changes in the capacity of Scotland’s terrestrial ecosystems to provide benefits to people. It is included in a measure for the National Indicator ‘Increase our natural capital’ in the National Performance Framework.

Result – The full benefits of nature are included in decision making by public at all scales

Indicator	Trend	Performance
No. of Landscape partnerships that NatureScot is involved in that use a natural capital approach	New process developed during 2022/23 – first data point 2023/24	N/A 

Promote understanding and awareness of skills and capacity needs for the nature-based sector

We have advanced the development of skills and awareness required to tackle the nature-climate emergency. Working with Rivers trained 20 people in a 12 week programme with many going on to secure employment with Fisheries Trusts and others – a similar scale programme will run in 2023/24. The Programme was evaluated for discussion to roll out more widely with Skills Development Scotland. To boost delivery capacity, over 100 people have received training in peatland restoration in partnership with SRUC (Scotland’s Rural College) and the Crichton Carbon Centre, from Mar Lodge and Creag Meagaidh to the Lowther Hills and Islay and Jura, with online courses reaching a further 40 people.

Result – There are more nature based skills in the Scottish workforce

Indicator	Trend	Performance
Nature Based jobs and skills opportunities		Improving 

The NatureScot Way

Outcome: Our passion, inspiration and expertise will put nature at the heart of Scotland’s future

Deliver new ways of working to stimulate achievement of our ambitions

Our work on organisational design has now largely concluded and we have developed a new operating model with focus on better prioritisation and movement of resources, including a more fluid, networked teams approach. Alongside this we have also made great strides in developing our digital workspace. We have implemented our unified communications approach, moving e-mail to the cloud, rolling out soft phones and new handsets. This has enabled significant savings on our telephony costs. We continue our wider journey of cloud migration and have strengthened our network security and resilience. We have exceeded the targeted efficiency savings of £1.368m (3%) this year.

We have commenced a major review of our office estate to support our new ways of working, and underpin our net zero ambitions. We have developed and submitted a business case for the relocation of employees from Silvan House in Summer 2023. On net-zero we have undertaken further electrification of our fleet and installation of photovoltaic panels at our Golspie office. This now has an A+ energy certificate rating and a negative score making it officially our first net-zero office. We have signed off our “Innovate for Nature” strategic partnership with CivTech, to identify challenges and work on solutions for the nature-climate emergency using the CivTech Accelerator.

Result - We have introduced new ways of working

Indicator	Trend	Performance
Total Emissions*		Maintaining

*2022/23 data will not be available until the publication of the climate change data in November.

Transform our individual and collective leadership capability

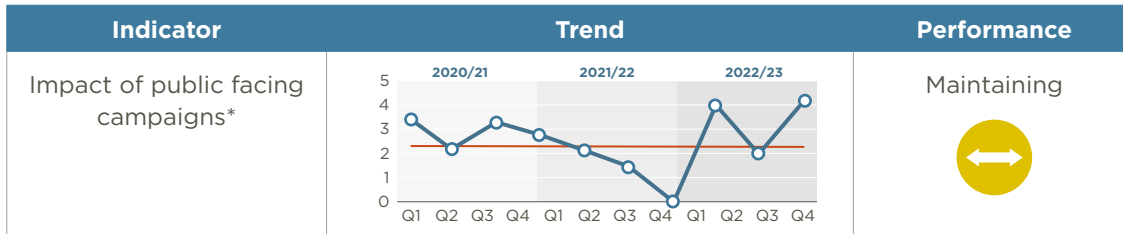
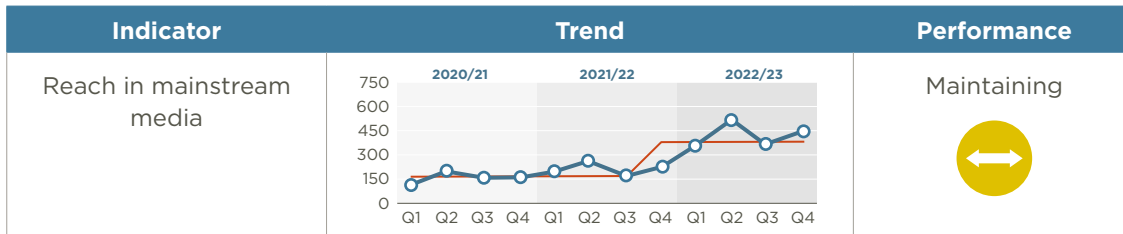
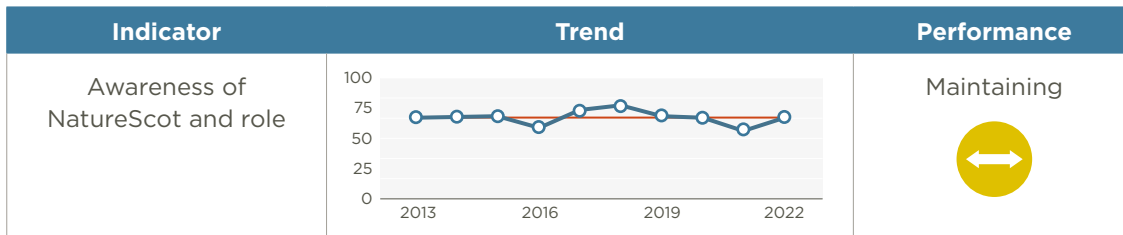
In 2022, 64% of MSPs said they know NatureScot very well/a fair amount, a rise of 8% from 2021. Of those, 65% think that we are effective in fulfilling our key role, a rise of 14% from 2021. 2% of MSPs said we were quite ineffective in fulfilling our role, the same as in 2021. 46% of MSPs who had heard of NatureScot recalled satisfactory contact with NatureScot in the past year. This is a rise of 11% from 2021. 1% of respondents reported being dissatisfied with their contact with NatureScot, a decline from 4% in 2021. 55% of MSPs who had heard of NatureScot held favourable views of us, a 2% drop from 2021. 2% of MSPs said they held unfavourable views of NatureScot, the same as in 2021.

The health score of NatureScot’s reputation with MSPs has risen by 6% in comparison to 2021. Increases in awareness and the perceived effectiveness of NatureScot and satisfaction with contact are notable. However, these have not translated into an improved score in relation to the overall favourability amongst MSPs.

National Media (40%), Local Media (36%), feedback from constituents (50%) and social media (31%) were all listed as being important information sources. These factors should continue to direct how we engage with MSPs in the coming year.

Internally we have undertaken substantive reviews of our performance management approach and further developed our coaching and mentoring approach to support effective leadership.

Result - We have an improved leadership capacity



*Movements during 2022/23 reflect the profile of campaigns

Sustain our focus on developing a happy and resilient workforce

Over recent years we have taken deliberate action to ensure a better balance of workforce demographic across NatureScot, through advancing various options for new entrants including graduate and student placements. We look to build on this by ensuring subsequent recruitment activity includes options which support our Programme for Youth Employment.

We have focused attention on how hybrid working affects the workplace experience and what returning to our offices will look and feel like for our employees. To support this we have been focusing on mental health, wellbeing, workload management and work-life balance through our pulse surveys, audit programme, Winter Wellbeing Programme and themed months.

Result - A diverse and inclusive workforce

Indicator	Trend	Performance														
Workforce diversity - Age	<p>Q4 2022/23</p> <table border="1"> <tr> <th>Age Group</th> <th>Count</th> </tr> <tr> <td>16-24</td> <td>125</td> </tr> <tr> <td>25-34</td> <td>166</td> </tr> <tr> <td>35-44</td> <td>240</td> </tr> <tr> <td>45-54</td> <td>203</td> </tr> <tr> <td>55-64</td> <td>16</td> </tr> <tr> <td>65+</td> <td>27</td> </tr> </table>	Age Group	Count	16-24	125	25-34	166	35-44	240	45-54	203	55-64	16	65+	27	Maintaining
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Indicator	Trend	Performance										
Workforce diversity - Disability	<p>Q4 2022/23</p> <table border="1"> <tr> <th>Disability Status</th> <th>Count</th> </tr> <tr> <td>Yes</td> <td>14</td> </tr> <tr> <td>Prefer Not to Say</td> <td>4</td> </tr> <tr> <td>Not Declared</td> <td>535</td> </tr> <tr> <td>No</td> <td>181</td> </tr> </table>	Disability Status	Count	Yes	14	Prefer Not to Say	4	Not Declared	535	No	181	Maintaining
Disability Status	Count											
Yes	14											
Prefer Not to Say	4											
Not Declared	535											
No	181											

Indicator	Trend	Performance														
Workforce diversity - Ethnicity	<p>Q4 2022/23</p> <table border="1"> <tr> <th>Ethnicity</th> <th>Count</th> </tr> <tr> <td>Black Scottish/British</td> <td>547</td> </tr> <tr> <td>Other</td> <td>9</td> </tr> <tr> <td>White</td> <td>16</td> </tr> <tr> <td>Caribbean</td> <td>1</td> </tr> <tr> <td>Not declared</td> <td>161</td> </tr> <tr> <td>Prefer not to say</td> <td>0</td> </tr> </table>	Ethnicity	Count	Black Scottish/British	547	Other	9	White	16	Caribbean	1	Not declared	161	Prefer not to say	0	Maintaining
Ethnicity	Count															
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Other	9															
White	16															
Caribbean	1															
Not declared	161															
Prefer not to say	0															

Risks and Uncertainties

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

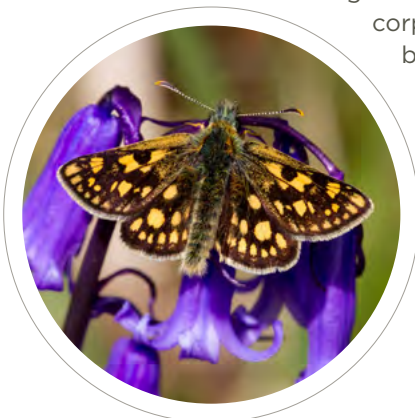
The actions we take are co-ordinated through our Climate Change Programme Board. These include our role with influencing national policies such as the Scottish Government's Climate Change Plan and its Adaptation Programme, and our work on carbon sequestration in our internationally important peatlands. Alongside promoting the benefits of nature-based solutions to address climate change, we also undertook a number of actions to achieve our aim for Net Zero emissions through our Net Zero Programme, achieving our first net zero office during 2022/23.

Biodiversity loss continues to drive the urgency of our work. We use our influence through awareness raising and inspiring or persuading stakeholders to take the actions needed to reduce biodiversity loss and tackle the nature crisis. Our work throughout the year with Scottish Government has been on developing the new Scottish Biodiversity Strategy, defining outcomes and appropriate metrics to measure our performance in halting the loss of biodiversity in Scotland. The final strategy and delivery plan will be published in 2023/24.

During 2022/23 public sector funding pressures came into clearer focus, largely on the back of the Covid-19 recovery and the cost of living crisis. With future funding remaining challenging, we seek to expand our opportunities for private investment, to work closely with others on collective goals and to make the most out of the resources that we have. Our potential exposure around the potential credit loss associated with our Structural Funds activity added to our financial pressures. It continues to be managed closely in line with our agreement with the Managing Authority (Scottish Government). To address some of these ongoing challenges, our flexible, hybrid approach, with employees working between offices and at home, will continue. We will also look to further advance the use of our skillsets and experience during 2023/24, building on the implementation of our 90-day planning approach. This will continue to help ensure that we remain an agile and responsive organisation, able to adapt to changing circumstances.



At the end of the first year of our new corporate plan, and with a refreshed risk appetite to deliver it, we have maintained a focus on being realistic with others about what we can achieve. We have engaged through transparent discussions and decision-making to mitigate the risk that a weakened reputation would impair our ability to operate effectively. Alongside the ongoing engagement with stakeholders, we have maintained an internal focus on data management and security to ensure we meet legal requirements and leverage this data for partnership working and innovative digital technology solutions. Our risks are managed as part of our corporate risk register and are reviewed on a quarterly basis by our Senior Leadership Team and Audit & Risk Committee, with Board reviewing the most highly rated risks. The new risk appetite confirmed during 2022/23 will be embedded throughout the organisation during 2023/24, taking actions to make our approach to risks and opportunities more active, and to continue more in depth reviews of our longstanding corporate risks.



Looking Ahead and Future Plans

The Conference of Parties (COP) 27, the United Nations Climate Change summit, continued the scene set at COP26 Glasgow for international action to address climate change. Meeting the 75% emission reduction target for 2030 requires annual reductions of 7% (from 2020 onward) – compared to the 2.4% annual average achieved from 1990 to 2020. Changes in the use of land contribute 50% of Scotland's net emissions. COP15 of the Convention on Biological Diversity was held in Montreal in December 2022 and nearly 200 countries agreed the Global Biodiversity Framework. Bending the curve of biodiversity by 2030 presents a challenge of similar magnitude and urgency to meeting the 75% reduction target for climate change. COP16 is due to be held in 2024.

As we move through the year and into 2024, there are key milestone events for the environment which advance us forward towards our ambition of a nature-rich future for all.

- **Natural Environment Bill (2023)** – including protected areas 30x30, nature networks, statutory nature targets, focusing on long term strategic issues such as ecosystem and soil health, connectivity, national parks
- **Wellbeing and Sustainable Development Bill (after 2023)** – potential impact of the Welsh Future Generations Bill with net zero and nature positive at its heart
- **Land Reform Bill (after 2023)** – to tackle the scale and concentration of land ownership across rural and urban Scotland

Nature is in crisis, and to respond we must prioritise our work around Protecting, Restoring and Valuing Nature. Our ambition will strengthen the protection of existing biodiversity, halt the loss of biodiversity by 2030 and restore nature by 2045. It will ensure the value of nature is reflected throughout public and private sector policy, underpinning care for nature and investment towards a wellbeing economy. Through our [Corporate Plan, A Nature-Rich Future for All](#), we continue to focus on these priorities, emphasising NatureScot's purpose in connecting people with nature, through inspiring action to address the emergency in our natural world, because our future, and that of following generations, depends on it.

We will deliver this by unleashing our expertise to support nature recovery, caring for nature so that it is there for future generations and connecting people and nature so that everyone takes action to address the emergency in our natural world. Hybrid working and further utilisation of new technologies will help support the transformation of our organisation to underpin delivery of our ambitions for nature. A key factor moving into next year will be the path we set ourselves to continue to deliver the ambition of the Corporate Plan whilst public sector investment is constrained. 2023/24 will see the development of new investment streams for nature. We also seek to embed our robust 90-day strategic planning and resourcing approach to be more agile and flexible in response to changing priorities. This will help support a green recovery that is low carbon, resource efficient and socially inclusive, whilst increasing resilience & wellbeing and improving leadership capability.

