

Agenda

**Forty-third Meeting
Crown Estate Scotland Board
Anderson Strathern Offices (58 Morrison Street Edinburgh)
27 November 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 August 2024 | Chair | Attached |
| | 1.3 Matters Arising and Action Tracker | Chair | Attached |
| | 1.4 Decisions Taken Out of Meeting | Chair | Verbal |
| | | | |
| 10.15 | 2. Chair's Report | Chair | |
| | 2.1 Update on Recruitment of New Members | | Verbal |
| | 2.2 Board Development Plan (Campbell-Tickell actions) | | Attached |
| | 2.3 Stakeholder Meetings | | BD(2024)43.1 |
| | | | |
| 10.40 | 3. Board Committees | | |
| | 3.1 Remuneration Committee | JL | Verbal |
| | 3.2 Investment Committee | AR | Verbal |
| | 3.3 Audit and Risk Committee | RM | Verbal |
| | | | |
| 11.30 | 4. Decisions and Discussion | | |
| | 4.1 Advance Programme | AA/ROH | BD(2024)43.2 |
| | 4.2 Corporate Plan KPIs | AB/AM | BD(2024)43.3 |
| | 4.3 CCS Appraisal Agreements | SW/TM | BD(2024)43.4 |
| | 4.4 OSW Investment Port of Cromarty Firth case study | SW/AR | BD(2024)43.5 |
| | 4.5 Financial Scheme of Delegation | ROH | BD(2024)43.6 |
| | 4.6 Annual Report and Accounts | AM/AMo | BD(2024)43.7 |
| | | | |
| 12.30 | LUNCH | | |
| | | | |
| 13.00 | 5. Management Reports | | |
| | 5.1 Chief Executive's Report | ROH | BD(2024)43.8 |
| | Annex A. Scottish Government / DESNZ collaborative agreement | | |
| | Annex B. Climate Risks Paper (presented to ARC) | | |
| | Annex C. Q2 Update FY 2024/25 Annual Business Plan | | |
| | Annex D. Directors Reports | | |
| | Annex E. Health and Safety Data | | |
| | 5.2 Finance Report | AM/AMo | BD(2024)43.9 |

| | | | | |
|--------------|-----------|---|----------|---------------|
| | 5.3 | People Report | AM | BD(2024)43.10 |
| | 5.4 | Communications & Engagement Update | AB/HMacD | Verbal |
| | 5.5 | Property and Aquaculture Tenant Surveys - Follow-up Report | MS | BD(2024)43.11 |
| 14.00 | 6. | Offshore Wind | | |
| | 6.1 | Setting the Scene Overview | SW/AR | BD(2024)43.12 |
| | 6.2 | Key Challenges in the Sector (Claire Mack, Scottish Renewables) | SW/CM | Presentation |
| | 7. | Any other Business | EM | Verbal |
| | 8. | Date of Next Meeting | | |
| | | 26 February 2025 | | |

Approved Minutes

Crown Estate Scotland (CES) Board



Wednesday 27 November 2024, 10:00am – 16:15pm

Anderson Strathearn Offices

Present:

Euan McVicar (Chair)
Ailsa Raeburn
Liz Leonard (by MS Teams)
Lorne Macleod
Katerina Brown
Robert Mackenzie
Ann Allen (till 12:30)
Jean Lindsay (joining via MS Teams at 12:30)

Apologies:

Adam Bruce
Jean Lindsay (till 12:30)

In attendance:

Ronan O'Hara, Chief Executive and Accountable Officer
Alastair Milloy, Director of Finance and Business
Oster Milambo, Director of Property
Ann Jacob-Chandler, Director of Development, Capital Delivery and Decarbonisation
Mike Spain, Director of Aquaculture and Marine Ecosystem Services
[REDACTED], Interim Director of Marine
[REDACTED], Head of Policy
[REDACTED], Financial Controller
[REDACTED], Interim Head of Governance, Legal and Risk
[REDACTED], Interim Head of Governance (Minutes)
[REDACTED], Development Manager (Decarbonisation)
[REDACTED], Head of Offshore Wind Development
[REDACTED], Head of Offshore Development
[REDACTED], Governance Assistant
[REDACTED], Head of Corporate Affairs
Clare Mack, Chief Executive, Scottish Renewables
[REDACTED], Head of Offshore Assets (Energy and Infrastructure) (Observer)

Sections of the minutes have been redacted and are exempt from publication under s.33(1)(b) of the Freedom of Information (Scotland) Act 2002.

