We are currently finalising our new Corporate Plan for the period 2018-22. The narrative we are developing in this new Plan is based on the valuable contribution which our natural assets make to Scotland's economy and communities. We are focused on connecting people and nature to ensure that Scotland’s natural assets benefit all of Scotland's people, and that they are sustained for future generations. Our new Corporate Plan is aligned with the Scottish Government’s Programme for Government 2017-18 and the National Performance Framework.

Our new Corporate Plan sets an ambitious agenda for SNH’s contribution to A Nation With Ambition. We are determined to play a significant role in delivering that ambition to give Scotland a competitive edge and bring people and nature closer together. Our Grant-in-Aid, as our primary funding mechanism, is a major determining factor in our ability to deliver that ambition. Your letter sought our view on a number of questions in relation to our funding and our priorities. We have set out our answers to those below.

Do the new Chair and Chief Executive propose to change SNH’s approach to budgeting and spend?

We will be re-focusing spend to deliver the priorities in our new Corporate Plan, placing emphasis on connecting people with nature through leadership, influence and partnership. We will use our well-established and effective system of budgetary controls to manage our spend. We will continue to refine and develop our spending plans once we know our grant-in-aid for 18/19.

Is SNH expecting its budget to continue to decline over the coming years, and how is it planning to cope with this?

We do not know our proposed budget for 2018/19 or subsequent years but we are very much aware of the pressure on public finances. We will continue to work with colleagues in Scottish Government on future budgetary scenarios.

We are working with a broad range of partners to diversify the funding base to support investment for people and nature, notably through the SRDP Agri-environment Climate Scheme and any successor scheme, and our lead partner role in the ERDF Green Infrastructure Intervention which will deliver a total investment of £21.6m in the next few years. We have also recently held discussions with HLF on how we could work more closely to provide more support for people and nature. In addition, we are assessing, with our fellow public bodies through the Environment, and Economic Leaders’ Group, the potential to secure efficiencies through further
collaborative working and shared services, including charging for some of the services we deliver, for example licensing and planning.

**Whether the priorities and areas of lesser priority as specified by SNH last year, in correspondence to the Committee, remain the same this year for the next 5 years?**

SNH’s new Corporate Plan 2018-22 will set out our outcomes and priorities for the next four years, with a strong focus on connecting people and nature, particularly in our towns and cities. The draft plan is aligned with the Programme for Government and will be presented to our Board for sign-off in November before being submitted to the Cabinet Secretary for the Environment, Climate Change and Land Reform.

We are currently reviewing our priorities for the coming year as part of our annual Business Planning process. The details of what we can deliver will depend on our budget settlement. We will look to reprioritise some of our spend to meet the ambition of our new Corporate Plan for example through a greater emphasis on place making in our more disadvantaged communities.

**Last year SNH stated: “We will increasingly focus our grant spend on investing only in priority outcomes, meaning that there will be reduced funding available for projects that do not align with agreed priorities. There are implications for the community and voluntary sector.” Could you expand on this, and give us examples of where there have been impacts?**

As a result of budget reductions in 2017-18, we had to make a number of changes to our grant spend. The total level of reduction was just over £250k with the level of reduction varying across different recipients and types of projects.

Despite reductions in our budget we are continuing to fund priority outcomes, notably the delivery of elements of the Scottish Biodiversity Strategy and the 2020 Biodiversity Route Map including:

- SBS Big Step 3 – Taking learning outdoors and more people experiencing and enjoying nature – with a focus on young people and those disadvantaged in society particularly where there is potential to reduce social and health inequalities
- SBS Big Step 4 – species action and biological recording and data through our support of local record centres and species organisations
- Creating better places and landscape scale restoration through financial support for landscape partnerships.

In order to maintain funding for these priorities, we reduced awards to a number of recipients including Scottish Wildlife Trust (SWT), National Trust for Scotland (NTS), Royal Society for the Protection of Birds (RSPB) and some community-based rangers services. In some cases this resulted in a scaling back of activity as we negotiated realistic work packages for the available funds. We also ceased funding a number of recipients whose activities were no longer making a sufficient contribution to our priorities, which are now highly focused on helping people in disadvantaged
areas to connect with nature. The proportion of our grant spend targeted at disadvantaged areas has now increased to 55%, which has reduced the level of support we provide to more advantaged areas.

**How does SNH prioritise between its statutory duties?**

We have well-established business planning processes which ensure that SNH’s resources are deployed to best effect in delivering our statutory duties and priorities as set out in our Corporate Plan and annual business plans. Our Corporate Plan and annual business plans are both signed-off by the SNH Board and agreed with Scottish Government.

**To what extent does SNH rely on leveraging in cash from other funding streams and partnership projects to support and enhance its work?**

In recent years we have been very successful in leveraging in significant sums from a variety of funders to support delivery of our priorities for people and nature. In addition to extra funding for Peatland Action of some £2m in 2016-17 and £8m for 2017-18, we have also led on securing the following:

- **SRDP - £33m** - Improving nature right across Scotland’s countryside
- **ERDF - £21.6m** - Green Infrastructure Intervention – building greenspaces in some of Scotland’s most deprived communities
- **HLF - £1.7m** - Action for Wild Cats
- **EU LIFE - £2.33m** - EcoCo LIFE – improving how nature is connected across Central Scotland
- **HLF - £1.595m** - Scottish Invasive Species Initiative

As well as securing these funds for people and nature from other funding streams, we continue to generate income from our own assets. Over the last two years we have raised £1.7m per annum, from office rents, venison/sheep sales, and staff secondments.