The latest strategic priorities announced by the new First Minister on equality – tackling poverty and protecting people from harm; opportunity – fair, green and growing economy; and community – prioritising our public services, set the context for Scottish Government until 2026. NatureScot will need to be able to respond to changing circumstances as a result.



Nature is in crisis and to respond we must prioritise our work around Protecting, Restoring and Valuing Nature

Conclusion of our EU Structural Funds Programmes

The coming year to 31 March 2024 will see the conclusion of our EU Structural Funds Programmes for Green Infrastructure and Natural Cultural and Heritage Fund. Both programmes have been very successful, delivering a series of high-profile projects which have had significant impact on many local communities in urban and rural Scotland. The Green Infrastructure programme has reduced the risk of flooding to over 1,650 properties and provided more than 180ha of new greenspace, much of which was in place during lockdown periods in areas that had previously had little or low-quality provision for local communities. The NCHF programme has delivered 13 new tourism projects, helping to support the regeneration of remote rural communities across the Highlands and islands.

Since 31st March 2023, we have increased the rating applied to the corporate risk for Structural Funds. Due to a revised claim timetable advised by the Managing Authority (Scottish Government) in 2023, the majority of the amount to be reimbursed to NatureScot by the MA has now been delayed to the last few months before the final deadline of January 2024. This revised claims timetable increases the potential financial exposure to credit loss for NatureScot for both of our structural funds programmes. The risk has been further heightened due to challenges raised by the Managing Authority (Scottish Government) to the penultimate NCHF claim.

The previous Article 127 audits of our two structural funds programmes reported a very low error rate giving us confidence in our claim evidence and submission. We will continue to work with the Managing Authority to provide the supporting information that they now consider necessary to ensure that the final claim can be completed.

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 2022/23 are shown in the table below:

Budget category	Per Budget Act (£000)	In-year budget revisions (£000)	Final budget for 2022/23 (£000)
Resource DEL	45,611	9,815	55,426
Non-cash Resource DEL	2,150	680	2,830
Total Resource DEL	47,761	10,495	58,256
Capital DEL	1,800	12,020	13,820
Total DEL budget	49,561	22,515	72,076

Included within the Resource DEL of £55.426m (including in-year budget revisions) was a ring-fenced amount payable to JNCC of £1.157m.

The in-year ring-fenced budget revisions of £22.515m related to:

- £10.440m for peatland restoration;
- £5.779m for nature restoration fund;
- £2.000m for Farming with Nature (previously the natural capital pilot programme);
- £1.500m for better places fund;
- £0.750m for ScotWind
- £2.046m to fund a variety of other initiatives

The in-year budget revisions of £22.515m were higher compared to 2021/22 (£20.053m) due primarily to increased budget allocations for Peatland Restoration, Nature Restoration Fund and Farming with Nature in 2022/23.

A budget relating to Annually Managed Expenditure (AME) of £0.281m was provided by Scottish Government. In the context of NatureScot operations, this provides budget cover for any new provisions, certain changes relating to provisions, corporation tax and also revaluation gains or losses where they relate to changes in asset values from volatile markets. In 2022/23, revaluation losses of £0.206m, 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 77](#).

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

- For 2022/23, the DEL budget limit was £72.076m. NatureScot incurred £70.027m net expenditure against this limit, which resulted in an underspend of £0.899m (2021/22: £3.938m underspend), after the approval to underspend of £1.150m. This is analysed as follows:
 - Underspend of £0.341m against Resource DEL budget due to underspends in Paybill, Project Allocations and Ring-Fenced Programmes;
 - Underspend of £0.443m against Capital DEL budget of £13.820m due to supply chain delays that affected the delivery of two large projects in early 2023 as well as underspend on IFRS16 Right of use Assets;
 - Underspend of £0.115m against non-cash Resource DEL budget of £2.830m due to additional budget allocated for the impact of IFRS16 (SG approved an underspend of £0.500m) and lower than forecast IFRS16 depreciation.
- The Out-turn against the AME budget was an overspend of £0.101m. This was primarily due to the impact of revaluations that took place in 2022/23, depreciation charged for Peppercorn Leases under IFRS16 and an adjustment for potential credit losses on the EU Structural Funds claims for NatureScot's management costs.

Our cash budget allocation was £69.246m (Resource and Capital DEL) and we drew down £68.464m of this. The difference of £0.782m represented the forecast underspend approved by the Scottish Government on Farming with Nature and delays experienced in capital projects planned for the first three months of 2023 that were affected by supply chain delays.

Out-turn for 2022/23

The final Out-turn against budget for 2022/23 is shown in the table below:

Budget category	Out-turn (£000)	Budget (£000)	Approved Underspend* (£000)	(Under)/Overspend (£000)
Net expenditure per accounts	68,762			
Expenditure/income adjustments for budget purposes	(14,327)			
Operating cash costs	54,435	55,426	(650)	(341)
Operating non-cash costs	2,215	2,830	(500)	(115)
Resource DEL costs	56,650	58,256	(1,150)	(456)
Capital DEL costs	13,377	13,820	-	(443)
Out-turn against DEL budget	70,027	72,076	(1,150)	(899)
Revaluation losses	206			
Increase in provisions	60			
Expected credit losses & govt grants	60			
IFRS16 peppercorn depreciation	45			
Corporation tax	11			
Out-turn against AME budget	382	281	-	101

* Approval to underspend by £1.150m was given by Scottish Government and this has been discounted from the Out-turn arising against NatureScot's Resource DEL budget allocation at the end of the financial year.

Budget out-turn notes	
Operating cash cost adjustments	£000
Depreciation and amortisation	(2,260)
Revaluation gains on property, plant and equipment	(206)
Capital grants, classified as capital	(11,666)
Income funding the purchase of capital assets	66
Increase in provisions	(60)
Capital grant-in-kind	(130)
Expected credit losses, classified as AME	(60)
Corporation tax expense, classified as AME	(11)
	(14,327)
Operating non-cash costs	
Depreciation and amortisation	2,215
Capital additions and income	
Heritage, property, plant and equipment and intangible assets	2,483
Income funding purchase of capital assets	(66)
Capital grants, classified as capital	11,666
Net book value of asset disposals	(836)
Capital grant-in-kind	130
	13,377

Income from operating activities during the year was £7.444m (2021/22: £4.550m). The increase was mainly due to the increase in funding for Structural Funds ([note 11](#)). The treatment of Structural Funds is not included in the Out-turn position shown above.

Significant capital asset additions during the year included:

— Vehicle replacement including electric vehicles	£0.460m
— Internally developed software – Species and Deerline licensing	£0.388m
— IS infrastructure investment	£0.390m
— Investment in renewable technology	£0.409m

NatureScot had net current assets of £11.073m at 31 March 2023 (2021/22: net current assets of £4.506m). The increase is due to the higher levels of cash and receivables at 31 March 2023 as a result of Structural Funds – further analysis is shown in notes [19](#) and [20](#).

Financial Sustainability

Whilst core grant-in-aid has remained static in recent years, new funding opportunities have arisen in support of our objectives. These are forecast to grow further in future years. We prepare for the impact of this by preparing a longer term financial plan with scenario plans reflecting increases and reductions to core grant-in-aid and other income streams. Our investment in smarter ways of working and concentration on the priority work will identify areas where we can reduce our costs and continue to deliver on our Corporate Plan ambitions.

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 and the revised statutory guidance on best value (2020).

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

- our corporate plan, business plan and 90-day plans which clearly articulate our vision and leadership role addressing biodiversity loss and leading on nature-based solutions to climate change
- 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.
- the monitoring of our performance, which is tracked throughout the year and reported quarterly to our Senior Leadership Team and Board to ensure we are meeting our targets and outcomes as they relate to the National Performance Framework and the Programme for Government
- our approach to how we manage our resources through the continuous monitoring of our projected income, expenditure and capital investment plans, maximising efficiencies for the procurement of goods and services, and in how we deploy and make best use of our people, property, land and information technology to deliver our outcomes
- our approach to partnership working and collaborative working, which underpins much of what we do, involving building positive, mutually beneficial relationships with other organisations
- Enhanced climate change training and guidance for colleagues and the introduction of our net zero plan as we ensure that sustainability is factored in to how we operate through our procurement practice, the efficient use of our offices, and our approach to travel and how we use energy
- Our approach to equality and dignity at work, which underpins our values and behaviour, both in the treatment of employees and how we conduct our business

Social Inclusion

NatureScot's priority is to lead nature restoration in Scotland, addressing the twin crises of biodiversity loss and climate change, leaving no community behind and sharing the benefits fairly. To achieve this we need to inspire people to connect with nature, increasing appreciation of nature's value, through impactful delivery and communication of our work and through the increasing diversity of our sector.

Throughout 2022/23, 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. We also engaged representative bodies of these groups in strategic work on biodiversity, green skills and jobs, and National Parks. The information below covers some of the key highlights of this work.

In setting and delivering our equality outcomes we use evidence to guide us. Our [national surveys](#) collect data on protected groups and show that some progress has been made in terms of increasing participation among those aged 65 plus and those living in our most deprived areas. However, there is less evidence to suggest a significant change in participation among the ME population or those with a long-term illness or disability.

Therefore, we continue to promote outdoor access, and work with partners to remove barriers to access wherever possible. We work with route managers and trail users to develop user friendly information to enable people to decide which routes, or sections of them, are accessible to them. [The John Muir Way multi-use access story map](#) is an example of how a partner organisation – [the Green Action Trust](#) – has been able to present the survey information in an informative way. Accessible paths are a key part of a number of our Green Infrastructure Strategic Intervention projects, for example at the [Claypits Local Nature Reserve](#). We contributed to the update of the Countryside for All Guide, the [Outdoor Accessibility Guidance](#).

We partnered with Duke of Edinburgh Scotland to pilot two kit libraries in community groups to support people in under-represented communities to be equipped to explore nature outdoors. Our work to support [the Scottish Countryside Rangers' Association to further develop their Junior Ranger scheme](#), and our requirement for ranger services that we fund to promote equality and diversity in their work, both contributed to enhancing outdoor access for everyone.

Our work to increase visitors to our National Nature Reserves (NNRs) from targeted groups has continued. We worked with Pony AxeS at St Cyrus NNR to take people with disabilities onto the beach, enabling them to experience the wonderful nature there. [St Cyrus NNR also celebrated Pride month](#) and hosted a number of [Branching Out](#) visits, supporting adults who use mental health services in Scotland. We also promoted [Pride month in our LGBTQ+ Representation – Why Does it Matter? blog](#). At Hermaness National Nature Reserve we improved the access route to the sea cliff to make it easier to access (see [VisitScotland news story](#)). An accessible toilet is also now included at the welcome area. In Dumfries and Galloway we worked with PAMIS (Promoting a More Inclusive Society) to host an event during the annual Wild Goose Festival 2022.

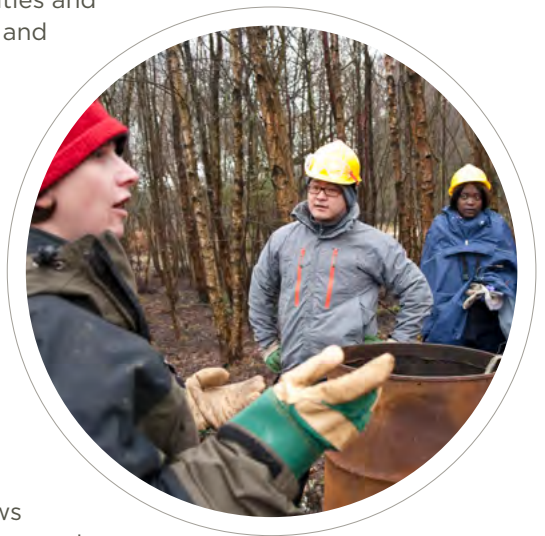


“
...we continue to promote outdoor access, and work with partners to remove barriers to access wherever possible



Through our website, social media and the targeting of priority groups, we actively promote our funding programmes. We have one specific fund – the [Future Routes Fund](#) – which aims to help young people improve their local environment, provide opportunities for them to connect with nature, and empower them to take positive action to help the biodiversity and climate crisis. Part of the award criteria is to ensure that inclusion is a key element. We were helped in shaping this through the support of an Intern who joined NatureScot as part of the John Smith Centre Minority Ethnic Emerging Leaders Programme. An example of the type of work being delivered by this fund can be seen in a [news article](#) published in August 2022. Other funding includes working with partners such as Paths for All, TCV Scotland, Volunteering Matters and the John Muir Trust. Through them we continued to fund a number of projects that involve or target minority or under-represented groups. A number of our current external funds focus on connecting people with nature and aim to prioritise marginalised communities and groups, such as our [Green Infrastructure Strategic Intervention](#) fund (GISI) and [Natural and Cultural Heritage Fund](#).

Our [Make Space for Nature](#) campaign provides practical tips for everyone to make space for nature, reverse nature loss and fight climate change. For the campaign we targeted specific audiences across social media, with activity taking place across Facebook, Instagram, Snapchat, TikTok and Twitter. Audiences were identified through NatureScot’s lockdown survey results. These highlighted groups of people most likely to visit the outdoors more often in future. This included young people, members of the minority ethnic population and families.



As part of our work on the update of the Scottish Biodiversity Strategy we asked individuals from under-represented communities to write about nature projects they’re passionate about. One of these was from Halima Hussein, the founder of Sole Sisters, an outdoor adventure group that allows a space for Scottish Muslim girls and women to get out of their comfort zone and challenge themselves in the outdoors. More details can be found in her [Sole Sisters blog](#). We also heard from Zara Mohammed and Anna Canning, about Woodlands Wheels, an innovative project by Scottish Forestry’s Engagement Programme that uses cycling to encourage people, particularly women and those from ME communities and disadvantaged groups, to use woodland for health and wellbeing. This work has helped break down barriers and improve the diversity of those enjoying the outdoors. More details about their community cycle rides can be found in this [Woodland Wheels Community Cycle Rides blog](#).

