



Business Case

NatureScot

Review of Offices: Perth

The recommendation in this case is made by the NatureScot Way Workplaces Programme Board and is sponsored by our Senior Leadership team. Quality assurance on Costs and Income were provided by REDACTEDREDACTEDREDACTEDREDACTED in NatureScot.

For this case we worked with Scottish Government and have been liaising with other partners including Scottish Environment Protection Agency, Scottish Forestry, Forestry and Land Scotland and Perth and Kinross Council.

VERSION HISTORY			
Version	Date Issued	Brief Summary of Change	Owner's Name
1.0		Search of property made: Options explored and assessment against business requirements made. Consultancy and legal advice sought on property costs and maintenance, potential development of Battleby and disposal options. Update for Minister and NatureScot Board on the approach to the case.	
2.0		Recommendation endorsed by NatureScot Way Workplaces Programme Board	NatureScot Way Workplaces Programme (NSWWP) Board (12 July 2023)
3.0		Recommendation endorsed by NatureScot Senior Leadership Team.	
3.0		Submission to SG Property and Construction Team	
4,0		Revisions following feedback from SG	
5.0		Final draft submitted for decision by Ministers	

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1.0 Summary and Purpose

To seek approval for NatureScot to relocate its office hub from Battleby (BBY) to Scottish Government's office at Strathearn House under the terms of a MOTU. It is also recommended that NatureScot provide separate premises to meet its specific operational storage needs.

The recommendation to relocate our office based activities to Strathearn House is based on a balance of factors which are explained in the options appraisal in this paper.

NatureScot's workplace criteria upon which this property appraisal is assessed sets out the current business requirements for Workplaces in future. There have been some key changes that means that BBY, which comprises office, conference centre and extensive grounds, is no longer as good a fit with NatureScot's business requirements. To remain at Battleby requires investment in planned property maintenance to give assurance on business continuity: replacement of obsolete heating systems is essential and urgent plus other investment in Net Zero which at best will deliver an Energy Performance Certificate Grade B will cost upwards of £500k+ and roof repairs estimated to be £75k pa for 6 years.

NatureScot requires office accommodation, has specific storage requirements for operational equipment, and Perth is a strategic location for hosting large events.

SG's offer is for the office accommodation only:

From a strategic perspective the office at Strathearn House fits with NatureScot's workplace policies and approach. A relocation will deliver a right-sized, modern workplace hub for NatureScot that more fully meets our Workplace Experience and Workplace Standards at an affordable cost and reduce NatureScot's carbon emissions. The open plan workspace will provide more opportunities for cross team working. The relocation to Strathearn House is not risk free, the size of space that SG has offered is less than our Standard Workspace Calculations however as explained in the paper it should be sufficient for NatureScot's current requirements. SG is not currently able to afford much flexibility to expand should our demand change however they are still reviewing the space requirements of other partners so one might say there is always potential for changes in future. There are alternative office providers REDACTEDREDACTED REDACTEDREDACTEDREDACTEDREDACTED that may be able to offer space in the future, or indeed another in-town provider, which would provide not only additional capacity but choice for staff who use public transport for work and would find an in-town location more accessible.

The offer made by SG is dependent upon security and IT solutions being found that enable NatureScot to set up the office and ways of working that meet our expectation, and that which underpin the Workplace Experience that offer our staff so NatureScot wishes to reserve the right to reject the final office if it becomes clear the offer was not as presented in this paper.

NatureScot will need to conclude the search for suitable premises for our operational storage requirements. We had previously considered options, for example Scottish Forestry/Forestry and Land Scotland have an operational site at Inver and the council has operational depots as well. Until such time that BBY is sold it may be feasible to continue to use the storage in the grounds of BBY and potentially the smaller building at Upper BBY, subject to ongoing building compliance

being met of course, such standards for storage facilities being different to use of a building for offices.

