

ONE HUNDRED AND NINETY-FIRST MEETING OF THE BOARD OF NATURESCOT

BOARD VIRTUAL MEETING SPACE, 12 MAY 2021

OPEN SESSION CONFIRMED MINUTES

MEMBERS PRESENT

Mike Cantlay	Chair
Cath Denholm	Deputy Chair
Kate Broughton	Member
Ian Gambles	Member
Peter Higgins	Member
Jackie Hyland	Member
David Johnstone	Member
Aoife Martin	Member
Colin McPhail	Member
Heather Reid	Member

IN ATTENDANCE

Francesca Osowska	Chief Executive
Nick Halfhide	Director of Nature and Climate Change
Robbie Kernahan	Director of Sustainable Growth
Jane Macdonald	Director of Business Services & Transformation
Stuart MacQuarrie	Deputy Director of Business Services & Transformation
Claudia Rowse	Deputy Director of Sustainable Growth
Eileen Stuart	Deputy Director of Nature and Climate Change
Jason Ormiston	Head of External Affairs
Graham Boyle	Chief of Staff
Lynda Thomson	Head of People and Organisational Development (item 3)
Chris Donald	Area Manager - South Highland (item 9)
Lizzie Richards	Operations Officer – Rural Surveyor (item 9)
Sara Lewis	Governance Support Manager (minutes)
Caitlin Cunningham	Graduate Placement – Blue Carbon (Young Employee Panel)

APOLOGIES

Nikki Yoxall	Member
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AGENDA ITEM 1: OPENING REMARKS AND APOLOGIES

1. The Chair opened the meeting by welcoming everyone to the one hundred and ninety-first meeting of the Board of NatureScot. Particular welcome was given to new Board members Ian Gambles, Peter Higgins, David Johnstone, Colin MacPhail and Heather Reid, also to Caitlin Cunningham from NatureScot's Young Employee Panel.
2. Apologies were noted from new Board member Nikki Yoxall.
3. The Chair commented on the composition of the new Board, and the requirements for consensual decision making and observance of confidentiality during meetings. He also directed that meetings should be strategically focused, and concise. Thanks were given to Cath Denholm, Kate Broughton, Aoife Martin and Jackie Hyland for their involvement in the induction programme for the new Board members.

AGENDA ITEM 2: DECLARATIONS OF INTEREST

4. There were no declarations of interest. The definition of declarations of interest was discussed, with members being informed that they had been appointed to the Board for their skills, not their sectoral interest. They were also advised that when contributing during Board meetings, should particular issues be directly relevant to their personal or business interests, that this should be indicated at the time. Also of importance was keeping their Register of Interests updated. It was agreed that the Chief of Staff would liaise with Scottish Government to ensure that best practice is being followed.

Action Point 01/191

AGENDA ITEM 3: NATURESCOT – THE FUTURE: REALISING OUR AMBITIONS

5. The Chief Executive opened this discussion which sought to establish the parameters of the Board's ambitions for the future. The induction workshops detailed current planning for the next Corporate Plan, NatureScot's priorities and core offers. This discussion required the Board to further shape the organisation's priorities, and consider what these mean for the 2022-26 Corporate Plan, and longer term, the 2030 climate change and international biodiversity targets.
6. Board members were asked to comment on the scale of their ambition for the next Corporate Plan, what they saw as the organisation's priorities within each core offer, and their individual thoughts on further engagement on the design of the organisation which will carry out those core offers.

7. The presentation to members covered the following Core Offers:

Core Offer 1 – Advancing Nature-Based Solutions to Promote a Thriving Environment for Us All

Core Offer 2 – Tackling the Climate Emergency by Leading Net Zero Natural Resource Management on Land and Sea

Core Offer 3 – Redefining Economic Value by Embedding the Benefits of Natural Capital

8. Members contributed the following key points:

- There is an opportunity for NatureScot to become the conduit between Scottish Government (SG) and the private sector, or to collaborate with partners to focus action in order to achieve a more coordinated approach to action to meet environmental targets.
- There are currently gaps in collaboration between key players in the environmental sector.
- Sufficient resourcing is key to enable efficient progress on priorities. Either NatureScot needs to have the resources, or secure them through collaboration with partners and by pooling resources. Another consideration is how to balance resourcing of work which gives less value added, but is required nevertheless.
- Air pollution was potentially an additional element of Core Offer 1.