Our Nature Restoration Jobs and Skills conference in March 2023 involved a range of speakers on Scotland’s ambition for nature restoration, the skills needed and what Scottish Government and partners are doing to support the development of a skilled, inclusive workforce. In recognition of the lack of diversity in our sector we involved CEMVO who said Workplace

inclusion is not just the ‘right thing to do’- we need an environmental sector that enables people from diverse backgrounds to use their talent to achieve their potential and contribute fully. <https://www.nature.scot/doc/nature-restoration-jobs-and-skills-conference>



Our Response to Climate Change

In 2019, the Scottish Government declared a climate emergency. NatureScot supports the commitment for urgent action to transform how we live and work. In response, we published our Climate Change Commitments – <https://www.nature.scot/snhs-climate-change-commitments-2019>. Climate change presents the single greatest threat to Scotland’s nature, but we can use nature-based solutions to help realise three interlocking benefits of:

- contributing to addressing the global biodiversity crisis, with habitats and species threatened not only by climate change but also by changing use of land and sea, direct exploitation, pollution, and invasive non-native species.
- reducing net emissions – contributing to global efforts to moderate future climate change.
- helping our society and economy adapt to climate change we are already locked into.

The first benefit of addressing the global biodiversity crisis underpins the role of NatureScot and is described within the [Performance Report](#). Our role in the second benefit of reducing net emissions is presented in our Net Zero plan – <https://www.nature.scot/doc/naturescot-net-zero-plan>, which presents NatureScot’s view of how we can achieve Net Zero by 2035. Progress towards our stretch Net Zero target is outlined in the [Sustainable Development and Net Zero Emissions](#) section of our Annual Report and Accounts.

During 2023, we have been progressing the third area by developing our Climate Change Adaptation Plan, with the aim of publishing this in Autumn 2023. The Plan will focus mainly inward, on our organisational culture, processes and capacity, but it will also align with, and influence the development of, the Scottish Climate Change Adaptation Programme (SCCAP3), due for publication in January 2024. It will also align with the development of the Climate Change Plan (especially options for land use in the transition to net zero) and the Scottish Biodiversity Strategy’s Delivery Plan (which is currently being consulted on). We expect significant overlaps between these documents where they deal with choices in how land and sea are used and managed and the associated distribution of costs, risks and benefits.

NatureScot’s first Climate Change Adaptation Plan will provide valuable insights into the status or readiness of adaptation across NatureScot, including the need for consideration and actions on governance, leadership and resourcing. A key focus will be on ensuring that NatureScot’s risk management reflects the challenges of climate change and that this is used to foreground and communicate climate risks in our work. We also have a key role to play in ensuring stakeholders are aware of the pivot to a climate risk-led approach and in demonstrating the key role Nature based Solutions (NbS) play in both reaching net zero and adapting to climate change.

In related work, between 26 September – 2 October 2022, we took part in Scotland’s Climate Week. This is an annual event that raises awareness of the global climate emergency and encourages climate action across the country. Delivered annually since 2016, Climate Week is a Scottish Government initiative with support across Scotland’s communities and organisations. The event is aimed at ‘normalising climate change conversations’ and raising awareness and knowledge amongst employees. We organised a full week of sessions for employees covering 5 major topics: Adaptation, Circular economy, Climate change key facts, Impacts on nature and Bike 2 work sessions.

In addition, over 250 colleagues from across NatureScot have now completed the Climate Literacy for Procurers training provided by Scottish Government. This is a key element in our plan to increase the consideration of sustainability and potential carbon impact in procurement decision making. This will also aid us in our ambition to establish the costs associated with the impact of and adaptation to climate change.

Sustainable Development and Net Zero Emissions

The corporate emissions data covers 2021/22 in line with the latest data submitted for the Annual Climate Change Duties Report (ACCCR) in November 2022. The 2022/23 data will not be available until after the 2022/23 ACCDR has been submitted by 30th November 2023 and reviewed and published on the [Sustainable Scotland Network website](#) thereafter.

In 2022/23 our emissions were 842 tonnes CO₂.

This is 9.5% higher than the previous year (769 tonnes, updated from 671 tonnes CO₂ in November 2022). Whilst there was a slight decrease in helicopter use, there were increases in travel and building emissions. Travel emissions increased slightly – mainly with grey fleet use as employees started to travel again (public transport use still low, because of our advice to avoid using – this was lifted in April 2022). The increase in building emissions was mainly due to a hydro scheme not functioning fully during the year.

We are continuing to replace our petrol and diesel car and van fleet with electric vehicles and plan to have this completed by 2025 (currently 73% of our cars and vans are fully electric, along with some plug-in hybrid vehicles). This is in line with the Scottish Government's target to phase out petrol and diesel cars and vans. We continue with the roll out of electric vehicle charging points and these now cover 21 of the sites where NatureScot is based, with the ability to charge 79 vehicles. Charge points at Golspie, Kinlochewe, St, Cyrus and Aberdeen have recently been completed. Work also started on charging points at Cairnsmore & Lochgilphead.

Building on the success of our existing renewable installations and the work completed to assess and prioritise additional opportunities, we have identified a programme of works that are suitable for an externally funded application for the Scottish Government's Energy Efficiency Fund. If successful in our application being prepared and submitted this financial year, we will compress the 10-year plan and deliver projects over a period of 2 to 3 years. This is dependent on the availability and extent of the application award and will be assessed against other organisations' bids for funds and what they can deliver for the overall SG Estate. This application will cover mostly NNR renewable projects to over deliver at suitable sites and use the self-generation to balance other unsuitable sites' carbon footprints. Discussions with the NNR Team have commenced to clarify NatureScot's requirements in initiating these projects with regard to the environmental and biodiversity impacts, using best practice to deliver these projects.

In addition to completing 2 off-grid projects at Rum and the Isle of May, we have now completed the Golspie Office PV and battery bank installation. This building now has an EPC rating of A+ which means Net Zero or better. Monitoring of this project's performance will continue for a year to confirm that this is our first Net Zero Office in building's emissions. Following some delay, the Great Glen House Photo Voltaic panel and battery bank project has now commenced, awaiting the end of the bird nesting season to get this completed and commissioned. Overall, both these projects should deliver a reduction of around 44tCO₂ to the overall estate carbon footprint.

Opportunities to co-locate and join hub-type office facilities continue with Scottish Government leading on several possible projects under our Estates Strategy work. We continue to look for alternative office provision that would offer a reduction in our carbon footprint by sharing spaces. Our 10 Year Plan continues to be developed and has produced a priority list with a number of projects being considered. Co-location in Edinburgh with Registers of Scotland has been approved, with business cases for other priority sites being progressed as quickly as resourcing allows.

The Renewable Technologies programme and progress on the Estates Strategy work will enable us to calculate our corporate residual emissions when we will develop an offsetting/inssetting strategy and look for further opportunities either on our landholdings or through suitably approved carbon credit purchasing schemes.

Our first Net Zero plan was published during summer 2021 – <https://www.nature.scot/doc/naturescot-net-zero-plan>. This Plan presents NatureScot’s view of how we can achieve our ambition to be Net Zero by 2035. We already have a 2040 zero direct emissions target but we are going further with our 2035 Net Zero stretch target. Addressing the nature and climate crises requires action at all levels, from the highest policy to the actions of communities, organisations like NatureScot and individuals. Our Net Zero plan highlights how NatureScot stands ready to play its part in supporting that transformation so that Scotland can meet the exacting and necessary targets set by the Government.

The Net Zero plan continues to lead us in our efforts and is based on the continuous development, guidance, and plans provided by Scottish Government and others. There will be no such thing as a ‘final version’ as it will be in constant review. We have developed Net Zero Measures of success that will provide a graphic tool that will help monitor our progress against the plan, and work will continue on this when resources are in place with a target of April 2024.

Following the dramatic change to working life over the past two years our offices reopened, alongside higher levels of hybrid working & working from home. Therefore, we were not able to participate in all our usual challenges and initiatives. However, we still took part in some that included working from home and encouraged employees to get active.

During September 2022 we also used the Zero Waste Scotland commuting tool to establish a home to work travel figure. The survey ran for 4 weeks and the results were: Pre-lockdown – Number of commuters: 670 – Total miles – 2,819,815, total CO₂ – 545,522 kg. Post lockdown results – Number of commuters: 670 – Total miles – 929,605, total CO₂ – 98,216 kg. Based on these results the reduction is a 67% decrease in miles travelled and 82% in emissions CO₂kg which reflects not only a massive decrease in travel but also a change in mode of transport.

Between 31st October and 21st November 2022, fourteen teams of up to 5 people from NatureScot took part in the Paths for All Autumn Step Count Challenge. NatureScot teams recorded 14,861,509 steps. The Step Count Challenge was launched by Scottish walking charity Paths for All in 2011. It is a walking challenge for Scottish workplaces, with one simple aim; walk more to feel happier and healthier. We will also take part in the Spring Step Count Challenge 2023 which runs during May 2023.

**A
Landscape
partnership is
our largest type of
ongoing partnership
and so we need to track
how many and how fast
they are adopting a
Natural Capital
approach**



Personal Data Related Incidents

NatureScot records, and thoroughly reviews, all Information Security incidents. As with previous years, NatureScot had no significant data-related security incidents during 2022/23.

We continue to carry out monthly network security testing of our perimeter infrastructure and have expanded our scope to include our web resources and some external partners that hold NatureScot data. We have implemented and gone live with two additional security products to enhance our perimeter security and reporting. We work closely with other organisations in Scottish Government both sharing threat intelligence and to ensure that we continually improve the way we manage our sensitive systems and information.

NatureScot has mandatory, monthly cyber e-training & learning for all employees to reduce the risk of phishing emails being successful. We continue to maintain our employee compliance for completion of training at 94%. NatureScot re-certified for Cyber Essentials during this period. We review our mitigation strategy on an ongoing basis, using any incident to check the effectiveness of our controls and identify any opportunities for improvement.

Supplier Payment Policy

Our ambition is to comply with the Scottish 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 2022/23, 86% of invoices were paid within the 10-day target (2021/22: 95%). We made no payments during the year for compensation under the Late Payment of Commercial Debts Regulation 2013 (2021/22: nil).

The drop in performance compared to 2021/22 was due to FUSION system issues during late summer of 2022 which have now been resolved.

Nature Conservation Orders made during the year to 31 March 2023

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 2023 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 2022/23:

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

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



Francesca Osowska
Chief Executive and Accountable Officer

13 December 2023

A scenic landscape featuring a calm lake in the foreground, reflecting the sky and surrounding mountains. The mountains are dark with patches of snow, and the sky is a mix of blue and orange, suggesting a sunset or sunrise. A large white circle is centered over the image, containing the text "Accountability Report" in a blue, sans-serif font.

Accountability Report

Corporate Governance Report

Directors' Report

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

NatureScot Board and Committees

NatureScot has a non-executive Board, which is supported by the Scientific Advisory Committee (SAC), the Protected Areas Committee (PAC) and the Audit and Risk Committee (ARC). Members of the PAC and ARC committees are appointed from the NatureScot Board. The Chair of SAC is appointed from the NatureScot Board and all other SAC members are recruited by open recruitment. NatureScot Board Members are appointed by Scottish Ministers initially through a process of open competition for a 4 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 2023 was as follows:

	Appointed to NatureScot Board	Term	Date at which current term of appointment ends
Mike Cantlay (Chair)	15 May 2017	3rd	14 May 2023
Aoife Martin (Deputy Chair)	1 April 2016	3rd	31 March 2024
Colin MacPhail	1 April 2021	1st	31 March 2025
Peter Higgins	1 April 2021	1st	31 March 2025
David Johnstone	1 April 2021	1st	31 March 2025
Ian Gambles	1 April 2021	1st	31 March 2025
Wayne Powell	1 April 2021	1st	31 March 2025
Heather Reid	1 April 2021	1st	31 March 2025
Nikki Yoxall	1 April 2021	1st	31 March 2025
Margaret Davidson	1 September 2022	1st	31 August 2026
Jaboury Ghazoul	1 September 2022	1st	31 August 2026
Jill Robbie	1 September 2022	1st	31 August 2026

The Board appointment of Mike Cantlay (Chair) ended on 14 May 2023. Colin Galbraith was appointed to the Board, taking up the role of Chair on 28 June 2023.

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

NatureScot aims to be an open and accountable organisation. There were seven NatureScot Board meetings, two SAC meetings, two PAC meetings and five ARC meetings held in 2022/23 and included open sessions, which the public were welcome to attend. All agendas and open session minutes of Board meetings can be viewed and downloaded from the NatureScot website. Open session Board papers are available to download from the NatureScot website, five days before the meetings.

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

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

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

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

Senior Leadership Team

The responsibilities of our Senior Leadership Team, who were in post after 1 April 2022, are set out below. Full biographies can be found on our website [NatureScot Senior Leadership Team](#)

Francesca Osowska

Chief Executive

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



Robbie Kernahan

Director, Green Economy

Working across government and with a range of externals, a key theme throughout his work has been the need to deliver multiple benefits from land, establish a more integrated approach to land management and improve the links and understanding between people and Scotland's natural capital.



Jane Macdonald

Director, Business Services and Transformation

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



Nick Halfhide

Director, Nature & Climate Change

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



Stuart MacQuarrie

Deputy Director, Business Services and Transformation

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



Claudia Rowse

Deputy Director, Sustainable Growth

Claudia provides senior leadership on supporting transformative land use and investing in natural capital to address the twin challenges of biodiversity and climate change. With over 20 years of experience on land use policy and practice, she now leads NatureScot's peatland restoration team, and the Farming with Nature Programme to test approaches to future rural policy that combines sustainable food production, climate and nature. She also leads on NatureScot's work on nature-based jobs and skills, aiming to build capacity and skills across Scotland's workforce to help Scotland implement nature-based solutions and reach its net zero targets.



Eileen Stuart

Deputy Director, Nature & Climate Change

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



Jason Ormiston

Head of External Affairs

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



Auditors

NatureScot's accounts are audited by Mazars who were appointed during the year for a 5 year term from 2022/23 to 2026/27 by the Auditor General for Scotland. The costs relating to their statutory audit work in respect of the financial year were £0.079m (2021/22: £0.060m - Audit Scotland). No other fees for non-audit related services were paid to them.

Statement of Accountable Officer's Responsibilities

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

NatureScot's Accountable Officer

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

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

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

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

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

Disclosure of Audit Information to the Auditors

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

Governance Statement

Scope of Responsibility

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

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

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

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

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

NatureScot's Governance Framework

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

The governance framework comprises the systems, processes, culture and values which direct and control NatureScot. We use the framework to monitor how well we achieve our strategic objectives and results. The governance framework has been in place for the full year ending 31 March 2023 and up to the date of approval of the annual report and accounts.