The steer from our Board is to move at pace, as our currently highly dispersed office portfolio is unaffordable owing to inflation and planned property maintenance work are leading to higher costs and increasing pressure on our Grant in Aid. Relocating to Strathearn House will reduce NatureScot's average annual running costs, but some caution is needed with interpretation of the financial comparisons in this paper to avoid misunderstanding. In the Cost and Income Statements in the Annex NatureScot's running costs at BBY are shown to be in the region of £20k per annum higher than occupation of Strathearn House, however it must be remembered that this is a comparison of the site of BBY whereas Strathearn House will be providing office facilities so there will be other costs for operational storage and external hire of conference facilities to come. To enable a fair comparison in the Value for Money Assessment Table a ballpark provision of £25k has been added to the Strathearn Office costs to provide for separate specific operational storage and pay-as-you-use external conference venues (these services currently being provided at BBY). Whilst it is fair to say these estimated costs are not based on any detailed analysis we have given some thought to average UK property costs and NatureScot's use of large conference venues has reduced since the shift in how we do our business post pandemic.

Relocation will also mitigate the significant financial risks associated with the need to invest in property repair and the renewables programme mentioned earlier which will give assurances to our Board/SLT/colleagues on business continuity and building compliance meeting statutory requirements for health, safety and wellbeing. Strathearn House has attained a Grade B on its Energy Performance Certificate and there is potential for further investment and improvement, whereas the best that BBY is likely to attain is a B Grade following significant investment. There are concerns about how the property repairs and Net Zero works would be funded as this is unaffordable for NatureScot who carry the risks of ownership and whether investment in a building such as this when there is suitable vacant space in other buildings in the SG Estate is best use of public finances.

The relocation of NatureScot into SG's building will deliver savings for SG, reducing their running costs and their reportable carbon emissions because they are offering NatureScot soon-to-be-vacant space. There will also be income from the sale of BBY site which Savills Consultancy confirms is of high value and is expected to be an attractive development for a number of potential future uses. There are planning and use restrictions for the site that will need to be factored into any sale. Savills also advised that retention of a property that requires significant investment is at risk of becoming a stranded asset as more buildings come on the market with higher Net Zero credentials.

Sharing the building with SG and SEPA will provide for closer working with our strategic partners at an affordable cost. A change in the Workplace Delivery model will deliver efficiencies: with SG delivering the facilities management; venues for large conferences and events being contracted out so paid for on a-pay-as used basis will match utilisation rates; NatureScot relinquishing its role as landlord at a large site will release significant workplace staff time that can be redeployed to implementing transformative change associated with our changing workplace services model whereby we are developing a National Team approach to managing our Estates. The Service Delivery team at Battleby has experience of developing and facilitating use of the building as a hub and are well placed to support SG/local office team in delivery of the same at

2.0 Background on NatureScot

NatureScot promotes, cares for and improves Scotland’s natural heritage. We enable a greater awareness of nature and help people to enjoy nature responsibly. Looking to the future, we promote the sustainable use of natural assets now. Our Board has underlined the importance of NatureScot continuing to operate in local areas with proximity to our stakeholders and the value of having staff dispersed across Scotland.

As regards the shape of our current office portfolio, we have 27 offices across Scotland as shown in the Annex. In recent years we have taken considerable effort to manage our portfolio: From 2015-2019 we introduced Smarter Working environments with the roll out of laptops to enable staff to choose where best to do different tasks. As a result of space reductions annual running costs reduced by £370k p.a., with a cumulative value over 5 years of £1.6m. The move to Smarter Working provided resilience for business continuity during the pandemic when we all worked from home. Pre-pandemic, in early 2019 during a deep dive discussion on Fixed Costs, it was predicted despite these savings fixed costs were expected to rise significantly risking the affordability of a dispersed network of offices and so the Board commissioned a review of offices. An update in October 2022 showed an increase in fixed costs of c£100k a year during a period of office closures. The Board showed strong support for the approach that has been approved by Senior Leadership Team and the NatureScot Way Workplaces Programme Board, and upon which this business case is founded.

Our Organisational Development Programme is enabling new ways of working, transforming our leadership capability and developing a happy and resilient workforce. We are continuing to transform how we work so that more work can be done from anywhere in the country and staff have more choice about where to work. As a result the purpose of the office is changing: Workplaces form part of the NatureScot Way “Offer to Staff” and our new “Workplace Experience” which is based on “Principles of the New Normal and Team Working Guidance” sets out the change in purpose of our offices and our commitment to a more consistent Workplace Services offer to staff. NatureScot staff have more choice about where they work and as a result there has been a significant change in the requirement. In future we will provide fewer workstations as a result of people electing to be Permanent Homeworkers with a workstation provided for in people’s homes. There is drive for more collaborative work but not all meeting places need to be in an office as there are alternative venues. Teams say they want a clear purpose to get together that is more than just working alongside each other in the office eg site visits/training days. Employees also looking for a lively social office environment so they can feel a sense of place and connection to the organisation; where they can sometimes work alongside each other, this also a key part of on-boarding new staff. It is also important that there is access to indoor, and outdoor spaces in the vicinity of the office, to support the wellbeing of staff.



