

Agenda
Twenty-Ninth Meeting
Crown Estate Scotland Board
Quartermile Two, Edinburgh and by video conference call
23 February 2022
10am – 3.00pm

- | | | | |
|------------------------------------|-------|---|---------------|
| 1. Standing Items | | | |
| 10am | 1.1 | Welcome and Declarations of Interest | |
| | 1.2 | Approval of Minutes of Meeting held 2 November 2021 | Attached |
| | 1.3 | Matters Arising and Action Trackers | Attached |
| | + 1.4 | Papers considered out of meeting | BD(2022)29.1 |
| | + 1.5 | Stakeholder meetings | BD(2022)29.2 |
| 2. Board Committees | | | |
| 10.20 | * 2.1 | Investment Committee (16 November 2021 and 1 February 2022) | Attached |
| 10.35 | 2.2 | People Committee (23 November 2021) | Attached |
| | 2.3 | People Committee and future reporting | BD(2022)29.3 |
| 10.55 | * 2.4 | Audit & Risk Committee (30 November 2021 and 8 February 2022) | Attached |
| 3. Management Reports | | | |
| 11.10 | 3.1 | Chief Executive's Report | BD(2022)29.4 |
| 11.25 | 3.2 | Performance Dashboard (Q3 reporting) | BD(2022)29.5 |
| 11.30 | * 3.3 | Finance Report | BD(2022)29.6 |
| 11.45 | * 3.4 | Budget 2022-25 | BD(2022)29.7 |
| Lunch 12.30 | | | |
| 4. Decisions and Discussion | | | |
| 1.00pm | 4.1 | Crown Estate Scotland's role in forestry | BD(2022)29.8 |
| 1.30 | 4.2 | Review of Mooring Fees and Rental for marinas | BD(2022)29.9 |
| 1.45 | 4.3 | Less than Market Value Policy in relation to marinas and moorings | BD(2022)29.10 |
| 5. Governance | | | |
| 2.15 | 5.1 | Internal Scheme of Delegation | BD(2022)29.11 |
| 2.35 | 5.2 | Adoption of new Code of Conduct for Board Members | BD(2022)29.12 |
| 2.40 | 5.3 | Committee membership | Chair |
| 6. Any Other Business | | | |
| 7. Date of Next Meeting | | | |
| 25 May 2022 | | | |

*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	Twenty-Ninth Board Meeting	BD(2022)29
Meeting date	23 February 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, 23 February 2022		

Present:

Amanda Bryan	Chair
Ann Allen	
Dr Michael Foxley	
Liz Leonard	
Jean Lindsay	
Andrew Macdonald	
Robert Mackenzie	
Euan McVicar	
Alister Steele	

In attendance:

Simon Hodge	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
Eilidh Todd	Board Intern
Helen Howden	Governance Manager (minutes)

By invitation:

Paul Bancks	Asset Manager (for Minute items 4.2 and 4.3)
Christopher Cassels	Senior Asset Manager (for Minute items 4.2 and 4.3)
Anna Morgan	Financial Controller (for Minute items 3.3 and 3.4)

1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting, noting that it was the last quarterly meeting which would be attended by Andrew Macdonald and Alister Steele before they stepped down from the Board at the end of April. Thanks were due to both for the impact they had made on the strategy adopted by the organisation during their tenure in office. The Chair also noted that it was the last meeting to be attended by Eilidh Todd in her capacity as Board intern and she was thanked for her contributions during meetings.

The Chair then expressed the thanks of the Board to the E&I team for the work undertaken since the ScotWind results announcement and the publication of the proposals for the INTOG (Innovation and Targeted Oil and Gas) leasing process.

1.2 Declarations of Interest

As the chair of the merger partnership board for Lews Castle College UHI, North Highland College UHI and West Highland College UHI, Michael Foxley declared a non-financial interest in the proposals for the Mallaig learning centre which had been considered by the Investment Committee.

1.3 Approval of Minutes of Meeting held on 2 November 2021

Noted that:

- (a) the minutes were **approved**.
- (b) the minutes of the meeting held on 11 November 2021 would be circulated following the meeting.

1.4 Matters Arising and Action Tracker

Noted that:

- (a) the cyber resilience session (action 24/2) had been rescheduled to accommodate other business. The Executive Team considered that it was important for the Board to hold this session within the next two – three months. The Governance Manager would find a date for this session.
- (b) action 27/2 could now be closed as the Board had held a discussion on the local management pilots learning report.
- (c) the Board had confirmed that they would like a benchmarking analysis of pay carried out. This should be done as part of the work to develop a pay strategy which was an action in the People Strategy Action Plan.

Action: AM (29/1)

- (d) discussions with Scottish Government Finance team in relation to the accounting treatment of the expected ScotWind option fees were on-going. No change had been proposed to the provisions for the movement of between revenue and capital set out in the current Framework Document.
- (e) the Board were expecting to approve the 2022-23 business plan and the Director of Corporate Operations confirmed that it would be circulated once comments had been received from Scottish Government in early March. Approval would then be sought from Scottish Ministers ahead of publication on 4 April 2022.

1.5 Papers considered out of meeting (paper BD(2022)29.1)

Noted that:

- (a) a paper on workforce planning had been issued to Board on 12 January 2022 however following an initial exchange of emails between members in relation to this a decision had been taken to withdraw the paper and to present the information as part of the budget process.

1.6 Stakeholder meetings (paper BD(2022)29.2)

Noted that:

- (a) in addition to the meetings listed there had been dialogue with Scottish Government over a range of issues, including on ScotWind and INTOG. When it happened engagement with Ministers was generally positive but it was felt that these meetings could be happening on a more regular basis. Contact with Ministers was not proportionate with the scale of work being undertaken by the organisation and it was considered that the sponsor team should be proactively assisting in arranging meetings.

2. Board Committees

2.1 Investment Committee – 16 November 2021 and 1 February 2022

Noted that:

- (a) at the meeting on 16 November 2021, the last chaired by Alister Steele, there had been a discussion on business vires which had subsequently been circulated to Board. The content of this paper would be kept in mind when the Board continued their strategic discussions on the long-term vision for the organisation.
- (b) the Committee had considered an options appraisal for the property at George Street, Edinburgh. A short-term investment in the fabric of the building was supported and they had requested that proposals be brought forward for an exit strategy.
- (c) during the November meeting the Committee had also received a presentation on the first stage of the community consultation for the Whitehill estate and had been given an update on applications to the Boat Based Tourism Fund, one of the three Capital Challenge Funds. The Fund was over-subscribed but there was a further business case stage to be undertaken and it was anticipated that some applications would not proceed further.
- (d) Ann Allen took the chair for the meeting held on 1 February which had received a useful market update report from the Senior Commercial Manager. The Committee voiced concerns on how to achieve investment in projects which would have a negative financial return but a positive social return and how best that return could be expressed in the business case template.
- (e) the Committee had confirmed support for the sale of site R4 at Fochabers which had at one time been under consideration for a development in partnership.

- (f) following conclusion of meeting the Committee had been having a discussion via e-mail on investment in the residential properties on the rural estate and the environmental building standards which should be applied.
- (g) the Committee were currently considering a paper out of meeting in relation to the Local Partnership Fund, the second of the Capital Challenge Funds. Like the Boat Based Tourism Fund this was also over-subscribed.

2.2 People Committee – 23 November 2021

Noted that:

- (a) the Committee had reviewed the People Strategy Action Plan and received an update on the Diversity & Inclusion Plan proposals as well as the terms of reference of the Committee.

2.3 People Committee and future reporting (paper BD(2022)29.3)

Noted that:

- (a) the Committee had been established as a short-term advisory committee and it was proposed that it now be stood down and that quarterly and annual reporting as set out in the paper be given to the Board.

Agreed that:

- (a) the Committee should now be stood down. Any outstanding actions remaining with the Committee would be transferred to the Board's action tracker to allow for oversight of their completion.

Action: HH (29/2)

2.4 Audit & Risk Committee – 30 November 2021 and 8 February 2022

Noted that:

- (a) during the meeting in November 2021 the Committee had raised queries on contract management arrangements which had been addressed during a session delivered by the Procurement Manager before the Committee meeting on 8 February. Having received this presentation, the Committee were considering what additional reporting would now be required to provide appropriate assurance.
- (b) the MeyGen investment had been discussed during the February meeting. The organisation remained committed to the project and was investing substantial time into finding a solution to the funding gap.
- (c) both internal and external audit were progressing through their plans well. Substantial assurance had been given in relation to the three areas of governance which had been reviewed by the internal auditors. A follow-up report on H&S policy implementation had recorded that good progress had been made.

- (d) changes to the risk register had been reviewed and approved. The Committee were advised that an emerging risk discussed by the Executive Team was the impact on staff morale and operational delivery from the nature of engagement with Scottish Government. Implementation of some Board decisions and operational transactions have been significantly delayed awaiting feedback from Scottish Government and this has added significantly to workload and stress on staff in certain instances. The Chair will raise this during her next quarterly meeting with the Director of Marine Scotland and the Executive Team were asked to pass, via the Governance Manager, details of their submissions to Scottish Government over the past 12 months.

Action: HH (29/3)

- (e) during discussions with Chairs of Audit & Risk Committees across the public sector Robert Mackenzie had become aware that a significant number of other bodies were encountering similar issues with their sponsor bodies. The Chairs were looking at the best way to address this and it was hoped that a collective raising of the issue with Scottish Government could assist in improving the quality of cooperation and open communication.
- (f) given the increasing media interest in greenwashing, the Board asked whether it would be beneficial to ask the internal auditors to look at the organisation's climate change action plan which was due for review. The Chief Executive did not consider that there was value to be added by the internal auditors as the plan sat within a tightly defined framework issued by Scottish Government. The Committee had discussed climate change readiness, which was reflected already in the risk register, but which would continue to be considered.

3. Management Reports

3.1 Chief Executive's Report (paper BD(2022)29.4)

Noted that:

- (a) the Chief Executive expressed his pride in what had been delivered by the organisation in recent months, citing the ScotWind announcement; the launch of the capital release from farm programme and the three Investment Challenge programmes; and publication of the INTOG leasing. He also drew members attention to the work which had been carried out to increase cyber resilience within the organisation.
- (b) several new roles had been filled across Scotland. This geography and the results of a staff survey on future working models, were informing guidance on remote working which was being finalised by the Executive Team. The Board felt that there was a balance to be struck between flexible remote working and the creation of effective teams.
- (c) the results of a survey of MSPs, conducted before the ScotWind announcement, were disappointing but not entirely unexpected given the number of new MSPs and the limited opportunities to engage with politicians over the past year. The new Senior Corporate Affairs Manager is to lead on future engagement, including with the cross-party groups. Consideration will be given to holding events virtually if that might attract more attendees.