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

The system of internal control is based on a continuous process, designed to identify the principal risks to NatureScot achieving its policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

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

The role of the NatureScot Board is to effectively lead, direct, support and guide the organisation and ensure that we implement the policies and priorities of Ministers and the Scottish Government. The Board is supported by the Audit and Risk Committee (ARC), which has a key role in promoting the development of NatureScot's arrangements for corporate governance, including risk management, and advising the Board as appropriate. Other Board committees are the Scientific Advisory Committee and Protected Areas Committee. The current members, roles and responsibilities, terms of reference and ways of working of the

Board and committees are available on our website – [Board, Directors and Committees](#). 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, papers and approved minutes of the Board meetings are available on our website. Audit and Risk Committee meeting agendas, papers and approved minutes, other than those marked Official Sensitive, are available on request.

Board Meetings attended by members in the year from 1 April 2022 to 31 March 2023

Name	Number of meetings attended (7 held in year)
Mike Cantlay (chair)	7
Margaret Davidson*	3
Ian Gambles	7
Jaboury Ghazoul*	4
Pete Higgins	6
David Johnstone	7
Colin MacPhail	6
Aoife Martin	6
Wayne Powell	7
Heather Reid	6
Jill Robbie*	4
Nikki Yoxall	7

**Margaret Davidson, Jaboury Ghazoul and Jill Robbie joined the Board in September 2022*

Audit and Risk Committee meetings attended by members in the year from 1 April 2022 to 31 March 2023

Name	Number of meetings attended (5 in year)
Ian Gambles (chair)	5
Nikki Yoxall	4
Colin MacPhail	3
Heather Reid	5
Wayne Powell	2
Margaret Davidson*	1

**Margaret Davidson joined from September 2022.*

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

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

Standards of behavior 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 employees to raise serious concerns about wrongdoing or alleged impropriety. The policy is consistent with, and makes explicit references to, the Public Interest Disclosure Act 1998.

Assurance

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

- NatureScot managers, who through our governance tables agree and measure the effectiveness of controls and also regularly monitor and report on performance, finance and risk for the senior leadership team, ARC and the Board.
- The work of internal auditors, who submit regular reports to our ARC. These include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of NatureScot's internal control systems, together with recommendations for improvement.
- The Audit and Risk Committee, 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.
- Feedback from Audit Scotland and Mazars (our external auditors), in their reports.

Governance Tables

Operational governance standards remain high across all areas of our business as evidenced by our governance tables, based on the Scottish Public Finance Manual's Internal Control Checklist. The tables, which align to this checklist, focus on the key management controls that are required in an effective public body. Senior managers are responsible for maintaining the tables and reporting on the controls on a quarterly basis. These are reviewed by my Head of Internal Audit and Chief of Staff and I am satisfied that NatureScot's internal control and risk management framework has operated effectively during the year.

Areas for Improvement

The Governance Tables showed that the vast majority of key business controls are in place and operating effectively. There are however a few areas where improvements have been identified and are being taken forward.

- People and Organisational Development measures of success – there has been positive progress with the new People Strategy and the Performance Management framework. However we have yet to develop suitable measures to know how effective our learning and development framework has been, and the effectiveness of our performance management approach. Changes to the approach being taken on employees quarterly performance conversations, and development of our L&D framework, should move this forward.
- Project Management – reduced employee resources has meant that the level of support and oversight for developing a new project management approach has been limited. However, a more risk-based business partnering approach, with greater support focused on the high risk programmes and projects or those with a more volatile spend profile, has been introduced for 2023/24.
- H&S – there is still some low engagement in some parts of the business with respect to parts of our H&S framework. There has been increased follow-up by the H&S team, and whilst this has had a positive effect, with continued low accident rates and employees feeling safe in their work, the accessibility to and use of risk assessment as well as more proactive communication on H&S is needing greater focus.
- Information Asset Registers – some progress has been made during 2022/23. An initial draft of the register has been completed however staffing constraints have meant the next steps have had to be pushed back.

Internal Audit Assurance

During 2022/23 our internal audit function conformed to the requirements of the Public Sector Internal Audit Standards, as evidenced by an interim quality assessment. The planned annual audit work undertook a range of internal audits covering:

- Workload Management and Prioritisation
- SRDP Service Level Agreement Compliance
- Employee Wellbeing Framework
- Health and Safety Risk Framework
- Corporate Plan Measures of Success
- Stakeholder Framework
- Business Continuity Arrangements
- Project Management Follow up
- Green Finance Strategy
- Internal Audit Quality Assessment

Of the 10 audits undertaken the majority provided satisfactory levels of assurance. Where only limited assurance was provided these areas required strengthening either in terms of their design or their control framework, the common theme being monitoring of progress/success and follow up.

Audit and Risk Committee

In addition to the ARC's responsibilities for reviewing the comprehensiveness of assurances through a process of constructive challenge, they have also added value in the following ways:

- Maintaining and developing relationships to continue an open and transparent culture.
- Providing oversight on recommendations arising from internal audits where a limited assurance has been provided on their related risk(s)
- Continuing review of Corporate Risk deep dives by the ARC.

Risk Management

Our Board establish the organisation's risk appetite to inform decisions on which risks are considered worth taking and ones which should be avoided if we have less control on managing the outcomes. In all operational areas our risk appetite is open i.e. we are willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money, recognising and accepting some degree of failure. Our approach to our compliance responsibilities however is one where our risk appetite is cautious, preferring safer options that have a lower degree of risk.

Our risks are managed and monitored within our risk management system and assurance is provided to me and the ARC through the risk team's quarterly reports. Any risks of significant impact are escalated thorough that system and are managed via the Corporate Risk Register, which is monitored on a quarterly basis by the Senior Leadership Team and Board. At 31st March 2023 there were 11 corporate risks, 5 of which were rated high.

None of the higher rated risks materialised into issues during the year and the controls we have in place manage them to my satisfaction. As a result, they have not significantly affected the delivery of NatureScot's work during the year.

Fraud

NatureScot has a zero tolerance approach to fraud. Our fraud risk profile is assessed annually as part of the annual internal audit planning process. NatureScot's Fraud Policy and Response Plan is also reviewed and reissued to all employees annually. Our counter-fraud eLearning course is issued to new employees in key teams each year, with full compliance. There were no actual or suspected frauds identified during 2022/23.

Information and Cyber Security

In terms of providing assurance on the adequacy of NatureScot's information and security management protocols during 2022/23.

- We continue to carry out monthly network security testing of our perimeter infrastructure and have expanded our scope to include all of our external websites.
- NatureScot has mandatory, monthly cyber e-training & learning for all employees to reduce the risk of phishing emails being successful. Our average employee compliance for completion of training is 94%.
- The external contractor led review of ISO27001:13 in 2022/23 resulted in a positive assessment and small list of remedial work, which has been actioned.
- NatureScot re-certified for Cyber Essentials during this period.
- NatureScot records, and thoroughly reviews, all Information Security incidents. My SIRO confirms that in 2022/23 we have had no significant issues during the reporting year.
- We review our mitigation strategy on an ongoing basis, using any incident to check the effectiveness of our controls and identify any opportunities for improvement.

Review of Effectiveness and Conclusion

As we move into a new financial year, the environmental and economic constraints we face to address the impacts of biodiversity loss and climate change remain extremely challenging. I am confident that, notwithstanding some areas where improvements have been identified, these areas are being well managed and do not on the whole present a material risk to the delivery of our objectives and our framework of internal controls, risk management, and corporate governance is robust.

Remuneration and Staff Report

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

Remuneration Policy

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

For all other employees, NatureScot submits a pay remit to the Scottish Government Environment and Forestry Directorate for approval (normally annually, unless a multi-year deal has been agreed), which is within the terms and conditions set out in the Scottish Government's Public Sector Pay Guidance. On approval of the pay remit, a pay settlement is negotiated with the relevant Trade Unions. Annual salaries are paid in accordance with the standard NatureScot employee pay agreement. Performance is monitored and reviewed through NatureScot's performance management approach. Increases in employee's salary are based on managers' assessment of individual performances.

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. From 1 October 2021, the Chief Executive became a permanent employee of NatureScot. The terms and conditions of the Chief Executive's performance bonus remain suspended as per Pay Guidance for Senior Staff.

Employment Contracts

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

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

At 31 March 2023 the Board consisted of 12 Members, including the Chair. NatureScot's Board Members are appointed by Scottish Ministers initially through a process of open competition for a 4 year period (previously 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 2023 was £43,602 (2021/22: £43,372).

Other NatureScot Board Members' remuneration covers membership of the Board and is non-pensionable. Aoife Martin received additional remuneration due to her responsibilities as Depute Chair of the NatureScot Board. Peter Higgins was the NatureScot appointed member of JNCC and its trading subsidiary JNCC Support Co during the year.

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

Board Member	Key	Bands	Bands
		2022-23 £000's	2021-22 £000's
Mike Cantlay, Chair NatureScot Board	1	40 - 45	40 - 45
Aoife Martin, Depute Chair of NatureScot Board	1,4	20 - 25	5 - 10
Peter Higgins, Chair of SAC	1,2,4,5	5 - 10	5 - 10
David Johnstone, Chair of PAC	1,4	5 - 10	5 - 10
Ian Gambles, Chair of ARC	1,3	5 - 10	5 - 10
Colin MacPhail	1,3	5 - 10	5 - 10
Nikki Yoxall	1,3,4	5 - 10	5 - 10
Heather Reid	1,2,3	5 - 10	5 - 10
Jaboury Ghazoul	1,2,4	5 - 10	-
Margaret Davidson	1,3	5 - 10	-
Jill Robbie	1,4	5 - 10	-
Cath Denholm		-	20 - 25
Kate Broughton		-	5 - 10
Jackie Hyland		-	5 - 10

Key:

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

There are no disclosures for Wayne Powell in the above table as he chose not to receive any remuneration for his work as a board member. Nikki Yoxall received additional back pay arrears in 2022-23 of £58 in respect of the prior year to 31st March 22.

Chief Executive

NatureScot's Chief Executive, Francesca Osowska became a permanent employee of NatureScot from 1 October 2021. In 2022/23 Francesca Osowska's total remuneration as Chief Executive for the year to 31 March 2023 was £118,002 (2021/22: £117,502).

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. In accordance with the Public Sector Pay Negotiations for 2022/2023 applicable to Chief Executive Appointments she received a total pay award limited to £500 (2021/22 limited to £800) comprising of cost of living increases with no progression because she previously reached the top of her grade. This represented a total pay award increase of 0.43% for 2022/23 (2021/22: 0.69%) and was effective from 1 April 2022. Her non-consolidated pay award on annual salary was nil for 2022/23 (2021/22: nil).

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

Senior Leadership Team Salaries and Pension Benefits

The salary and pension entitlements of NatureScot's Senior Leadership Team for the full year in 2022/23 were as follows:

	Basic salary 2022-23 £000's	Bonus 2022-23 £000's	Pensionable remuneration total 2022-23 £000's	Accrued pension benefits 2022-23 ¹ £000's	Total 2022-23 £000's
Francesca Osowska - Chief Executive	115-120	-	115-120	-	115-120
Jane Macdonald - Director, Business Services and Transformation	85-90	-	85-90	19	105-110
Stuart MacQuarrie - Deputy Director, Business Services and Transformation	75-80	-	75-80	33	105-110
Nick Halfhide - Director, Nature and Climate Change	85-90	-	85-90	-	85-90
Eileen Stuart - Deputy Director, Nature and Climate Change	70-75	-	70-75	-	70-75
Robbie Kernahan - Interim Director, Sustainable Growth	85-90	-	85-90	28	110-115
Claudia Rowse - Deputy Director, Sustainable Growth	70-75	-	70-75	31	105-110
Jason Ormiston - Head of External Affairs	75-80	-	75-80	30	105-110

No benefits in kind were paid to Senior Leadership Team in 2022/23

Pensionable service used to calculate accrued pension at 31 March 2023 represents years of service payable from NatureScot's pension scheme, including any added years or transfers.

¹ The value of pension benefits accrued during 2022/23 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.

The salary and pension entitlements of NatureScot's Senior Leadership Team in 2021/22 are shown below.

	Basic salary 2021-22 £000's	Bonus 2021-22 £000's	Pensionable remuneration total 2021-22 £000's	Accrued pension benefits 2021-22 ² £000's	Total 2021-22 £000's
Francesca Osowska - Chief Executive	115-120	-	115-120	36	150-155
Jane Macdonald - Director, Business Services and Transformation	80-85	-	80-85	27	110-115
Stuart MacQuarrie - Deputy Director, Business Services and Transformation	65-70	-	65-70	39	105-110
Nick Halfhide - Director, Nature and Climate Change	80-85	-	80-85	13	95-100
Eileen Stuart - Deputy Director, Nature and Climate Change	65-70	-	65-70	12	75-80
Robbie Kernahan - Interim Director, Sustainable Growth	80-85	-	80-85	42	120-125
Claudia Rowse - Deputy Director, Sustainable Growth	65-70	-	65-70	42	105-110
Jason Ormiston - Head of External Affairs	70-75	-	70-75	28	100-105

No benefits in kind were paid to Senior Leadership Team in 2021/22

Pensionable service used to calculate accrued pension at 31 March 2022 represents years of service payable from NatureScot's pension scheme, including any added years or transfers.

2 The value of pension benefits accrued during 2021/22 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 2023 and related lump sum (unless stated) £000's	Real increase in pension and related lump sum at pension age £000's	CETV at 31 March 2023 (unless stated) £000's	CETV at 31 March 2022 (unless stated) £000's	Real increase in CETV £000's
Francesca Osowska	50-55 plus lump sum of 85-90	0 plus lump sum of 0	824	830	-102
Jane Macdonald	25-30	0-2.5 plus lump sum of 0	437	386	6
Stuart MacQuarrie	25-30 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	426	363	16
Nick Halfhide	45-50	0 plus lump sum of 0	799	734	-21
Eileen Stuart	30-35 plus lump sum of 70-75	0-2.5 plus lump sum of 0	693	626	-12
Robbie Kernahan	30-35	0-2.5 plus lump sum of 0	434	377	11
Claudia Rowse	20-25 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	479	407	22
Jason Ormiston	5-10	0-2.5 plus lump sum of 0	71	46	17

Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into Alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2023 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report - see below). All members who switch to Alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave Alpha. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

Real Increase in CETV

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

Fair Pay Disclosure

Public sector bodies are required to disclose the relationship between the remuneration of the highest paid director and that of the remuneration of the organisation's workforce. This includes disclosures relating to the 25th percentile pay, median pay and 75th percentile pay ratio of the organisation's workforce, together with the year-on-year percentage change in salary of the highest paid director and the average salary of the organisation's workforce. Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as any severance payments. It does not include employer pension contributions or the cash equivalent transfer value of pensions.