Work is what you do, not where you go

You have more choice about where you work

You find the best place to carry out your tasks

You choose how and where to work to help reduce our carbon footprint.

3.0 Statement of Need

We need to ensure our office are fit for the future. NatureScot is reviewing all our Office Estate and working through adjustments in light of our changed ways of working. The choice of offices in future needs to align with the changes in the strategic context and our corporate requirements detailed below.

3.1 Strategic Context - Scottish Government (SG) and NatureScot's Corporate Requirements

The changing purpose of offices and the workspace services model that NatureScot is moving to is described in the "Background to NatureScot". The Board has given a steer to develop Work Local Hubs with other public sector organisations and community groups. In terms of what this means for the choice of buildings we call offices there may be one main hub and in addition to that with a choice of other places where employees can work closer to where they live and also importantly connect with key stakeholders.

When decisions are taken about NatureScot's office portfolio it is intended that this will fit in with the direction of travel aligned to Scottish Government and NatureScot's Estate Strategies. As regards future office presence our Board in May 2023 agreed that broadly speaking this means:

- Having a choice of workplaces – at home and in office hubs - enables our dispersed staff to provide an online and physical presence across Scotland, maintaining our connections with key stakeholders both nationally and within local communities.
- NatureScot values workplaces and believes offices have a future and is looking to work with partners to develop shared hubs that provide desks for hybrid workers, storage for teams and operational kit and collaborative space. REDACTEDREDACTEDREDACTEDREDACTEDREDACTED
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- With regards where our offices will be in future, and how many we will have, we are changing our service model. This model cannot be enacted unilaterally as hub arrangements require a multi-partner shared vision and approach, however there are a number of key features:
- NatureScot will have a right-sized workspace in 3 shared "hubs" serving large numbers of our employees and other partners. These hubs will be branded and so recognised by staff and the public as "NatureScot's offices" and expected to be in Inverness, Edinburgh, Perth. All employees living within 30 miles of a hub will be able to use that hub.

In future we are expecting to have fewer office buildings in our portfolio across Scotland that are owned and managed by NatureScot employees, and more of those offices and services will be shared with partners and may have a larger catchment area impacting on commuter journeys. There is also a drive to more consistency of workplaces offering across the country and the level of workplace services provided. The approach described here is not without risk but it also provides significant opportunities to deliver more benefits for NatureScot and the public purse overall and NatureScot as highlighted in the risks and opportunities section of the business case.

When it comes to the choice of offices NatureScot is driving to significantly reduce office accommodation costs in response to reduced Grant in Aid Funding and, reflecting our leadership role in Climate Change, we have set an ambitious Net Zero target by 2035 ten years ahead of the Scottish Government target. But in the forefront of our minds is that offices are for people and we want great places for our employees and partners to work that will enhance their performance and wellbeing. Our buildings say something about us as an organisation: they represent our culture and are places for our staff to feel connected to the organisation. As regards using our offices as a "shop window", our brand requirements are detailed below; worth highlighting that there is a clear steer from Senior Leadership Team that NatureScot does not have a

business requirement to purchase space at any office location specifically for the purpose of showcasing the work of NatureScot given the asset value of our National Nature Reserves. The accelerated move towards a digital first organisation is transforming how NatureScot works particularly in reducing business travel by making more use of online video meetings.

NatureScot is considerate of the impact that changes in offices has on staff and will engage with staff and support them through change. Our NatureScot Way offer to staff enables flexibility so there is more choice for colleagues on where to work, terms and conditions have a mobility clause and our relocation policy that allow for the test of reasonableness for a travel journey of up to 60miles and Excess Fares Allowances.

The statement above outlines our general requirements and this, together with a fuller statement set out in the form of 4 key criteria [here](#).