1. Standing Items

1.1 Apologies and Declarations of Interest

The Chair opened the meeting, welcomed everyone, and noted apologies from Adam Bruce. Jean Lindsay had also in advance submitted apologies for the first part of today's meeting and advised she hoped to attend from 12:30 onwards.

Ailsa Raeburn declared an interest in Nigg and natural capital as a member of the Board of the Highlands and Islands Enterprise (HIE).

Lorne Macleod declared an interest as a Land Reform Commissioner.

1.2 Minutes of the Meeting held on 28 August 2024

The Board noted the minutes of the Board meeting held on 28 August 2024, copies of which had been previously circulated.

Ailsa Raeburn requested that a spelling mistake on page 9 be corrected. It currently states 'boar' not 'The Board'.

Ronan O'Hara requested that Jean Lindsay's noteworthy comment regarding public corporations operating independently and being institutionally separate from their parent department be reflected in the minute at item 5.1.

Subject to the amendments noted, the Board **approved** the minutes of the meeting held on 28 August 2024 as an accurate record of the meeting.

Action 43/1: Governance to amend the minute of 28 August 2024 to reflect discussion. (November 2024)

1.3 Actions Tracker and Matters Arising

The Board reviewed the updated Action Tracker.

Noted:

- I. Robert Mackenzie, Audit and Risk Committee (ARC) Chair attended an Internal Audit Network Meeting which considered new reporting around annual assessment. Following this ARC will ensure this new approach is incorporated in CES annual assessment process.
- II. A future session on Climate Risk would be welcomed.

Action 43/2: Governance team to record future actions with an identified owner and timescale for delivery. (Ongoing)

Action 43/3: Governance team to schedule a session on Climate Risk during 2025. (January 2025)

1.4 Decisions Taken Out of Meeting

None.

2. Chair's Report

2.1 Update on Recruitment of New Members

Noted:

- I. The Chair reported positive discussions had taken place with Sponsor Branch on the matter of Board Recruitment. The process will commence in January 2025.

2.2 Board Development Plan

Noted:

- I. The Board reviewed the tabled Board Development Plan and **approved** it.
- II. The Board reflected positively on the Campbell Tickell Board Development Plan with the exception of the use of the term, 'Board sponsors.' It was agreed the wording was misleading and could imply inappropriate Board input into operational matters from a governance perspective and that 'Board liaisons' be used instead.

Action 43/4: Governance team to revise the wording of 'Board Sponsor' in the Campbell Tickell Board Development Plan following the Strategy Day on 4 December 2024. (December 2024)

2.3 Stakeholder Meetings

Noted:

- I. An extensive range of engagement activities had taken place since the last Board meeting.
- II. The Board recognises the importance of getting key messages out to key stakeholders and commended the efforts of the Corporate Affairs team in enhancing the profile of Crown Estate Scotland (CES).

3. Board Committees

3.1 Remuneration Committee

Noted:

- I. The Remuneration Committee (RC) meeting was rescheduled following the last Board meeting and will now take place on 16 December 2024.

3.2 Investment Committee

Noted:

- I. Ailsa Raeburn, Investment Committee (IC) Chair provided a summary of IC developments:
 - a) [REDACTED].
 - b) The Committee welcomed a report on KPI performance reporting and noted that the development of this would be in line with the finalisation of the Corporate Plan.
 - c) The Committee noted all projects are being monitored by the Portfolio Management Office (PMO). Currently there are 253 capital and revenue projects – 104 completed to date, compared to the previous quarter of eighty-six projects.
 - d) The Committee welcomed a presentation from Watts which had highlighted progress with the development of a bespoke model that will capture total costs of management going forward.
 - e) The Committee reviewed a range of potential acquisition activity including [REDACTED]. Two out of Committee decisions would be required in January 2025 which would be documented for the record.
 - f) The Committee considered development activity including a proposal on Community Land Accelerator. Further information was requested on this proposal and an out of meeting decision would be undertaken in January 2025 which would be documented for the record.
 - g) Continuing progress on [REDACTED], and the Forestry Strategy.
 - h) An Agricultural Portfolio discussion paper highlighted progress in this realm. This led to discussion on the Land Reform Bill and the implications this might have. The Committee would welcome Executive Team feedback on current thinking around this.
 - i) The internal audit report on the Investment Strategy resulted in actions which would mostly be complete by end of March 2025.

