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# ONE HUNDRED AND NINETY- EIGHTH MEETING OF THE BOARD OF NATURESCOT

## MS TEAMS VIRTUAL MEETING – 18 MAY 2022

## OPEN SESSION CONFIRMED MINUTES

## MEMBERS PRESENT

Mike Cantlay Chair

Aoife Martin Deputy Chair

Ian Gambles Member

Peter Higgins Member

David Johnstone Member

Colin McPhail Member

Wayne Powell Member

Heather Reid Member

Nikki Yoxall Member

## IN ATTENDANCE

Francesca Osowska Chief Executive

Nick Halfhide Director of Nature and Climate Change

Robbie Kernahan Director of Green Economy

Jane Macdonald Director of Business Services & Transformation

Stuart MacQuarrie Deputy Director of Business Services & Transformation

Claudia Rowse Deputy Director of Green Economy

Eileen Stuart Deputy Director of Nature and Climate Change

Graham Boyle Chief of Staff

Sara Lewis Governance Support Manager (minutes)

John Uttley Outcome Manager – Green Economy (item 6)

Dominic Llewelyn AchieveGood (item 6)

Yvonne McIntosh Planning and Performance Manager (item 8)

Des Thompson Principal Adviser on Science and Biodiversity (item 8)

Jeremy Watson Freelance Journalist – Public Observer (open agenda items only)

Thomas Shaw Project Placement – The Flow Country Landscape Green Finance Initiative (Young Employee Panel)

## APOLOGIES

Jason Ormiston Head of External Affairs

# AGENDA ITEM 1: OPENING REMARKS AND APOLOGIES

1. The Chair opened the meeting by welcoming everyone to the one hundred and ninety-eighth meeting of the Board of NatureScot. Particular welcome was given to Thomas Shaw from the Young Employee Panel.

2. Apologies were noted from Jason Ormiston.

3. The Chair updated on his visit to the opening of the new Phoenix Hide at the Loch Leven Nature Reserve, and his and Francesca’s attendance at the launch of the consultation for a new National Park with Ms Slater, Minister for Green Skills, Circular Economy and Biodiversity.

4. Chair highlighted that the latest round of recruitment for 3 new Board members was live, and that nominations will be presented to the Minister in June. Lastly, the challenges surrounding the Resource Spending Review were noted.

# AGENDA ITEM 2: DECLARATIONS OF INTEREST

5. There were no declarations of interest.

# AGENDA ITEM 3: MINUTES AND ACTION POINTS FROM 16 MARCH 2022

6. Board members were content to **approve** the minutes of the Board of NatureScot Meeting on the 03 February 2022, subject to a minor amendment. David Johnstone was the proposer, with Aoife Martin as seconder.

## Action Points

7. The **actions points** were noted:

**Action Point** (AP13/181) (Future Options for Kinloch Castle) Board members acknowledged that this action remains **ongoing,** with detailed negotiations for the sale now underway.

**Action Point** (02/195) (Information on the Meaning and Function of the Transformation Steering Group to be Shared with Board Members). The Board noted that the information had been shared, and agreed that this action was **discharged**.

**Action Point** (01/196) (Information on Impact of Blogs and Activities on Equality and Diversity). Board members noted that the information had been provided to them, and agreed that this action was **discharged**.

**Action Point** (01/197) (Produce a Structured Plan Showing Management of Stakeholder Interaction with the Business Plan). The plan had been shared and agreed with the Scottish Government, and the range of impacts on organisations were being worked through. It was therefore agreed to **discharge** this action point.

**Action Point** (02/197) (Discussion of Opportunities to Increase Agricultural Productivity and Biodiversity). A sub-group of Board members has been agreed, with a meeting set for 22 August. **Ongoing**.

**Action Point** (03/197) (How Board can Add Value to the Development of the Scottish Biodiversity Strategy) This discussion has been tabled for discussion at the Board meeting on 24 August. It was therefore agreed to **discharge** this action point.

# AGENDA ITEM 4: MATTERS ARISING

8. None.

# AGENDA ITEM 5: STRATEGIC DISCUSSION – PRIVATE INVESTMENT IN NATURAL CAPITAL

9. This agenda item informed what NatureScot has been doing to encourage and enable this new investment, articulates some of the novel risks, and sets out priorities for the year ahead. Robbie Kernahan explained that significant financial gap in financing Scotland’s natural economy to tackle climate change and biodiversity loss could only be met through private finance. Just Transition was an important element of this.