This is used in the review of all offices to identify whether the space available in our current offices can continue to meet our needs, whether our partners offering to share their buildings has the potential to meet our requirements and so informs the short list of options for appraisal. Having explored the short list of options more fully, each is then assessed against the four key criteria that comprise our requirement (see later).

3.2 Local workplace requirements specific to Perth

The following points are specific to this office review in Perth:

In terms of the scope of requirements, NatureScot has been given a clear steer by Scottish Government to consider its own future requirements and leave the current collocates at BBY to review their own.

For NatureScot, the workplace requirements can be summarised as follows:

- Office facilities
- Specific operational requirements of some staff who are based in BBY who go out on site.
- NatureScot local and corporate requirements for meeting and collaborate space in a central location.
- NatureScot's Senior Leadership has made a strategic decision to change the service model to buy in the provision of meetings/conferencing venues when needed rather than to require to own a conference centre and confirmed there is no requirement to have extensive grounds at any of its offices for promoting the work on NatureScot. This is set out in the criteria statement that frames the options appraisal.

Perth is a location where a significant number of staff live. Whilst it might be assumed that if in future NatureScot increases in staff numbers that more staff may be recruited in this area simply reflecting the population size here compared to other places however it is worth noting that the number of staff based in BBY has not much changed since August 2022 though there has been a slight increase in the number of Regular Homeworkers and slightly fewer Permanent Homeworkers.

Retaining an office in Perth is justifiable with the emphasis being on continuing to share a building and developing a hub approach with partners and community groups. There are synergies between the work of NatureScot, Scottish Government and other public sector bodies including Forestry and Land Scotland (FLS), Scottish Forestry (SF) and Scottish Environment Protection Agency (SEPA) who currently have offices in Perth, either sharing in BBY or at Strathearn House. There are other partners with whom we work alongside in BBY and others that would like have the opportunity to work alongside including the Local Councils and the Enterprise Companies in shared offices across Scotland. Perth also has proximity to key customers that form the focus of our work in the Local Authorities areas (Perth and Kinross, Dundee City and Angus).

We have been working collaboratively on this office review, firstly through Scottish Futures Trust (SFT) leading a stakeholder group including FLS, SF and SEPA, and now directly with Scottish Government. The partners were progressing their reviews and business requirements at varying pace and have differing business requirements which means it was challenging for SFT to progress a joint business case and given NatureScot's board's steer to act at pace, it was decided to submit this individual case.

Number of office users: As regards the basis upon which we are assessing our future office space requirements, Senior Leadership Team has agreed that there are sufficient numbers of staff based in Perth to justify procuring space to be known as "NatureScot's office" as follows:

- A hub for all the **85 staff whose posts based in Perth**, a collaborative working and generally to provide a sense of place, to feel connected to the organisation.
- Some of those based in Perth are operational staff who are office based but regularly go on site visits and to our National Nature Reserves require access to operations equipment and transport (see later).
- Workstations for **23 Occasional and 31 Regular Homeworkers** to share on a ratio of 6 desks for every 10 staff. The **25 Permanent Homeworkers and the 5 staff who have not registered a homeworking preference** will be treated as visitors for the purpose of procuring office accommodation.

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- **Perth is also a strategic meeting place for our staff gathering from across the country and also for meetings with our stakeholders.** It is sometimes a place where our Board and Senior Leadership Team meet.
 - It is important to secure flexible terms of occupancy in any office that we occupy in future, to enable expansion or contraction to meet changes in demand over time, a point that is covered earlier in this paper. **Current use of BBY has been fairly good in the past 6 months (15-20 being the average most days with an infrequent peak of 26 people). What is not clear is whether use of the office is aligned to the Homeworking definitions of % days in/out the office which the desk calculations for future provision of space are based on.**
 - **The maps in the Annex show that staff live all around Perth.** There are a few staff posts assigned to BBY who have home postcodes some distance from Perth. Whilst the corporate requirements for location are explained in the 4 Criteria above, the location of the office will impact staff on an individual basis. Feedback from some staff is that they live in some places where there are no public transport links so they travel to the office by car so find out of town locations easier for parking, and they feel that travelling into the town centre would be a barrier to using the office owing to the time it takes to get in and out of town compared to their commute to BBY.