9. In response, it was noted that resourcing will be considered as part of the next phase of organisational design work.

10. Through the use of Mentimeter, members shared their initial opinions on where the organisation should prioritise its efforts. Members also shared their willingness to engage both internally and externally in various areas as part of forthcoming organisational design work. It was agreed that a draft engagement plan would be produced in order to use the skills of Board members effectively.

Action Point 02/191

11. The next stage of the process will be to consider resourcing and also to further explore the alternatives and options under each Core Offer via action learning sets, before coming back to the Board for further discussion. The Scottish Government also need to be involved to ensure that NatureScot is in line to deliver their expectations. It is planned to have a final decision on the future organisational design strategy for NatureScot by October 2021.

AGENDA ITEM 4: MAXIMISING OUR CONTRIBUTION TO THE PEATLAND RESTORATION TARGET

12. Claudia Rowse presented the paper, which noted the increased requirement for peatland restoration to 600,000 hectares by 2045. Board members were invited to provide their insights and advice on NatureScot's ambition to significantly scale up both leadership and delivery in order to meet this target.

13. Key points were as follows:

- Peatland restoration is at the heart of NatureScot's core offers, and an example of nature-based solutions.
- The ambition of NatureScot is to increase leadership, and delivery of peatland restoration by 40% in 2021. This is a significant programme of work, currently with £10m of funding. It is planned to triple delivery over the next 3 years.
- There are several drivers for peatland restoration, including the Scottish Government's (SG) Climate Change Plan update.
- Board members' endorsement was sought to support urgent engagement with new ministers on how NatureScot can significantly increase delivery of peatland restoration, and how it can lead on a delivery action plan. It was proposed that this matter is returned to the Board in September meeting in order to set out the action plan, and consider all radical delivery options.

14. Board members asked for an update on whether this year's funding had been allocated from SG, and for comment on the additional expense of NatureScot covering the peatland restoration research costs for all partners. Claudia confirmed that funding had not yet been allocated for financial year 2021-22. 70% of funding covers physical restoration, with 30% covering administration, monitoring and reporting, feasibility studies and coordination of the Peatland Action scheme. Work is ongoing to reduce administration and coordination costs to 20%, in line with partners. At that point, NatureScot's proportionate costs would reduce, enabling efficiencies to be made. SG are in the process of securing a multi-year funding settlement.

15. The Chair questioned whether NatureScot has sufficient resources to cope with the increased demand. Claudia updated that staff resourcing was already being increased, and that discussions with SG were ongoing to consider a further uplift. The capacity of peatland restoration contractors was also queried, with Claudia confirming that contractor capacity is available for the current financial year, notwithstanding competition for their work from partners such as Forestry and Land Scotland. In order to build the skills capacity in this sector, NatureScot is currently working alongside the Enterprise agencies and as part of crofting pilots.

16. During discussion, Board members made the following key comments:

- Board to see the planned pipeline for increased leadership and delivery once detail available. Members heard that restoration of private land alone will not meet the SG target.
- The incentives to land owners to undertake peatland restoration on their land are seen to be mainly financial. They should be encouraged to recognise the wider benefits of investment in their property and their workforce. There is a noted increase in appetite for private and public investment in Scottish peatland restoration to provide a revenue stream.
- How benefits of restored peatland are measured, currently in hectares, but will change to reflect the benefits to climate change, biodiversity, and employment/industry.
- Recognition that some areas of peatland sequester carbon more efficiently than others, meaning that a hectare target for restoration may not be the best measure.
- Carbon emissions from peatland in poor condition are working against net zero ambitions.

