



Agenda

**Thirty-second Meeting
Crown Estate Scotland Board
Quartermile Two, Edinburgh
30 November 2022
1pm – 4.30pm**

	1. Standing Items	
1pm	1.1 Welcome and Declarations of Interest	
	1.2 Approval of Minutes of Meetings held 31 August 2022	Attached
	1.3 Matters Arising and Action Trackers	Attached
	+ 1.4 Out of Committee Decisions	BD(2022)32.1
	+ 1.5 Stakeholder meetings	BD(2022)32.2
	2. Board Committees	
1.20	* 2.1 Investment Committee	Verbal
	2.2 Statements of Support	BD(2022)32.3
	2.3 Audit & Risk Committee	Verbal
	2.4 Remuneration Committee	Verbal
	3. Management Reports	
1.50	3.1 Chief Executive's Report	BD(2022)32.4
2.15	* 3.2 Finance Report	BD(2022)32.5
2.30	* 3.3 People Report	BD(2022)32.6
BREAK		
3.15pm	3.5 Capital Release from Farms – update	Presentation
	4. Decisions and Discussion	
3.40pm	* 4.1 ScotWind Option Monies	BD(2022)32.7
	4.2 2023-24 Business planning update	Presentation
	5. Governance	
4.15pm	5.1 Committee Membership	BD(2022)32.8
	6. Any Other Business	
4.30pm	7. Date of Next Meeting	
	1/2 February 2023 (strategy workshop)	
	1 March 2023 (quarterly meeting)	

*This item will be treated as closed business and the paper exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002

** This item will be treated as closed business and the paper exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002.

+ This item is for noting

Minutes for	Thirty-second Board Meeting	BD(2022)32
Meeting date	30 November 2022	
Security classification	Restricted	

This document contains commercially sensitive and confidential information and may relate to the formulation of policy.

Minutes for the meeting of the Board of Crown Estate Scotland held at Quatermile 2, Edinburgh and by video conference call on Wednesday, 30 November 2022

Present:

Amanda Bryan	Chair
Dr Michael Foxley	
Liz Leonard	
Robert Mackenzie	
Euan McVicar	
Ailsa Raeburn	

In attendance:

Ronan O'Hara	Chief Executive
Esther Black	Director of Corporate Operations
Oster Milambo	Director of Property
Alastair Milloy	Director of Finance & Business Services
Colin Palmer	Director of Marine
Helen Howden	Governance Manager (minutes)

By invitation:

Isla Baker	HR Business Partner (for Minute item 3.3)
Anna Morgan	Financial Controller (for Minute item 3.4)

1. Standing Items**1.1 Welcome and Apologies**

The Chair welcomed everyone to the meeting, noting that apologies had been received in advance from Katerina Brown and from Jean Lindsay who had submitted some comments to the Chair on the agenda items which would be raised on her behalf during the course of the meeting.

1.2 Declarations of Interest

There were no declarations of interest in respect of items on the Agenda.

1.3 Approval of Minutes of Meeting held on 31 August 2022

The minutes of the meeting held on 31 August were **approved**.

1.4 Matters Arising and Action Tracker

Noted that:

- (a) Public Appointments Scotland were anticipating that they would be opening applications for the new Chair early in the new year with the intention that the appointment would commence on 1 June 2023. The Minister for Environment and Land Reform had been asked to approve a two-month extension of Amanda Bryan's appointment.
- (b) the Annual Reports and Accounts for 2021-22 had now been laid in the Scottish Parliament and published on the Crown Estate Scotland website.

1.5 Papers considered out of meeting (paper BD(2022)32.1)

Noted that:

- (a) the Board had approved the appointment of Euan McVicar as Chair of the Investment Committee and Ailsa Raeburn to the membership of that Committee.

1.6 Stakeholder meetings (paper BD(2022)33.2)

Noted that:

- (a) the Board had visited Orkney in late September, visiting Scapa Flow to see the proposed site of the deepwater quay; learn more about the production and use of green hydrogen in Orkney; and to host a stakeholder dinner. Amanda Bryan, Ronan O'Hara, Colin Palmer, Tom Findlay, and Penny Coles had all met with the Council's Chief Executive and Leader to further discussions on the proposed deepwater quay and the progress of the local management pilot. During the visit to Orkney the Board had also taken the opportunity to meet with Richard Lochhead MSP who had been attending a UK Government meeting in Stromness on 28 September 2022.
- (b) the inaugural Farm Tenant Forum meeting which had been held on 10 November was attended by 31 farm tenants from 20 different farms. The initial feedback on the meeting was positive with views given on future content to be covered by the Forum.
- (c) discussions at the Convention of the Highlands and Islands had spotlighted housing. This issue had been raised within Crown Estate Scotland and a position on the organisation's role had not yet been reached. The Chief Executive was starting to pull together ideas for a position paper which would be submitted to Board to establish a view on future involvement in housing.

2. Board Committees

2.1 Investment Committee – 8 November 2022

Noted that:

- (a) the Committee had held a session in private with the Chief Executive to hear his initial views on investment after three months in post. The Committee also discussed what information and reporting from the executive would assist the Committee in discharging

its duties. There was an alignment in thinking on the need for project tracking, including visibility to the Committee on capital commitment and the progress of projects against the approved business plans.

- (b) with uncertainty around longer term capital funding there was a requirement for the organisation to prioritise activity and the executive had been requested to prepare some high-level principles for this which would be tested with the Committee before being discussed with Board.
- (c) the Committee wanted to understand more about the modelling of the overall portfolio and there is further work for the executive to undertake in relation to this.
- (d) during the Committee meeting there was discussion on the investment proposals at Scapa and Nigg, with both project partners seeking further commitment from Crown Estate Scotland to further their negotiations with third parties. The Committee agreed that the Board should be asked to approve the issuing of letters of support for both proposals.

2.2 Statements of Support (paper BD(2022)32.3)

Noted that:

- (a) the paper was asking for Board to approve the issue of letters to Orkney Islands Council and Global Energy Group, signalling Crown Estate Scotland's commitment, subject to due diligence and receipt of all necessary approvals, to investing in the Scapa deepwater quay and extension to the Nigg facility.

Agreed that:

- (a) the Board were supportive of letters of support in the terms outlined in the paper being issued.

Secretary's Note: following the meeting the Chair signed letters in the agreed terms which were then issued to Orkney Islands Council and to Global Energy Group.