The midpoint of the banded remuneration of the highest paid director in NatureScot in 2022/23 was £117,500 (2021/22: £117,500). This was 3.18 times (2021/22: 3.17) the median remuneration of the workforce, which was £36,986 (2021/22: £37,077). The percentage change in the highest paid director's remuneration in 2022/23 was 0% (2021/22: 0%) and the percentage change in average remuneration of the organisation's workforce in 2022/23 was an increase of 4.54% (2021/22: increase of 2.68%).

In 2022/23, remuneration (excluding the highest paid director) ranged from £22,614 to £86,869 (2021/22: £21,455 to £83,528). In 2022/23 no employees (2021/22: nil) received remuneration in excess of the highest paid director.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	£117,500/£32,292: 3.64	£117,500/£36,986: 3.18	£117,500/£38,931: 3.02
2021/22	£117,500/£30,754: 3.82	£117,500/£37,077: 3.17	£117,500/£37,077: 3.17

Ratio Movement

Changes in the ratios are the result of adjustments in the relative mix of headcount between staff pay grades and additional awards made for lower paid staff.

Trends in the Median Pay Ratio

The increase in 2022/23 is due to the recruitment of new staff who start at the lower point in each pay scale. This reduced the median pay grade from a top-point (as reported in 2021/22) to a mid-point in the pay scale for 2022/23.

The Median Pay Ratio pay does reflect NatureScot's rewards and progression policy for employees, which is strongly influenced by Scottish Government Pay Policy which for 2022-23 has encouraged additional support being given to lower paid staff with the highest paid receiving the smallest proportionate increase.

Staff Report

Average Number of Employees

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

	Permanent Number	Other Number	2022-23 Number	2021-22 Number
Senior management	8	-	8	8
Operational, professional and managerial	448	76	524	480
Administration and support	72	26	98	105
Estate workers, manual and domestic	69	15	84	77
	597	117	714	670

Senior management represents members of Senior Leadership Team.

The increase in number of estate workers, manual and domestic was due to employing more project funded employees to deliver new nature-based projects in 2022/23.

Employee turnover for the year was 10.5% (2021/22 10.5%). This is calculated by dividing the number of leavers in the year by the average employee headcount for that year.

Staff Costs (including board members)

	2022-23 £000	2021-22 £000
Salaries:		
Chairman	44	43
Board members	96	108
Other committee members	13	15
Senior leadership team:		
– permanent contracts	679	639
– fixed term contracts	-	-
All other staff:		
– permanent contracts	19,136	17,129
– fixed term contracts	5,360	3,857
	25,328	21,791
Social security costs	2,649	2,259
Pension costs	6,687	6,051
Apprenticeship levy	109	98
Severance and other costs	-	-
Total staff costs	34,773	30,199
Agency staff costs	46	22
Less: recoveries in respect of outward secondments and joint contract agreements	(429)	(547)
Total net employment costs	34,390	29,674

There were no salaries capitalised against projects in 2022/23 (2021/22: £nil). The increase in net employment costs in 2022/23 is due primarily to various increases in both employee and employers costs. These include increased costs of pay award and increments and the net increase in value and number of fixed term contracts over the reduction in permanent contracts. It also includes the reduced income from secondment and joint contract agreements. Severance and other costs incurred in 2022/23 was nil (2021/22: £Nil). Consultancy costs incurred in 2022/23 were £0.561m (2021/22: £0.825m).

Pension Costs

NatureScot makes pension contributions for employees to civil service pension arrangements and stakeholder pension arrangements. Further details on the civil service pensions are provided on [page 65](#). NatureScot is unable to identify its share of the underlying assets and liabilities and therefore any liability for future benefits is a charge on the Principal Civil Service Pension Scheme (PCSPS), which prepares its own scheme statements. A breakdown of pension costs payable for year is as follows:

	2022-23 £000	2021-22 £000
Employer pension contributions to PCSPS	6,634	6,002
Employer pension contributions re Stakeholder partner pension arrangements	48	40
	6,682	6,042
Other annual pension costs	5	9
Total pension costs	6,687	6,051

Equality and Diversity

At NatureScot we are committed to ensuring that equality, diversity and inclusion are at the heart of everything we do. We continue to embed inclusion into NatureScot. The NatureScot Way describes our values and how we act towards each other - it is our ambition for our evolving organisational culture and establishing individual behaviours.

Through changes to our recruitment approach we have made good progress in ensuring that NatureScot is seen as an employer of choice, where everyone has the same opportunities. We remain committed to attracting more people from Minority Ethnic (ME) communities through our partnership with [CEMVO Scotland](#). We realise that ME representation in our workforce is low and we will continue to focus on increasing ME diversity.

Through our relationship with Enable Works we have provided a workplace culture that is inclusive to people with disabilities.

We have provided opportunities for young people through our Programme for Youth Employment. We currently have employees in apprenticeships across all areas of NatureScot and by the end of 2022/23, 13% of our workforce was under the age of 30.

Our ways of working are continuously reviewed, changing where and when people work. This has resulted in a better work / life balance which in turn supports those with caring responsibilities, and removes barriers to opportunities within NatureScot and for external candidates.

The continued collaboration with our Change Partners and Employee Networks, which includes our Disability, Ability, Wellbeing and Neurodiversity Network (DAWNN), LGBTQ+, Women's Network, Young Employee Network and our Multicultural Network, is helping us realise our NatureScot Way ambitions to improve inclusion.

At 31 March 2023, NatureScot employed the following number of persons (note this is not FTE):

Category	Female	Male	Total
Board	5	7	12
Senior Leadership Team	4	4	8
Employees	440	305	745
Total 2022/23	449	316	765
Total 2021/22	448	307	755

Employee Involvement

NatureScot continues to work in partnership with the recognised trade unions through the Partnership and Consultation and Negotiation Committee. The Partnership has continued to work together to ensure people remain at the heart of NatureScot. During 2022/23, we continued to undertake regular health and wellbeing pulse surveys. A review of the homeworking agreements was carried out in February 2023 in line with the strategic review of the NatureScot offices. In 2022/23 the Consultation and Negotiation Committee continued to review and streamline policies, with the finalising of a smarter working suite, launch of our Menopause Policy and a review of the performance development conversation guidance.

During 2022/23 NatureScot developed a new operating model to be implemented during 2023/24 and a number of projects to ensure that the new operating model is successfully implemented. After the successes of the Winter Carnival in 2020/21 and 2021/22, we launched our third winter wellbeing suite of events – Road to Well – in January 2023. The Road to Well events continued to increase opportunities for connection with wider colleagues, engagement to raise awareness and helped employees to think about new and different ways to get outside and have some fun.

Our more established Young Employee Network (YEN) and associated Young Employee Panel (YEP) continue to see a number of progressions and achievements. In 2022/23, we celebrated Scottish Apprenticeship Week with a series of workshops attended not only by our young employees but also by others in the organisation. Our Change Partner Network continues to play a key role in supporting successful and efficient organisational change, ensuring that change initiatives are communicated to the teams they represent, and that feedback from the team flows back to the decision-makers. Our employee networks are represented in the Change Partner Network also. We continue to involve Change Partners and employees in targeted focus groups as a means to help us resolve challenges within NatureScot and to shape our future core offer.

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 2022/23	23
Full-time equivalent employee number	2.07 FTE
Percentage of time spent on facility time	No of staff
0%	-
1%-50%	22
51%-99%	-
100%	1
Percentage of pay bill spent on facility time	0.22%
Time spend on paid trade union activities as a percentage of total paid facility time hours	28%

Sickness Absence

The average days lost to sickness per person in 2022/23 was 6.33 days (2021/22: 4.86 days). This increase from the 2021/22 rate reflects the trend across the UK public sector. NatureScot still compares favourably in terms of recorded days lost to sickness. The average sick days in the public sector in 2022 was 7.9 days lost, which was an increase from 6.1 days in 2021. We believe the increase in the average sick days lost may be due to the UK returning to a pre-pandemic environment and increased face to face interactions.

We continue to encourage our employees to take action to maintain their wellbeing at work through a number of wellbeing initiatives. We have introduced a number of network forums to support our employees, such as the Disability, Ability, Wellbeing and Neurodiversity Network, Thrive/Wellbeing forum.

Number and Cost of Exit Packages

There were no exit packages in either 2022/23 or in 2021/22.

Parliamentary Accountability Disclosures

Losses and Special Payments

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

	2022-23 £000	2021-22 £000
Losses of assets, stores and equipment, including cash losses	1	5
Fruitless payments and constructive losses	1	-
Claims waived or abandoned	-	-
Special payments	-	-
	2	5

Fees and Charges

NatureScot does not levy any statutory fees and charges for its advisory or licencing services. Income shown in the accounts of £7.629m relate to project and estate management which is on a cost recovery basis – details are shown in notes 5, 6, and 7.

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

13 December 2023

Independent Auditor's Report

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

Reporting on the Audit of the Financial Statements

Opinion on Financial Statements

We have audited the financial statements in the annual report and accounts of NatureScot for the year ended 31 March 2023 under the Natural Heritage (Scotland) Act 1991. The financial statements for NatureScot 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 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

We conducted our 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. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern Basis of Accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of Material Misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the Financial Statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our 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 our 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 decisions of users taken on the basis of these financial statements.

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

- using our understanding of the central government sector to identify that the NatureScot (Scotland) Act 1991 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- Inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on Regularity of Expenditure and Income

Opinion on Regularity

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

Responsibilities for Regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on Other Requirements

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

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

Other Information

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Opinions Prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our 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 we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our 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
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

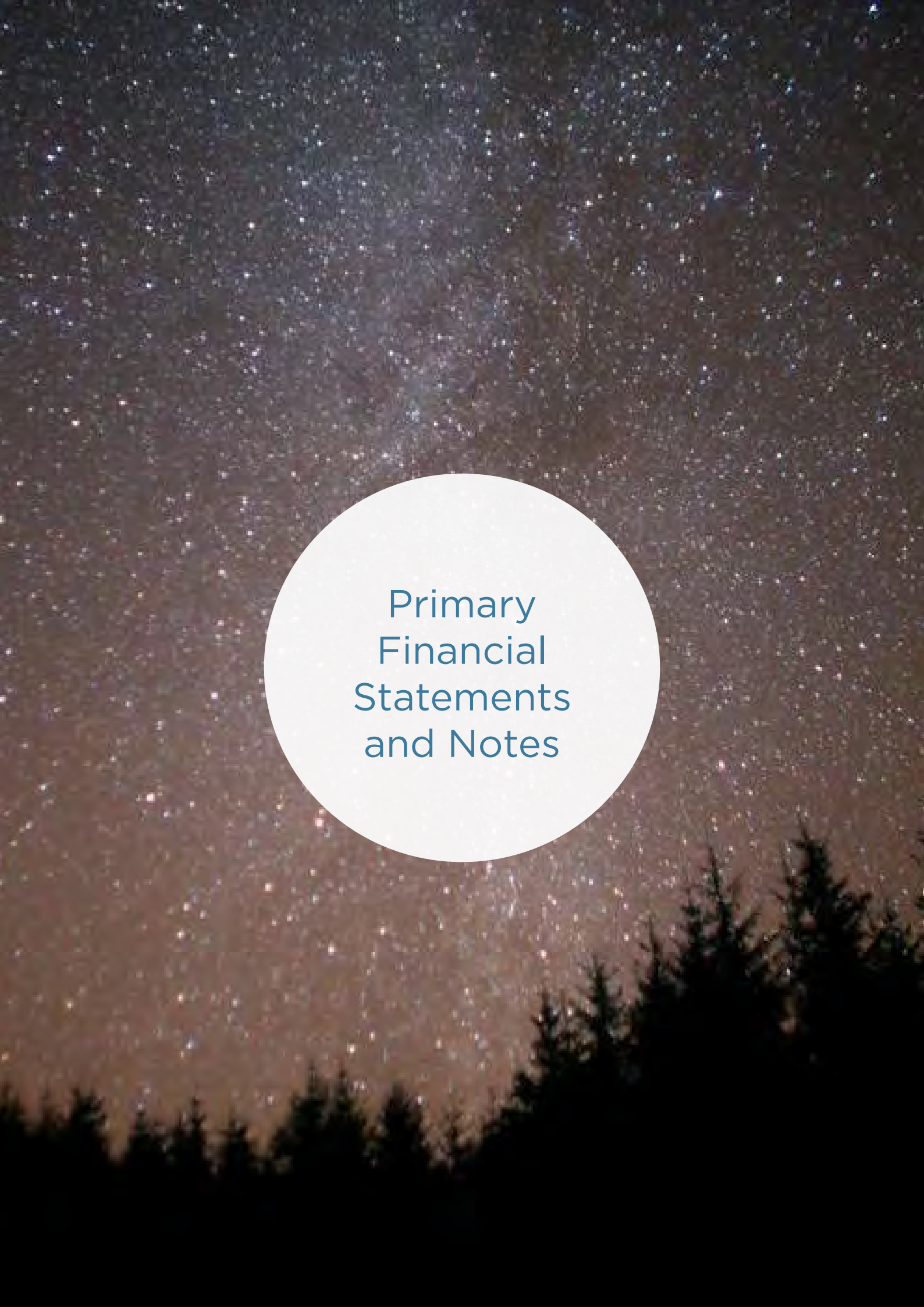
Use of our Report

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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Tom Reid (Audit Director)
For and on behalf of Mazars LLP

Mazars LLP
100 Queen Street
Glasgow G1 3DN

13 December 2023



Primary
Financial
Statements
and Notes

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Income			
External funding	5	(1,102)	(1,857)
Income from activities	6	(1,108)	(1,033)
EU funding	7	(5,234)	(1,660)
Income from operating activities		(7,444)	(4,550)
Profit on disposal of non-current assets	8	(4)	(28)
Total income		(7,448)	(4,578)
Expenditure			
Staff costs	9	34,389	29,674
Other costs	12	7,698	7,376
Operating costs	13	31,505	28,815
Capital grant-in-kind		130	50
(Decrease) / increase in provisions	23	62	(54)
Depreciation of property, plant and equipment	16	1,622	1,545
Depreciation of right of use assets	24	564	-
Amortisation of intangible assets	18	74	82
Revaluation losses / (gains) on non-current assets	17	206	177
Total operating expenditure		76,250	67,665
Net operating expenditure		68,803	63,087
Interest receivable	10	(61)	(1)
Interest of right of use liabilities	24	9	-
Net Interest (receivable) / payable		(52)	(1)
Net expenditure after interest		68,751	63,086
Corporation tax	14	11	33
Net expenditure		68,762	63,119
Other Comprehensive Expenditure			
Net gain on revaluation of non-current assets	17	(390)	(744)
Total comprehensive expenditure for the year ended 31 March 2023		68,372	62,375

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

NatureScot Statement of Financial Position as at 31 March 2023

	Note	2022-23 £000	2021-22 £000
Assets			
Non-current assets			
Heritage assets	15	93	93
Property, plant and equipment	16	26,810	26,341
Lease right of use assets	16	920	-
Intangible assets	18	428	115
Total non-current assets		28,251	26,549
Current assets			
Trade and other receivables	19	8,396	4,250
Cash and cash equivalents	20	13,902	9,919
Total current assets		22,298	14,169
Assets held for sale	21	795	1,674
Total assets		51,344	42,392
Liabilities			
Current liabilities			
Trade and other payables	22	(11,358)	(11,335)
Provision for dilapidations and other provisions	23	(282)	(2)
Lease obligations	24	(380)	-
Total current liabilities		(12,020)	(11,337)
Total assets less current liabilities		39,324	31,055
Non-current liabilities			
Provision for dilapidations and other provisions	23	(50)	(270)
Lease obligations	24	(473)	-
Total non-current liabilities		(523)	(270)
Assets less liabilities		38,801	30,785
Taxpayers' Equity			
General reserve		33,523	25,500
Revaluation reserve		5,278	5,285
Total taxpayers' equity		38,801	30,785



Francesca Osowska

Chief Executive and Accountable Officer

The Accountable Officer authorised these financial statements for issue on 13 December 2023.