- (d) there was one action for 2021/22 on the People Strategy action plan, relating to the development of a pay strategy, which was not yet completed. This required to be finalised and should be done in conjunction with consideration of the Scottish Government's pay policy 2022/23, which included allowing employers the option to explore a four-day working week.
- (e) investment in ports and harbours continued to grow in significance for the organisation. Reports on progress had been added to the standing items on the Investment Committee agenda and it was important that written reports be submitted to the Committee.
- (f) The Highland Council were understood to be commissioning a piece of research on community benefit and the Director of Corporate Operations had met with them to avoid duplication of resource on this as Crown Estate Scotland were also to undertake work to clarify the definition of community benefit and how best to deliver that.

3.2 Performance Dashboard (paper BD(2022)29.5)

Noted that:

- (a) there were three business plan targets which would not be met this year because consultancy support to deliver these had not been procured, there having been either no bids received or insufficient bids received. The scopes of the ITTs were being reviewed as well as the approach to timing and publicity of these.

The Financial Controller joined the meeting

3.3 Finance Report (paper BD(2022).29.6)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the revenue account for the period to 31 December 2021 shows a surplus of approximately £900k ahead of forecast. Capital receipts were as forecast with expenditure being lower than had been predicted.
- (b) during January the finance team had worked with colleagues across the organisation to carry out a high level reforecast to identify if variances in the budget were due to timing or if they were likely to remain at the year end.
- (c) an increasing amount of income was based on production related rent, such as offshore wind and finfish, and that there was greater potential for fluctuations in this income. Work was underway to understand how to obtain early indications of changes in production and to analyse the impact of this variability.

3.4 Budget 2022-25 (paper BD(2022)29.7)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the budget had been built on a bottom-up basis, incorporating the large changes which were expected over the next three years. Income had been discussed on a line by line basis with asset managers and the managing agents with the estimates for turnover rent having been influenced by returns in previous years. There was more certainty on the figures for the first year of the budget.
- (b) the income expected from the ScotWind leasing was not included in the tables but was referenced in the budget. The decision to exclude it had been taken to allow other activity in the business to be clearly articulated. The budget as presented included the additional capacity requirements which were referenced in the capacity planning annex.
- (c) the impact of any applications for transfer or delegation of the management of assets had not been included as that was unlikely to have effect in the first two years of the budget.

Agreed that:

- (a) the ScotWind Leasing round 1 option fees and transfer of 9% revenue income to capital should be included in the budget before presentation to Scottish Government and the capital challenge funds should be shown as a separate line.

Action: AM/AMM (29/4)

The Financial Controller was thanked for her contribution and she left the meeting.

4. Decisions and Discussion

4.1 Crown Estate Scotland's role in forestry (paper BD(2022)29.8)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) market forecasts for forestry were positive and the paper identified a high level approach for the organisation to its forestry assets. This included identifying opportunities for woodland creation, including in partnership with tenants and the sale of woodland proximate to farms which were being sold. The detailed strategy would be developed as the capital release from farms programme was implemented and as the Glenlivet masterplan was developed.
- (b) there was no overriding portfolio driver for divestment, but some sales would provide funding for woodland creation and enable estate rationalisation. Consideration also required to be given to the wider value reasons for holding woodland and how Crown Estate Scotland ownership added to value delivery.
- (c) there was no specific calculation of the carbon position in relation to the forestry assets included in the paper. The current focus, in common with other public bodies, is on emissions from the running of the organisation.

Agreed that:

- (a) the Board were supportive of the recommendations set out in the paper.

The Senior Asset Manager and Asset Manager (Coastal) joined the meeting.

4.2 Review of Mooring Fees and rental for marinas (paper BD(2022)29.9)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the last review of mooring licence fees had been implemented in 2010. Reviews in the period since had been postponed due to the devolution process. In 1998 The Crown Estate had agreed to a 25-year discounted fee arrangement with Shetland community marinas which was due to end on 31 March 2023.
- (b) it was proposed that a review of mooring licence fees and the Shetland community marinas fees would be carried out concurrently and that an independent valuer be instructed to undertake this. A socio-economic assessment would also be carried out and would include looking at geographic differences. Consideration would also be given to the structure of fees, for example, should there be a flat fee across Scotland.
- (c) a communications plan for stakeholders had been developed to inform them about the review, including why it was being undertaken.

Agreed that:

- (a) the Board supported the proposed approach as set out in the paper.

4.3 Less than Market Value Policy in relation to marinas and moorings (paper BD(2022)29.10)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the Board were being asked to provide a view on the operation of the Less than Market Value process, using as an example an application for a community marina facility. The Board were asked to consider whether the level of evidence submitted in support was sufficient as well as the potential wider financial impact of approving an application like this. The Board were not being asked to decide on the application which was well within the delegated authority of the executive.
- (b) the applicant had submitted evidence of the benefit which their development would bring to the community but they had not presented evidence of the benefit that their requested rent reduction would bring. They had referenced rental agreements with similar developments.
- (c) the policy was due to be reviewed and the Board's comments would be used to frame that review.

Agreed that:

- (a) precedent setting was already in operation across the Estate and that the Less than Market Value process would help manage potential wider financial impact on the portfolio. It was however important that the right evidence was submitted and that there was a clear link between the rent reduction and the wider benefits to the community and that the rent reduction is needed to allow the development to go ahead. Consistency in approach should be maintained but the level of evidence should be proportionate to the project and applicant.

The Senior Asset Manager and Asset Manager (Coastal) were thanked for their contributions and they left the meeting.

5. Governance

5.1 Internal Scheme of Delegation (paper BD(2022)29.11)

Noted that:

- (a) the Board were asked to authorise the Director of Property as an authorised signatory for the organisation and to approve him as a signatory, in substitution for the Investment Sales and Programme Director, for Crown Estate Scotland bank accounts.
- (b) an updated internal scheme of delegation was also presented which had been amended to remove obsolete roles and make changes to the authorisation of procurement expenditure.

Agreed that:

- (a) the Board approved the Director of Property as a signatory for the organisation's bank accounts and approved the changes to the internal scheme of delegation.
- (b) the Board resolved that, with effect from 24 February 2022, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign, including by secure electronic means, for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Name	Title
Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Oster Milambo	Director of Property
Alastair Milloy	Director of Finance and Business Services
Colin Palmer	Director of Marine

5.2 Adoption of new Code of Conduct for Board Members (paper BD(2022)29.12)

Noted that:

- (a) a new model code of conduct for members of public boards had been approved by the Scottish Parliament in December 2021. Adoption of the new code was a requirement for all public bodies.
- (b) training on the provisions of the code would be delivered for members in late spring.

Agreed that:

- (a) the new code would be adopted with immediate effect and published on the Crown Estate Scotland website.

5.3 Committee Membership

Noted that:

- (a) Public Appointments Scotland had commenced the process for the recruitment of two new Board members. It was likely that there would be a gap between Andrew Macdonald and Alister Steele stepping down and the two new members being appointed. Although the Board Committees would continue to be quorate, the Chair asked members to appoint Euan McVicar to the Investment Committee.

Agreed that:

- (a) Euan McVicar would join the Investment Committee with effect from 1 May 2022 and would remain on the Audit & Risk Committee until after Scottish Ministers made two new appointments to the Board.

6. Any other business

Noted that:

- (a) the Chief Executive had confirmed that he will be retiring on 15 August 2022. The Chair was in discussion with Scottish Government to manage the transition over the coming months.

7. Date of Next meeting

29/30 March 2022 (strategic session)
25 May 2022 (quarterly meeting)

Amanda Bryan
Chair, Crown Estate Scotland

Date

Board Paper

Date of Meeting: 23 February 2022

Classification: Confidential (in part)

Subject: Papers considered out of meeting

Paper Number: BD(2022)29.1

Annexes: n/a

Recommendation: The Board is invited to note this paper.

Presenter: Helen Howden

Author: Helen Howden

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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

BD(2021)OOM14 – Delegated Authority

On 26 October 2021, the Board were asked, in a paper sent by e-mail, to approve an amended scheme of internal delegated authority. Except for one member who advised that as they had not supported the previous scheme they could not support this one, the Board approved the amendments.

BD(2021)OOM15 – Annual Pay Award

Confidential – closed business

A paper setting out the proposed negotiating position for the 2020/21 pay claim was circulated to the Board for approval on 19 October 2021. A comprehensive commentary on the points was received from one member and the Chair suggested that the matters raised in that referred to the People Committee for discussion at its meeting on 23 November 2021. The Board approved the approach set out in the paper.

During the Board strategy session on 8 December 2021 the Director of Finance & Business Services gave members an update on the pay negotiations with PCS. It was noted that a final position had been reached with PCS which involved standardising sick pay arrangements; the

immediate removal of accelerated progression; and a £150 per person flat-rate, non-consolidated, one-off payment.

This departed from the recommended position in paper BD(2021)OOM15 which the Board had approved in two respects:

1. The inclusion of a non-consolidated one-off payment. In the paper it had been proposed that the notional savings from accelerated progression would be used on employee wide recognition schemes such as staff suggestion or extended volunteering.
2. The removal of accelerated progression for this year rather than from next year.

As Crown Estate Scotland has not moved on the demand in relation to the working week PCS are not able to recommend the settlement to their members. The pay settlement for 2021-22 will therefore have to be imposed on staff.

The Board was asked to approve the position to allow for the consent of Scottish Government to be sought.

Members discussed the level of payment and asked how it have had been ascertained. The payment had been calculated using the sums in the accelerated progression scheme in 2019-20 and 2020-21 and included a nominal sum for inflation and cost increased.

The Board then discussed and approved the position.

BD(2021)OOM16 – Role in Development

The Board received, by email on 26 October 2022, a paper on Crown Estate Scotland's role in development. An earlier iteration of the paper had been used as the basis for a discussion during the Board's strategy session on 25 and 26 August. The paper had been amended to reflect the outcome of that discussion. The Board confirmed its approval of the approach to development set out in the paper.