2.3 Audit & Risk Committee – 15 November 2022

Noted that:

- (a) members of the Committee had held a closed session with the external and internal auditors without the presence of officers. This had allowed members an introduction to Audit Scotland who have recently been appointed by the Auditor General as Crown Estate Scotland's external auditors. The Committee had indicated that the audit timetable which had been established in previous years should be adhered to if possible.
- (b) the incumbent internal auditors, RSM Risk Assurance Services LLP, had not submitted a bid in response to the ITT for internal audit services and that a new internal audit contract was in the process of being awarded.
- (c) the Executive Team had indicated that there were a number of emerging risks which they were keeping under review, including staff capacity and the cost crisis as it affected both

staff and tenants. Risk appetite was scheduled to be discussed by the Board during the strategy session in February 2023.

2.4 Remuneration Committee – 4 October 2022

Noted that:

- (a) the Committee had agreed a revised negotiating position with the Chief Executive which would see the organisation using the full envelope of funding available under Scottish Government pay policy. After a series of negotiations a final proposal had been made to PCS which had been noted but which could not be accepted due to the national position. This had been communicated to staff and the pay increase would be implemented in December salary.
- (b) it had been recommended by the Committee that the organisation adopt a strategic approach to pay and reward and early work to develop a pay and reward strategy had commenced.

3. Management Reports

3.1 Chief Executive Report (paper BD(2022)32.4)

Noted that:

- (a) this was Ronan O’Hara’s first report to Board and he was open to views on any changes to the format or content which members would find useful and which would assist the discharge of their strategic role in the organisation.
- (b) a review of the corporate affairs team had been carried out by an external consultant and the report was available to members in the Board library. The findings, which included a recommendation for an immediate increase in capacity in the team, were being reviewed and prioritised. There is a risk to future PR content production unless staff across different teams assist the corporate affairs team with the initiation and development of content.
- (c) the deadline for applications to the INTOG leasing round had passed and the applications were being assessed, with Arup having been contracted to carry out the assessments. Any offers would be made in spring 2023 and the Board would be advised of the offers in advance of any public announcement. Board and staff had been given advice on how to engage with contacts and offers of hospitality during the assessment period.
- (d) the annual survey of local authorities had been made available in the Board library. The favourability rating with Council Leaders was below what had been expected, particularly given the number of meetings which the Board Chair and the previous Chief Executive had made to local authorities. Further engagement with all local authorities was being planned.
- (e) feedback on Scottish Government’s draft vision for aquaculture had been submitted. It was anticipated that this would be published by Scottish Government along with next steps and actions in early 2023.

- (f) procurement of a new asset management system was in process. A rigorous approach to the management of this project had been adopted with active maintenance of a risk and issues log. If the procurement resulted in the need to change system, then there would be a significant resource requirement to migrate data, manage the risks and ensure that the transition for staff and managing agents was smooth, allowing business as usual to continue.
- (g) the Sustainable Communities Fund would conclude its first three years of operation in 2023 and the Board would expect to receive a report on the achievements and lessons learned from this initial period. The Chair would like to see the budget for 2023-24 include this Fund.

The Financial Controller joined the meeting.

3.2 Finance Report (paper BD(2022)32.5)

Noted that:

- (a) prior to the meeting the Board had received a presentation on offshore wind income which had included an explanation of the volatility of this income stream. Turnover rent will become a greater proportion of the total turnover received by Crown Estate Scotland and there will therefore be an increase in volatility and uncertainty in receipts and forecasting.
- (b) the Audit & Risk Committee had reviewed the finance report in detail at its meeting on 15 November. The Committee had discussed the importance and value of spending to deliver projects wherever it was possible to do so.
- (c) the expenditure on jointly funded enabling projects with Marine Scotland had been lower than budgeted and some of that underspend was due to capacity constraints within the Marine Scotland team. Future engagement with Marine Scotland would seek to ensure that there was a realistic appraisal of what could be delivered; whether Crown Estate Scotland had to contribute more to see existing projects completed; and whether resources should be deployed elsewhere.

The Financial Controller was thanked for her contribution and she left the meeting. The HR Business Partner joined the meeting.

3.3 People Report (paper BD(2022)32.6)

Noted that:

- (a) PCS had balloted members about strike action and work was underway by management to identify and plan for any impacts on the business.
- (b) assurance was given to the Board that the L&D strategy, which still required to be developed, was still within the HR workplan. Recruitment of an L&D manager would commence before the Christmas break and preparation of the strategy would be a key part of this new role.

- (c) succession planning for the senior leadership had been discussed by the Executive Team as part of wider workforce and resilience planning.
- (d) the long-term policy on hybrid working had been published to staff. The organisation's policy on hybrid working was one of the first questions which candidates asked at interview and in a candidate-driven market it was an important part of the offering. The occupancy of the Quartermile Two office was increasing and staff were using it to meet colleagues and work collaboratively. This would continue to be monitored as hybrid working evolved and as some organisations and professions moved away from it back to office-based working.

The HR Business Partner was thanked for her contribution and she left the meeting.

3.4 Capital release from farms - update

Noted that:

- (a) a desktop analysis of expressions of interest had been undertaken by the managing agents and they had held meetings with those who had expressed interest, looking at plans of the farms and identifying any issues or matters which could be resolved as part of this process.
- (b) potential opportunities for diversification or development were also identified as part of this phase which included the creation of rural housing plots; afforestation and peatland restoration areas; and a mixed use / renewable opportunity adjacent to Junction 17 of the A74(M).
- (c) the mixed use / renewable opportunity affected two tenancies and while Crown Estate Scotland wanted to take forward this opportunity there was a need to try to mitigate the impact on the tenants as far as possible. To allow that to happen there was a recommendation to Board that the long-stop date for concluding the farm sales process for these two farms be extended to spring 2025. During the next six months there would be discussions with the local authority planners to confirm the likelihood of the land being allocated in the local development plan and due diligence and market research carried out.
- (d) the Tenant Farming Commissioner had been made aware of this potential change in the timetable and the proposed mitigations which might be offered to the tenants.

Agreed that:

- (a) the Board supported the proposed extension to the long stop date for the farm sales process in relation to the two farms indicated.
- (b) in future when requests for Board decision should be included in the Board pack and be accompanied by information sufficient to support the request, including an assessment of risk and benefit.