NatureScot Statement of Cash Flows for the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
Operating activities			
Net operating expenditure		(68,803)	(63,087)
Adjustment for items not involving the movement of cash:			
Depreciation of property, plant and equipment		1,622	1,545
Depreciation of lease right of use assets		564	-
Amortisation of intangible assets		74	82
Revaluation losses (gains) on non-current assets		206	177
Profit on disposal of non-current assets		(4)	(28)
Expected credit losses		60	29
Capital grant-in-kind		130	50
Working capital adjustments:			
Increase in trade and other receivables		(4,205)	(1,907)
Increase (decrease) in trade and other payables		(553)	2,877
Movements in provisions		60	(120)
Corporation tax paid		(35)	(3)
Net cash outflow from operating activities		(70,884)	(60,385)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	16	(1,959)	(2,002)
Payments to acquire intangible assets	18	(388)	-
Receipts from sales of non-current assets	8	841	169
Interest received	10	61	1
Net cash outflow from investing activities		(1,445)	(1,832)
Cash flows from financing activities			
Grant-in-aid funding from Scottish Government	4	68,464	64,408
Structural funds cash	4	7,848	-
Net cash inflow from financing activities		76,312	64,408
Increase in cash and cash equivalents in the year		3,983	2,191
Cash and cash equivalents at 1 April 2022	20	9,919	7,728
Cash and cash equivalents at 31 March 2023	20	13,902	9,919
Net movement in cash and cash equivalents		3,983	2,191

NatureScot Statement of Changes in Taxpayers' Equity For the year ended 31 March 2023

	Note	General reserve	Asset revaluation reserve
Balance at 31 March 2021		23,844	4,704
Changes in taxpayers' equity for 2021-22			
Net expenditure	SoCNE	(63,119)	-
Capitalisation of assets not previously recognised	15 & 16	204	-
Revaluation reserve movement	15 & 16	163	(163)
Revaluation gains		-	744
Total recognised income and expense for 2021-22		(62,752)	581
Resource DEL grant-in-aid	4	49,298	-
Capital DEL grant-in-aid	4	15,110	-
		64,408	-
Balance at 31 March 2022		25,501	5,285
Changes in taxpayers' equity for 2022-23			
Net expenditure	SoCNE	(68,762)	-
Capitalisation of assets not previously recognised	15 & 16	74	-
Revaluation reserve movement	15 & 16	397	(397)
Revaluation gains		-	390
Total recognised income and expense for 2022-23		(68,291)	(7)
Resource DEL grant-in-aid	4	55,426	-
Capital DEL grant-in-aid	4	13,038	-
Structural funds cash	4	7,848	-
		76,312	-
Balance at 31 March 2023		33,522	5,278

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 82 to 111](#) form part of these accounts.

NatureScot

Notes to the Accounts

1. Basis of accounts

These financial statements have been prepared in accordance with EU adopted International Financial Reporting Standards (IFRS) as adopted and interpreted by the 2022/23 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 2023/24 and consider that NatureScot has adequate resources to continue in operational existence in the foreseeable future. The accounts are therefore prepared on a going concern basis. An assessment of liquidity risk is shown in [note 28](#) and the budget allocation for 2023/24 can be seen at [Finance Performance – Budget and Cash Funding](#).

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

2. Accounting policies

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

Implementation of IFRS 16: Leases

NatureScot has implemented IFRS 16: Leases on 1 April 2022 in accordance with 2022/23 Government Financial Reporting Manual (FReM). In accordance with this guidance, NatureScot will recognise the cumulative effects of initially applying IFRS 16 on this date as an adjustment to the opening balances of taxpayers' equity.

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 and certain assets within freehold buildings 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.

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 employee costs and employee-related costs, are included where it is deemed that the asset will generate future economic benefits in the way of savings or improvements to internal processes.

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

Intangible assets are amortised over 4 years.

2.3 Non-current assets classified as held for sale

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

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

Further information on non-current assets classified as held for sale is given in [note 21](#).

2.4 Heritage assets

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

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

Heritage Land

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

These holdings at 31 March 2023 extended to 41,058 hectares. This land is owned or leased by NatureScot and managed as or associated with the management of national nature reserves (NNR), NatureScot nature reserves (NR) or sites of special scientific interest (SSSI). Due to the diverse nature of these assets, the land being held with the long term objective of the realisation of non-monetary public benefits, and the lack of a comparable valuation basis, we do not recognise these assets in the Statement of Financial Position unless cost information is available.

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

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 15.1](#).

Antiques and Works of Art

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

A specialist external valuer, Bonhams Limited, carried out a full assessment of the collection of antiquities as at 3 May 2021 – delay due to Covid-19 restrictions. The valuations were undertaken on a basic auction level, including recent transaction information from sales where similar types of items are regularly purchased. Full valuations will be carried out every five years in accordance with the requirements in FReM. NatureScot reviews the inventory of antiques for accuracy on an annual basis.

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.

In March 2022, these were reclassified as [non-current assets classified as held for sale](#).

2.5 Cash and cash equivalents

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

2.6 Foreign currency exchange

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

2.7 Provisions

Provisions are recognised when NatureScot has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provisions is presented in the statement of comprehensive net expenditure net of any reimbursement. Pension related provisions are discounted where appropriate using the real rate set by HM Treasury of (4.15)% (2021/22: (1.55)%). Where discounting is used, the carrying amount of a provision increases in each year to reflect the passage of time. This change is recognised as a financial expense adjacent to interest but disclosed separately from other interest on the face of the statement of comprehensive net expenditure.

2.8 Taxation

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

VAT

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

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

Corporation Tax

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

2.9 Grant-in-aid

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

2.10 Funding from the European Commission

European Commission funding receivable is included in the Statement of Comprehensive Net Expenditure to match expenditure incurred to 31 March 2023 on approved projects.

Prior to 2021/22, EU Structural Funds managed by NatureScot, as outlined in [note 11](#), were treated as an agency relationship with Scottish Government. This relationship was re-defined in 2021/22 and is now reflected as a principal relationship – income and related expenditure is recorded in the Statement of Comprehensive Expenditure and any balances due from Scottish Government continue to be shown in the Statement of Financial position. Any expected credit losses or adjustments to grants are also disclosed in the accounts ([note 19](#))

2.11 Income and expenditure recognition

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

2.12 Employee benefits

Pensions

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

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

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

Other Employee Benefits

A liability and an expense are recognised for accrued but unused annual leave and flexi leave balances at the 31 March, in accordance with the underlying policy. These costs are included in the amounts shown in the Remuneration and Staff report.

2.13 IFRS16 – Leases

IFRS 16, as adapted and interpreted by the FReM, has been applied with the initial application date of 1 April 2022. Previously leases were classified as either 'operating' or 'finance' leases based upon the assessment of risks and rewards being incidental to the ownership of the underlying asset. Under IFRS 16 NatureScot recognises assets where they consider they have the exclusive right to use the asset (right-of-use-assets) and the lease liability for most leases on the balance sheet.

2.13.i – Short-term leases and leases of low-value assets

The FReM mandates the recognition and measurement exemption for short-term leases with a non-cancellable term of less than 12 months. Any leases that fall into this exemption will be expensed and reflected in the Statement of Comprehensive Net Expenditure. Any leases that are considered to be of low value will also be expensed and treated in the same manner as short-term leases.

2.13.ii – Right-of-use assets and lease liabilities

At inception of a contract, NatureScot assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. NatureScot can and do enter into lease contracts for:

- Property – Office Space
- Property – Land
- Motor Vehicles
- Office Equipment

Leases are recognised, measured and presented in line with IFRS 16: Leases.

At commencement or on modification of a contract that contains a lease component, NatureScot allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. In the context of leases which have a lease and service component which are identifiable, NatureScot only capitalises the amounts relating to the lease component.

NatureScot recognises a Right-of-use Asset and a Lease Liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2.13.iii – Peppercorn leases

Within NatureScot, there are a number of leases which are provided on a peppercorn basis. That is, leases are provided for nil or nominal consideration in return.

These include agreements regarding land, usually protected areas. We use these to support natural heritage management for the following objectives:

- Management of the Natural Heritage
- Management for People
- Management of the Property

These can be Nature Reserve Agreements (S.16), SSSI Agreements (S.15), Wider Countryside Agreements (S.49A) or a Grazing Lease.

These leases were previously classified as Operating Leases and have been measured at Market Value by the District Valuation Office (DVO).

The difference between the brought forward Right-of-use Asset and Lease Liability has been posted to Taxpayers Equity.

2.13.iv – Accounting treatment

The Right-of-use Asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to NatureScot by the end of the lease term or the cost of the right-of-use asset reflects that NatureScot will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset will be periodically reduced by impairment losses, if any, and adjusted for certain premeasurements of the lease liability.

The Lease Liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, then NatureScot will use the HM Treasury discount rate promulgated in the Public Expenditure System (PES) notices.

Lease payments included in the measurement of the Lease Liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- The amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that NatureScot is reasonably certain to exercise, Lease payments in an optional renewal period if NatureScot is reasonably certain to exercise an extension option, and
- Penalties for early termination of a lease unless NatureScot is reasonably certain not to terminate early.

The Lease Liability and Right-of-use Asset is re-measured when there is a change:

- in future lease payments arising from a change in an index or rate
- if there is a change in NatureScot's estimate of the amount expected to be payable under a residual value guarantee
- if NatureScot changes its assessment of whether it will exercise a purchase, extension or termination option or
- if there is a revised fixed lease payment.

Where a lease is on a twelve-month tacit arrangement and there is uncertainty as to when this will end we have assumed a lease term of five years.

NatureScot presents Right-of-use Assets as a separate category of Asset and the Lease Liability as a separate category of Liability on the face of the Statement of Financial Position supported by required note disclosures.

On transition to IFRS 16 lease liabilities have been measured at the cost of the remaining leases payments at 1 April 2022 and discounted to present value using the discount rate promulgated in PES Papers, which was 0.95% on 1 April 2022.

2.14 Grants and management agreements

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

Government Grants (including EU Funding)

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

- i. The entity will comply with the conditions attaching to them; and
- ii. The grants will be received

Receipt of a grant does not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

2.15 Research and development

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

2.16 Impairment of non-financial assets

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

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

2.17 Interest income

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

2.18 Financial instruments

NatureScot does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables, cash and cash equivalents and payables ([notes 19, 20](#) and [22](#)). 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.

Impairment of Financial Instruments

An impairment of debt for irrecoverable amounts is made where there is evidence that NatureScot will be unable to collect an amount due in accordance with agreed terms. Trade and other receivables are recognised at fair value. An impairment of Government Grants (including EU Funding) is made where there is evidence or a judgement applied that NatureScot will be unable to claim the full amount of the grant or a reduction in the grant reimbursement rate is likely to be applied.

2.19 Judgements, accounting estimates and assumptions

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

Critical judgements in applying accounting policies

A number of critical judgements have been applied within the accounting policies detailed in [notes 2.1 – 2.19](#) and include such areas as when an asset is impaired, whether to recognise a potential liability as a provision or contingent liability, how to treat a lease as an operating or finance lease, the basis on which non-current assets are valued.

During 2022-23 as with the previous year the following critical judgements were applied:

- There was a change in use to private sector rental of Dromore Farmhouse. Due to the anticipated short-term rental of this property, this has not been reclassified as an Investment Property in the accounts. In the accounts Dromore Farmhouse is included in Property, Plant and Equipment.
- Following discussions with Scottish Government, the treatment of EU structural fund income and expenditure was revised due to a change in the assessment of NatureScot’s relationship in 2021/22. EU Structural Funds are now accounted for as a principal relationship whereas in previous years it was treated as an agency relationship ([note 2.10](#) and [note 11](#)). The receivable amount due from Scottish Government is disclosed as part of current receivables ([note 19](#)) which reflects NatureScot’s understanding that payment for all outstanding claims at 31 March 2023 will be received from Scottish Government within the following 12 months. An adjustment has been made to the receivable balance at 31st March 2023 to reflect the risk of claims not being reimbursed by the Managing Authority. The basis for this adjustment of 3.4% is the loss incurred by NatureScot from previous de-committed claims. This rate has also been applied to the expected credit loss arising from management costs claimed by NatureScot in its role as lead partner for the EU Structural Funds Programmes ([note 11](#)).

Key areas of estimation and sources of estimation uncertainty

The main areas of the accounts, which involve estimation, relate to provisions, valuation of non-current assets, useful lives to use for depreciation of non-current assets, some manual accruals and expected credit losses relating to the de-commitment risk on Structural Funds payments. However, NatureScot believes none of these are uncertain to the extent that they would vary by an amount which would have a material impact in the accounts other than expected credit losses relating to the de-commitment risk on Structural Funds payments where the final claims for the programme will be made by 31 January 2024.

3. Segment information

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

During 2022/23 NatureScot delivered its Corporate Strategy through the following outcomes as set out in the Performance Report section of the annual report.

The table presents management information, produced on an IFRS basis, on income, expenditure, net operating cost and capital additions relating to the operating segments for the year ended 31 March 2023.