10. John Uttley provided a presentation to the Board which covered how Scotland will maximises the scope of the opportunity that private investment in natural capital provides, and how NatureScot is leading work on establishing the project pipeline on behalf of the Scottish Government. The following three questions were posed to the Board to facilitate discussion:

* Are the Board content that they have sufficient visibility of this work?
* Does the Board agree with the emerging role and priorities of NatureScot, and that they meet the priorities of the Corporate Plan?
* Does the Board agree with the high level analysis of risk involved?

11. Dominic Llewellyn noted that NatureScot should also consider what success would look like, and what skill sets would be required to achieve that success.

12. As a result of the presentation, the following key points were made:

* NatureScot would ensure that existing relationships with local stakeholders were not adversely affected as a result of work in this area, by continuing to work alongside them, and finding solutions which provide benefits to them. The land management sector will be involved in confirming what land owners needs are, risks from their perspective, and why they would get involved in this area.
* Regulation of the market and best practice can be tested through the Regional Land Use Partnerships to ensure inclusivity.
* Empowerment of investees by being investment ready, and being clear about the value of the investors.
* Ministerial commitment to the role of NatureScot in establishing the pipeline of investible propositions.
* The Financing UK Nature Recovery road map recommendations report will include detail on the skills required to produce a pipeline of projects which are investable.
* The need for management and mitigation of risks to be taken at a Scottish level, by the Scottish Government, NatureScot and stakeholders.
* It was acknowledged that land owners needed to continue to positively influence their land for nature after any compliance period has ceased.

13. With regard to the questions posed to the Board, it was agreed that NatureScot had the right role and priorities for this area of work, and that the Board had an appetite for risk in support of that work. Members requested more visibility of the detail and scale of pipeline projects, as well as what NatureScot want to achieve. Updates will be provided at future Board meetings.

# AGENDA ITEM 6: future risk appetite

14. This agenda item aimed to confirm a new risk appetite which would facilitate communications with colleagues across the organisation, increasing their empowerment in decision making with the confirmed risk appetite in mind.

15. The Board were asked to:

* Consider a new manageable range towards ‘hungry’ for the Nature category.
* Confirm the new risk appetite.
* Confirm the category risk statements.

16. The Board were reminded that this agenda item followed on from discussion on risk appetite for the new Corporate Plan at the previous meeting. Since that meeting, the Senior Leadership Team and the Scottish Government had agreed the risk on all categories but Nature. It was felt that there should be a more risk hungry approach to Nature in support of delivery of the Corporate Plan.

17. In discussion, Members made the following key points:

* The concern that by taking an increased risk appetite for nature, intervention with nature to achieve wider benefits may cause adverse effects. It was felt that wider benefits to nature may be achieved by increasing risk appetite in areas such as operational and financial risk. Stuart MacQuarrie updated that there was the option of splitting the Nature category into ‘restore’ and ‘protect’ in line with the Corporate Plan, which would give greater ability to specify different risk appetites for particular areas of nature.
* The Board stated that broader discussion on strategic risk appetite was needed in order to explore the individual appetites of Members, as well as prioritisation of categories of risk.
* It was recognised that those Members with a place on the Audit and Risk Committee were particularly aware of existing high levels of risk around peatland restoration due to operational reasons.

18. The Board requested that a separate session was arranged to discuss risk appetite, which acknowledged the organisation’s public body status, and the evident concerns that a higher risk appetite would create.

**Action Point 01/198**

**AGENDA ITEM 7 – Q4 PERFORMANCE REPORTS 2021/22**

19. This agenda item presented Q4 progress towards delivery of corporate priorities as laid out in the Business Plan, Connecting People and Nature: Year 4. The Board were asked to:

* Note the overall performance of the priorities.
* Note the position of the operating and capital budgets (Finance Report).
* Note the performance of the corporate risks.
* Note the overall performance of the People Measures.

20. The report showed that all 10 priorities were rated as ‘on track’ against the Q4 90 day business plan. The ‘Structural Funds – Failure of Programme Delivery and/or Funding Mechanism’ risk score had increased from high to very high. On finance, both operating and capital budgets were expected to outturn just below tolerance. The People report showed 7 green indicators, and 3 amber.

21. Directors updated Members on particular areas of note and concern within their Outcomes:

Outcomes 1 & 2

Nick Halfhide provided the following updates:

* Launch of the consultation on the Scottish Biodiversity Strategy due in June 2022.
* Conscious of need to retain traction on actions to address the twin nature crises in the context of available resource.

22. The process for developing the Scottish Biodiversity Strategy and consultation was discussed, and its synergies with the Corporate Plan. The Board asked for an update outside of the meeting on the development of the strategy and consultation, as well as the next steps to be taken on the Scottish Biodiversity Strategy.