4. Decisions and Discussion

4.1 ScotWind Option Monies (paper BD(2022)32.7)

Noted that:

- (a) papers on aspects of the treatment of ScotWind option fee income had been presented to both the Investment Committee and Audit & Risk Committee. Following the public announcements by Scottish Government that they were including the ScotWind income in their spending plans over the next two financial years numerous meetings had taken place with officials to ensure that Crown Estate Scotland could legally, and in accordance with international accounting standards, transfer this income ahead of it being recognised in the Crown Estate Scotland accounts.
- (b) legal advice had been instructed from Anderson Strathern and their recommendation was that an Opinion from senior counsel should be obtained.
- (c) early engagement with Audit Scotland was underway and a technical workshop session for them had been arranged for 7 December 2022. Scottish Government officials, from Treasury and the sponsor team, would also be inputting and attending that session. This would be followed by a workshop for Amanda Bryan, Robert Mackenzie, and Euan McVicar on 16 December 2022. The outcome of these sessions was to seek to have an opinion from Audit Scotland on the requested transfer of income ahead of recognition. This opinion, along with the legal advice and Opinion, would be reported to Board in the middle of January 2023.
- (d) discussions were also continuing with Scottish Government on a longer-term settlement of the revenue to capital conversion, which historically had been set at 9%. The current arrangement only applied until the end of the 2022-23 financial year, the time limit on the arrangement having been set in the accounts Direction issued in March 2022. Scottish Government had indicated verbally that the 9% would not apply to ScotWind revenue however they had not confirmed this in writing or amended the accounts Direction.
- (e) an agreement on the future conversion of revenue to capital was required for business planning purposes and without it the assumption in the budget would have to be no conversion, a position which was not sustainable. The Chief Executive was seeking a settlement on the revenue to capital conversion that would ensure financial sustainability of the Estate in the long-term. This would require to be recorded in a Ministerial Direction.
- (f) engagement with Scottish Government was open, positive, and constructive. All parties were working to reach a position where Crown Estate Scotland could legally meet the requests being made by Ministers.

Agreed that:

- (a) an additional Board meeting would be arranged for the week beginning 16 January 2023.

Action: 32/1 (HH)

4.2 2023-24 Business Planning update

Noted that:

- (a) the existing corporate plan objectives will continue until March 2025 however KPIs were being reviewed and would be revised where appropriate.
- (b) the Board received a presentation on the principal activity which would be undertaken in each division. For some directors there were continuing challenges in delivery due to capacity however this was being reviewed and proposals to address capacity would be made during the budget-setting process for 2023-24.
- (c) shared activity across Crown Estate Scotland included a refresh of the Investment Strategy; reviewing and prioritising opportunities; promoting and embedding H&S in all activity; establishing project management capability with support from the newly established project management office; and scoping a multi-year programme for baselining carbon and diversity across all asset classes.

6. Governance

6.1 Committee Membership (paper BD(2022)32.8)

Noted that:

- (a) Jean Lindsay had indicated to the Chair that she would like to step down from membership of the Audit & Risk Committee. The terms of reference for the Committee require that three Board members are appointed to it. Michael Foxley had confirmed that he was willing to serve on the Committee.

Agreed that:

- (a) Michael Foxley would be appointed to the Audit & Risk Committee with immediate effect.

7. Any other business

Noted that:

- (a) there was no other business and the meeting closed.

8. Dates of Next meetings

January 2023 – date to be confirmed
1 March 2023

Amanda Bryan
Chair, Crown Estate Scotland

Date

Board Paper

Date of Meeting:	30 November 2022
Classification:	Unclassified
Subject:	Papers considered out of meeting
Paper Number:	BD(2022)32.1
Annexes:	n/a
Recommendation:	The Board is invited to note this paper.
Presenter:	Helen Howden
Author:	Helen Howden

**Our purpose: Investing in property, natural resources and people
to generate lasting value for Scotland**

1. Purpose and context

This paper, which is for noting, records the decisions taken and matters considered by the Board out of meeting.

2. Papers considered out of meeting

- 2.1** A paper was sent to the Board by email on 16 September 2022 requesting that the Board appoint Euan McVicar as Chair of the Investment Committee during the period of Ann Allen's sabbatical. The Board were also asked to appoint Ailsa Raeburn to the Committee. The Board agreed the two appointments.

The Board were advised that a review of the membership of the Investment Committee would be carried out before the end of February 2023.

Board Paper

Date of Meeting:	30 November 2022
Classification:	Unrestricted
Subject:	Stakeholder Meetings
Paper Number:	BD(2022)32.2
Recommendation:	The Board is invited to note this paper.
Presenter:	Amanda Bryan
Author:	Rebecca Finnie

**Our purpose: Investing in property, natural resources and people
to generate lasting value for Scotland**

1. Purpose and context

This paper provides the Board with details of the meetings and events which the Chair and the Chief Executive have held with stakeholders during the period from 13 August 2022 to 18 November 2022. Ronan O'Hara took up his appointment as Chief Executive on 8 September 2022.

This paper also now includes a summary of other stakeholder engagement and events.

2. Meetings and Events attended

The Chair and Chief Executive both attended or met:

- Hamish Trench, CEO of the Scottish Land Commission on 9 September.
- Stuart Black, CEO of Highlands and Islands Enterprise and Alistair Dodds, Chair of Highlands and Islands Enterprise on 9 September.
- Highland and Islands Regional Economic Forum on 22 September.
- Caroline Cowan, Interim Deputy Director of Funding and Strategy on 14 October.
- Marie Burns, Council Leader, Craig Hatton, Chief Executive and Karen Yeomans, Executive Director North Ayrshire Council on 1 November.
- Ms McAllan MSP, on 8 November.
- Annabel Turpie, Director of Marine Scotland, on 9 November.
- Farm Tenant Forum Meeting on 10 November.
- SCDI awards dinner on 15 November.

The Chair attended or met:

- Cllr Millar and Cllr Aitken of Glasgow City Council on 6 September.

- Convention of Highlands and Islands on 3 October.
- Cammy Day, Edinburgh Council Leader on 20 October. Katie Alexander also in attendance.
- Dr Sandy Kerr, Director, School of Energy, Geoscience, Infrastructure and Society at Heriot-Watt University on 27 October.
- Board Chair Event organised by Scottish Government on 8 November.