Board Paper

Date of Meeting: 23 February 2022

Classification: Unrestricted

Subject: Stakeholder Meetings

Paper Number: BD(2022)29.2

Recommendation: The Board is invited to note this paper.

Presenter: Amanda Bryan

Author: Helen Howden

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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 30 October 2021 to 10 February 2022.

2. Meetings and Events attended

The Chair and Chief Executive both attended or met:

- the Minister for Environment, Biodiversity and Land Reform on 24 November 2021.
- Leader and Executive Chief Officer, Highland Council on 12 January 2022.
- the Cabinet Secretary for Net Zero, Energy and Transport and the Minister for Environment, Biodiversity and Land Reform on 14 January 2022.

The Chair attended or met:

- Chairs' Workshop run by Standards Commission Scotland, focusing on the new Model Code for Board Members, on 24 November 2021.
- Green Energy Awards, 2 December 2021.
- Kate Forbes MSP (on constituency interests), on 10 December 2021, also attended by Michael Foxley.
- Public Appointments Unit, Scottish Government on 27 January to discuss board recruitment.
- Grant Campbell, SCDI, on 27 January 2022.
- Dundee & Angus College to sign MoU on 4 February 2022.
- SCDI Highlands and Islands Committee, 18 February 2022.

The Chief Executive attended or met with:

- Offshore wind SIA Ministerial Round Table (as part of COP26), on 4 November 2021.
- Chief Executive and Head of Development and Economic Growth, Argyll & Bute Council, on 5 November 2021, also attended by Colin Palmer.
- Environment and Economy Leaders Group, on 16 November 2021.
- SCDI Forum as a speaker, on 18 November 2021. Chief Executive, Revenue Scotland, on 22 November 2021.
- Forum for Natural Capital, on 2 December 2021
- Chief Executive, HIE, on 19 January 2022.
- Aquaculture Directors Group, participants include Scottish Government officials, SEPA, NatureScot and HIE, on 6 February 2022, also attended by Alex Adrian and Fiona Simpson.
- Chief Executive, Director of Infrastructure Services and Head of Planning & Economy, Aberdeenshire Council, on 10 February 2022, also attended by Esther Black and Colin Palmer.

Board Paper

Date of Meeting:	23 February 2022
Classification:	Unrestricted
Subject:	People Committee and Future Board Updates
Paper Number:	BD(2022)29.3
Annexes:	Annex A: Proposed Quarterly HR Board Report Annex B: Terms of Reference
Recommendation:	The Board is invited to consider the proposal to stand down the People Committee and note and comment on the proposed Quarterly HR Board Report that will be provided.
Presenter:	Alastair Milloy
Author:	Alastair Milloy

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1. Background

In late 2019, the Board offered to provide additional support and guidance to the Chief Executive and the Director of Corporate Operations, who at that time had responsibility for HR matters. This support was offered through a short-life advisory committee, the People Committee, which was originally to have been stood down in March 2021.

In November 2020 the Board agreed that the Committee should continue to meet until the end of March 2022 to provide support as the organisation moved into the new office at Quartermile 2 and as it completed other people-related activity, such as the issuing of new staff contracts.

There have been five meetings of the Committee and members have provided substantial guidance in relation to strategic workforce planning; new staff contracts; the evolution and finalisation of the People Strategy and the development of an action plan for implementation; and the creation of a Diversity & Inclusion action plan. Advice from the Committee has also been sought out of meeting, particularly in relation to staff contracts.

During the meeting on 23 November, the People Committee was presented with an update on the People Strategy action plan and the Diversity & Inclusion plan which outlined how these items were now business as usual in the organisation. The move to Quartermile 2 has been completed and most staff have visited the office for a familiarisation session.

Following discussion at the Committee, it was agreed that the Board should be asked to consider the terms of reference of the Committee and to consider what assurance on people-related matters the Board requires. To assist in that discussion a table clearly identifying the people-related issues, strategies, and action plans and how these will be reported to Board should be prepared.

2. Proposed outline of how people related issues will be reported to Board

It is imperative that assurance is provided to Board Members on all people related aspects of the business. The Board has legal obligations and requires assurance that Crown Estate Scotland is compliant with these obligations in order to inform, advise and input to People related matters.

Annex A outlines a table of when and how the Board will be informed on a range of HR related matters. Some aspects will be covered quarterly with others updated on an annual basis eg updates to People Strategy. The report will be stand alone and incorporate the People information currently provide in the CEO report. This will mean that People updates will be treated in line with the Finance updates that are presented to Board.

It is proposed that there will be sections focusing on People Strategy, Equality, Diversity & Inclusion, Workforce Planning (linked to Business Planning and Budget), Succession Planning and Staff Development, Staff Surveys, Trade Union and Employee Engagement.

The current HR system is being developed with the addition of a recruitment and payroll modules. This work will also review the structure of the current system and move it to a role based system and away from a staff name based system. This should enable improved reporting from the system to inform planning and budgets.

This work will also develop a dashboard reporting system that will provide information with prior year comparatives to show progress and highlight areas of risk and concern. Once this report is finalised then it will be added as an annex to the quarterly report.

Where required, this quarterly paper will be accompanied with more detailed papers on the above topics as appropriate. This might cover topics like the annual pay negotiation, results of staff survey, annual equalities and diversity paper covering all aspects including topics such as gender pay gap. The table in Annex A outlines the possible reporting elements in more detail.

3. People Committee Terms of Reference

The current People Committee Terms of Reference are noted in Annex B for information.

4. Recommendation





The Board is invited to consider the proposal to stand down the People Committee and note and comment on the proposed Quarterly People Board Report format that will be provided.








Annex A – Table of Reporting to Board

The below reporting has been mapped to the agreed People Strategy themes and Fair Work principles.

Any risk areas of note will be monitored in our organisational risk register and reported via risk reporting process and this quarterly report.

Any Outstanding Audit actions would be included in this quarterly report to Board in addition to ARC reporting.

Fair Work Principle	Section	Timeframe	What	Notes
n/a	People Strategy and Forward Planning	Annual	Update Strategy and Future Planning	Strategy presented to Board for feedback
n/a	Annual Action Plan	Annual Quarterly	Annual Plan of proposed actions and developments Overview table showing actions, target dates, progress and any issues highlighted	Presented in table format
People Strategy Theme: Organisational Formation				
 SECURITY	Systems Development	Annual Quarterly As required	Annual update on proposed developments and ongoing updates on progress	
 SECURITY	HR Dashboard	Annual Quarterly	Annual Dashboard and proposed development Quarterly dashboard provided with additional information as required	Presented in dashboard format
 SECURITY  EFFECTIVE VOICE	Trade Union	Annual Quarterly As required	Annual overview of Survey and actions taken Progress on actions eg Pay and Conditions negotiations and consultations Finalisation of annual pay award (may include Out Of Meeting papers for approval)	Includes update on SG policy etc

People Strategy Theme: Capacity and Capability				
 OPPORTUNITY	Competency Framework	Quarterly	Development of this framework is captured under People Strategy Action Plan. Any business as usual points to note which are not captured within Action Plan will be separately reported to board	
 OPPORTUNITY	Recruitment and Workforce Planning	6 Monthly update aligned with Budget Planning Quarterly	Report to update planning proposals outlined in budget planning and budget reforecast Dashboard showing Employee statistics and trends – accompanying report if required to expand on areas of concern or note	Includes starters and leavers
 OPPORTUNITY	Succession Planning	Annual As required	Annual update included in People Strategy Action Plan	
 OPPORTUNITY	Staff Learning and Development	Annual Plan Quarterly Update	Report on CES wide initiatives and developments Report and Dashboard on training progress and metrics.	
People Strategy Theme: Culture and Values				
 RESPECT	Equality, Diversity and Inclusion	Annual Quarterly As required	Annual plan presented to board Quarterly updates on actions Update on any actions taken as they are undertaken eg Gender Pay Gap	
 RESPECT	Employee Engagement and CES Events	Annual Plan Quarterly Update	Report on CES wide initiatives and developments Report on ongoing progress	Include CREST and Team Events
 EFFECTIVE VOICE	Staff Surveys	Annual Quarterly As required	Annual overview of Survey and actions taken Quarterly update on actions As required updates on new surveys undertaken during year	

Terms of Reference – People Committee

Introduction

Crown Estate Scotland has developed a People Strategy which requires to be implemented; is conducting a review of its outsourced services; and is carrying out a skills and capacity review. At the end of 2020 the organisation will be moving to new office premises in Edinburgh.

The Crown Estate Scotland Board has decided that it is appropriate to convene a limited duration advisory committee, the People Committee, to provide support and guidance to the Board and the Chief Executive during the implementation of the People Strategy; the completion of the skills and capacity review; and until after the office move.

Purpose

To provide support and guidance to the Board and the Chief Executive to help facilitate their delivery of people related objectives in the Corporate and Business Plans.

The Committee will receive or hear reports from the Executive Team or Senior HR Manager on the delivery of the People Strategy, the skills and capacity review, the progress of the office move project and other people-related activities including staff learning and development, change management, and performance management. In doing so the Committee will comment constructively on reports, acting as a critical friend and, if appropriate, offer to assist in the co-production of papers and reports for the Crown Estate Scotland Board.

If requested by the Board or the Chief Executive the Committee will receive or hear reports from the Executive Team or Senior HR Manager on the development, implementation and review of principles, policies and procedures relating to the recruitment, wellbeing, motivation and retention of staff in Crown Estate Scotland.

The Committee may also consider reports on the measures being adopted to ensure that an appropriate culture, underpinned by Crown Estate Scotland's values, prevails within the organisation and provide reports to the Board on these if it considers necessary.

In the consideration of reports, written or verbal, the Committee will give due consideration to issues of equality and diversity.

Membership

Three non-executive Board members, the Director of Corporate Operations (Chair), the Senior HR Manager. Chief Executive, other Directors and staff involved as required.

Meetings

The Committee will meet at least three times a year and otherwise as required. Business of the Committee may be conducted in person, by telephone or videoconference call or by e-mail as necessary.

Meetings will be quorate if four members (including at least two non-executive Board members) are present, either in the room or by telephone or videoconference call.

Minutes or notes of the meetings will be prepared and submitted to the quarterly meetings of the Crown Estate Scotland Board.