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.

Year ended 31 March 2023	Priority 1 £000	Priority 2 £000	Priority 3 £000	Priority 4 £000	Total of operating segments £000
Income					
External funding	145	620	236	101	1,102
Income from activities	59	72	85	893	1,109
EU funding	124	1,542	3,568	-	5,234
Profit on disposal of non-current assets	743	-	2	(741)	4
Total income	1,071	2,234	3,891	253	7,449
Expenditure					
Staff costs	12,121	6,472	5,924	9,873	34,390
Other costs	1,075	607	681	5,336	7,699
Operating costs	4,818	17,546	7,331	1,810	31,505
Capital grant-in-kind	-	-	-	130	130
Increase in provisions	-	-	-	62	62
Depreciation of property, plant and equipment	-	-	-	2,186	2,186
Amortisation of intangible assets	-	-	-	74	74
Revaluation gains on property, plant and equipment	-	-	-	206	206
Total operating expenditure	18,014	24,625	13,936	19,677	76,252
Net operating expenditure	16,943	22,391	10,045	19,424	68,803
Interest receivable	-	-	-	(52)	(52)
Net expenditure after interest	16,943	22,391	10,045	19,372	68,751
Corporation tax	-	-	-	11	11
Net expenditure	16,943	22,391	10,045	19,383	68,762
Capital asset additions	624	20	211	1,629	2,484

Priority 1 - **Protecting Nature** - Strengthened protection of existing biodiversity

Priority 2 - **Restoring Nature** - Halt the loss of biodiversity by 2030 and restore nature by 2045

Priority 3 - **Valuing Nature.**

Priority 4 - **The NatureScot Way** - Our passion, inspiration and expertise will put nature at the heart of Scotland's future.

Year ended 31 March 2022	Priority 1 £000	Priority 2 £000	Priority 3 £000	Priority 4 £000	Total of operating segments £000
Income					
External funding	793	683	131	250	1,857
Income from activities	144	-	2	887	1,033
EU funding	513	50	1,097	-	1,660
Profit on disposal of non-current assets	60	-	-	(32)	28
Total Income	1,510	733	1,230	1,105	4,578
Expenditure					
Staff costs	10,459	5,585	5,111	8,519	29,674
Other costs	1,344	323	71	5,638	7,376
Operating costs	6,481	15,555	5,108	1,671	28,815
Capital grant-in-kind	-	-	-	50	50
Increase in provisions	-	-	-	(54)	(54)
Depreciation of property, plant and equipment	-	-	-	1,544	1,544
Amortisation of intangible assets	-	-	-	82	82
Revaluation gains on property, plant and equipment	-	-	-	177	177
Total operating expenditure	18,284	21,463	10,290	17,627	67,664
Net operating expenditure	16,774	20,730	9,060	16,522	63,086
Interest receivable	-	-	-	(1)	(1)
Net expenditure after interest	16,774	20,730	9,060	16,521	63,085
Corporation tax	-	-	-	34	34
Net expenditure	16,774	20,730	9,060	16,555	63,119
Capital asset additions	1,049	121	-	878	2,048

4. Cash grant-in-aid

Total cash grant-in-aid drawn down from the Scottish Government in 2022/23 was £76.312m (2021/22: £64.408m).

This included ring-fenced cash grant-in-aid within NatureScot's RDEL budget for a JNCC grant of £1.157m (2021/22: £1.020m), cash provision for Structural Funds of £7.848m and a number of other initiatives which contributed to increased level of cash received in 2022/23.

	2022-23 £000	2021-22 £000
Resource DEL grant-in-aid	55,426	49,298
Capital DEL grant-in-aid	13,038	15,110
Structural funds cash	7,848	-
	76,312	64,408

5. External funding

	2022-23 £000	2021-22 £000
Partnership and other grant income	717	955
Other external funding	384	902
	1,101	1,857

6. Income from activities

	2022-23 £000	2021-22 £000
Professional services	68	2
Managing resources	966	837
Other income from activities	75	194
	1,109	1,033

Professional services are a demand driven activity and include providing services to other public sector bodies. Managing resources includes income derived from property and site use. Other income from activities relates to income from shared services.

7. EU funding

	2022-23 £000	2021-22 £000
EU life funding	-	32
EU Structural funds funding – payment to grantees	4,783	1,148
EU Structural funds funding – NatureScot mgmt. costs	380	361
EU Interreg funding	71	119
	5,234	1,660

The increase in EU Structural Funds is primarily due to a change in how grants to third parties relating to the Green Infrastructure and Natural & Cultural Heritage Funds are now handled. NatureScot previously acted as an agent for Scottish Government (SG) in that the ultimate approval of claims came from SG who then forwarded funding to NatureScot to enable the claims be paid. This operating model changed during 2021-22 with NatureScot now making payments for claims in advance of reimbursement from SG. In line with other EU Structural Funds Lead Partners, and the relevant accounting standards, and following the introduction of the changes, these transactions are included in the Statement of Comprehensive Expenditure as income and expenditure.

8. Profit on disposal of non-current assets

The total proceeds from the sale of non-current assets were £0.841m (2021/22: £0.169m).

	2022-23 £000	2021-22 £000
Profit on disposal of non-current assets	4	28

9. Staff costs

Staff costs for 2022/23 were £34.390m (2021/22: £29.674m). Further analysis of these costs is shown within the [Accountability Report](#).

10. Interest receivable

	2022-23 £000	2021-22 £000
Bank interest	61	1

11. Structural funds

NatureScot is a Lead Partner for two ERDF Strategic Interventions as part of the 2014-2020 European Regional Development Fund (ERDF) Programme.

Green Infrastructure Strategic Intervention (GISI)

The aim of the GISI is to invest in communities to help them to grow economic activity and employment by creating and improving multi-functional Green Infrastructure on a major scale in Scotland's Towns and Cities. This also contributes in dealing with the climate emergency being central to adaptation and mitigation.

Natural & Cultural Heritage Strategic Intervention (N&CHFSI)

The aim of N&CHFSI is to promote and develop the natural and cultural heritage of the Highlands & Islands in a way which conserves and protects them. The aim is to encourage people to visit some of the more remote and rural areas, creating and sustaining jobs, businesses and services in local communities.

As Lead Partner, NatureScot's role is to approve claims and make payments to Grantees and then subsequently submit these claims to Scottish Government (SG) for reimbursement. NatureScot submits claims to SG for its own activities relating to its role as Lead Partner for both Strategic Interventions and as a claimant for one N&CHFSI project (Hermaness Hill Path and Welcome Area). These claims are reflected in the Statement of Net Comprehensive Expenditure and Statement of Financial Position.

The balances due from SG at 31 March 2023 are reflected within Receivables:

	2022-23 £000	2021-22 £000
Relating to third party claims		
GISI claims receivable from SG at 1 April 2020	165	179
GISI claims paid out by NatureScot in 2020/21	60	60
GISI claims paid out by NatureScot in 2021/22	19	397
GISI claims paid out by NatureScot in 2022/23	3,075	-
N&CHFSI claims paid out by NatureScot in 2021/22	147	339
N&CHFSI claims paid out by NatureScot in 2022/23	1,468	-
Amounts due from Scottish Government at 31 March 2023	4,934	975

	2022-23 £000	2021-22 £000
Relating to NatureScot claims		
GISI claims receivable from SG at 1 April 2020	35	147
GISI claims receivable from SG in 2020/21	151	151
GISI claims receivable from SG in 2021/22	144	144
GISI claims receivable from SG in 2022/23	121	-
N&CHFSI claims receivable from SG at 1 April 2020	283	283
N&CHFSI claims receivable from SG in 2020/21	203	203
N&CHFSI claims receivable from SG in 2021/22	682	682
N&CHFSI claims receivable from SG in 2022/23	311	-
Amounts due from Scottish Government at 31 March 2023	1,930	1,610

Of the balance relating to NatureScot Claims, £1.412m (2021/22: £1.145m) relates to management costs in its role as Lead Partner and £0.518m (2021/22: £0.465m) relates to a claim for one N&CHFSI project.

12. Other costs

	2022-23 £000	2021-22 £000
Staff related costs	795	512
Office and other accommodation	2,320	2,621
Travel	393	198
Communications	1,913	1,779
Supplies and services	1,297	1,039
Vehicle costs	280	313
Consultancy costs	561	825
Expected credit losses	60	29
Audit fee payable to Audit Scotland	79	60
	7,698	7,376

The external audit fee payable for the year was £78,730 (2021/22: £60,290). Consultancy costs of £388,317 have also been capitalised under Intangible Assets (Assets under Construction) during 2022-23 in relation to NatureScot's Licensing System Builds including Deerline. ([Note 18](#)).

13. Operating costs

	2022-23 £000	2021-22 £000
Promotion	844	929
Research	4,948	5,204
Grants	19,257	16,094
Partnership funding	2,043	1,985
Management agreements	2,008	1,981
Managed sites	2,405	2,622
	31,505	28,815

Operating costs include EU Structural Funds expenditure amounting to £4.918m (2021/22: £1.246m). The partnership funding figure of £2.043m includes ring-fenced funding to JNCC of £1.157m (2021/22: £1.019m). The increase from 2021/22 to 2022/23 in grants relates to the increased funding made available to NatureScot to deliver Peatland Action, Nature Restoration Fund, Biodiversity Challenge Fund, Better Places Fund together with claims paid out during 2022/23 relating to GISI and NC&HFSI ([note 11](#)).

Grant and partnership funding expenditure of £21.300m (2021/22: £18.079m), comprises £7.974m grants made to the public sector and £13.326m to the private and third sectors.

14. Corporation tax

	2022-23 £000	2021-22 £000
Corporation tax	11	33

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

15. Heritage assets

Year ended 31 March 2023	Heritage land £000	Heritage building £000	Antiques and works of art £000	Total heritage assets £000
Cost or Valuation				
At 1 April 2022	93	-	-	93
Additions	-	-	-	-
Additions - not previously recognised	35	-	-	35
Disposals	(35)	-	-	(35)
Reclassification	-	-	-	-
Revaluation gains	-	-	-	-
Revaluation losses	-	-	-	-
Adjustments	-	-	-	-
At 31 March 2023	93	-	-	93

Year ended 31 March 2022	Heritage land £000	Heritage building £000	Antiques and works of art £000	Total heritage assets £000
Cost or Valuation				
At 1 April 2021	951	-	791	1,742
Additions	-	-	-	-
Additions - not previously recognised	-	-	6	6
Disposals	-	-	-	-
Reclassification	(858)	-	(775)	(1,633)
Revaluation gains	-	-	26	26
Revaluation losses	-	-	(48)	(48)
Adjustments	-	-	-	-
At 31 March 2022	93	-	-	93

Details relating to the valuation of Heritage Assets can be found in accounting policy [note 2.4](#).

15.1 Heritage land

At 31 March 2023 41,058 hectares (ha) of heritage land were either owned or leased by NatureScot. The majority of this land is managed as national nature reserves (NNR) – nationally important places where we encourage people to come and experience the best of Scotland’s nature. The remaining land is either associated with the NNR but not designated as such, or is managed as a site of special scientific interest or for other conservation purposes.

Five year summary of heritage land transactions

	2022-23 ha	2021-22 ha	2020-21 ha	2019-20 ha	2018-19 ha
Holdings owned b/f	34,263	34,263	34,366	34,363	35,420
Holdings leased b/f	7,404	7,404	7,404	7,404	7,605
Adjustments		-	-	-	(14)
Total holdings b/f	41,667	41,667	41,770	41,767	43,011
Acquisitions					
Land – owned	-	-	-	3	-
Land – leased	-	-	-	-	-
Total acquisitions	-	-	-	3	-
Disposals					
Land – owned	(609)	-	(103)	-	(1,043)
Land – leased	-	-	-	-	(201)
Total disposals	(609)	-	(103)	-	(1,244)
Holdings owned c/f	33,654	34,263	34,263	34,366	34,363
Holdings leased c/f	7,404	7,404	7,404	7,404	7,404
Total holdings c/f	41,058	41,667	41,667	41,770	41,767

There were no acquisitions of owned or leased heritage land by NatureScot in 2022/23.

There were two heritage land disposals in 2022/23:

- 609.30ha at Glencripesdale to The RSPB for £750,000
- 0.08ha adjacent to Rum School to The Highland Council for no consideration

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

Management of the Natural Heritage

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

Management for People

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

Management of the Property

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

15.2 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 valuation took place in May 2021 (delayed from February 2021 due to Covid-19 travel restrictions), the results of which are reflected in the accounts.

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

Castle tours have been suspended, and there are currently no plans to resume these.

In March 2022, these were reclassified as non-current assets classified as held for sale ([note 21](#)).

16. Property, plant and equipment

Purchases of total property, plant and equipment in the schedule of £1.934m (2021/22: £2.047m) appear in the cash flow statement as £2.146m 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 2022	2,587	19,966	684	655	1,447	2,594	2,805	1,823	1,544	258	34,363
Additions	-	453	-	-	42	405	574	150	-	310	1,934
Additions: assets not previously recognised	2	-	-	-	-	-	-	-	-	-	2
Disposals	(4)	-	-	-	-	(561)	(86)	(109)	-	-	(760)
Reclassification	-	292	-	-	-	-	-	43	-	(335)	-
Revaluation gains	14	(79)	10	-	-	-	110	227	-	-	282
Revaluation losses	(1)	(432)	-	-	-	-	-	-	-	-	(433)
Adjustments	-	1	-	-	-	-	-	-	-	-	1
At 31 March 2023	2,598	20,201	694	655	1,489	2,438	3,403	2,134	1,544	233	35,389
Depreciation											
At 1 April 2022	-	(432)	(49)	(14)	(1,049)	(2,086)	(1,522)	(1,326)	(1,544)	-	(8,022)
Charge for year	-	(691)	(28)	(61)	(27)	(249)	(430)	(135)	-	-	(1,621)
Disposals	-	-	-	-	-	551	81	98	-	-	730
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Revaluation gains	-	405	50	-	-	-	(60)	(166)	-	-	229
Revaluation losses	-	105	-	-	-	-	-	-	-	-	105
Adjustments	-	-	-	-	-	-	-	-	-	-	-
At 31 March 2023	-	(613)	(27)	(75)	(1,076)	(1,784)	(1,931)	(1,529)	(1,544)	-	(8,579)
Net book value at 31 March 2023	2,598	19,588	667	580	413	654	1,472	605	-	233	26,810
Net book value at 31 March 2022	2,587	19,534	635	641	398	508	1,283	497	-	258	26,341

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](#).