The Chief Executive attended or met with:

- Scott Mackay, Head of Fiscal Management and Strategy, Scottish Government on 13 September. Anna Morgan and Alastair Milloy also in attendance.
- Caroline Cowan, Interim Deputy Director of Funding and Strategy and Carla Plasberg-Hill, Marine Funding, Investment and Crown Estate Strategy Unit Head, Scottish Government on 13 September, 17 October (Alastair Milloy, Anna Morgan and Helen Howden also in attendance), 21 October, 25 October, 4 November and 18 November.
- Scot MacQueen, Industrial Officer, PCS on 15 September, 23 September, 13 October. Also on 12 October with Alastair Milloy also in attendance.
- A group from Scottish Government to discuss the ScotWind option fee revenue transfer on 20 September, 10 October, 24 October and 7 November. Alastair Milloy, Anna Morgan and Helen Howden also in attendance.
- Jane Morrison-Ross, CEO and Karen Jackson, Director of Strategy, Partnerships and Engagement, South of Scotland Enterprise on 10 October 2022.
- Carla Plasberg-Hill on 11 October and 7 November.
- Euan Ryan, Senior Public Affairs Officer for Scotland, RICS on 12 October.
- Jennifer Henderson, Keeper of the Registers of Scotland on 25 October.
- Tenants Working Group on 26 October.
- Audrey Cameron, Partner, Anderson Strathern on 31 October. Alastair Milloy, Helen Howden and Anna Morgan also in attendance.
- Robert Carr, Lead Partner for Crown Estate Scotland, Anderson Strathern on 31 October.
- Mary McAllan, Director of Covid Recovery and Public Service Reform on 31 October.
- Stuart Black, Chief Executive HIE on 14 November.
- Robert Carr and Audrey Cameron of Anderson Strathern on 18 November, Helen Howden and Alastair Milloy also in attendance.
- Audrey Cameron of Anderson Strathern on 18 November, Helen Howden, Anna Morgan and Alastair Milloy also in attendance.

3. Other engagements and events

Recent events include the SCDI H&I Business Awards and a three-day stall at Scottish Parliament.

Events coming up include:

- Scottish Green Energy Awards, 1 December, Edinburgh. We have been shortlisted for the Outstanding Project Award (for ScotWind) and Colin Maciver has been shortlisted for the Champion of Renewables Award.
- Scottish Renewables' Offshore Wind Conference, 25 and 26 January, Glasgow.

Board Paper

Date of Meeting:	30 November 2022
Classification:	Unrestricted
Subject:	Statements of support
Paper Number:	BD(2022)32.3
Annexes:	n/a
Recommendation:	The Board is invited to approve the issuing of statements of support in principle to Orkney Islands Council in relation to the Scapa Deepwater Quay project and to Global Energy Group in relation to the development at Nigg as set out below.
Presenter:	Colin Palmer
Author:	Helen Howden

**Our purpose: Investing in property, natural resources and people
to generate lasting value for Scotland**

1. Purpose and context

This paper brings a recommendation from the Investment Committee that the Board support the issuing letters confirming the conditional support of Crown Estate Scotland to two projects, the terms of which are currently under negotiation.

2. Background

At its meeting on 8 November 2022, the Investment Committee was invited to consider recommending to the Board that conditional statements of support be issued to Orkney Islands Council for the Scapa Deepwater Quay project and to Global Energy Group in relation to a land acquisition at Nigg. The papers which were considered by the Committee, IC(2022)22.7 and IC(2022)22.8, are available to members in the Board portal in the Committee's folder.

The papers presented to the Investment Committee set out the broad terms on which negotiations were proceeding and it was asked to confirm support to negotiations proceeding on those outlined terms. The Committee confirmed that it was supportive.

I explained to the Committee that there was a need to demonstrate to Orkney Islands Council and to Global Energy that both projects had on-going high-level commitment from Crown Estate Scotland.

3. Recommendation from the Investment Committee

The Committee were supportive of the requests made in the two papers and agreed that it should be recommended to the Board that this conditional support be given to both projects, with transparency about the need to agree commercial terms, complete internal governance processes and to obtain the necessary approvals, including that of Scottish Ministers. It was agreed that Euan McVicar would review drafting wording before the recommendation was put to Board.

We are intending that, subject to Board approval, that I will issue letters to Orkney Islands Council and to Global Energy Group.

4. Proposed wording – Scapa Deepwater Quay

“I refer to the on-going discussions which our two organisations have had over the past 18 months in relation to the development of a deepwater quay in Scapa Flow.

The Crown Estate Scotland Board remain supportive of the project and of our continued negotiations with a view to taking a full business case to Board for approval in early 2023 for a total maximum investment of up to £10m, comprised of a sum to purchase the land required and some of the enabling works on the land. This is on the assumption we have been able to agree terms with the landowners and Orkney Island Council by that time.

The Board are aware of the key principles in the draft Heads of Terms the team are currently engaging with you on including a requirement for both funding and planning for the project to be in place as a prerequisite for Crown Estate Scotland to exercise options (assuming this has been able to be agreed with the landowners) to purchase the land.

Whilst the Board remain supportive of the project, we recognise there is still a significant amount of work to do to agree key commercial terms, complete due diligence and develop the full business case for consideration, final approval of which will be subject to securing the necessary consents and authorisations which we require for an investment of this scale, including approvals both from our Board and from Scottish Ministers.”

5. Proposed wording – Land to the east of Nigg Energy Park

“I refer to the on-going discussions which our two organisations have had over the past six months in relation to the purchase of land to the east of Nigg Energy Park and subsequent lease and buy back by Global Energy Group.

The Crown Estate Scotland Board remain supportive of the project and our undertaking a site valuation with a view to taking a full business case to Board for approval in early 2023. This is on the assumption we have been able to agree terms with the landowners and Global Energy Group by that time.

The Board are aware of the key principles being discussed with Global Energy Group including a requirement for both funding and planning for the project to be in place as a prerequisite for Crown Estate Scotland to exercise an option (assuming this has been able to be agreed with the landowner) to purchase the land.

Whilst the Board remain supportive of the project, we recognise there is still a significant amount of work to do to agree key commercial terms, complete due diligence and develop the full business case for consideration, final approval of which will be subject to securing the necessary consents and authorisations which we require for an investment of this scale, including approvals both from our Board and from Scottish Ministers. “.

