

PRINCIPLES FOR NATURAL CAPITAL ACCOUNTING ON PUBLIC LAND IN SCOTLAND

The purpose of these principles is to help guide a consistent approach to natural capital accounting by public agencies in Scotland. They cover both the technical process of collecting data and valuing the ecosystem services and the application of the accounting process for management purposes.

A flexible approach is required, based on the consideration of the aims and objectives of the organisation creating the accounts in order to assess whether their natural capital accounting approach is able to meet their needs. By understanding the natural capital demand, or policy drivers, future management can be modified to meet these needs and future accounts can assess the success of these management interventions.

Different organisations will require different methods but the principles below should help deliver an overall consistency of approach. These will be updated as methods continue to evolve.

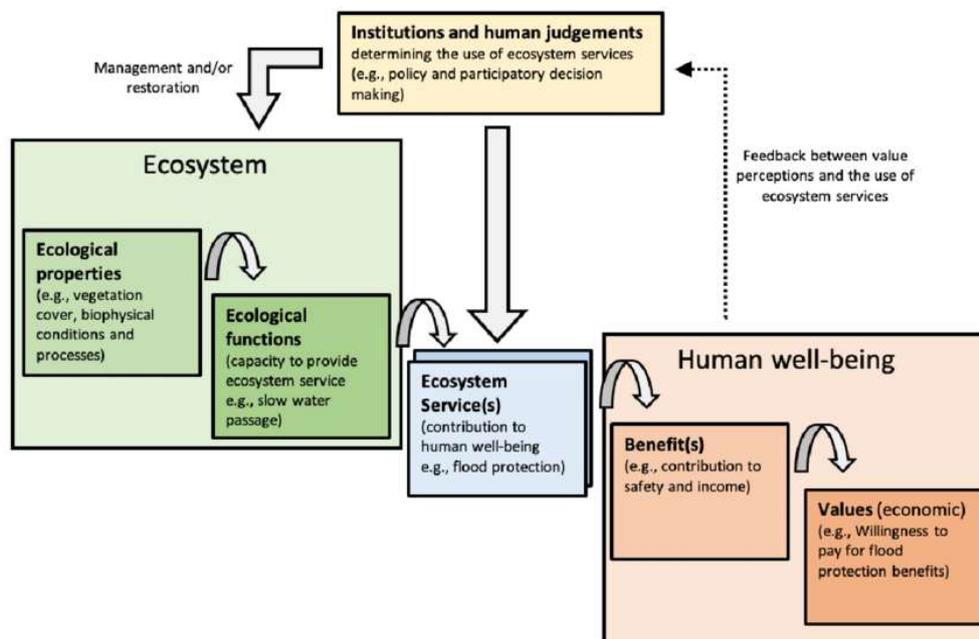


Image from [Hadaker \(2021\)](#)

These principles are purely for guidance as different organisations will have different needs. More in depth guidance for natural capital accounting can be found in the [British Standards Institute's guidelines](#).

The principles:

Why undertake natural capital accounting on public land?

An organisation should be clear on the reasons for undertaking the accounts and how they will inform decision making. Reasons may include to:

- Identify impacts and dependencies on natural capital assets, and associated risks and opportunities to enhance natural capital

- Communicate information within the organisation and with external stakeholders
- Make more informed business strategies and operational decisions by integrating natural capital accounts with the assessment of other capitals
- Monitor and evaluate the impacts and effectiveness of internal decisions and changes due to external factors

What methods should be used for natural capital accounts on public land?

- Accounts should follow good practice guidance, including the British Standard
- Accounts should demonstrate benefits (flows) in monetary and non-monetary terms, where appropriate
- Where there is uncertainty over data, values or metrics, these can be included and uncertainties highlighted in the accounts, for example by using confidence levels
- The timescale for the account values should reflect the primary habitat/land cover, e.g. 100 years may be appropriate for woodland
- Discount rates should conform with UK Treasury Green Book guidance and may vary over the timescale
- If evidenced, the appreciation of value from natural capital assets should be captured in the accounts where possible. Similarly, pressures on natural assets such as climate change should be accounted for where possible.

How should the results be presented and communicated?

- Accounts should be clear and transparent, so that anyone can understand them
- Sources for methods for ecosystem service flows and monetary values should be clearly cited
- The accounts should seek to differentiate public and private beneficiaries from ecosystem services
- Where values increase or decrease over time, agencies should seek to explain why
- Accounts should be updated at a suitable frequency for the nature of land holdings
- Accounts should be reported alongside or within annual financial accounts and reports on biodiversity duty, carbon reporting etc

An example of where these principles have been applied can be found in [NatureScot's natural capital accounts](#) first published in 2019.