The local office for NatureScot staff in Perth will be the hub for NatureScot. As regards the workplace services and user experience, NatureScot is aspiring to a consistent “Workplace Experience Statement” and standards of service irrespective of whether those services are provided by our own staff, partners or contractors. NatureScot requires an interior space that can be set up as a Smarter Working environment with all the associated workplace settings set out in the attached document which sets the standard requirements. [1 NSWWP - BUSINESS REQUIREMENTS - High level design for Offices \(3 OF 3\) \(A3871994\)](#)

In addition to the high level design for Offices above, in Perth NatureScot requires specific space for operational work:

- For wildlife management specialist equipment eg beaver traps. This a mixture of store rooms and outside space for things like netting.
- We also need to be able to store large equipment for our National Nature Reserves (NNRs). These stores do not need to be in the same location as office facilities however we will need access to these stores by vehicle and therefore require access to onsite parking at the store.

NatureScot staff in Perth have requirements for travel that cannot be met by public transport:

- Many staff are office based and travel out to attend sites using the fleet. As all staff are entitled to claim travel costs from their office base to site visit (rather than home) it is apparently clearer for taxable benefits reasons to have these parked for collection at the staff base, however they could be in another easily accessible, secure location.
 - We have 4 electric fleet vehicles currently and are in the process of right-sizing our fleet. Perth does not have a car club and hire of vehicles can be in short supply during the summer owing to peak demand for large events happening in the area.
 - There is a diesel pick-up truck (photo in Annex) that may be parked in the vicinity of the office where the drivers are based.

Other operational requirements relate to about a high number of staff at BBY having Personal Protective Equipment (PPE). That they would want to be located alongside the vehicle (in our fleet or other) that they are going to use to get to site because one rarely uses public transport to access a site that requires PPE.

We also seek buildings that enable wifi-first and high performance of that wifi throughout the building so that our staff can stay connected in our dedicated floor space and also in the meeting rooms and other

common areas. The appraisal must also give assurance that NatureScot's security standards can be met and that the business of other partners we'll be working alongside does not present real or perceived conflicts of interest in terms of our operational business.

NatureScot has been engaging with the Local Senior Leaders and all staff assigned to all offices, providing opportunities throughout the review process to discuss the changing purpose of offices and how teams/individuals expect to use the office in future to engender the new Workplace Experience. In addition staff are invited to attend regular updates on how the office reviews are progressing, the options being explored and the criteria that sets out the business requirements for all offices and underpins the options appraisal. If a decision is taken to relocate, staff are invited to engage in space planning to determine the smarter working layout and various workplace settings.

The perfect office space finds the ideal balance between cost efficiency and team member comfort and happiness. NatureScot is seeking to provide sufficient space to meet optimal demand (not peak demand) for space so some proactive management of its use will be required as in our Edinburgh office. To help us take a more structured approach to estimating how much space we should 'buy' we have agreed a methodology:

In summary NatureScot Programme Board is recommending the following space be procured initially:

All future office spaces are based on 10m² per FTE Occasional and Regular Homeworkers. For this case that is c330m² for a Smarter Working environment. In a shared office this will be more space than actually required as it provides for individual, meeting and collaborative spaces and welfare area much of which will be provided to all tenants. The extent to which NatureScot requires dedicated space for Workplace Services (eg welcome, mail, security etc) will depend on the extent to which these services are provided by any partner in a shared office.

Within NatureScot's work area we expect to need a minimum of:

- **22 desks for the initial set up for the 54 Occasional (23) and Regular Homeworkers (31) with total space 110m².** The calculations is not based on headcount rather it firstly reflects the % time in the office as per the working preference definitions (maximum 40% for Regular, 100% for Occasional) and then a desk sharing ratio of 6:10 is applied. This is therefore considered the least number of desks that will be required as a starting position. **(Total space 110m², using 5m² per desk industry standard footprint & circulation space)**
- **The amount of storage**
 - **For general office use:** team storage/personal lockers/specialist storage. Estimates using the standard calculations are not available at the time of writing. By way of a benchmark using a recent relocation, in Edinburgh we allowed 60m² catering for total staff posts in Edinburgh of 69 headcount averaging 0.9m² pp. **Using this as a benchmark, for 69 staff in Perth, would equate to 77m².**
 - **Specific storage requirements:** In addition to the office storage specific things that require more consideration include: the future of the Library (c10m²) and comms materials including publications and photo library; archiving that has been sent to BBY enabling the downsizing of other offices; ongoing need for provision of a large Personal Protective Equipment store and storage for specialist equipment (c5m²) operational storage for eg beaver traps, some of which may be stored outside.
- **Some space for 'agile working' including for example informal break out and quiet spaces, confidential spaces/glass pods, and specific features that the local staff would find useful.**
- **Detailed space planning will be carried out** in conjunction with users and the partner providing the facilities management.