Board Paper

Date of Meeting:	30 November 2022
Classification:	Unrestricted
Subject:	CEO Report
Paper Number:	BD(2022)32.4
Annexes:	Annex A: Q2 2022-23 Performance Dashboard
Recommendation:	The Board is invited to note the report which covers activity up to mid-November 2022.
Presenter:	Ronan O'Hara
Author:	Various

**Our purpose: Investing in property, natural resources and people
to generate lasting value for Scotland**

1. Overview

Delivery on the 2022-23 Business Plan is covered in the annexed quarterly dashboard. Separate papers cover People & HR and stakeholder meetings & engagement.

Key points to note include:

- A review of Corporate Affairs has concluded. Recommendations are summarized in Section 6 and the full report – covering recommendations and risks – is in the Board portal;
- The deadline for INTOG applications was 18 November;
- The current cost-of-living crisis is putting pressure on the managing agents' ability to retain their staff and generate profits;
- The emerging issues in Section 10 on ScotWind option fees and revenue-to-capital conversion, and
- We expect our 2021-22 Annual Report & Accounts to be laid in Parliament late-November.

2. Health & Safety

We have commissioned our H&S Advisors, EDP, to develop a new Health and Safety Management System (HSMS) for us in line with ISO 45001 standard. The HSMS is structured by identifying Roles and Responsibilities and consists of Health and Safety Management Procedures (HSMP) and Operational Procedures. EDP will also produce a draft Crown Estate Scotland H&S organogram to enhance clarity regarding H&S reporting lines.

One accident was reported in the intervening period. This occurred on 18 October to a member of staff while carrying out drainage works on a tenanted farm on Glenlivet Estate. The employee tripped, twisting their right ankle and right knee, resulting in them taking 3.5 days off work. EDP carried out a follow up investigation. Their subsequent report has five recommendations, and these are currently being reviewed and will be implemented as appropriate.

3. Risk Management

The risk register is reviewed and updated for each Audit & Risk Committee meeting and is available in the Board portal. The November ARC meeting included a discussion around a refresh of the risk register to include several emerging risks. It was proposed that a review of organisational risks and risk appetite be scheduled for the February 2023 board strategy event, alongside investment priorities.

4. Procurement

The development services tender generated four valid responses which are currently being evaluated. Procurement process is planned to conclude in December subject to standstill period.

The Forward Plan of Regulated Threshold Procurements will be reviewed in the context of any amendments required as part of the budget reforecasting process.

5. IT and Cybersecurity

Cyber Security

We have received a draft of version 2 of the Scottish Government's Cyber Resilience Framework which is due to be published soon (possibly by the end of the year). The current draft has 17 categories, 69 subcategories and 433 individual controls. 11% of the controls are new/revised. The Baseline and Target levels have been replaced with Tier 1 (which is applicable to us). Advanced has been replaced with Tier 2 for organisations such as NHS.

250 controls apply to us. Based on an initial audit we have 220 in place (88%). Some of the remaining are actively being developed such as a more formal change management process (2) and improved supply chain management for cyber risk (4). The rest (24) will be looked at in 2023-24 if they are included in the published final draft.

Long Term Asset Management System ITT

Significant work has been undertaken in preparation for an ITT for our long-term Asset Management System (open tender). The tender is live with the evaluation process is scheduled for early 2023. The contract is planned to run till November 2029 (with the ability to extend up to November 2034).

If a full system migration is required, this will reduce capacity of existing staff in the short term (2023-25). It may also impact on some of the Managing Agents contracts if the additional cost means the maximum contract value is reached before the end of their final extension.

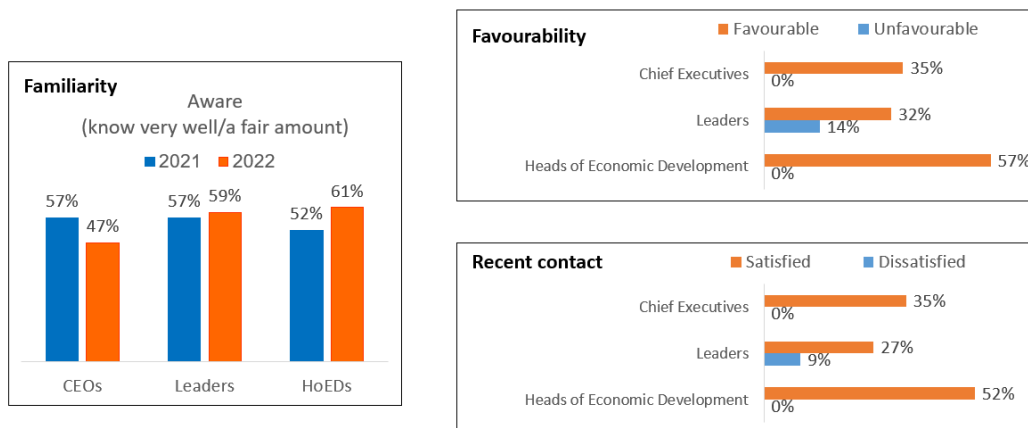
6. Corporate Operations

Corporate Affairs and Governance

We continue to work through queries relating to ScotWind and to liaise with our advisors to establish what documentation regarding internal decision-making can be published now. We anticipate publishing more documents in December / January.

The recent review of corporate affairs function is complete. The full report with is in the Board portal. Recommendations include increasing capacity, fully implementing the digital strategy (developed in 2021) and creating a digital resource hub and expanding use of evaluation & insight for both external and internal communications. The report noted the increasing demand on the team as our activity grows and the need to invest to avoid heightened exposure to reputational and performance risk.

The report following our annual survey of local authorities is in the Board portal. The graphic below summarises results:



Policy

Year 3 of the Sustainable Communities Fund was heavily oversubscribed, receiving 39 applications for environment grants (for total of £100k) and 93 expressions of interest (EOIs) for community capacity grants (for total of £250k). Twelve EOIs have been invited to submit a full application. Successful projects will be announced in Q4.

Property tenants are currently being surveyed and we'll update Board on key findings.

Following procurement, work is now underway on i) work to develop our Value Reporting Framework and our understanding of the carbon emissions associated with our assets, and ii) explore community aspirations to develop marine natural capital projects.

Partnerships

Challenge Funds update

- Boat Based Tourism Stage 2 (SOBC): in addition to Corpach Marina, five SOBCs for investments totaling £3.7m are now progressing to Full Business Case development.
- Local Partnerships: six SOBCs progressing for projects totaling £2.1m.

- Innovation with Natural Resources: nine organisations have proceeded to Stage 2. Following SOBC form submission in November, decisions on which organisations move to the next stage will be taken in December 2022.