The terms of reference for the Committee were reviewed by the Board on 25 November 2020 and it was agreed to extend the work of the Committee to 31 March 2022.

The Committee will be asked to reflect then on its effectiveness and to suggest any amendments to the terms of reference to the Board.

Duration

It is anticipated that the People Committee will be stood down on 31 March 2022. On recommendation from the Board Chair or the Chief Executive, the Crown Estate Scotland may ask the Committee to stand down early or to continue with its work for a further short period.

25 November 2020

Board Paper

Date of Meeting: 23 February 2022

Classification: Unrestricted

Subject: Chief Executive's Report

Paper Number: BD(2022)29.4

Annexes: n/a

Recommendation: The Board is invited to note the report which covers activity up to early/mid-February.

Presenter: Simon Hodge

Author: Esther Black (with input from across the organisation)

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

1. Overview

The team continues to grow as we deliver more. The recent recruitment campaign for E&I has resulted in seven out of seven posts being filled, with new colleagues based across Scotland bringing expertise in oil & gas, supply chain, integration, offshore infrastructure and more.

The ScotWind announcement generated global coverage and has prompted several requests for meetings and enquiries. The Governance team are taking a [proactive approach](#) to help managing the volume of FOI requests and an update on engagement is in Section 2 below.

In regard of business plan delivery, 40 of 57 actions were green at end of December 2021. There were 5 red and 12 amber actions – key ones are in the Q3 dashboard.

Scottish Ministers have approved our request for a two-year extension to our corporate plan, which will now run to March 2025. The extension is conditional on the provision of updated net revenue and capital investment figures. Consideration is now being given to subsidiary plans and how we update stakeholders.

We will also now move to five-yearly corporate plan cycles which are more suited to the long-term nature of our business activity. Cycles will now also align with Scottish Ministers updates to the Scottish Crown Estate: Strategic Management Plan.

2. Meetings/engagement

RSM's recent audit of stakeholder engagement, as well as Board and individual members appraisal has concluded with the auditors providing 'substantial assurance'. Further details are in the Audit & Risk Committee papers for the meeting held on 8 February 2022.

The results of our recent annual MSP survey were finalised in January. Sixty-nine MSPs were interviewed. Results show that:

- Half would say that they know Crown Estate Scotland, down from 64% in 2020. Our comparator bodies – HIE, Scottish Water and NatureScot – also report a drop for this metric. Just a quarter of new MSPs say that they know CES. The survey suggest there is potential for more to be done with members of the Economy, Finance, and Rural Affairs Committees, and the Renewable Energy Cross-Party Group.
- 38% think favorably of Crown Estate Scotland, down seven percentage points on 2020. This score is lower than HIE, Scottish Water and NatureScot. Unfavourability has gone up from 3% to 9%. There is good support among Highland & Island MSPs. Glasgow and North East MSPs are most likely to be unfavorable towards Crown Estate Scotland.
- Those satisfied with contact are down from 36% to 23%. The Local Government Committee and Rural Affairs Committee members expect more contact. Compared to Crown Estate Scotland, MSPs are less satisfied with HIE contact, and more satisfied with Scottish Water and NatureScot contact.
- The full report is in the document library on Virtual BoardRoom. This includes a range of comments (see slides 21 and 22) on what MSPs like about our approach and what they would expect to change (the latter relates largely to being in touch with MSPs that we currently don't have much contact with).

Recent MSP contact includes:

- Email updates to energy spokespeople, Rural Affairs spokespeople, Applegirth and Auchindoon MSPs and the Net Zero Convener regarding ScotWind, aquaculture leasing review and farms sales.
- Meetings with MSPs Kate Forbes, Liam McArthur, Mark Ruskell, Edward Mountain, and Katy Clark
- Meeting dates are being confirmed with the Net Zero Committee Convener and Ariane Burgess
- The Minister for Environment and Land Reform Ms McAllan is due to visit the Whitehill Estate in March.
- Meetings with Labour energy spokesperson, Cabinet Secretary for Net Zero, Energy & Transport Michael Matheson and the Minister for Biodiversity Lorna Slater are proving more challenging to schedule.
- The Investment and Sales Programme Director taking part in a Rural Affairs Committee roundtable
- Attending a water safety ministerial stakeholder chaired by Ash Regan MSP, Minister for Community Safety.

Upcoming events include those listed below. We have indicated where Board members may like to attend - please contact Laura Collins for more information.

- Event/s to support Scottish Government's **recruitment of new Crown Estate Scotland Board members** in February and March.
- **Scottish Renewables Offshore Wind Conference, 8 & 9 March, Glasgow** – Amanda speaking at dinner, an E&I colleague speaking in opening plenary session, plus exhibition

stall. If Board members are interested in attending during the day, Laura can check if we have passes left.

- **Aquaculture UK Awards, 4 May, Aviemore** – sponsoring and table of 10 at the dinner. There is space for a Board member to join us if they would like to.
- **Scottish Renewables Marine Conference, 25 May, COSLA Conference Centre, Edinburgh** – Crown Estate Scotland sponsoring this conference followed by an industry leaders' dinner where Sian Wilson will speak.
- **Exhibition stall at Scottish Parliament** – date tbc but likely for a week in April or May. Jenny Minto MSP is sponsoring as our 'host' MSP. Once we have a confirmed date will ask Board members if one or two would like to attend.
- **Platinum Jubilee events in early June** (led by Property team with support from Corporate Affairs) – these are likely to include supporting a Tomintoul street party and tree-planting.

The team are planning a series of sessions with speakers to help inform our longer-term vision – more information will be provided in the next few weeks.

A separate list of the engagement and meetings by the Chair and Chief Executive is also submitted to the Board.

3. Health & Safety

We have reached the final stages of the selection process of the Health and Safety Advisor after tendering the work. The current H&S Advisor contract expires in March 2022.

4. Risk Management

The risk register is reviewed and updated for each Audit & Risk Committee meeting. Asset management processes, handling risks for E&I, and H&S are a current focus. We have recently appointed new insurance brokers (The Risk Factor), procured via a CCS Framework. Preparations are now underway for a full marketing exercise for Crown Estate Scotland insurance requirements for 2022-23.

5. Procurement

The Procurement Strategy has now been forwarded to Scottish Government and is available on our website.

6. IT and Cybersecurity

We have continued to strengthen our cyber security controls and have increased our compliance to the Scottish Public Sector Cyber Resilience Framework to 75%, up from 39% in August 2020 (when we last measured). This is at our target of 75% by the end of 2021-22, which we expect to exceed. We have already achieved 100% in the "Protect" domain, 95% in the "Manage" domain and 78% in the "Respond & Recover" domain. We are focusing now on the "Detect" domain and working with providers to be proactively alerted to a variety of negative events while insuring these are not buried in a flood of irrelevant events. Our consultancy Splunk is currently gathering 8-10GB of log data every day so automated filtering of this is essential for proactive detection.

We have just completed our first Penetration test including internal and external systems as well as social engineering. The results were in most cases positive with just some lower risk corrective

actions identified which are in many cases are mitigated by our network segmentation. However, while it found our email protection good for social engineering, our SMS protection has been identified as an area of concern. We are looking into this as a priority and expect to complete all the Critical and High actions within 1-2 months with some actions already completed.

As part of our new supplier process, we now ask if they have a Cyber Security certification. Cyber Security is also increasingly being added as a requirement to ITTs. Over the next few months, we will formalise a policy on this with most likely a 3-tier set of requirements based on the level of risk a supplier poses to us should their security be compromised. This will require us to survey all current suppliers to assess existing compliance levels and determine what actions to take should a supplier not comply to the policy.

7. People

People Strategy Action Plan – key updates are as below:

People Strategy Action	Update
Systems and HR Efficiency Procure and implement a new provider for Payroll and Recruitment	New provider selected. The service will be integrated with our current core HR system. Project plans indicate a go live date of April/ May for new systems
Negotiate annual award with PCS and approve in line with agreed process	The final stage of 2021/22 settlement was implemented in February 2022. PCS did recommend the pay offer to their members due to a wider negotiating position with SG and we moved to implement the proposed changes to terms and conditions in February.
Ensuring consistency of terms and conditions across the workforce by rolling out a modernised standard staff employment contract.	All employees were issued with a new contract of employment in 2021. We have received all but three back (at time of report) and are in dialogue with those employees,
Remote working	Employee survey in late 2021 provided insight into preferred future working models, use of office space and concerns employees may have on return to office working. This is informing the development of guidance which is now being updated following the publishing of recent Scottish Government Guidance.

Recruitment and workforce planning

We have made good progress in implementing the agreed strategic workforce plan (please see dashboard for metrics).

Roles (in the workforce plan) currently being recruited to are:

- South Scotland Regional Engagement Manager
- Senior Built Development Manager
- Two E&I posts

We have several new starters in Q4, mostly within E&I. New colleagues are based in Lewis, Orkney, Edinburgh, Inverness, and Aberdeen.

- Caitlin Byers: Development Manager (Integration and Transition)
- Sarah Knight: Development Manager (Leasing)
- Gillian Morrison: Development Manager (Supply Chain)
- Kateryna McKinnon: Development Manager (Agreements)
- Ben Miller: Development Manager (Enabling)
- Amrit Madhoo: Development Manager (Gas, Storage & Pipelines)
- Rachel Watson: Asset Manager in E&I
- Ranald Leask: Senior Corporate Affairs Manager
- Rebecca Finnie: Business Support Manager

Kate Bellew's part-time secondment from Policy to E&I to support INTOG finished on 31 January.

Learning and Development

We have been investing in line manager skills with training covering key people processes and general employment legislation.

Following implementation of LinkedIn Learning in 2021 we are continuing to develop our Learning Pathways for employees by curating and signposting learning resources.

We launched an ITT in late January for an external provider to support employees to understand their different working styles and those of their teams. They will also facilitate team sessions, line manager and leadership workshops to enable us to develop high performing teams and build collaboration.

The annual staff survey will launch in February, and we expect results in Q1 2022-23. These results will be provided to the Board for discussion.

Upcoming team events include:

- Marking five years of Crown Estate Scotland, 22 March, Portobello, Edinburgh – for all staff and board, a beach clean and scavenger hunt run by the Marine Conservation Society. Followed by lunch and cake at the Beach House café.
- CREST, 9 June, Edinburgh – theme and agenda tbc but will involve team building activities and potentially external speaker. Perhaps one or two Board members may join us if available.