**Are you any clearer on how leaving the EU will impact upon this than you were a year ago?**

Leaving the EU will reduce some of the funding streams we currently access though the extent and speed of this will depend on the detail of any agreement reached between the UK government and European Union. In response to this uncertainty, and recent reductions in our budget from Scottish Government, we are exploring new areas of income as well as greater use of existing funding streams and closer working with other bodies.

We are working closely with colleagues in the Scottish Government to inform EU-related analysis, engagement and policy work, with particular reference to environment policy and regulation and to the development of options for future policy on the environment, agriculture and land.
What do you consider to be the other challenges and impacts of leaving the EU and how is SNH addressing those?

We are currently undertaking a detailed analysis to assess the impact of leaving the EU on the services we provide. We will then take action to ensure our services operate smoothly as we leave. This includes a wide range of areas including licensing; the designation, management and reporting on designated sites; support, advice and regulation for land managers; and the commissioning and reporting of research.

To what extent is SNH reliant on SRDP money to deliver its outcomes, where will reductions in this funding have the biggest impact and how do you intend to address this?

We rely upon the SRDP Agri-Environment Climate Scheme (AECs) to deliver a range of outcomes which protect and enhance Scotland’s natural heritage. It is the principal mechanism for ensuring the condition of our protected areas and the wider countryside. The last SRDP Programme provided some £100m of support to delivery of environmental objectives. Reductions in this level of funding would limit our ability to improve deer management, bring protected areas into favourable condition and tackle invasive non-native species.

We are actively engaged with Scottish Government over consideration of the funding arrangements which might be put in place after the current guarantees given by the UK Government on EU funding come to an end, and what alternative funding may become available. At a senior level we are engaged through the secondment of our previous Chief Executive to Scottish Government as National Advisor on the environment. We are also engaged with key stakeholders, including NFUS and the environmental NGOs over future funding of environmental objectives.

Are staffing levels anticipated to remain static or change over the next 5 years?

We continue to manage staffing levels in keeping with Scottish Government employment and pay policy. In response to recent budget reductions we have reduced staff levels by some 25% over the last six years. We do not know what our budget settlements will be over the next five years, but we will continue to use established ways of managing staff numbers, particularly through strict control over the filling of vacancies.

Does SNH anticipate an under spend in 2018/19?

No, we do not anticipate an underspend. In relation to 2017-18, at this stage in the year we are forecasting a full budget spend by 31 March 2018. As SNH cannot carry reserves nor overspend we manage outturn to within the available budget to deliver our Corporate Plan and Business Plan objectives in support of Ministerial and Scottish Government priorities.
Are adequate resources available to meet the Aichi target of restoring 15% of degraded ecosystems by 2020, and to tackle issues such as Invasive Non-Native Species at the catchment scale?

SNH continues to prioritise our work to coordinate and deliver the Scottish Biodiversity Strategy and the Biodiversity Route Map to 2020, which support the achievement of the Aichi targets. However, funding mechanisms such as the SRDP are coming under pressure and there future is uncertain. Also, as our reports on delivery have shown, there are some areas of challenge in meeting the Aichi and Route Map targets.

To address this we are working closely with Government partners, particularly Forestry Commission Scotland and SEPA and the National Parks to ensure their continued commitment to restoring degraded ecosystems which will help in meeting the 2020 Aichi target.

Several of the large partnership projects we have recently secured funding for, notably Peatland Action and the HLF funded Scottish Invasive Species Initiative, will also assist in meeting the Aichi target. Progress would be helped by the establishment of a budget baseline for Peatland Action. This would enable longer lead times and delivery windows, which in turn would allow larger scale multi-year projects to be developed.

Are adequate resources available to tackle the challenges of effective deer and beaver management?

The SNH Board considered the actions for SNH arising for the Deer Review in June, and agreed that resources to support delivery of effective deer management in Scotland should be prioritised to:

- Re-set existing control agreements, moving quickly to control schemes where necessary.
- Initiate a number of new control agreements, informed by our recent review of DMG performance.
- Use our new powers to require some deer managers to produce a deer management plan.
- Establish a specialist group to provide advice on lowland deer management issues and solutions.

Regulatory agreements through Section 7 are resource intensive and we anticipate that the use of Section 8 powers will be too. We are seeking to balance this by moving resources away from some of the generic support we provide to DMGs and looking to the Association of Deer Management Groups to provide the support and guidance needed for groups to deliver their plans. We are continuing to support DMGs which are making less progress, and will prioritise help to Groups which sought funding through European Co-operation Action Fund (ECAF) to re-orientate their proposals into applications to the Agri-environment Climate Scheme (AECs). We have secured an additional £175,000 of funding from Scottish Government to support deer management this year.
We will continue to support the initiatives to address deer problems in the lowlands, and are seeking additional resources to progress these more quickly for example through further training and guidance for land managers and local authorities.

We envisage some increase in staff time in 2018-19 to deal with increasing requests for advice and licences for beavers once they are given legal protection. We will balance these additional needs against other priorities as we prepare our annual Business Plan for 2018/19. It is less easy to plan for the relocation of populations which may appear outside of Tayside and Knapdale through illegal or accidental release. Should this occur, we will reprioritise other work or seek additional funding depending on the scale of the task.

Scottish Natural Heritage

31 October 2017