Worth highlighting is that NatureScot currently shares its desks on a ratio of 8 desks for 10 employees and is aspiring to share desks on a ratio of 6 desks for 10 employees. We prioritise buildings that offer flexible terms of occupation in buildings where there is scope to expand/contract. When developing Work Local Hubs we want to share workstations with partners, because working amongst each other enables more collaboration and, from a building management perspective, in offices where NatureScot's staff numbers are lower it will help us meet our peak demand because there will be a larger pool of desks in which to 'spill over' into.

The average occupancy of the office in BBY the past 6 months has been 15-20 most days. Some of the lowest occupancy of 7 can occur on Monday/Fridays with a maximum on some days of 26. [BBY - Daily Head Count 2022 \(A3956360\)](#).

Given NatureScot aims **to provide for optimal not peak demand, there may be a need for staff to be flexible about choosing where and when to work in the office and a putting in a place a desk booking system will help inform choices.** As regards reducing space requirements for storage, all staff in our offices are being proactive about clearing out cupboards: there is scope to significantly reduce hard copy materials following two years of office closure when we fully digitised some processes eg in finance & procurement and more generally in our ways of working.

Detailed space drawings for the options have not yet been prepared as this forms part of the next steps for after a decision is taken on this case, when all staff will be invited to get involved.

In front loading staff engagement on the requirements we hope that staff understand the approach that NatureScot is taking and the reasons why and the benefits or risks that carries. The staff have had the opportunity to raise issues and concerns, discuss opportunities, which may have resulted in a change to the statements of requirements for this location or indeed the standards that are set out in our requirements. We continue to engage with the TUS Convenor and Partnership. In adopting this high level of engagement we hope that colleagues feel part of the process of review however we are sensitive to the impacts that this uncertainty causes and that staff need to be supported during this time and after a decision is taken as it will impact individuals in different ways. The next steps explains the potential impact on individual employees arising from a decision to implement the recommended option in this business case and the support that will be in place.

3.3 Risks and Controls and Opportunities

The risks, controls and opportunities that support the rationale in the options appraisal are detailed in Annex 4.

4.1 Options

The case for continuing to have an office in Perth is made in the section on business requirements. This case and the options appraisal below focuses on **where NatureScot should set up its office hub, how best to provide for the specific operational requirements of some staff who are based in BBY and how best to meet the organisation's needs for meeting and collaborate space.**

- **Option 1: Status Quo - NatureScot continues its ownership and occupation of** and continues to develop the building as a hub seeking to deliver best value of the asset including in-house conference centre and extensive grounds.
- **Option 2: NatureScot relocates its office and operational activities to one or more locations:**

This option means that NatureScot recognises the different activities currently undertaken at BBY can be separated. A multisite approach would mean that:

- **NatureScot relocates the hub of its office activities to another office in NatureScot or the SG Estate**, that is a shared office providing workstations and general office storage; with meeting facilities catering for meetings similar to other large offices such as our headquarters in Inverness so up to around 50-60 people with larger events being hosts in external venues. IF there is insufficient space to house specific **operational storage at the office site would be relocated to alternative suitable site(s) providing sufficient capacity to meet specific internal and external storage requirements.**

The search for suitable premises

As regards choices of locations for option 2, an extensive search has been undertaken continually and by several parties over the course of the last 2 years, and at least a year prior to the pandemic when Scottish Government and Scottish Futures Trust were exploring options prior to the renewal of the Strathearn House lease and in attempts to develop a joint business case for SG/SEPA/NatureScot/SF. The only viable option found by SG/SFT/SEPA/NatureScot/Savills consultancy with currently vacant space or expected space becoming vacant in the existing SG and Local Authority Estates was in **Strathearn House.**

The extensive search also extended to **private sector landlord or community ventures.** SG found one viable option for a new payee being a privately owned office occupied by a commercial firm. SG was not pursuing this option for the decision paper seeking approval to remain in Strathearn House beyond the lease break to the end of the lease term. The one alternative did not provide better value on a balance of factors than Strathearn House or meet their business requirements particularly in terms of Net Zero any better than the existing office but would incur disruption and relocation costs.