8. Corporate Affairs and Policy

Our first **Equality, Diversity and Inclusion Action Plan** has been published. The plan covers how we will support diversity of the team, ensure an inclusive and welcoming culture, and manage the assets in a way that reflects the perspectives of people and communities across Scotland.

Offshore wind and community benefit - we have met with The Highland Council to their understand aspirations in this policy area. ITT is being developed for tender in Q1.

Marine natural capital / biodiversity / blue carbon - following the presentation to Board in December, we are now beginning work on the community and net gain / positive effects ITTs with a view to commencing these projects in Q1. We are providing support and advice to the Solway Firth Partnership following the kick-off of their project.

Sustainable Communities Fund

- **Environment grants** – 40 applications were received from tenants for a wide range of projects. Applications have been assessed and ten successful recipients are now being informed. Publicity is planned for the end of February once recipients have signed the required paperwork. The publicity will incorporate updates on some of the projects that received funding last year.
- **Community capacity grants** – although the programme was again oversubscribed, it was more manageable than last year given the tighter eligibility criteria and focused objectives. 76 Expressions of Interest were received (compared with 156 last year), with 14 applicants invited to submit a full application. The panel meeting to agree this year's successful projects is scheduled for mid-February.

Reporting (by exception) on Climate Change Action Plan (CCAP).

Good progress is being made on implementing our CCAP and we are on track for submitting our first report to Scottish Government in 2022-23. The following CCAP actions are delayed:

- Green office/travel plan (delayed due to secondment to E&I to cover INTOG).
- Carbon audit of Glenlivet Estate (incorporated into Glenlivet future plan for 2022-23)
- Opportunities for renewables on the estate (delayed to 2022-23)
- Woodland creation on farms (delayed due to farm sales work)
- Repair and maintenance and improvement in estate infrastructure to reduce emissions (delayed due to other priorities)

Final report on Keep Scotland Beautiful's marine litter project **Upstream Battle on the Clyde**, funded by Crown Estate Scotland, will be published in February 2022. It will detail results of the 49 surveys completed and 7000 items of litter counted and categorised. A blog by Liz Leonard will also be published by Keep Scotland Beautiful.

Community engagement training / approach - Scottish Land Commission training for staff and agents that was due to take place in Q4 will now take place in Q1 2022-23. We will then publish an update on our approach to community engagement.

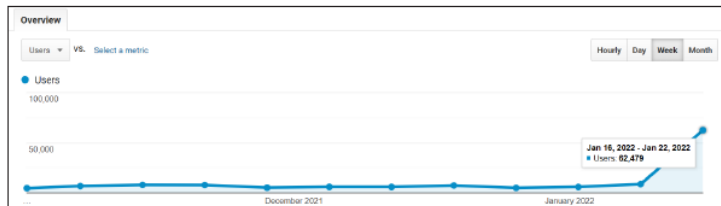
Scotwind announcement

Key points relating to media coverage during 17-23 January 2022 are as follows:

- 407 article / media items. Coverage was split between press (17.2%), online (76.2%) and broadcast (6.6%). There were 7800 social media items identified.
- Most coverage was factual reporting on our announcement (257). Other reporting included concerns by fishing industry groups about how ScotWind may impact their industry (54), how the process will help to create jobs and boost the Scottish economy (29) and First Minister Nicola Sturgeon's reaction (16).
- Coverage was mostly positive in tone, with 200 'strongly positive' and 83 'slightly positive' items. 'Slightly negative' (six) and 'strongly negative' (12) were largely driven by allegations that Scottish Government was ignoring human rights in favour of ScotWind (13).

This graphic summarises social and digital activity:

Website visitors **+876%** vs average week



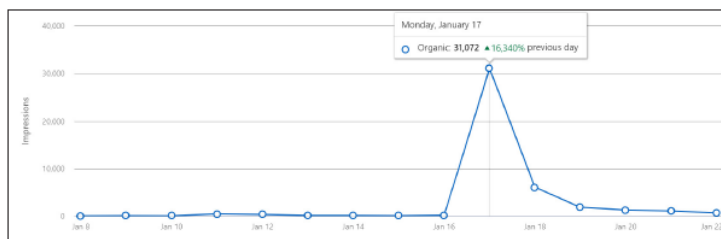
Tweet impressions **+8,500%** vs average month



Looking only at the week of the ScotWind announcement, impressions were **+79,400%** vs average.

We also gained **+340** Twitter followers, against an average gain of **<10** per week.

LI Post impressions **+16,000%** vs average day



We also gained **+950** LinkedIn followers in the week, against an average gain of **<50** per week.

Digital strategy review

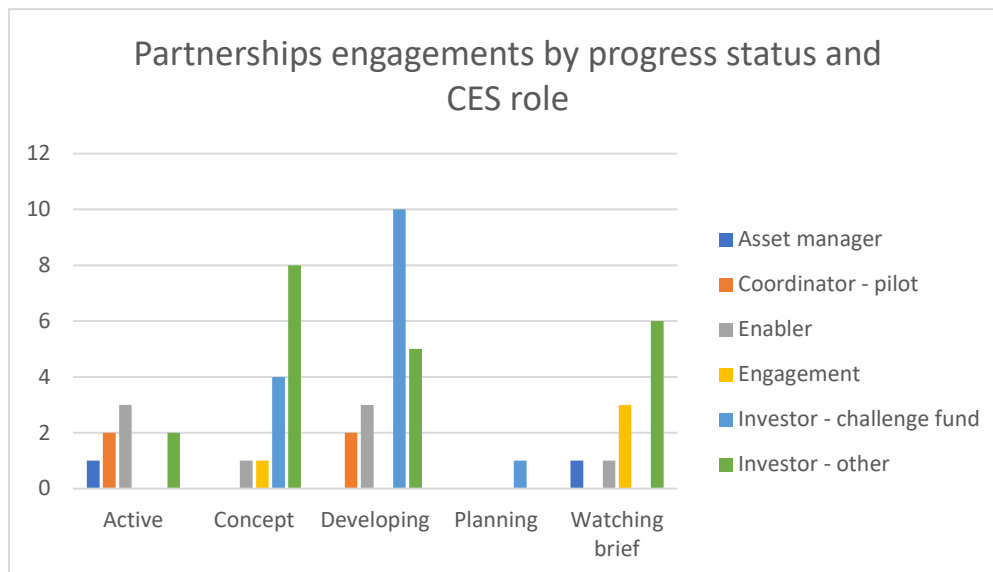
This review – a key action in the communications and engagement strategy – has now been undertaken by Weber Shandwick. Key recommendations to be implemented include:

- Establishing a content calendar which plans updates into three categories:
 - 'Hero' content, for tentpole stories such as ScotWind which will support major interest and multiple activities
 - 'Hub' content, for substantial announcements around which interest and connected activity can be built
 - 'Hygiene' content, for smaller items which are not time-sensitive and can be used to maintain our presence online
- Developing a regular stream of case studies for our work, which can be repurposed into Hub or Hygiene content for multiple platforms
- Creation of styled templates for social media posts and building up our library of Crown Estate Scotland-owned film and photographic content

We will also begin quarterly reporting to the Board on metrics such as website visitor numbers, social media post impressions, and follower numbers.

9. Partnerships / Pilots

An overview of the Partnerships function's engagements pipeline is provided in the table below:



(Note: These figures include Boat Based Tourism Challenge Fund applications, but not the early stages of Local Partnerships or Natural Resources)

The Orkney and Forth DSFB pilots continue in line with their implementation agreements. Forth DSFB is generating insights into the practicalities of delegating management of the Scottish Crown Estate.

Comhairle nan Eilean Siar and Galson Estate Trust have confirmed their agreement to the final draft Implementation Agreement issued to them in May 2021, but CnES are holding off signing subject to ongoing discussions with Marine Scotland around the Transfer & Delegations process.

The Shetland Islands Council implementation agreement remains at draft Heads of Terms stage, awaiting material feedback from SIC on the version issued to them in November 2019. SIC remain committed to implementing the pilot, and we are supporting them by running workshops to facilitate conceptual design of a 'local multi-sector leasing round'.

The pilots continue to generate positive feedback and engagement with local partners.

We are re-tendering the Glenlivet Future Planning contract due to only one bid having been received in the recent ITT process. Project partners are aware and impacts on delivery timelines will be minimised.

Further meetings and progress have taken place in Portgordon, where progress against the MoU remains on track, and liaison with the Property team and Portgordon Community Trust in relation to the harbour is ongoing.

We have confirmed funding to the Solway Firth Partnership for their marine natural capital project development, and to The Highland Council for their Fort William 2040 programme manager, for which recruitment closed at the end of January.

The Local Partnerships Challenge Fund Stage 1 received 12 applications, and recommendations are currently being finalised. The Innovation with Natural Resources Challenge Fund will now launch in late February to mitigate internal workload peaks.

Further early-stage partnership opportunities under development include investment prospects at Hunterston and Irvine Harbour, Orkney Research & Innovation Campus, and Lochalsh & Skye Housing Association.

10. Energy and Infrastructure

Future Offshore Wind Scenarios project:

- Crown Estate Scotland part funding a project with BEIS and TCE looking at future OSW deployment options in UK waters. Outputs modelled against a series of geospatial and Levelised Cost of Energy (LCOE) assumptions identifying the trade-offs required for different deployment scenarios, including for floating OSW. The project is not a marine plan but is intended to help inform thinking on future OSW deployment.
- Launch in Spring will include a webinar and media activity. In addition to report there will be an interactive dashboard of the mapped output (hosted by Arup/TCE and publicly available). A technical report available on request.

The ScotWind assessments were completed on schedule by the team, with offers made and public communications on 17 January. This is a significant achievement from the team in light of challenges over the past year. The announcements have broadly been well-received. The team are dealing with correspondence and communications from defeated applicants, progressing signature of option agreements for successful applicants (targeted April), and developing the clearing offer for which an update is anticipated to be made to applicable applicants in February.

The team completed all preparation for an INTOG (Innovation and Targeted Oil and Gas) leasing information document to be ready to communicate for the end of November 2021 as planned. This followed a Board discussion and approval of the principles. At the point of writing (14 February) Ministerial approval has not been granted for the Marine Scotland INTOG plan, nor the Crown Estate Scotland leasing information document. The team are now dealing with queries from Scottish Government on the proposed Ts and Cs in the document.

