

Agenda

Forty-first Meeting Crown Estate Scotland Board Quartermile Two, Edinburgh 29 May 2024 10am – 3pm

10.00	1. Standing Items		
	1.1 Apologies and Declarations of Interest		
	1.2 Approval of Minutes of Meeting held on 28 February 2024	Chair	Attached
	1.3 Matters Arising and Action Tracker	Chair	Attached
	1.4 Decisions Taken Out of Meeting	Chair	BD(2024)41.1
	1.5 Stakeholder Meetings	Chair	BD(2024)41.2
10.20	2. Board Committees		
	2.1 Remuneration Committee	JL	Verbal
	2.2 Investment Committee	AR	Verbal
	2.3 Audit and Risk Committee	RM	Verbal
10.40	3. Management Reports		
	3.1 Chief Executive's Report	ROH	BD(2024)41.3
	3.2 Decarbonisation & Natural Capital	AB	BD(2024)41.4
	3.3 Sporting Lease	OM	BD(2024)41.5
	3.4 Finance Report	AM	BD(2024)41.6
	3.5 People Report	AM	BD(2024)41.7
	3.6 Performance Report/Business Plan Dashboard	EB	BD(2024)41.8
	3.7 Farm Sales Pilot – Update	OM	Verbal
12.30	Lunch		
13.30	4. Decisions and Discussion		
	4.1 Capacity, Capability, Resilience – Next Steps	ROH	Attached
	4.2 Cyber Security Arrangements	AM	BD(2024)41.9
14.30	5. Governance		
	5.1 Board Annual Appraisals	EM	Verbal
	6. Any other Business	EM	BD(2024)41.10
	7. Date of Next Meeting		

28 August 2024

Minutes for	Forty-first Board Meeting	BD(2024)41
Meeting date	29 May 2024	
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, 28 February 2024		

Present:

Euan McVicar	Chair
Ann Allen	
Katerina Brown	
Jean Lindsay	
Robert Mackenzie	
Ailsa Raeburn	

In attendance:

Ronan O'Hara	Chief Executive and Accountable Officer
Esther Black	Director of Corporate Operations
[REDACTED]	Interim Director Business Improvement (Item 3.1)
Robert Mayo	Director Development, Capital Delivery, Decarbonisation
Oster Milambo	Director of Property
Alastair Milloy	Director of Finance & Business Services
[REDACTED]	Interim Director of Marine
[REDACTED]	Interim Head of Governance

By invitation:

[REDACTED]	Head of Policy
[REDACTED]	Energy Ports Development Manager (additional item on Nigg)
[REDACTED]	Head of People (Item 3.5)
[REDACTED]	Head of Corporate Affairs
[REDACTED]	Campbell Tickell
[REDACTED]	Campbell Tickell

Sections of the minutes have been redacted and are exempt from publication under s.38(1)(b) of the Freedom of Information (Scotland) Act 2002.

1. Standing Items

1.1 Welcome, Apologies and Declarations of Interest

The Chair welcomed those present to the forty-first meeting of the Board.

Apologies had been received from Michael Foxley and Liz Leonard.

There were no new declarations of interest.

The Board were reminded that Ailsa Raeburn is a member of the Board of Highlands and Islands Enterprise (HIE) and that HIE were also involved in the potential development at Nigg. Ms Raeburn does not take part in the discussions on Nigg during HIE Board meetings.

The Board noted Euan McVicar's previously declared part-time consultancy role with Pinsent Masons. It was reconfirmed that he has no involvement in discussions relating to Nigg and appropriate protocols are in place.

The Board noted that in her previous role, Jean Lindsay's team had developed the Woodland Carbon Code. It was confirmed this did not represent a conflict of interest in relation to item 3.2.

1.2 Minutes of Previous Meeting

Noted:

- a) The Pay & Reward Action Plan does not need to come to Board. Matters will be escalated by Remuneration Committee as necessary.
- b) Regarding timeous recruitment, the Executive had tried using the Scottish Government framework, however, the challenge was finding suitable candidates rather than the framework itself.

Agreed:

Minutes of the meetings held on 28 February 2024 were approved as an accurate record.

1.3 Matters Arising and Action Tracker

The Board discussed progress against actions.