NatureScot workplaces staff and Savills on our behalf, independently of SG also explored opportunities for office space in the SG and LA Estates and community ventures as approaching a couple of private sector landlords including the one that SG were in discussion with mentioned above but in this case seeking space of a scale to meet our own needs alone. The only viable option was there may be space in the Perth Community Hub in town coming up, the size of 'units' could provide for a small drop in office in the town centre and access to meeting rooms.

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There have been discussions with SF about the potential use of their site at Inver, and also with the Perth and Kinross Council about the wider Local Authority estate and whilst neither are able to offer a one site solution for NatureScot they are open to further discussions about the opportunities to make use of their sites that would meet some of our requirements. Both organisations have operational work and therefore may have suitable premises for operational storage however options and capacity to make an offer requires further exploration.

NatureScot has also considered options for relocating its office to to existing offices in NatureScot's Estate within or close to 30 miles of BBY, these include Stirling, Cupar, Edinburgh. NatureScot has recently handed back space to SEPA in Stirling so there is vacant space. It is possible to expand into vacant space in Meadowbank House. The constraint is about distance from staff homes and under our Relocation Policy a distance of 30 miles is 'reasonable'.

There is likely to be private sector landlords in the Perth area but decisions to rationalise the SG Estates mean that a Minister is unlikely to agree to a new payee if there is suitable space in the SG Estates so NatureScot has not pursued "offers" from the private sector.

Given the imperative of NatureScot and the steer from its Board on pace of decision taking required for the future of BBY, and following a steer from Scottish Government Ministers and SG Property and Construction Team it was decided to focus on developing the option to relocate its office hub to Strathearn House and operational activities to one or more locations to be identified in due course.

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- It was the home of ranger training and the 'go-to' source of access management information. Although this formal aspect of the Display Centre was phased out in the 1990s as other bodies took on greater demonstration role, the management of the grounds and associated recreation/art infrastructure still represents innovation and best practice. e.g.
 - We have been managing the grounds as a designed landscape and introduced things to demonstrate like the green wall and bee pollination trail. The grounds has a number of iconic tree species of national importance present.
 - Demonstrating good practice in management for nature e.g. Meadow management (although this is not of the scale of demonstration available at NNRs),
 - Public access - Used by residents from nearby communities of Redgorton and Luncarty as a place to exercise and by School groups and nurseries for outdoor learning and play.

Criterion #2 Enables individuals and teams to deliver well

NatureScot's largest offices for the 85 staff whose posts are here most of which live in the vicinity of the office as shown in the map home postcodes in the Annex. An average usage is 20-30 people in the office each day working in a variety of places as shown by the homeworking preferences.

The BBY site with ample space for storage inside and external stores in the grounds provides for the operational storage that many staff use when going to site visits and our National Nature Reserves. NatureScot has invested in a fleet of electric vehicles with EV charge points. There is also space for a pick up truck (see photo in Annex).

Many staff have been attracted to work for NatureScot because of the Battleby site. Feedback is that they value the location for ease of access by car since many do not live near public transport routes, and the country house and grounds and small cellular offices which suits their preferences compared to modern open plan; the sense of place enhances their wellbeing; they have a high sense of value on Battleby as a great place for meetings with the conference centre catering for large groups and coupled with the grounds it having a nice ambience to facilitate and promote the work of NatureScot.

NatureScot occupies the Main House that comprises many small and medium sized cellular offices. Before the pandemic there was investment in the interior to provide a wider range of workplace features enabling staff to adopt Smarter Working. The building structure presents some constraints to delivery of wifi throughout.

There is a significant risk to business continuity relating to the obsolete heating systems which is included in the financial and sustainability criteria.