The team gave a further update to Audit & Risk Committee on MeyGen in February. The project continues to have significant cashflow issues – Scottish Enterprise (SE) are expected to consider further funding for MeyGen at the start of March, prior to which HIE, SE and CES will be meeting to discuss positions.

CCS and offshore wind interaction continues to be an area that we are engaging with stakeholders on, both for INTOG and ScotWind, and to inform management of this in agreements. Amendments have been made to ScotWind agreements that overlap with the Acorn monitoring area to ensure the CCS opportunity is not sterilised as a result of ScotWind. The Marine Scotland updated plan for INTOG is anticipated to give due regard to areas where we have received applications for new CCS developments.

11. Aquaculture

The Root and Branch Review Recommendations were confirmed to industry in January following the completion of the industry consultation. Finfish stakeholders argued against the increased fees.

The project remains on schedule with efforts from the team now focused on updating agreements in advance of the new terms and conditions coming into force in January 2023.

The team are reviewing the recent report from the Scottish Government review of aquaculture regulation to see how it may impact Crown Estate Scotland.

A study we have commissioned looking at the opportunity for shellfish and seaweed development on the east coast has now reported and will be published shortly.

Following our response to initial correspondence in Q3, further correspondence from Blue Marine Foundation has been received. We do not at this stage intend to provide a written response but we expect to meet with one of their representatives soon.

12. Property

Property Team continues to progress a high number of individual projects, programmes and business as usual, as detailed below. There is a renewed focus however on targeted delivery along the team's five key objectives that are clearly linked to our overarching corporate objectives. Team objectives include:

- Through prudent asset management, to maintain & enhance value of assets and income; the income goes into the Scottish public purse.
- To manage assets in a manner that promotes economic development, regeneration, social wellbeing and sustainable development in Scotland.
- To work with communities, enabling their plans to develop and improving their areas.
- To make investments, acquire interest in property and land with partners to create great places & lasting value for the people of Scotland.
- To provide assurance through our H&S Management Framework and fostering a positive H&S culture within Crown Estate Scotland.

In order to successfully and efficiently deliver the various projects competing for the same resources, change initiatives and business-as-usual, we are embedding Portfolio Management (PfM) principles.¹ The goal is to balance the implementation of change initiatives and maintenance of business-as-usual, while optimising return on investment. We have identified four portfolios to start with and these are ZeroFour, Built Development on the existing estate, Coastal Development and Rural Capital Programme. To support effective delivery of PfM, we propose establishing a Projects Office to support high quality and consistent programme and project management across the business.

After nine months, the new managing agents have settled in well and the team continues to monitor progress through ongoing monthly service review meetings and six-monthly reviews to assess performance against Service Standards, KPIs and the overall balance scorecard. There is now increased focus on contract management of all the five managing agent contracts going forward.

¹ "Portfolio" in this context is used to denote a collection of projects and programmes used to structure and manage investments at an organisational (or functional) level to optimise strategic benefits and/or operational efficiency. At its core, PfM is simply the selection, prioritisation and control of the organisation's programmes and projects, in line with its strategic objectives and capacity to deliver.

COVID-19

The ongoing pandemic continues to impact on aspects of the portfolio, particularly on material supplies, costs of construction and repair projects and availability of contractor teams due to the

Omicron variant spread. There are ongoing discussions with some tenants on rent relief/hardship applications.

Coastal

Scottish Government is still considering the proposal for an efficient process for handling the application of Section 10 of the Scottish Crown Estate Act 2019 (i.e. Ministerial approval for sales of seabed).

Following Crown Estate Scotland's approval of the full business case in August for Ullapool Harbour Trust's Inner Harbour Development, the Trust has now withdrawn from the investment for three principal reasons: award of significant grant funding; lower than expected tender prices; lower cost of bank borrowing for the funding shortfall.

Stornoway Port Authority (SPA) and its deep water quay project is progressing. Heads of Terms have been agreed for the seabed purchase and Scottish Minister's consent has been granted. Agreement between SPA and the neighbouring landowner has yet to be reached.

Built Development

At Montrose ZeroFour, the existing and lapsing planning permission in principle has been extended following a successful Section 42 application, subject to refreshing the Environmental Impact Assessment (EIA). Work on refreshing the EIA will commence in Q4 of 2021/22. The procurement of a full design, planning, engineering and cost teams is now underway following delays outwith our control. The professional team and the team should be procured and in place in Q4 2021/22.

The recently appointed branding agency and communications teams will complete work on brand design and key messaging in Q4 2021/22. The communications agency started to compile an engagement strategy and work has commenced on the delivery of a website for ZeroFour supported by the Corporate Affairs team.

Discussions are progressing well with a partner who may be able to supply green electric power to ZeroFour. We are keeping open dialogue with site neighbours, Angus businesses and public bodies. Work has continued with agents trying to secure occupiers for available space at ZeroFour and introductory information has been sent to businesses who we believe may be seeking space in the green technology sector. Our agents include CBRE, Knight Frank and Shepherds - they have been consulted and included in workshops on the branding development and messaging for ZeroFour to ensure its targeted for the market.

Phase 1 consultation and engagement work for the Whitehill Development Framework has now completed. The quality and volume of feedback has been exceptional, with over 1300 individual visits to the website, 233 to the virtual town hall and 90 completed surveys. Key themes included protection of the natural environment, support for community initiatives, providing the means to promote and grow local business and ensuring affordable and multi-generational homes. Whilst concerns were raised around sprawling mass-market family housing in the local area; development encroachment into green space surrounding Rosewell; and increased pressure on all services and infrastructure. Pre-engagement activities are being progressed with key stakeholders in advance of Phase 2 public consultation due to commence in March 2022.

Mosstodloch Masterplan work is currently going through procurement and will include the development of a local place plan subject to community buy-in. Moray Council have agreed to work with Crown Estate Scotland to support the stakeholder engagement with a particular focus around the creation of a local place plan and the important linkages with the Masterplan.

Work is currently underway to scope the ITT to outsource multi-disciplinary consultancy services that will provide technical support and expertise to Crown Estate Scotland teams through a range of development advice, management and services. The services will support development, investment and divestment. The projects are varied and will include but are not limited to:

1. Built Development functions across Applegirth, Whitehill, Fochabers, Glenlivet Estates and onshore coastal assets. These may include housing, mixed use, business and employment.
2. Capital Investment Challenge Funds (Local Partnership, Innovation with Natural Resources and Boat Based Tourism)
3. New investment, acquisitions, and development across the rural, urban and coastal portfolio and beyond.
4. Valuation and negotiation services.

Due to the likely financial value of the resultant contract, Board approval will be sought prior to tendering the work.

Urban

39-41 George Street, Edinburgh continues to perform well during the COVID-19 pandemic. Current rental income for the asset is standing at £942,345 per annum. All rents are currently either £21 or £20 psf reflecting the need to undertake the outstanding upgrading of the building and age of the mechanical and electrical infrastructure. The expiry of all tenancies is due in 2026.

The tenancy for part third floor suite was due to expire in June 2022, but an early departure was able to be agreed and a new tenant was secured on a new five-year lease from 1 December 2021. We will not have any void/vacancy period and we also negotiated a lump sum payment of £68,000 in lieu of dilapidations.

The building is expected to be fully let by April 2022.

The office and retail demand for 39-41 George Street remains positive despite COVID-19. In line with the Investment Committee's decision IC(2021)17.7 to dispose of the building, the exit strategy is being developed to capitalise on the continued demand.

To maximise return, market advice remains that a full refurbishment is required prior to sale. A sale without the refurbishment will result in Crown Estate Scotland appearing a distressed seller and will not realise optimal value. Once the procurement framework for capital works above £350k is in place, a tender will be put in place to scope the full refurbishment works required, its total cost estimate and a clear timescale established for delivery before exit.

Rural land

The Rural Condition survey category A repair work contracts are 75% complete on Fochabers & Glenlivet and expected to complete by end April 2022. Strutt & Parker are following up with some tenants where the contractor has been delayed or unable to carry out work due to livestock / equipment in certain buildings. The remaining 11 individual farm projects are being project managed by Savills Buildings team. At Applegirth, the contractor expects to complete the cattle shed at

Broomhills in February and the roofing work at Jardine Hall has been deferred to spring until the cattle are back out again.

Strutt & Parker are working on the planning, phasing and implementation of the category B & C repair works which have not been included in the proposed rural budgets for 2022-3.

Following marketing we accepted offers for No 6 & No 9 Gorton loan, Whitehill from separate purchasers in December 2021. Completion of each one scheduled for mid-February. Following a closing date of 28 January 2022 for the housing development site at R2 (2.2ha) Ordiquish Road in Fochabers, the two offers received are under review.

Rosewell Steading Gorton loan land discussions with purchaser around issues with drainage connections are ongoing. Planning issues with this element of the small residential development raised by Midlothian Council have recently been flagged to us by proposed purchaser. Currently reviewing options for Crown Estate Scotland.

We are continuing to market 7 The Square, Fochabers for conversion to residential with some renewed interest and viewings booked. For Upper Auchenreath steading sale (Fochabers), with further adjustment to sale elements and on clawback agreed mid-January, we are now progressing to completion of sale in February 2022.

We are providing significant support to Forth District Salmon Fishery Board (Forth DSFB) Project Officer in progressing their operational management including first set of lease agreements under the pilot delegated management arrangements. Also working closely with Forth DSFB, Savills, Anderson Strathern to set out and finalise a rent setting process which complies with Scottish Crown Estate Act 2019 to underpin Forth management activity.

Storm Arwen in November had an impact across the estates, mainly windblow damage to trees and fencing impacting farm tenants, forestry compartments, public footpaths and some infrastructure and roofing sheets. This has required additional checks and follow up for the Managing Agents, CES Forestry and Ranger teams. At Glenlivet, £65k of deer fencing work was awarded and is planned to start February and a £42K contract awarded for the supply of trees for restocking.

The Adventure Playground at Tomintoul has now been re-surfaced with new bark throughout ready for the season and the Head Ranger has been working through all the path inspections across the network as well as working with the Cairngorm National Park volunteer rangers.

The next stage of the formal transfer of an area of the bed of Loch Ness has been completed with QLTR (Queen's and Lord Treasurer's Remembrancer). Royal Warrant has been received and the Disposition is expected to be signed in February.