**Action Point 02/198**

23. Further discussion took place around delays to agri-environment support schemes, with Members being assured of progress via the Agricultural Bill. Capacity of staff to process Agri-Environment Climate Scheme (AECS) applications was also discussed.

Outcome 3

24. Robbie Kernahan provided the following updates:

* During 2021/22 5000 hectares of peatland were restored to good state.
* Natural capital work increasingly being included in the Scottish Government’s national test programme for future rural support.
* £27m awarded during 2021/22 via AECS.
* New framework for provision of grouse licencing produced.
* Consultation and guidance completed on how to support biodiversity net gain in the planning system.
* Team resourced to work on pre applications for ScotWind project.
* To continue to set the context for the opportunities that arise through legislation such as the Land Reform bill, Hunting bill and the Natural Environment bill.
* The scale and resource required to realise the ambition regarding deer management should be recognised – this cannot be achieved through regulatory frameworks or licencing alone. Alternative options will be presented to the Board in due course, and discussions with the Scottish Government are ongoing on how to incentivise the reduction of deer with land owners/managers.

Outcome 4

25. Jane Macdonald provided the following updates:

* Lessons learned from the organisation’s response to Covid-19 have been used to inform the blended approach to ways of working to be used going forward, including how to support staff wellbeing, and flexibility to both staff and the organisation.
* Transformation Programme work on technology and infrastructure remains challenging due to capacity, however progress continues on both this, and protection from cyber-threats.
* Organisational design and development work continues, and is due for implementation by the end of the year.
* Net zero plans continue to be progressed, however more work is needed on the scale of investment required.

Finance

26. David Johnston provided an updated position on the financial situation stated in the performance report:

* Annual accounts being finalised, financial situation still liable to adjustment.
* Expected underspend on the resource budget, and on indirect capital.
* Achievements during 2021/22 included delivery of £6.5m of funding received half way through the financial year via the Better Places Fund and Nature Restoration Fund.

27. Members questioned the underspend on peatland restoration, and were informed that this was due to reasons including ambitious targets, staffing changes, uncertainty within the Peatland Code detail, and challenges from both Brexit and Covid-19. More realistic targets are being set for the budget spend going forwards.

28. Lessons learned regarding financial management were discussed, which included strengthened measures on paybill spend, and taking action on comments received through an audit by Azets on forecasting and ring-fenced funds. The constraints due to annualised funding mechanisms and late funding of non-grant-in aid resources were also noted.

Risk

29. Eileen Stuart provided the following updates on the structural funds risk, which has seen the most significant changes during Q4 out of the risks on the Corporate Risk Register:

* The nature of the structural funds mean that large risks are required in order to make substantial gains for nature. During 2022/23 it is expected that £40m will be invested in green infrastructure and improved visitor/education facilities.
* Actions are in hand to mitigate the financial risk to NatureScot, by the Sponsor department’s proposal to underwrite the risk of disallowance. Other mitigation measures being considered include the ability to adjust final claims by grantees if de-commitment and disallowance occurs. Work is ongoing to streamline the claims process, as well as to increase the capacity within the team through the use of permanent contracts, giving job security to staff, and in turn retaining their skills.
* An enhanced monitoring approach is being developed in conjunction with the Scottish Government, by use of a monthly review of a financial risk profile detailing funds in/out, which will be shared with the Sponsor department.

30. Ian Gambles commented as Chair of the Audit and Risk Committee (ARC) that they are concerned about the likely financial exposure to NatureScot due to the changes made by the Managing Authority in how the structural funds are being managed. It was noted that a Ministerial paper is being prepared by the Sponsor department for Ms Slater’s attention.

People

31. Jane Macdonald gave the following updates:

* Capacity metric rated as amber, due to increased sickness absence due to Covid-19. The absence levels are not increased from pre-Covid, however pressure in capacity has been recognised as a result of this, combined with increased use of annual leave in this quarter (due to changes in carry-over amounts).
* Wellbeing has continued to be a focus, and included the roll out of the Winter Carnival.
* Concerns over current and future job skills and capacity required in order to deliver the Corporate Plan. New strategic workforce plan focuses on the attractiveness of NatureScot as an employer.

32. The Chair reflected on the desire of Members for opportunities to engage with staff, and that this would need further consideration due to the hybrid working arrangements currently in place.

**Action Point 03/198**

33. The Board were content to agree the recommendations to note the contents of the report.

*Aoife Martin leaves the meeting.*

**AGENDA ITEM 8 – BOARD OF NATURESCOT – STANDING ORDERS REVIEW**

34. This agenda item provided Members with the opportunity to review the Board Standing Orders document, which had been updated to reflect current ways of working. Board members were asked to agree the revised Standing Orders.