Other

- Community Land Acquisition Accelerator: discussions between Scottish Land Commission (SLC) and Crown Estate Scotland are progressing and we are in the final stages of agreeing a Project Initiation Document and MOU. It is anticipated that recruitment for a dedicated post, jointly funded by Crown Estate Scotland and SLC, will take place in early 2023.
- Recent meetings with Peel Ports Group (PPG) and North Ayrshire Council continue to clarify the investment opportunity at Hunterston, with significant blue economy activity being led by PPG on the site. This investment opportunity is at a critical stage, and we have agreed to confirm our commitment to developing the business case further by the end of November. Further investment of resources in developing the business case will be subject to agreeing a realistic and defensible asking price for the asset.
- Phase 2 of the Glenlivet Future Plan engagement programme will start soon, with additional consideration to the interplay and synergies between the Cairngorms National Park Partnership Plan 2022-27 and the Glenlivet Future Plan.

7. Energy and Infrastructure

- ScotWind Clearing was completed as scheduled.
- INTOG applications are due 18 November – preparation for evaluation is ongoing.
- CES continues to support SOWEC (Scottish Offshore Wind Energy Council). A strategy for supply chain investment to support the ScotWind Leasing round is being taken forward by SOWEC through the development of a Collaborative Framework Charter and a Strategic Investment Model that will deliver on the actions in the charter. The contribution of Crown Estate Scotland is integral to this activity.
- The team remains focused on progressing the opportunities for port investment at Scapa and Nigg with material investment, subject to FBC, technical and commercial due diligence, and Ministerial approval, is anticipated in FY 2023-24
- NSTA (North Sea Transition Authority) is currently running two licensing rounds, one for Carbon Capture and Storage (CCS) and one for oil and gas, in parallel with INTOG. ScotWind brings with it significant future requirements for cables and associated interaction on the seabed. The team continues to remain closely engaged with stakeholders such as Marine Scotland, NSTA, and NGENSO (National Grid Electricity System Operator who is leading the Offshore Transmission Network Review) as we seek to help co-ordinate and manage the seabed.
- Following a workshop with Scottish Government, we are preparing an ITT for professional support as we commence development of plans for CCS leasing anticipated to follow NSTA licence awards next year.
- The small scale Mocean wave energy site planned for east coast of Orkney is in the process of moving to lease, with the Moray West offshore wind farm anticipated to move to lease prior to Christmas.
- MeyGen turbine 1 has now been reinstalled and is operating.

8. Aquaculture

The Scottish Government aquaculture review (Scottish Aquaculture Council) met in November (re-scheduled from September). At this meeting, the Council confirmed terms of reference, agreed that revised proposals (such as to consider streamlining within current regulation) will be taken forward by the Consenting Task Group over the coming months (based on the Griggs review recommendations), and discussed the draft of the SG aquaculture vision (which Crown Estate Scotland) have commented on) which will be published December / January.

The team remain focused on implementing the terms of the review and getting Minutes of Variation in place prior to January 2023, along with other associated documentation. Our proposed plastics reporting requirements continue to be an area of particular interest from tenants, which we are continuing to seek to address through meetings with tenants supported by the consultants we commissioned to develop guidance and templates for this obligation.

9. Property

Montrose ZeroFour

Design work has continued including increased lettable space, publicly accessible green space and active travel routes, reduction in roads and quantum of embodied carbon in infrastructure. The Energy Strategy is in final draft form with implementation of recommendations such as layout orientation for solar gain. The team is working on detailed investigation into green heat and power solutions with suppliers. Work towards the masterplan is continuing with the support from the professional team. Local MSP Mairi Gougeon – who is also Cabinet Secretary Rural Affairs & Islands – recently visited the site with Crown Estate Scotland representatives.

Urban

Recent work at George St includes:

- Procurement and appointment of professional services for the installation of a new fire alarm system and to provide management services for external repairs.
- Completion of required works to fire doors and a Fire Risk Assessment.
- Recommendations to improve the EPC rating are under discussion with Managing Agents, LSPIM.

Coastal

Work on the moorings fee review has progressed well with some positive feedback. The outcome of this work has been communicated with no significant negative reputation issues arising to-date. Work on the Shetland Marinas lease renewals and rent review is on-going. Following the VOA valuation report, discussions are underway with Shetland Islands Council about alternative management options.

Rural

The capital release from farm sales pilot remains resource intensive albeit progressing well to the issuance of Sales Reports stage to all 22 participating farm tenants. Crown Estate Scotland has successfully re-set how it engages with its farm tenants via the new Farm Tenant Forum (FTF) that encourages open and transparent engagement with all farm tenants.

We have been reviewing potential built development opportunities across the farm sale pilot areas at Applegirth and Auchindoun. This has formed part of the spatial analysis work and initial

discussions with tenants which in turn will feed into the draft sales packs due to be issued in November.

The Rural Condition survey category A repair work contracts are 99% complete on Fochabers & Glenlivet and are awaiting final sign-off in November. Agents are planning for the implementation of the category B & C repair works which will start this year.

The proposed sale of land (c.16.5 ha) to the north of James Jones Sawmill at Mosstodloch is subject to a full planning application for the site redevelopment. The target date for determination is 7 December 2022. If successful, it is anticipated that entry to the land would not be until after the next harvest in 2023.

Offers have been received for 7 The Square in Fochabers and the development land at Rosewell Steading at Whitehill.

Whitehill Development Framework 2030: The draft Development Framework is now in a finalised stage for wider consultation and the team are developing phasing and resourcing to be presented to Investment Committee in 2023, as well as progressing the MOU with Midlothian Council.

Countryside Management & Forestry

Biodiversity work has included working closely with Plantlife, Bumblebee Conservation Trust and Cairngorms National Park, while progress continues on discussions around Glenmullie Peatland Restoration site. Engagement continues to be a key part of the Estate work as we work with several universities and schools as well as groups such as the Wilderness Foundation and Outdoor Access Trust for Scotland. This is in addition to groups we meet with or facilitate (e.g. National Park, Community Associations, Development Trust and Dark Sky Group).

Work is in progress around organising and planning forest restocking works at Glenlivet Estate to be completed in spring 2023. A new forestry intern has started with us and a number of contracts have been tendered and awarded to facilitate ground preparation, supply of forest trees, tree planting and restocking.