16. Property, plant and equipment (cont'd)

	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 2021	2,474	19,832	660	228	1,433	2,478	2,503	1,516	1,544	79	32,747
Additions	-	171	-	211	13	252	550	264	-	586	2,047
Additions: assets not previously recognised	94	-	-	105	-	-	-	-	-	-	199
Disposals	(90)	-	-	(94)	-	(136)	(293)	(47)	-	-	(660)
Reclassification	11	139	-	231	-	-	-	9	-	(407)	(17)
Revaluation gains	99	100	23	11	-	-	44	81	-	-	358
Revaluation losses	-	(276)	-	(37)	-	-	-	-	-	-	(313)
Adjustments	(1)	-	1	-	1	-	1	-	-	-	2
At 31 March 2022	2,587	19,966	684	655	1,447	2,594	2,805	1,823	1,544	258	34,364
Depreciation											
At 1 April 2021	-	(239)	(41)	(50)	(999)	(1,982)	(1,389)	(1,220)	(1,544)	-	(7,464)
Charge for year	-	(720)	(27)	(30)	(50)	(238)	(385)	(95)	-	-	(1,545)
Disposals	-	-	-	10	-	134	276	47	-	-	467
Reclassification	-	3	-	(7)	-	-	-	7	-	-	3
Revaluation gains	-	495	20	60	-	-	(24)	(65)	-	-	486
Revaluation losses	-	28	-	3	-	-	-	-	-	-	31
Adjustments	-	1	(1)	-	-	-	-	-	-	-	-
At 31 March 2022	-	(432)	(49)	(14)	(1,049)	(2,086)	(1,522)	(1,326)	(1,544)	-	(8,022)
Net book value at 31 March 2022	2,587	19,534	635	641	398	508	1,283	497	-	258	26,341
Net book value at 31 March 2021	2,474	19,593	619	178	434	496	1,114	296	-	79	25,283

16. Property, plant and equipment (cont'd)

IFRS16 - Leases

Right of use Assets

	Heritage land £000	Heritage buildings £000	Vehicles £000	Property £000	Office equipment £000	Total right of use assets £000
Cost or Valuation						
At 1 April 2022						
Recognition of right of use asset on initial application of IFRS 16	302	21	75	869	57	1,324
Additions	-	-	-	161	-	161
Disposals	-	-	-	-	-	-
Modification	-	-	-	-	-	-
At 31 March 2023	302	21	75	1,030	57	1,485
Depreciation						
At 1 April 2022						
Charge for year	42	3	47	450	23	565
Disposals	-	-	-	-	-	-
At 31 March 2023	42	3	47	450	23	565
Net book value at 31 March 2023	260	18	28	580	34	920

Leasehold improvement expenditure prior to 1st April 2022 and during the financial year has not been included in the Right of Use Asset values as already capitalised and depreciated as per our existing Capitalisation and Depreciation policy. NBV as at 31 March 2023: £398k.

17. Revaluation gains and losses

At 31 March 2023, the 25% review of land and property was undertaken by District Valuers of the Valuation Office Agency together with any other requested valuations, which resulted in the following revaluation gains and losses:

Revaluation losses ([notes 15](#) and [16](#)) of £0.328m (2021/22: £0.330m) of which £0.293m is charged to the statement of comprehensive net expenditure and £0.035m is charged to the revaluation reserve to reverse previous revaluation gains.

Revaluation gains ([notes 15](#), [16](#) and [21](#)) of £0.513m (2021/22: £0.897m) of which £0.087m is credited to the statement of comprehensive net expenditure to reverse prior year revaluation losses and £0.425m is credited to the Revaluation Reserve.

These are reflected as revaluation gains of £0.390m within the Revaluation Reserve in the [Statement of Changes in Taxpayers' Equity](#) and the revaluation losses of £0.206m in the [Statement of Comprehensive Net Expenditure](#).

18. Intangible assets

	Internally developed software £000	Internally developed software AUC £000	Software licences £000	Total intangible assets £000
Cost or Valuation				
At 1 April 2022	413	-	473	886
Additions	-	388	-	388
Disposals	(34)	-	(54)	(88)
Reclassification	-	-	-	-
Adjustments	-	-	1	1
At 31 March 2023	379	388	420	1,187
Amortisation				
At 31 March 2022	(310)	-	(461)	(771)
Charge for year	(68)	-	(6)	(74)
Disposals	34	-	52	86
Adjustments	-	-	-	-
At 31 March 2023	(344)	-	(415)	(759)
Net book value at 31 March 2023	35	388	5	428
Net book value at 31 March 2022	103	-	12	115

	Internally developed software £000	Internally developed software AUC £000	Software licences £000	Total intangible assets £000
Cost or Valuation				
At 1 April 2021	413	-	501	914
Additions	-	-	-	-
Disposals	-	-	(28)	(28)
Reclassification	-	-	-	-
Adjustments	-	-	-	-
At 31 March 2022	413	-	473	886
Amortisation				
At 31 March 2021	(239)	-	(477)	(716)
Charge for year	(70)	-	(12)	(82)
Disposals	-	-	28	28
Adjustments	(1)	-	-	(1)
At 31 March 2022	(310)	-	(461)	(771)
Net book value at 31 March 2022	103	-	12	115
Net book value at 31 March 2021	174	-	24	198

19.a. Trade and other receivables

	2022-23 £000	2021-22 £000
Trade receivables	517	212
Other receivables	20	14
Prepayments and accrued income	688	1,181
Claims due from European funding sources	6,794	2,703
Other funding claims	377	140
	8,396	4,250
Trade and other receivables falling due after one year	-	-
Trade and other receivables	8,396	4,250

At 31 March 2023, there were expected credit losses of £0.089m (2021/22: £0.029m). £0.048m relates to estimated losses against the amounts due from the managing authority to NatureScot for its activities as lead partner for the programme. Refer to [note 11](#) on Structural Funds.

The amount for "Claims due from European funding sources" has been reduced by £0.185m along with a corresponding reduction to "EU Structural Funds Funding - Payment to Grantees" ([note 7](#)) to reflect the risk of claims not being reimbursed by the Managing Authority ([note 2.19](#)).

The increase in Trade and other receivables is due to amounts due from Scottish Government relating to the Green Infrastructure and Natural Cultural & Heritage Fund projects ([note 11](#)) and an increase in accrued income relating to ongoing projects at the end of the year.

19.b. Whole of Government Accounts trade and other receivable balances

	2022-23 £000	2021-22 £000
Comprising balances with:		
Other central government bodies	7,583	2,944
Local authorities	6	295
	7,589	3,239
All other trade and other receivables	807	1,011
	8,396	4,250

20. Cash and cash equivalents

	2022-23 £000	2021-22 £000
Cash and cash equivalents	13,767	9,886
European Commission and partnership funds received in advance	-	33
Scottish Marine Environmental Enhancement Fund contribution received in advance	135	-
	13,902	9,919

Cash at bank earns interest at the floating interest rate linked to base rate within commercial bank accounts. Balances were higher at 31 March 2023 due to ear-marked funds held for financing the Structural Funds payments to Grantees of £3.9m. These amounts are included in trade and other payables ([note 22](#)) at year-end. Bank accounts are held with the Scottish Government Banking Services Framework.

21. Non-current assets classified as held for sale

	2022-23 £000	2021-22 £000
Opening balance at 1 April 2022	1,674	-
Disposals of assets during the year	(899)	-
Additions: assets not previously recognised	20	-
Reclassification of assets during the year	-	1,647
Revaluation of assets during the year	-	27
	795	1,674

Assets held for sale include Kinloch Castle, the antiques and works of art contained within the castle and the Rum Byre and Workshop which is to be included in the sale of Kinloch Castle.

22. a. Trade and other payables

	2022-23 £000	2021-22 £000
Trade payables	906	802
Accruals and deferred income	9,490	9,502
Other tax and social security	653	614
VAT payable	39	80
Project funds and deposits in advance	270	337
	11,358	11,335
Trade and other payables falling due after one year	-	-
Trade and other payables falling due within one year	11,358	11,335

The increase in total trade and other payables of £0.023m (2021/22: increase of £2.877m) is shown in the [statement of cash flows](#) as a decrease of £0.553m and is after adjustment for movements in property, plant and equipment and intangible asset payables ([notes 16](#) and [18](#)).

22. b. Whole of Government Accounts trade and other payable balances due within one year

	2022-23 £000	2021-22 £000
Comprising balances with:		
Other central government bodies	1,783	2,231
Local authorities	387	562
	2,170	2,231
All other trade and other payables	9,188	562
	11,358	11,335

23. Provision for dilapidations, onerous leases and other provisions

	2022-23 £000	2021-22 £000
Balance at 1 April 2022	272	392
(Decrease) increase to provisions during the year	62	(54)
Expenditure in the year charged against the provision	(2)	(66)
	332	272
Balance at 31 March 2023 falling due within one year	282	(2)
Balance at 31 March 2023 falling due after one year	50	270

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

24. Leases

24.1 IFRS16 - Leases

	Lease liability £000
Obligations under Leases	
At 1 April 2022	
Recognition of initial Lease Liability on application of IFRS 16	1,236
Additions	161
Accretion of interest	9
Payments	(553)
At 31 March 2023	853
Current	381
Non-current	472
Reconciliation of Lease Liability Recognised on Transition	
Future minimum lease payments under non-cancellable operating leases as at 31 March 2022	1,820
Remove operating leases not qualifying as IFRS16 leases	(467)
Remove non-IFRS16 qualifying components - VAT & service charges	(178)
Additional leases identified at 31 March 2022	157
Other revisions including lease terms	89
Remove 2022-23 new lease movements	(165)
Impact of discounting future minimum lease payments	(20)
Recognition of initial lease liability on application of IFRS 16	1,236

NatureScot had total cash outflows for leases of £0.553m in the year 2022 - 23. It also had non -cash additions to right of use assets and lease liabilities of £0.161m in the year 2022-23.

	2022-23 £000	2021-22 £000
Recognised in Statement of Comprehensive Net Expenditure:		
Depreciation expense of right of use assets	564	-
Interest expense on lease liabilities	9	-
Expense relating to short-term and low-value leases	4	24
	577	24

Short Term and Low Value Lease Commitments

NatureScot has lease commitments for Short-term and Low-value leases which total £0.004m within one year £0.001m within five years and £0.002m thereafter.

24.2 Lease payments due from other public sector bodies

At 31 March 2023, NatureScot expects to receive the following future minimum lease payments under non-cancellable MOTU's and leases arising from co-location arrangements with other public sector bodies.

	2022-2023 Buildings £000	2022-2023 Land £000	2022-2023 Total £000	2021-2022 Buildings £000	2021-2022 Land £000	2021-2022 Total £000
Expiry within:						
One year	616	9	625	506	10	516
Two to five years	1,124	35	1,159	1,229	41	1,270
After five years	269	123	392	510	153	663
	2,009	167	2,176	2,245	204	2,449

25. Capital and other commitments

25.1 Capital

As at 31 March 2023 NatureScot had various commitments for spend under its future capital programme for 2023/24 totalling £1.850m (2021/22: £2.316m). The decrease in commitments for 2022-23 is due to a decrease in capital budget. This expenditure fell into the following categories:

	2022-2023 Authorised and contracted £000	2022-2023 Authorised but not contracted £000	2022-2023 Total £000	2021-2022 Authorised and contracted £000	2021-2022 Authorised but not contracted £000	2021-2022 Total £000
Property, plant and equipment	832	711	1,543	483	1,833	2,316
Intangible assets	300	7	307	-	-	-
	1,132	718	1,850	483	1,833	2,316

NatureScot is also due contributions totalling £0.105m 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:

	2022-23 £000	2021-22 £000
Payable within 1 year	371	627
Payable in 2-5 years	706	991
Payable after 5 years	2,005	1,772
	3,082	3,390

25.3 Grants

Forward commitments on grants accepted or offered as at 31 March 2023 covering the years up to and including 31 March 2024 are as follows:

	2022-23 £000	2021-22 £000
Payable within 1 year	8,767	4,403
Payable in 2-5 years	4,421	259
	13,188	4,662

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 is one further case which could result in NatureScot becoming involved in legal proceedings. NatureScot continues to liaise with their legal agents and at this time there is still no definite clarity on timescales or potential costs.

27. Related party transactions

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

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

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

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

- Forestry & Land Scotland
- Department for Environment, Food & Rural Affairs
- Joint Nature Conservation Committee (JNCC)

Peter Higgins was the NatureScot appointed member of JNCC and its trading subsidiary JNCC Support Co during the year.

David Johnstone, a Board Member, is Partner and Owner of Annandale Estates which has a contract with NatureScot involved in looking after and maintaining Lochwood Oaks, an area of SSSI through to 2025. The amount paid under this agreement by NatureScot during 2022/23 is £1,800.

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

28. Financial instruments

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

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

	Floating interest rate (linked to base rate) £000	Non-interest bearing £000	Total £000
Trade and other receivables	-	8,396	8,396
Cash at bank and in hand	13,767	-	13,767
Total Financial Assets	13,767	8,396	22,163
Trade and other payables	-	11,358	11,358
Total Financial Liabilities	-	11,358	11,358

Liquidity Risk

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

Market Risk

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

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

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

Credit Risk

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

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

Fair Values

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

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

There is no difference between the book value and fair value for the cash and cash equivalents shown in [note 20](#).

29. Events after reporting date

Post Balance Sheet Event – Structural Funds Claims

An unfavourable event has occurred in relation to our EU Structural Funds Programme which requires disclosure.

Claims submitted in July and August 2023 to the Managing Authority (Scottish Government) in relation to the Green Infrastructure Strategic Intervention and the Natural & Cultural Heritage Strategic Intervention were rejected by the Managing Authority in September and October 2023. These claims were due to be reimbursed in December 2023. The value of the rejected claims is £9.3m.

At the time of signing NatureScot's 2022-23 Annual Report & Accounts, discussions were on-going to enable the rejected elements of the claims to be successfully submitted in the final claim, which must be made by the end of January 2024. The expected value of the final claims (including the previously rejected elements) is now £24.2m.

Due to the deadline for claiming EU Structural Funds monies, there will be no opportunity to resubmit any rejected elements of the final claim after January 2024. The risks relating to our EU Structural Funds Programme are outlined in the Performance Report. An estimate of the financial risk of claims being rejected based on the balance outstanding at 31 March 2023, is included within "Expected Credit Losses" in [note 11](#) for NatureScot's costs as lead partner for the programmes and in [note 19](#) for the reduction in income and "Trade and Other Receivables" for claims from third parties.

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

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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