17. The Chief Executive (CE) acknowledged the mandate from the Board to hold an urgent discussion with ministers in terms of the shortfall in funding compared to their significant peatland restoration target increase up to 2045. In addition, to agree the functions of both SG and NatureScot in the delivery and leadership of peatland restoration, including the development of skills. It was agreed that after this discussion, an action plan of possible delivery models would be presented to the Board for further consultation.

Post meeting note: this agenda item has been scheduled for the 06 October 2021 Board meeting.

AGENDA ITEM 5: MINUTES AND ACTION POINTS FROM 17 MARCH 2021

18. Board members were content to **approve** the minutes of the Board of NatureScot Meeting on the 17 March 2021 subject to a minor correction. The minutes were proposed by Jackie Hyland, and seconded by Kate Broughton.

Action Points

19. The **actions points** were discussed and the following updates were provided:

Action Point (AP13/181) (Future Options for Kinloch Castle) An update was provided that a beneficial owner continues to be sought, and if one is not found by September 2021, the property will be taken to open market. Board members acknowledged that this action remains **ongoing**.

Action Point (AP02/188) (Update to Board Members on Development of Green Finance) Board members acknowledged that this action remains **ongoing**.

Action Point (AP02/189) (Further Discussion on Peatland Restoration) Members noted that this was on the agenda for this meeting, and therefore agreed to **discharge**.

Action Point (AP01/190) (Management of Grant-in-Aid Funding, and Additional Funding) Board members received an update as requested, on 25 March. It was therefore agreed to **discharge** this action point.

Action Point (AP02/190) (Reasons for Higher Sickness Absence Levels in Women) An update on gender and sickness absence is included in the Q4 performance reports. It was therefore agreed to **discharge** this action point.

Action Point (AP03/190) (Recruitment of Young People) Information requested by the Board on the recruitment of young people had been provided. It was therefore agreed to **discharge** this action point.

AGENDA ITEM 6: MATTERS ARISING

20. There were no matters arising.

Jackie Hyland leaves the meeting.

AGENDA ITEM 7: Q4 PERFORMANCE REPORTS

21. Stuart MacQuarrie presented the Q4 Performance Reports to the Board. The performance reports address delivery of the corporate priorities by reviewing the alignment of outcome performance against NatureScot's Business Plan, Connecting People and Nature: Year 4, progress towards maximising available budget, assessing risks for delivery and reviewing people information supporting the resourcing of work.

22. Board members were asked to

- Note the overall performance of the Outcomes and the actions being taken to recover key deliverables that are slipping (Performance Report).
- Note the position of the operating and capital budgets (Finance Report)
- Note the Corporate Risk updates and the new risk escalated to the corporate risk register after approval from SLT (Risk Report).
- Note the performance on People-related measures and actions for Q4 2020/21 (People Report).