35. Members acknowledged the updated Standing Orders and were content to approve this version.

**INFORMATION PAPERS**

# AGENDA ITEM 9: CHIEF EXECUTIVE’S REPORT

36. Board members noted the contents of the Chief Executive’s report, in particular the following key themes:

* Publication of the new Corporate Plan – A Nature Rich Future for All.
* Engagement of staff with the new Corporate Plan via the Staff Conference on 28 April.
* Impact of resourcing challenges on external organisations.
* Development of delivery plans for Corporate Plan and NatureScot Way priorities.
* Continuation of organisational design work which will conclude by the end of the year.
* Site visits including Scottish Canals in Glasgow, launch of the Scottish Marine Environmental Enhancement Fund (SMEEF) in East Lothian, launch of the National Parks consultation in Luss, and the Hermaness boardwalk opening in Shetland.

37. The Chief Executive updated Members on the Resource Spending Review.

38. Members noted the contents of the Chief Executive’s report.

**AGENDA ITEM 10 – AUDIT AND RISK COMMITTEE ANNUAL REPORT 2021/22**

39. The Chair of the Audit and Risk Committee highlighted that they had been presented with 6 audits with limited assurance during the year, which had largely arisen due to project management approaches. A routine meeting of the Committee had taken place on 12 May, at which discussion had taken place on improvements taking place as a result of an audit on forecasting and ring-fenced funds.

40. Members noted the contents of the report.

**AGENDA ITEM 11: SCIENTIFIC ADVISORY COMMITTEE ANNUAL REPORT 2021/22**

41. Members enquired whether the Scientific Advisory Committee members were to give presentations/seminars to the Board as recently discussed. The Chair of the Scientific Advisory Committee, Pete Higgins, confirmed that this was being planned, and that the Chair of the Board and Chief of Staff would look to appropriate opportunities for these.

**Action Point 04/198**

42. Members noted the contents of the report.

**AGENDA ITEM 12: PROTECTED AREAS COMMITTEE ANNUAL REPORT 2021/22**

43. Members noted the contents of the report.

**AGENDA ITEM 13: DRAFT AGENDA FOR 27/28 JUNE 2022 MEETING AND SITE VISIT TO MONTROSE**

44. Members noted the draft agenda for the meeting and site visit taking place over 27/28 June.

# ANY OTHER BUSINESS

45. An update had been requested on peatland restoration, which Claudia Rowse provided. The update covered both the internal position and risk of underspend, and the wider context of performance.

46. On the internal position of managing a potential underspend, Claudia gave the following key points:

* Change to the internal budgeting approach for Peatland Action – 10% less budget has been bid for, on a risk based approach, giving a stronger position to the start of the financial year.
* Advisory staff numbers on peatland has increased from 11 to 20, greater capacity is expected to reduce the amount of any underspend.
* Process improvements endorsed by the Audit and Risk Committee include real time monitoring, and use of a confidence assessment tool for delivery, which includes mechanism for feedback from contractors. In addition the Business Planning process has been improved, and a consultant commissioned to look at the functionality needed in Business Planning. A part time member of staff is now in place to support contractor capacity, skills and training needed for contractors of peatland restoration.
* The National Convention of Civil Engineers recently claimed that delays to peatland restoration was not due to insufficient numbers of contractors, but insufficient skills of contractors in restoring peatland. This is being addressed by the action above.
* A review has started on improvements that can be made to the current business model. A report will be produced by the end of Q1 2022/23 with recommendations of implementation actions and timings.

47. On the wider context of performance on peatland restoration, Claudia updated Members that the recent submission of the Peatland Commission to the Scottish Government was well received, providing the basis for Ministerial update at the end of June, by way of a delivery plan for approval.

48. The Chair asked that a further update on progress with peatland restoration is given to the Board in the autumn.

*Post-meeting note – Executive Office tabled the peatland update for the October 2022 Board meeting.*

49. Members sought clarification on the position with multi-year funding for peatland, which had been approved by the Scottish Government. Claudia Rowse informed that for financial year 2022/23, an annual peatland budget had been set, but that NatureScot was able to commit over multi-year funding.

50. Nikki Yoxall stated that she would like to liaise with Claudia Rowse outside of the meeting on stakeholder engagement and relationships between peatland contractors and NatureScot, and any cross-over with natural capital working groups.

**Action Point 05/198**

## Date of Next Meeting

51. The next Board of NatureScot meeting is planned to take place on 28 June 2022, at the Links Hotel, Montrose. A site visit will take place prior to this on 27 June.

52. The Chair thanked all those in attendance, particularly Thomas Shaw from the Young Employee Panel. The meeting was closed.

# END