Noted:

- a) Actions 36/4, 37/4: it would be useful for completed projects to be reviewed in developing an evidence base for wider value.
- b) 37/5: absence due to stress was now at a manageable level; CES absence levels were low in comparison with the sector.

Agreed:

- a) Action 36/4 – Value Project: the completion deadline was extended to November 2024 to align with Corporate Plan development.
- b) Action 37/5 – People Report: this action was complete and could be removed from the Tracker.

- c) More information should be provided to support advocacy by Board Members on behalf of CES, including the case for enhanced powers, ensuring clarity around what additional powers are being sought. **Action: HMacD(41/1)**
- d) Action 40/2 referring to the development of an asset register and a workforce plan should be retained on the Action Tracker but the two items should be separated. The asset register action should note the distinction between the financial asset register as required by external audit and an operational asset register; initial plans and analysis should be taken to Investment Committee and Audit & Risk Committee for the respective registers. **Action: OM/SW(41/2)**

The Action Tracker is exempt from publication under s.30(1)(c) of the Freedom of Information (Scotland) Act 2002.

1.4 Decisions Out of Meeting BD(2024)41.1

The following decisions out of meeting (BD(2024)OOM2) were **noted**.

- a) the first year (2024-25) of the budget, which referred to the final year of the current corporate plan, was approved;
- b) the budget for 2025-27, which referred to the first two years of the next Corporate Plan, was approved;
- c) the annual business plan for financial year 2024-25 was approved.

1.4 Stakeholder Meetings BD(2024)41.2

The Chair outlined stakeholder meetings since the last Board meeting.

The Board **noted**:

- a) the planned meeting with the Cabinet had been rescheduled to after the summer recess.

2. Board Committees

2.1 Investment Committee, 7 May 2024

The Committee Chair provided a summary of business conducted at the last meeting, including portfolio performance and the new project management tracker report, valuations, investment opportunities and development activity including Capital Challenge Funds. She noted that the overall quality of papers had been excellent.

A Committee paper concerning investment options had been circulated to Board after the meeting.

In the context of [REDACTED]*, the Committee had discussed how the Board should ensure it is meeting its statutory duty to maintain and enhance value when external factors may result in loss-making assets.

The Committee had also requested a deep-dive session on the agricultural portfolio at its August meeting.

Agreed:

a) [REDACTED]**

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2.2 Remuneration Committee, 27 May 2024

The Committee Chair reported that the Committee had held a meeting to discuss the Pay & Reward Strategy Action Plan noting that ten out of nineteen actions were complete. The Committee would consider a business case for a 35-hour week at its next meeting, which would need to be explicit about whether the well-being hour was included. Procurement of an equal pay review was progressing following which there would be a review of the pay structure.

2.3 Audit & Risk Committee, 14 May 2024

The Committee Chair provided an update following the recent meeting. The Committee had focused on the finance report and understanding the reasons behind the figures presented, agreeing that volatility in some areas of the portfolio must be made clear to Scottish Government and others. The Committee had also considered valuation, [REDACTED] associated risks, monitoring of debtors, procurement and annual reports on FOI, complaints and fraud, and had received reports from Internal and External Auditors. A revised risk register and risk policy had been endorsed for recommendation to the Board.

ADDITIONAL PAPER: [REDACTED]

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3. Management Reports

3.1 Chief Executive and Accountable Officer's Report

BD(2024)41.3

[REDACTED]

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3.2 Decarbonisation and Natural Capital

BD(2024)41.4

Head of Policy presented the report. The Board welcomed the evidence-based approach.

Noted:

- a. The report provided a basis to consider different perspectives and opportunities for CES to deliver benefits aligned to the Scottish Government's net zero journey.
- b. Further work in this area would allow CES to determine steps it should take in the short, medium, and long term, and address questions including whether tenancy agreements should reflect carbon targets.

3.3 Glenlivet Sporting Lease

BD(2024)41.5 [REDACTED]

Director of Property presented the report.

The Board **noted**:

- a. [REDACTED]
- b. [REDACTED]

Agreed:

- a. A revised paper with more information on alternative options (including cost/value impacts) should be circulated to the Board by email to allow for a decision on the way forward. **Action:OM(41.12)**

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3.4 Finance Report

BD(2024)41.6

The Financial Controller presented the report.