23. The report detailed performance for all outcomes as rated green against the Q4 90 day plan. 9 of the 43 key deliverables were deemed to be recoverable in Q1 2021/22. There had been no movement in corporate risk rating since Q3, however one corporate risk, 'Cyber Resilience' had been approved for escalation to the corporate risk register. The operating and capital budgets were both expected to outturn within tolerance. In the People section of the report, 9 indicators were rated green, with 1 amber.
24. Stuart highlighted that during Q4 there had been a continued focus on staff wellbeing and staff engagement – through the Winter Carnival events and staff conference. While this quarter was also the period of the third UK Covid-19 lockdown, the opportunities seized by the organisation at this time were significant, including repositioning on green recovery actions, the successful seamless transition by staff to homeworking, the launch of the Better Places Fund, the Make Space for Nature campaign, increasing youth employment opportunities, and reducing emissions from offices and travel.
25. In addition to the summary of achievements for Outcomes 1 and 2 in the report, Nick Halfhide provided the Board with his current concerns:
- The size of the climate change and biodiversity challenge ahead, and the pace required to effectively tackle it.
 - Joint enterprise between environmental bodies would increase opportunities to transform nature and climate change.
26. Robbie Kernahan updated on the progress made by Outcome 3 during Q4, highlighting the following areas:
- Progress in peatland restoration on track to achieve the target of 3600 hectares.
 - Support provided to SG in working with farmer-led groups looking at the future of future agricultural support schemes.
 - The SG response to the Deer Working Group report has resulted in NatureScot leading on many of the recommendations.
 - NatureScot's involvement in revisions to the planning system through the National Planning Framework 4, to secure nature at the heart of planning.
 - Increased demand for licencing, including draft licencing for mountain hares.
27. Jane Macdonald provided the Board with an overview of key highlights during Q4:
- Focus remained on responding to Covid-19 related activity, from staff engagement and wellbeing, to cyber security work.
 - Continuing to sustain day to day service delivery, while also delivering the transformation programme, accelerating some areas.

28. Jane provided the Board with current concerns:

- The current heightened cyber risks.
- Scale and pace of internal change amidst the unusual circumstances of Covid-19, causing pressure on staff capacity.

29. David Johnston presented the Q4 financial situation to Board members, explaining that the report gives detail with figures taken at the beginning of April 2021. Current figures have since become available, enabling the following updated situation:

- Core grant-in-aid shows an underspend within tolerance.
- Capital budget shows full spend within tolerance.
- Peatlands funding spend shows £6.3m out of a £7.4m budget, a £1.1m underspend. In light of Covid-19 restrictions and weather conditions during Q4, restoration of 3300 out of a target of 3600 hectares was seen as a strong achievement.

30. David reported that there were areas which the finance team would be working on to improve, including reduction of a build-up of claims and invoices at financial year end, and work to improve budgetary forecasting. He also informed that the report now included detail on European Regional Development Fund claims. This is to allow close oversight, needed due to delays in payment of up to 12 months by the managing authority. This has resulted in the related corporate risk being increased to high, while NatureScot bears the financial risk of claims being disallowed by the managing authority. Members noted the complexity of the EU eligibility criteria contributing to this, along with the need for a balance of financial and reputational risk. This issue is to be discussed by the Senior Leadership Team, and with SG. It is also being monitored by the Audit and Risk Committee following an audit on this function.

31. In response to the Q4 Performance Reports, Board members made the following points:

- Positive financial outturn was acknowledged, within 1% of tolerance.
- Questioned how NatureScot ensures it is protected from cyber risks – members were informed that internal and external expertise is available, controls and protections are in place, including adherence to the ISO27001 standard. Regular reports on compliance with this standard are presented to the Audit and Risk Committee. Staff vigilance was seen to be the first line of defence. The differences in SEPA's recently cyber attacked system and NatureScot's were explained.
- Changes in the presentation of information within the report has resulted in lack of context in how well the organisation has performed against what it set out to do at the beginning of the year. Also detail on any trends in performance identified has been lost. Members were advised that the context and presentation of data is being developed.

- Members heard that if the youth employment opportunities are taken up by anyone over 30, the employment will not count towards the SG target of a 5% workforce of young people.
- Whether the organisation is sufficiently resourced to deal with the significant increase in funding for the Better Places Fund, Biodiversity Challenge Fund, and peatland restoration. Members were informed that a funding plan for resilience on the delivery of funding is being worked on. This includes increased staffing in the funding team.

32. The Board were content to agree the recommendations to note the contents of the performance reports, and commended staff on the positive performance achieved in another challenging quarter.