- j) The Investment Committee noted that they had not been consulted on by the Internal Auditors during the course of their fieldwork on the Investment Strategy.

Sections of the minutes have been redacted and are exempt from publication under s.33(1)(b) of the Freedom of Information (Scotland) Act 2002.

3.3 Audit and Risk Committee

Noted:

- I. Robert Mackenzie, Audit and Risk Committee (ARC) Chair provided a summary of ARC developments.
- II. The Committee noted CES were closely monitoring performance issues with managing agents. It was agreed issues being encountered would be addressed via procurement improvements picked up by the Advance programme.
- III. The Committee had received letters of comfort from external and internal audit, which provided assurance there were no big issues. There was recognition that resourcing to progress the audits still presented a challenge given movement in timescales.
- IV. The Annual Report and Accounts still require final sign off, and delegation of this would be discussed at a later item on the agenda today.
- V. The Committee reflected on the risk register and noted that close monitoring would be required in terms of the potential implications around GB Energy.
- VI. The Committee requested a workshop on Climate Change risks take place during 2025, after which further consideration would be given to climate related disclosures.

4. Decisions and Discussion

4.1 Advance Programme

Noted:

- I. Ann Allen is Chair of the internal Scrutiny Group and provided an update on the Advance Programme which was welcomed by Board. Members

were heartened to see evident progress with the workstreams taking shape.

- II. It is recognised that this is a complex aspirational change programme, and there are challenges around resourcing, timelines, workstream interdependencies and differentiation between improvement and transformation versus business as usual.
- III. The Board were assured by the CEO/AO that clear mechanisms were in place for detecting and addressing potential bottlenecks.
- IV. The Board discussed the total cost of the Advance Programme relative to the size of the organisation given the current fiscal environment and the importance of transparency around these. It was agreed the programme must demonstrate best value and that this expenditure must be subject to a robust business case plans that details the cost-benefit analysis for that expenditure.
- V. Alastair Milloy highlighted the iterative nature of the Advance Programme and assured the Board a draft business case for different areas of expenditure was on file for auditors. The business case will be presented to Board when finalised.
- VI. The Board received assurance from Ronan O'Hara that none of the costs outlined were fixed and robust monitoring and programme methodology were being in place. Workstream prioritisation has taken place resulting in the identified thirty-two priority initiatives distilled into eight workstreams.
- VII. There was discussion on the resourcing of the programme including an update on the Project Director role for leading on the Advance Programme being currently vacant and out for recruitment. The Board recognised that the job marketplace was challenging and the importance of adhering to HR protocols.
- VIII. The Board requested the benefits of the programme be regularly documented and reported.

4.2 Corporate Plan KPIs

Noted:

- I. Alastair Milloy provided an update on the work taking place around the development of Corporate Plan Key Performance Indicators (KPIs). He outlined the need for these to be SMART (Specific, Measurable, Achievable, Realistic, Timebound) to ensure compliance with audit

actions. It was recognised strong baseline data is required for these indicators, and this was challenging given the variation in availability across the estate.

- II. Alastair Milloy and [REDACTED] thanked Ailsa Raeburn for her helpful feedback on the proposed KPIs which had been received via email following the November Investment Committee. Ailsa's response outlined queries around biodiversity issues, and the importance of ensuring clarity in Crown Estate Scotland's intended direction of travel in this area.
- III. The Board queried the timescales for finalising the KPIs. Alastair indicated this was dependent on confirmation of the Scottish Government budget in the coming weeks. Following this an update on timelines will be shared with the Board. A final draft of the Corporate Plan will then be disseminated prior to public consultation.
- IV. Ronan O'Hara assured the Board their input is crucial to the shaping and development of the Corporate Plan.
- V. It was noted that the Board Development Plan approved by the Board called for annual Business Plans to be supported by annual KPIs and/or targets.

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.