On the pilot farm sales initiative, there has been extensive engagement with Scottish Government, the Tenant Farming Commissioner, STFA and the estate tenant group and their advisor on the sales process and documentation. The initial offer letters have been issued to the eligible farm tenants at Auchindoun and Applegirth. The return date for Expressions of Interest is 7 March for Auchindoun and 28 February for Applegirth. This has involved input from Strutt & Parker, Anderson Strathern, and the Property, Corporate Affairs and GIS teams.

Board Paper

Date of Meeting: 23 February 2022

Classification: Unrestricted

Subject: 2021-22 Q3 performance dashboard

Paper Number: BD(2022)29.5

Annexes: Annex A: 2021-22 Q3 performance dashboard
Annex B: Dashboard notes

Recommendation: The Board is invited to note the dashboard.

Presenter: Esther Black

Author: Jessica Davidson / Esther Black

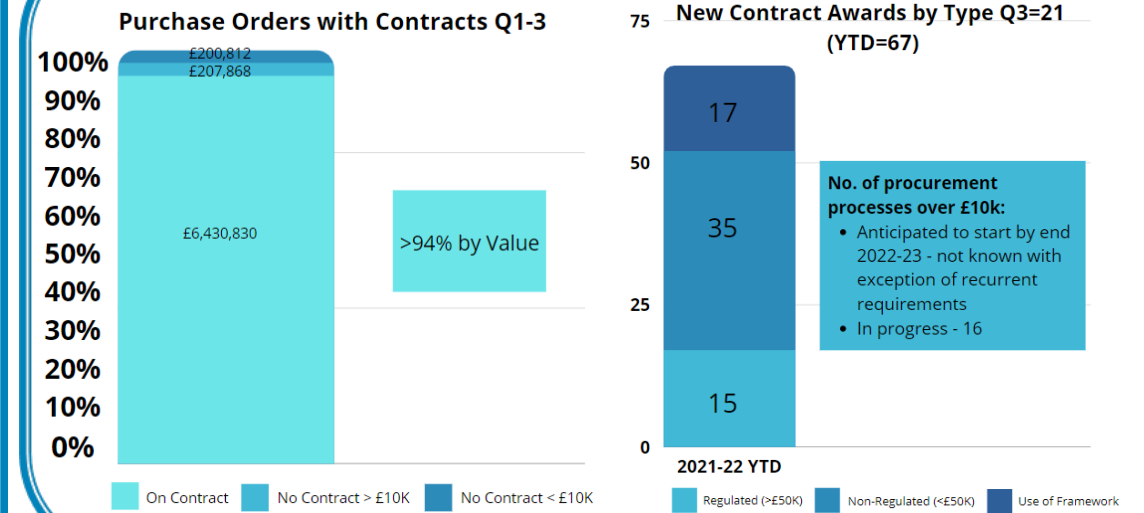
**Our purpose: Investing in property, natural resources and people
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1. Purpose and context

This paper provides an overview of key metrics for 2021-22 Q3.

2021-22 Business Plan (40 Green, 12 Amber, 5 Red)				
No	Action	Measure	Status	Notes
13	Review charges for coastal mooring fees.	Review complete and implementation started	Target will not be met	Postponed until 22/23 and undertake review alongside review of Shetland Marinas rent review (due 31/3/23). Preparation work underway.
16	Complete development of the masterplan and deliver plan for the Montrose Zero4 and progress appropriate consents.	Plan and framework in place.	Target will not be met	Revised deadline is by Q4 22/23. Our first iteration of procuring the professional team was not successful as we didn't receive sufficient bids.
28	Build on work to date on terrestrial Natural Capital and identify potential follow-on projects.	Options paper with recommendations for future work complete.	At Risk/Delayed	Reviewing options with Rural Managing Agents. Natural capital baseline work included in tendering for Glenlivet estate masterplan which now likely to be delayed into 2022-3.
32	Complete development of land use plan for the Glenlivet Estate	Project Board in place and draft plan complete	Target will not be met	Retendering ITT as only one bid received first time. Project partners being kept up-to-date.
34	Complete carbon audit for in-hand Glenlivet Estate operations and develop action plan	Draft report with recommendations received.	Target will not be met	Work included in proposed land use masterplan work at Glenlivet.
38	Encourage farm tenants to pursue woodland creation on farms.	New initiative developed and launched.	At Risk/Delayed	Delayed by Farm Sales process. Progress in Q4 anticipated to bring this back on track but consultation and engagement requirement will further delay progress as this a sensitive issue in some sectors.
44	Support Regional Marine Planning Partnerships.	Funding provided to support roll-out Participation in RMPP provided as appropriate.	Target will not be met	2nd part of the measure will be achieved i.e. CES staff participating in RMPPs. However MS have requested that funding is rolled over to 22/23 so the measure "funding provided to support roll-out" will not be achieved. Progress has been delayed because of COVID and the need to consider findings from the parliamentary inquiry into regional marine planning.
49	Contribute to Scottish Government land registration targets.	Conflicts relating to Crown Estate Scotland-managed foreshore resolved. Registration of a rural estate progressed.	At Risk/Delayed	Work with AS and engagement with RoS is ongoing.

Procurement



KPIs 6 green, 2 amber, 3 red		
Q3 YTD		RAG Rating
Total Capital Committed (£)	£15,571,663	
Place Based Capital Committed (£)	£5,584,008	
Blue Economy Capital Committed (£)	£9,717,655	

No. of vacant, marketable properties:
Rural - 9
Urban - 1

FOI STATS

Requests Received:

Q1 9
Q2 13
Q3 4

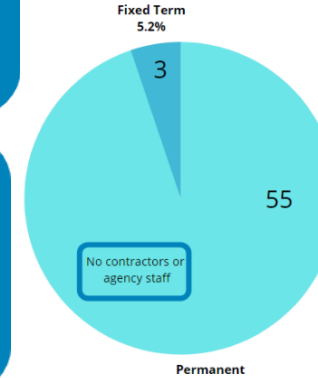
Topics covered: Salmon Farming and questions about staff WFH

	2020 - 21	% Headcount**	Q3 2021-22	% Headcount (based on EOY headcount of 65)
Resignations	4	7.41%	2	2.08%
Other*	6	11.11%	6	9.23%
Total Leavers	10	18.52%	8	12.31%

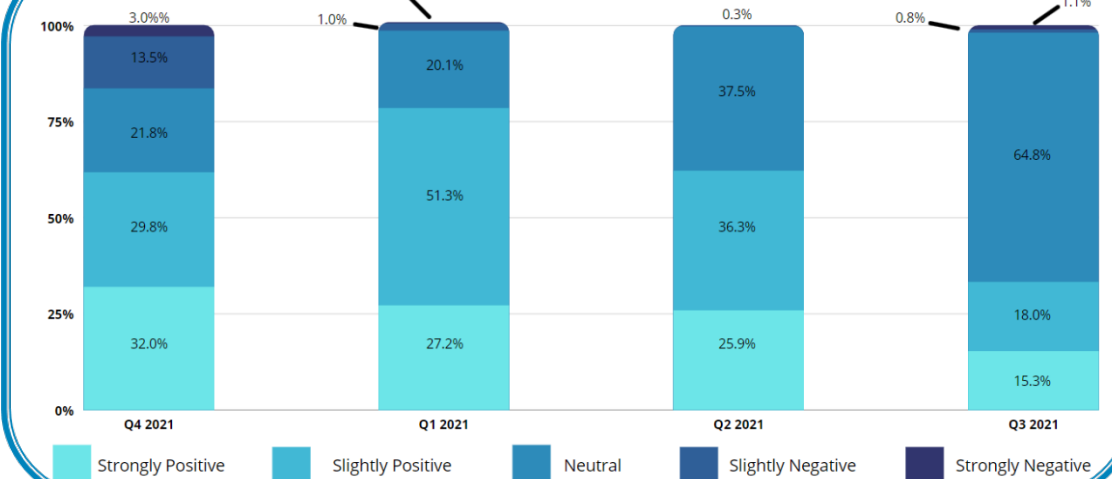
HR

Current Headcount 58
Headcount expected at Q4 2022-23 65
Headcount expected at Q4 2023-24 68