The Board **noted**:

- a. A debt management policy was in place, including monthly review.
- b. Options to Tax were considered across the organisation, including property. A specialist was being procured to review the current narrative.
- c. RSM had conducted a VAT review, reducing risk in that area.
- d. [REDACTED]
- e. [REDACTED]
- f. The overall increase in value of the estate was largely due to offshore wind. Values were subject to change and based on the current position. ARC had been content with the basis for the valuation, but more work could be done to strengthen understanding in this area.
- g. The Scheme of Delegation should be clear on decision-making responsibilities including materiality thresholds for loss-making assets.

Agreed:

- a. The August Finance Report should include an update on Options to Tax narrative and a breakdown of administrative costs (or the latter should be circulated by email).
Action:AM(41/9)
- b. Valuation: The valuation process should be reviewed to ensure a common understanding of assumptions underlying valuations and that the organisation has the right set of

valuations for the right purposes; an update on the portfolio model should come to the next Board meeting; ARC should consider if a review of the valuation process should be added to the Internal Audit roster. **Action:AM/PD(41/10)**

- c. The financial Scheme of Delegation should be brought to the Board for discussion, with greater clarity around the materiality threshold for delegated decisions affecting the capital value of the estate/Statutory Duty/income, and to ensure there is clarity on who has authority for essential estate management activities. **Action:AM(41/11)**

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3.5 People Report

BD(2024)41.7

Head of People joined the meeting to present the report.

The Board **noted**:

- a. The Recruitment Policy, which had been deferred to the end of May, had gone to the senior management group and would be considered by the executive team the following week.
- b. Consideration was being given to how CES should align its practices with Public Sector Equality Duties, albeit that it is not a named body in that regard.
- c. Further work would be done to improve diversity reporting statistics which were currently 51%.
- d. A development programme was underway for senior managers, executive, and board.

Agreed:

- a. The organisational development consultant should be asked to confirm/clarify the distinctions between the Leadership and Senior Management programme(s).
Action:FH(41/13)
- b. The Board should be advised when a decision on the Public Sector Equality Scottish Specific Duties is expected to be concluded. **Action:FH(41/14)**

3.6 Performance Report/Business Plan Dashboard

BD(2024)41.8

The Board noted the report and **agreed**:

- a. The draft annual report should be circulated by the end of June 2024. **Action:AM(41/15)**

3.7 [REDACTED]

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4. Decisions and Discussion

4.1 Capacity, Capability, Resilience – Next Steps

The Chief Executive/Accountable Officer presented the report.

The Board **noted**:

- a. Foundational work had begun and the timescale for implementation was 18-24 months.
- b. The outcome would be appropriate resourcing and processes in place across the organisation.
- c. Greater visibility would be welcome on what is being planned and how implementation is progressing, noting that business critical areas most in need of improvement should be prioritised.

Agreed:

- a. The timeline should be reviewed to ensure it is achievable; areas for prioritisation should be identified; a report on the governance structure and deliverables should be brought to the next Board meeting to clearly identify where change is being made and what problems or issues the change is intended to address. **Action:ROH(41/18)**

4.2 Cyber Security Arrangements

BD(2024)41.9 [REDACTED]

The Director of Finance and Business Services introduced the report.

The Board **noted**:

- a. ARC had requested that a report be brought to the Board for consideration and assurance.
- b. The Scottish Government provided good training for board members on cyber security awareness.

Agreed:

- a. Details of Scottish Government training should be recirculated. **Action:PD(41/19)**

The paper is exempt from publication under s.30(c) of the Freedom of Information (Scotland) Act 2002.

5. Governance

5.1 Board Annual Appraisals

The Board **noted**:

- a. The Chair had undertaken annual appraisal meetings with all board members.
- b. The External Effectiveness review was underway and a final report would be presented to the Board in August.

6. Any Other Business

In the context of mitigating reputational and other risks, the Interim Director of Marine advised the Board that some levers existed in the leasing round, including the inclusion of a

statement of agreement that parties adhered to all worldwide sanctions. Appropriate action would be taken in the case of a breach.

The Board extended its thanks to Esther Black, [REDACTED].

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8. Date of Next Meeting

The date of the next meeting was confirmed as 28 August 2024.