4.3 Carbon Capture and Storage (CCS) Appraisal Agreements

[REDACTED], Development Manager (Decarbonisation) joined the meeting via MS Teams and [REDACTED], Head of Offshore Development joined the meeting in person.

- I. The Board welcomed the proposals around CCS Appraisal Agreements recognising this was a potentially contentious emerging area. Discussion focused on the importance of reflecting the UK and Scottish Governments strategic direction, and consideration was given to the merits and demerits of supporting this work.
- II. The Board queried the level of risk exposure with the Appraisal Agreements in terms of financial liability and insurance. It was clarified that they were low risk given they were not in perpetuity binding.

- III. The Board **approved** the progression of the CCS Appraisal Agreements subject to further information being shared on their accounting treatment.

Action 43/5: Sian Wilson to share presentation with Board Members. (January 2025)

Action 43/6: [REDACTED] and [REDACTED] to provide further information to Board on the accounting treatment of CCS Appraisal Agreements. (January 2025)

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.

4.4 Offshore Wind Investment Port of Cromarty Firth Case Study

[REDACTED], Head of Offshore Wind Development joined the meeting.

Noted:

[REDACTED]*

Action 43/7: Governance to ensure item included in the February Board Meeting Agenda. (January 2025)

[REDACTED], Head of Offshore Wind Development left the meeting.

Sections of the minutes have been redacted and are exempt from publication under S.38(1)(b) and s.33(1)(b)* of the Freedom of Information (Scotland) Act 2002.

4.5 Financial Scheme of Delegation

[REDACTED], Financial Controller joined the meeting via MS Teams.

Noted:

- I. Ronan O'Hara highlighted the Financial Scheme of Delegation was tabled for initial discussion by Board. Following any material revisions the Board may wish to make; the revised scheme will be considered by ARC prior to final approval being sought at the Board meeting in February 2025.
- II. The Board discussed the importance of ensuring appropriate safeguards were in place given the changing nature of the business.

- III. The Board requested further clarification on the matters of level of diminution, revenue grants schemes and probationary periods be included in the revised scheme.
- IV. The Board requested that this item come back to the Board for approval in February subject to the amendments and clarifications discussed and process outlined.

Action 43/8: [REDACTED] to amend the Financial Scheme of Delegation prior to ARC and Board meetings in February 2025. (January 2025)

Sections of the minutes have been redacted and are exempt from publication under s.33(1)(b) of the Freedom of Information (Scotland) Act 2002.

4.6 Annual Report and Accounts (ARA)

Noted:

- I. The latest version of ARA had been circulated prior to the Board meeting, and had been reviewed by Audit Scotland, Executive Team and Board Members with no issues arising.
- II. The Board delegated authority to the Chair of the Board, Chair of the Audit and Risk Committee (ARC) and Investment Committee (IC) to approve any further changes to the version tabled and to authorise signature of the report by the CEO on 4 December 2024 at the Strategy Day.

Break for Lunch

5. Management Reports

5.1 Chief Executive's report

Noted:

- I. The Board sought clarity on the two interim Governance roles. Ronan O'Hara advised that these originated from recommendations made by [REDACTED], from the Kings Lord Treasurer's Trust. The Interim Head of Governance reports to the Chief Executive / Accountable Officer on corporate governance matters and the Interim Head of Governance, Legal and Risk provides legal counsel on transactional governance.
- II. The Board discussed the Land Reform Bill and the potential implications arising from this for CES. [REDACTED] assured the Board that CES had already formally engaged in the consultation process. She highlighted

that given the Bill was still at Stage One there was still further opportunity to feed into the process.

- III. The Board agreed a number of clarifications were required on matters included within the Bill including definitions of seabed and foreshore.
- IV. The Board discussed whether an exemption for CES should be sought in respect of any ramifications arising which would impact the organisation.
- V. The Board discussed the wider landscape of change which will have ramifications for CES and requested there be regular updates tabled on horizon scanning to ensure appropriate foresight and planning.

Action 43/9: The Executive Team will develop a plan to manage our input to the Land Reform Bill and provide a verbal update to Board at the February 2025 meeting. (January 2025)

Action 43/10: Ronan O'Hara to make contact with Sponsorship Branch regarding Land Reform Bill (December 2024)

Action 43/11: [REDACTED] to bring a proposal on ongoing Horizon Scanning update to February 2025 Board meeting (January 2025)

Sections of the minutes have been redacted and are exempt from publication under s.33(1)(b) of the Freedom of Information (Scotland) Act 2002.