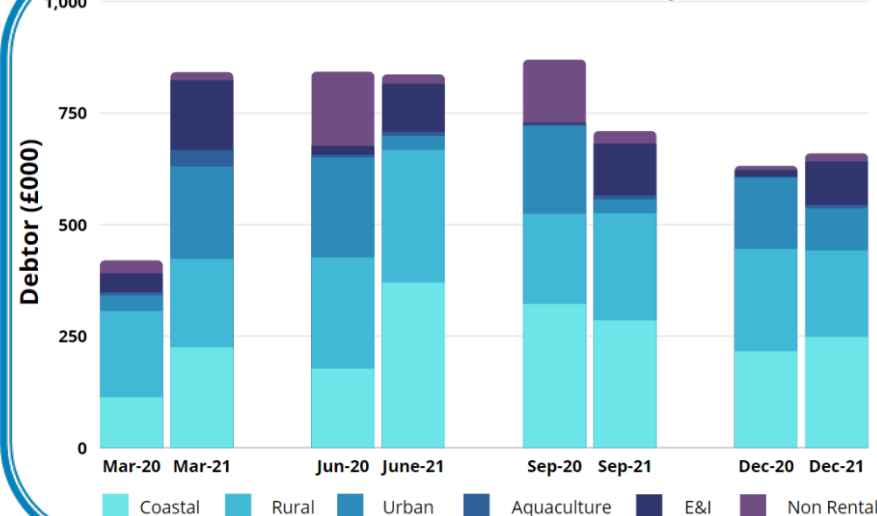
Staff Contract Type



Media Sentiment

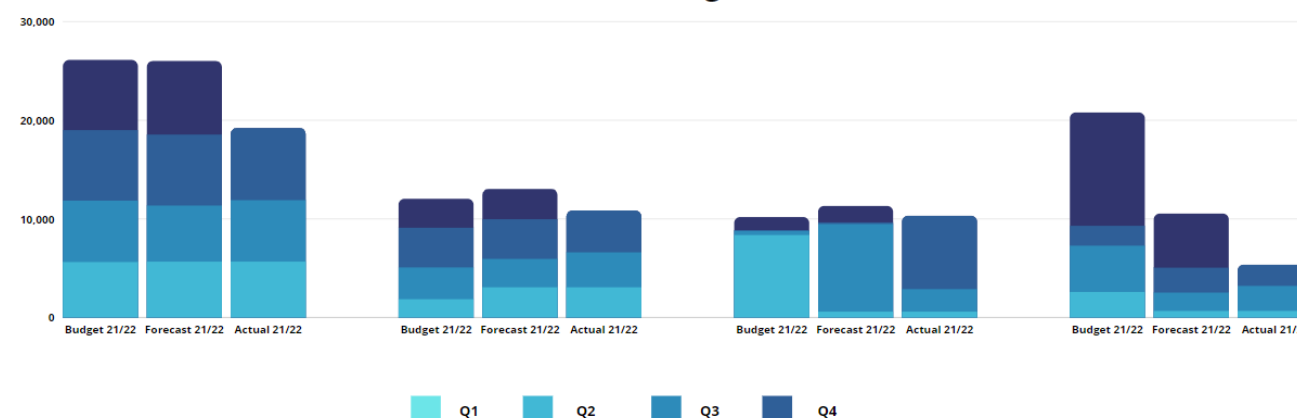


Year on Year Movement in Debtors > 30 Days Due



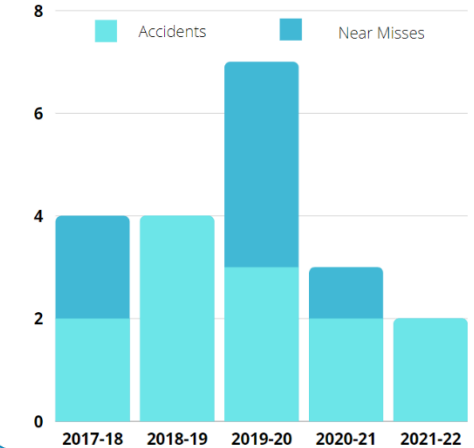
Finance

Financial Progression



H&S

Accident & Near Misses



Q3 2021-22 Dashboard – Notes

Business Plan – reporting by exception

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

KPIs

KPI in Corporate Plan	Definition	Corporate Plan 2023 target	Notes
3. 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.
4. 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.
5. 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.

Total = Q1 + capital expenditure less capitalised salaries (capital tracker to 31/12/21)

Total = Q1 + £2,779,791, (place-based capital spend less capitalised salaries (capital tracker to 31/12/21))

Total = Q1 + £3,128,655 (blue economy capital spend less capitalised salaries (capital tracker to 31/12/21))

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 period to Q3. 21 contracts were let in Q3.

Total value of all LIVE contracts over maximum duration including all remaining optional extensions is £21.8m.

All OJEU/WTO GPA Threshold and Regulated contracts for supplies and services listed in blue are above £50K and these have been combined. Non-regulated contracts are those between £10K and £50K and will have been let using either quick quote or tender. These are now combined.

We have increased our use of frameworks and dynamic purchasing systems where we procure either using direct award or by further competition where this is the appropriate method to access.

Purchase Orders with Contract Q1-3

% of PO value (i.e. spend) that is under contract YTD.

Purchase Orders Q1-Q3	Raised	Value	% QTY	% VALUE
On Contract	430	£6,430,830	74%	94.0%
No Contract > £10K	7	£207,868	1%	3.0%
No Contract <£10K	146	£200,812	25%	2.9%

Graph depicts the proportion of spend linked to a contract on the contract register for the period. This is based on cumulative purchase orders. Total number of purchase orders raised in Q1 to Q3 is 583 with total value £6,839,510.

Key: Turquoise = formal contract in place.

Blue = expenditure above £10K in total not on contract register but includes payments to BEIS and some payments to FDFS, SCDI, Scottish Government, etc.

Dark Blue = purchase orders with cumulative spend below £10K for which contracts are not required to be on register.

FOI stats

Number of requests for information, as responded to under the Freedom of Information (Scotland) Act 2002 and the Environmental Information (Scotland) Regulations 2004 from Q1-Q3.

WFH – working from home.

Media

Sentiment by quarter on rolling 12-month basis.

Most positive and most negative story along with digital communications metrics will be reported Q4 onwards.

HR Stats

Headcount figures account for live vacancies in the existing organisational structure, as well as additional headcount for maternity cover.

In 2022/23 we have two fixed term contracts ending, which will impact overall headcount in this time period.

*Reasons for leaving include end of fixed term contracts, dismissal and other.

**Based on an EOY headcount of 54

Resignations and leavers for 2020-21 and up to and including Q3 2021-2022.

No contractors or agency staff in Q1, Q2 or Q3.

Health & Safety

0 accidents and 0 near misses in Q1.

1 accident and 0 near misses took place in Q2.

1 Accident in Q3 on Fochabers Estate – Member of the public crashed car into the front of 7 the Square Fochabers (building owned by CES) injured parties taken to hospital. Building cordoned off until works can be completed to fix damaged.

No near misses in Q3.

Board Paper

Date of Meeting:	23 February 2022
Classification:	Unclassified
Subject:	Delegated Authority – Update
Paper Number:	BD(2022)29.11
Annexes:	Annex A: Current scheme of delegation Annex B: Matrix of approvers
Recommendation:	The Board is invited to (a) approve the proposed changes to the internal scheme of delegation and (b) pass the resolution set out in the paper.
Presenter:	Alastair Milloy
Author:	Alastair Milloy

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1. Purpose and context

This Internal Scheme of Delegation sets out matters which are reserved for determination by the Board of Crown Estate Scotland. All powers which have not been reserved to the Board or specifically delegated in this Scheme will be exercised by the Accountable Officer or his nominees.

The Board remains responsible for the exercise of all the functions of Crown Estate Scotland and may at any time determine any matter within the competence of Crown Estate Scotland either at the Board's initiative or on recommendation of an officer to whom the matter is delegated.

2. Background

The paper gives an overview of the current scheme of delegation and outlines proposed amendments for review and approval. The last version of this paper was presented to the Board in paper BD(2021)OOM14. This update reflects the addition of Oster Milambo to the signatory list and other role changes. It also outlines a change to enable managers to sign procurement contracts in line with the approach approved previously for Directors.

For reference the current internal scheme of delegation is presented in Annex A to this paper. The internal signatory list (with highlighted changes) is enclosed in Annex B.

3. Resolution for appointment of authorised signatories

To approve the Director of Property as an authorised signatory, the Board is invited to resolve as follows:

THAT, with effect from 24 February 2022, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign, including by secure electronic means, for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Name	Title
Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Oster Milambo	Director of Property
Alastair Milloy	Director of Finance and Business Services
Colin Palmer	Director of Marine

4. Appointment of authorised bank signatories

To approve the removal of Andrew Wells and the appointment of Oster Milambo, Director of Property, as an authorised bank signatory.

5. Signing of Procurement Contacts for Managers

The delegated authority levels for purchase orders were implemented as a guide to the authorisation of procurement contracts. The intention was to ensure that there was always at least a second review on a contract prior to signing. However, this resulted in (when the Director has signed off a decision record sheet for a contract under £150k) Chief Executive sign off being required when the contract value is well within the Director's delegated authority.

A change to the Delegated Authority was approved in November 2020 to enable Director to authorise both the decision record sheet (DRS) and sign the contract for contracts up to £150k in value, as long as;

- a direct report of the Director has been involved in the procurement;
- the contract is procured in line with current Crown Estate Scotland procurement guidance and, where necessary, including consultation with the Procurement Manager;

and

- above £150k, the decision record sheet must be signed by the Director and the contract signed by the Chief Executive (with the second two points noted above also required).

It is requested that this approach be mirrored for procurements undertaken and overseen by the authorised managers on the Annex B schedule. For procurements up to the managers delegated authority level:

- a direct report or another member of the relevant team of the Manager must be involved in the procurement;
- the contract is procured in line with current Crown Estate Scotland procurement guidance and, where necessary, including consultation with the Procurement Manager; and
- The decision record sheet and the contract can be signed by the manager as long as another team member has requested the DRS.

Under the current Scheme of Delegation this means that all procurements between £75k and £150k will need the DRS and contract signed by the Director, and as before, above £150k, the decision record sheet must be signed by the Director and the contract signed by the Chief Executive.

4.3 Other changes

Other changes are highlighted in Annex B. Yellow highlighting indicates that changes have been made mainly as a result of recruitment of new staff. Orange highlighting indicates areas that are no longer used and are to be removed.

5. Recommendation

The Board is invited to (a) approve the proposed changes to the internal scheme of delegation and (b) pass the resolution set out in the paper.

Board Paper

Date of Meeting:	23 February 2022
Classification:	Unrestricted
Subject:	Adoption of new Code of Conduct
Paper Number:	BD(2022)29.12
Annexes:	Annex A: Code of Conduct
Recommendation:	The Board is invited to adopt the new Code of Conduct at Annex A.
Presenter:	Helen Howden
Author:	Helen Howden

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1. Purpose and context

Scottish Government are required by law to issue a model code of conduct for members of devolved public bodies. Following a consultation held in 2020 / 21, a new model code was approved by the Scottish Parliament on 7 December 2021 and requires to be adopted within six months of that date.

2. New Code of Conduct

The Code applies at all times when an individual is acting as a member, or has referred to themselves as a member, or could objectively be considered to be acting as a member, of a public body. The Code does not apply to a member's private or family life.

The new Code updates the language used in the previous version to make it more accessible and the provisions are now in the first person (for example, "I will" or "I won't" do something) to encourage ownership of the provisions of the Code.

New sections in the Code raise awareness of the need for careful consideration when a member uses social media, including a requirement to treat everyone with courtesy and respect when using social media. There is an increased emphasis on addressing discrimination and unacceptable behaviour – whether that is in person, in writing, at meetings or online. The new Code also strengthens the rules around accepting gifts and has greater clarity on the tests for declaring an interest than in the previous version.

The Code now distinguishes lobbying from helping service users and community engagement. It introduces an objective test to identify lobbying.

3. Training and Guidance

The Chair has asked that a training session for all members on the provisions of the new Code be arranged as part of the induction of the two new members who are expected to be appointed by Scottish Ministers in late spring.

In the meantime, members are encouraged to read the new Code and to raise any queries with the organisation's Standards Officer, Helen Howden.

4. Recommendation

The Board is invited to adopt the new Code of Conduct (Annex A)