Managing Agents

We have held mid-term contract performance review meetings with Bidwells and Strutt & Parker. There have been some changes and additions to the agents' staff teams which will help alleviate their on-going capacity issues. The current cost-of-living crisis is putting pressure on the managing agents' ability to retain their staff on a competitive wage and in some cases, agents are in loss a making position servicing our contracts.

COVID-19 and Economic factors

The impact of the pandemic is still being felt, particularly on backlogs of work within the contractor, managing agent and staff teams. Some work has had to be re-arranged.

10. Advance Notice

Capital investment and expenditure is increasingly constrained. Crown Estate Scotland's self-financing model is predicated on earning revenues and converting a portion of revenues earned into capital on an annual basis. This mechanism is enshrined in the Scottish Crown Estate Act 2019. As of March 2023, the current arrangement, which allows for 9% of revenues earned to be

converted to capital, expires thereby making it impossible for Crown Estate Scotland to deliver on the pipeline of £70m committed investment. The capital position is strained further by the macro-economic environment which is likely to result in depressed capital receipts from the divestment pipeline. A case has been discussed informally with the Sponsor Team recommending that the current 9% be increased over the next two years. A formal position will be extended to the Sponsor Team in the next month.

Following public announcements by Scottish Government regarding the treatment of ScotWind option fees, we are now dealing with a number of technical accounting matters that may potentially create difficulties and reputational risk for Crown Estate Scotland. A separate paper has been provided to Board on this matter.

The Remuneration Committee has confirmed agreement for work to be commenced to develop a Workforce Plan & Resourcing Strategy for Crown Estate Scotland, linked to a multi-year investment and growth plan.

11. New Opportunities

The King's and Lord Treasurer's Remembrancer is currently conducting a consultation on the Ownerless Property Transfer Scheme – this may represent an opportunity to absorb Scottish assets at minimal cost, which could potentially advance the strategic objectives of Crown Estate Scotland. Further details in due course.

HIE has expressed an interest in collaborating with Crown Estate Scotland to research and quantify the housing demand associated with new rural and coastal employment opportunities. The mandate and vires of Crown Estate Scotland is such that it is one of several organizations that could - capital funds permitting - contribute to the challenges associated with providing housing in rural and coastal communities.

Board Dashboard - Q2 2022-23

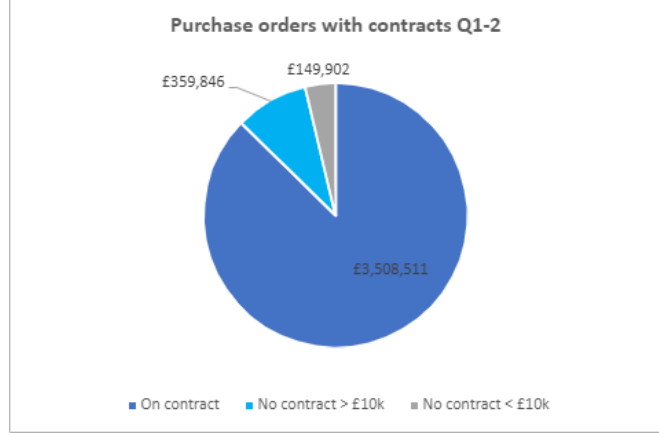
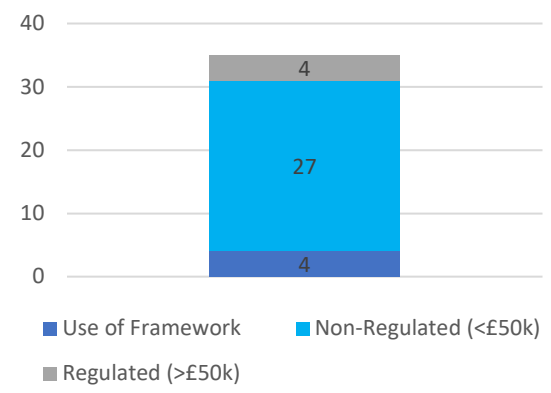
103 contracts LIVE on register, 70 are regulated

Procurement

Business Plan actions

2022-23 Business Plan (33 green, 8 amber, 1 red)			
No	Measure	Status	Notes
16	All Category A and at least 50% of Category B & C condition survey works complete (some activity has been postponed from 2021-22 due to COVID-19).	At Risk/Delayed	Cat B & C repair works packages being prepared by Rural MA's some may be able to commence but majority to be planned & tendered ready to be implemented in 2023/24 financial year.
17	Overall approach reviewed; first phase of works complete.	At Risk/Delayed	Rural MA's pulling together recommended works and some recommended sales. Delayed. Anticipate more progress at Q3 as some work recently approved for individual properties.
19	Opportunities identified and progressed.	At Risk/Delayed	Options appraisal complete. Further internal discussion required regarding resource, development appetite and risk
33	Vision developed with input from stakeholders; draft publication prepared for launch.	At Risk/Delayed	Deferred until Q2/3 2023-24 due to delay of ministerial workshop; stakeholder desire to input, and discussions around capital.
46	Report completed.	Target will not be met	SG are undertaking a piece of work on this topic. We are now feeding into that project (we are members of the steering group) rather than undertaking our own project.

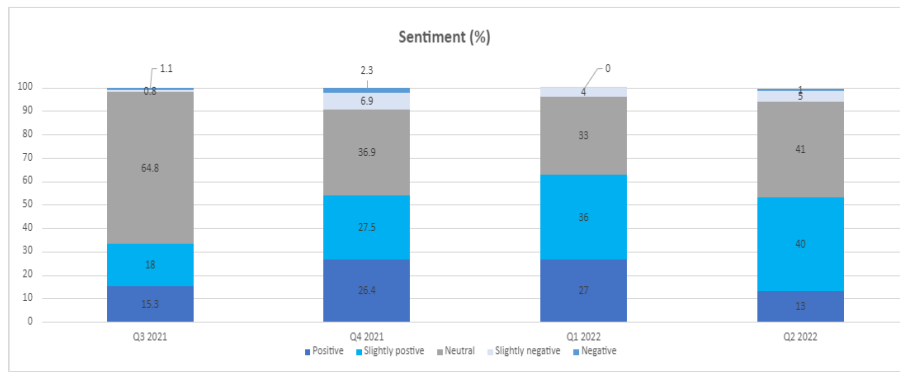
New Contracts Awards by Type 2022-23 YTD (Q2 = 16) (YTD = 35)