AGENDA ITEM 8: AUDIT AND RISK COMMITTEE QUARTERLY REPORT – ORAL UPDATE

33. Board members received an update on the work of the Audit and Risk Committee (ARC) during the last quarter, from ARC Chair Kate Broughton. Kate brought the following work to the attention of the Board:

- Confirmation that Ian Gambles and Nikki Yoxall have joined as ARC members.
- ARC Annual Report 2020/21 available as an information paper for this meeting.
- Cyber-security situation being monitored in light of attacks on partner organisations, and additional staff training provided.
- The Audit Scotland Interim Management Report confirmed their satisfaction with NatureScot's governance practices, including the mitigation of fraud risk.
- The draft governance statement for the Annual Report and Accounts had been considered by members, including the risk to the organisation of funds from the managing authority not being reimbursed through the European Regional Development Fund (ERDF).
- The Internal Audit Progress report, risk management update, and Annual Review and Action Update was reviewed by members. All audits other than that concerning payments by the managing authority from the ERDF gave satisfactory assurance.
- A Medium to Long Term Financial Plan, as recommended by Audit Scotland, had been brought to the Committee. It was agreed this will be helpful in the development of the next Corporate Plan.

34. Board members thanked Kate for the quarterly update.

AGENDA ITEM 10: DEPUTY CHAIR UPDATE – ORAL REPORT

35. Deputy Chair Cath Denholm gave the following updates on action since the previous meeting:

- A successful induction session had been undertaken for new Board members. As the Board settled in, we agreed to continue to review working practices and all members were encouraged to ask questions or feed in comments or suggestions regarding the running of the Board.
- She and Nick Halfhide had attended a seminar hosted by the Joint Nature Conservation Committee (JNCC) for the four nations to discuss a shared approach to preparations for the Conference Of Parties 15 where the post 2020 climate change and biodiversity targets will be agreed.

36. It was agreed that Cath Denholm, Aoife Martin and Eileen Stuart would prepare a short presentation for the benefit of the new Board members, on JNCC and NatureScot's involvement in it. This could be presented at a future Board meeting, or as a standalone event.

Action Point 03/191

INFORMATION PAPERS

AGENDA ITEM 11: CHIEF EXECUTIVE'S REPORT (OFFICIAL SENSITIVE)

37. This information paper provided Board members with an update of activity by the Chief Executive since the last Board meeting. This included the following highlights:

- COPs 15 and 26
- NatureScot's involvement in land use transformation.
- Focus on employee welfare.

38. Board members noted the contents of the paper.

AGENDA ITEM 12: AUDIT AND RISK COMMITTEE (ARC) ANNUAL REPORT 2020/21

39. The report supports the Board of NatureScot in fulfilling its governance function, as one component of the assurance the Accountable Officer (AO) relies on to complete the Governance Statement.

40. Board members noted the contents of the paper.

AGENDA ITEM 13 – SCIENTIFIC ADVISORY COMMITTEE (SAC) ANNUAL REPORT 2020/21

41. This information paper presented a summary of the activities of the SAC between April 2020 and March 2021. The SAC provides peer review of complex areas of science as a 'critical friend', draws on expertise in the natural and social sciences, and synergistically works with staff to provide robust advice and evidence.

42. Board members noted the contents of the paper.

AGENDA ITEM 14 – PROTECTED AREAS COMMITTEE (PAC) ANNUAL REPORT 2020/21

43. This information paper presented a summary of PAC activities from April 2020 to March 2021. The work of the Protected Areas Committee (PAC) is relevant to both improving biodiversity and delivering nature-based solutions to climate change. In particular this year, the PAC have been working on the commission from the Board to explore how our work on protected areas can contribute effectively to these priorities while responding to budgetary challenges.

44. Board members noted the contents of the paper.

AGENDA ITEM 15: FORWARD AGENDA FOR 30 JUNE 2021

45. The Board noted the forward agenda for 30 June 2021.

ANY OTHER BUSINESS

46. None.

Date of Next Meeting

47. The next Board of NatureScot meeting is planned to take place on 30 June 2021, via video conferencing.

48. The Chair thanked all those in attendance, particularly Caitlin Cunningham of the Young Employee Panel. The meeting was closed.

END