5.2 Finance report

Noted:

- I. The Board discussed the content of the Finance report, noting levels of reforecasting and the change in how information was presented to reflect discussion at ARC and IC.
- II. The Board welcomed the evolution and development of Finance reporting, and the continued dialogue on reporting via estate based or asset class. It was recognised current systems functionality provided a challenge in capturing and reporting back on data. Assurance was provided to Board this would be picked up via the Advance Programme's workstream on Data.
- III. The Board discussed finance matters related to [REDACTED] and requested an update on this at the next Board meeting.

Action 43/12: Ronan O'Hara to provide an update on [REDACTED] in February Chief Executive / Accountable Officer report to Board in February 2025.

Sections of the minutes have been redacted and are exempt from publication under s.33(1)(b) of the Freedom of Information (Scotland) Act 2002.

5.3 People report

[REDACTED], Head of People joined the meeting.

Noted:

- I. The Board welcomed the People report and reflected on the changing staff profile and levels of sickness absence. [REDACTED] assured the Board that resilience was under active review, is being managed across the organisation and will be considered more widely as part of the Advance Programme.
- II. The Board discussed the next staff engagement survey, and Jean Lindsay suggested that consideration be given to joining the Civil Service Staff Survey as this would provide useful benchmarking data and be more economical. Ronan O'Hara urged caution in doing so given that there was no direct comparator for CES except for The Crown Estate.

Action 43/13: [REDACTED] to consider Staff Engagement Survey options and report back to Board in February 2025 (January 2025)

REDACTED, Head of People left the meeting.

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.

5.4 Communications and Engagement update

[REDACTED], Head of Corporate Affairs joined the meeting and gave an update on communications and engagement.

Noted:

- I. The Board welcomed the update on Strategic Communications and Engagement Plan to enhance the profile of CES and its unique role in delivering direct, indirect, and future impact for the benefit of the people of Scotland.

[REDACTED], Head of Corporate Affairs left the meeting.

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.

5.5 Property and Aquaculture Tenant Surveys - Follow-up report

- I. The Board considered the follow-up report from Property and Aquaculture Tenant surveys and discussed the request for a CRM system.
- II. The Board **approved** the approach outlined subject to an impartial third-party supplier inputting the views of tenants in the system.

6. Offshore Wind

6.1 Setting the scene overview

[REDACTED], Head of Offshore Wind Development joined the meeting.

Noted:

- I. The Board welcomed the report which outlined the significant challenges faced in the Offshore Wind market and noted the team's intention to bring a revised policy position to Board in February 2025.
- II. The Board recognised the scale and importance of Offshore Wind work and the need for further work and investment in unlocking the grid to realise the real opportunities it can bring.

Action 43/14: [REDACTED] and [REDACTED] to bring a revised policy position on Offshore Wind to the Board meeting in February 2025.

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.

6.2 Key challenges in the sector

Claire Mack, Chief Executive of Scottish Renewables joined the meeting.

Noted:

- I. The Chair and Board Members welcomed Claire to the meeting and introduced themselves, followed by introductions from each of the CES Directors.
- II. Claire provided the meeting with an overview of the overriding challenges and opportunities that exist within the Offshore Wind industry including grid, technology development, supply chain, regulation and financing for model works.

- III. Claire provided an overview of general perceptions of CES in the realm of Offshore Wind and spoke highly of the strong and productive relationships held with Scottish Renewables.
- IV. The Board discussed CES's role in the strategic enablement of Offshore Wind and potential areas of focus to ensure the opportunities are appropriately utilised. It was agreed that engagement with the Scottish and UK Governments as well as collaboration with The Crown Estate and GB Energy will be crucial to shaping the direction of travel.

Claire Mack left the meeting.

7. Any other business

Noted

- I. The CES Framework agreement is currently under review and discussions with Sponsorship Branch are ongoing.
- II. CES benchmarking data has been published on Scottish Government website.
- III. A Strategy Day involving Board and CES colleagues will take place on Wednesday 4 December.

8. Date of the next meeting

Wednesday 26 February 2025