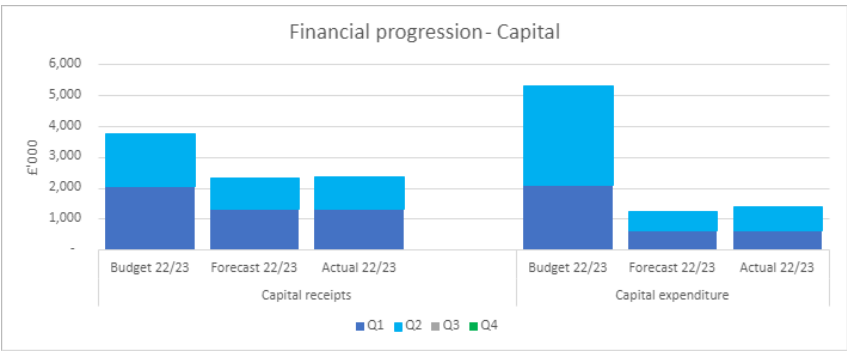
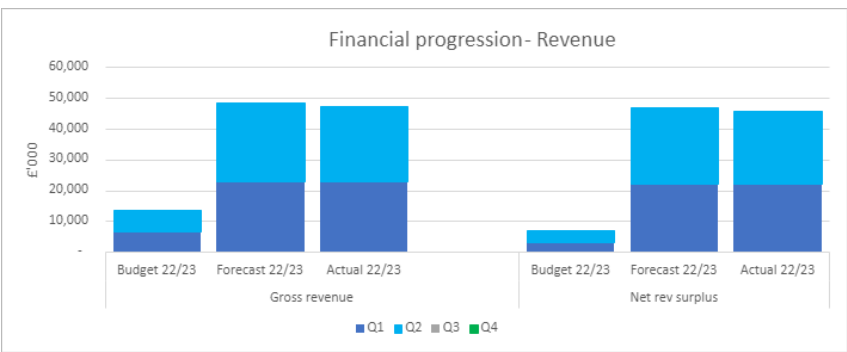
H&S



Media sentiment and digital users



Finance



Key positive media story:
Q2 2022 ScotWind Clearing

Most negative media story:
Salmon Scotland housing cost claims

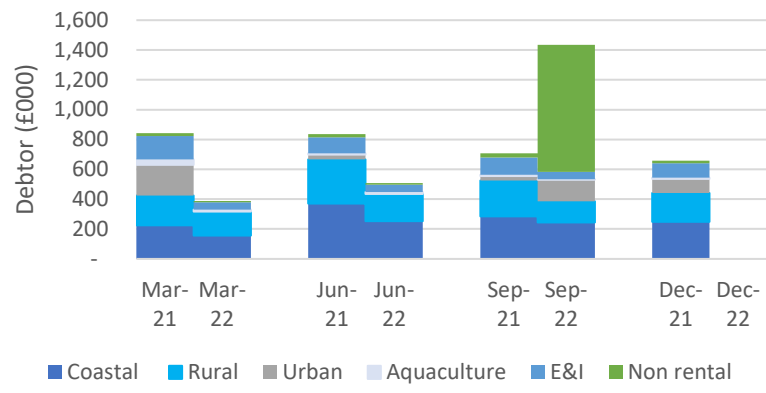
Digital users	Q1 2022	Q2 2022
Twitter (impressions; +/- followers)	66k; +535	96k; +172
Website visitors	23,036	26,802
LinkedIn (impressions; +/-followers)	50k; +611	83k; +890

FOIs

Requests received:
Q2 11

Topics covered:
See attached note.

Year on year movement in debtors >30 days due



Property

Vacant, marketable properties:
Rural: 5; Urban: 0

KPIs

KPIs: 7 Green, 1 Amber, 1 Red	Q2 YTD	RAG Rating
Total Capital Committed (£)	£14.55m	Red
Place Based Capital Committed (£)	£10.32m	Red
Blue Economy Capital Committed (£)	£4.23m	Red

Board Q2 2022-23 Dashboard – Notes

Business Plan – reporting by exception

Amber status	At risk / delayed.
Red status	Target missed / abandoned / will not be reached.

KPIs

Dashboard table relates to Corporate Plan KPIs. Most are tracked annually through the annual report except for capital committed which we report on quarterly, broken down as below.

KPI	Definition	Corporate Plan 2023 target	Notes
Total capital committed	All capital committed in 2020-23 through approved final business cases and case sheets	£70m	Excludes feasibility and business case development costs.
Capital committed to place-based projects	Capital committed in 2020-23 through approved final business cases and case sheets for buildings & places	£27m, indicative	This relates to the objective: Invest in buildings and help create great places. Assets: Built Environment.
Capital committed to blue economy	Capital committed in 2020-23 through approved final business cases and case sheets for blue economy	£26m, indicative	This relates to the objective: Support the sustainable expansion of Scotland's blue economy, focusing on marine and coastal development Assets: Mainly Marine and Coastal, but also including projects in Built Environment with direct links to the blue economy.

Procurement

New Contract Awards by Type

Contracts awarded YTD – total number plus categories.

Graph depicts the cumulative number and type of contracts awarded during the reporting period.

The total number of live contracts currently on the register is provided for context.

Stakeholder/Reputation

FOI

Number of requests for information, as responded to under the Freedom of Information (Scotland) Act 2002 and the Environmental Information (Scotland) Regulations 2004.
Indication of key topics.

Media

Sentiment by quarter on rolling 12-month basis.

Most positive and most negative story

Digital communications metrics showing change on previous quarter.

Health & Safety

Accidents and near misses YTD.

Board Paper

Date of Meeting:	30 November 2022
Classification:	Unrestricted
Subject:	Audit & Risk Committee Membership
Paper Number:	BD(2022)32.8
Annexes:	n/a
Recommendation:	The Board is invited to approve the appointment of Michael Foxley to the Audit & Risk Committee.
Presenter:	Amanda Bryan
Author:	Helen Howden

**Our purpose: Investing in property, natural resources and people
to generate lasting value for Scotland**

1. Purpose and context

This paper seeks Board approval of changes to the membership of the Audit & Risk Committee.

2. Audit & Risk Committee

Jean Lindsay has indicated to me that she would like to step down from membership of the Audit & Risk Committee. The terms of reference for the Committee require that three non-executive members are appointed to it and so Michael Foxley has confirmed that he is willing to serve on the Committee.

The Board are therefore invited to approve the appointment of Michael Foxley to the Audit & Risk Committee.