Criterion #3 Greener Estate

The Energy Performance Certificates for BBY site are: Main House - 43C and Conference Centre - 51D Upper B - 38C, Cottage - 29B

Battleby site as a contributor to the overall carbon emissions reported by NatureScot has over the years ranked third behind Rum Nature Reserve and our Headquarters in Inverness. BBY also reported substantially higher than Silvan House when reporting NatureScot's share of those buildings (57k compared to 37k in Silvan House in 2021/22)).

NatureScot's reported figures for BBY reduced in 21/22 compared to the previous year's owing to a change in the reporting requirements as NatureScot was only required to report our share (79% whereas previous year we reported 100%). The whole site at BBY has reduced carbon emissions from 81k in 2020/21 to 72k in 2021/22 for the whole site owing to less usage of electricity and biomass, with heating oil remaining the same. Other factors are that electricity has become greener although the proportion of this energy source use at BBY is a lot lower than the biomass and oil.

Property Team commissioned reports shows significant investment requirements to drive towards Net Zero and the best Energy Performance Certificate that is likely to be achieved is the lower end of B in all our offices. Further information about the works and costs of this are in the financial section below.

Size of space is a key contributor. NatureScot had about 95 desks set up for use pre-pandemic. Our future requirement is for 22 desks which is a 75% reduction from 2020. There has been significant reduction in local staff storage and the opportunity to continue to drive this down further.

As regards using the grounds of BBY for offsetting carbon emissions, the offsetting strategy outwith or on our own landholdings has not yet been agreed by NatureScot, but in order to set up a properly certified carbon credit project to use as an offset requires us to show additionality, ie an additional new area of tree planting that is in addition to what is already there and there is little scope for that in Battleby grounds.

Criterion #4 Value for money and financial sustainability

Overview of running costs

Our Accounting report by office shows the running costs for Battleby fluctuate so an average has been taken over the past few years. The figures include annual property repairs and maintenance but these are not the full extent of the costs because, for example, the IT costs are not included, there are additional property costs (see below), and nor does it include staff costs for workplaces and IT. Other costs such as taxis, provision of MFDs that would be incurred by NatureScot irrespective of where it is located have also been removed from the Cost and Income Statement.

Property maintenance costs

To give an indication of the scale of property maintenance costs for BBY our property team has provided this table which is based on commissioned reports validated by experts in this field. Battleby - Summary of Property Costs - 21-02-23 <https://erdms.nature.scot/documents/A3925628/details>

Note that some, but not all, of the costs in this table are included in the average running costs of £150k per annum referred to above and which forms part of the Cost and Analysis Statement provided in the Annex. The reason for this may be that the overview of running costs figure may be a mix of operating and capital spend or because the spend is charged to different budget headers and is not making it way to the Office report and will be followed up another time. The key message is that property maintenance and repairs figure in the Cost and Analysis Statement is understated.

Property Project Costs - BBY

Year	Total Costs
22/23	£93k
21/22	£121k
20/21	£125k
19/20	£85k

There are significant property works to be done at BBY in future years, the assessments of which are based on Consultancy Reports which advise on priority and pace requirement of the works. In summary:

1. Replacement of the obsolete and aging heating system which will provide business continuity as well as deliver a contribution to Net Zero will cost in the region of £240k. Essential and urgent.
2. The total cost of the renewables work, which includes point 1 above, to take Battleby as close to Net Zero as it can get (Efficiency Performance Certificate Grade B) is £468k.
3. All costs in 1 and 2 above are subject to VAT and depending on when the works are carried out will also increase owing to the current relatively high rates of inflation. Taking both these factors into account the real costs could be as high as £675k. If we replace the biomass units the income from the RHI scheme will end. There may be an option to install a wind turbine if that proves to be feasible, and the costs for this are excluded from the figures quoted above.
4. There are roof repairs requiring an average investment of c£75k per annum for 6 years. These costs are also subject to VAT and inflation so the real costs will be higher. This work is basic wind and watertight works to provide a suitable place of work.
5. Under SPFM guidelines and occupation agreements these costs could be shared with all tenants based on their % occupancy. This would mean NatureScot funding the works and assuming 50% of the costs whilst recharging the other occupants over a 5 year period. Recovery of costs assumes the tenancy can afford to pay and their continued occupation. The terms and conditions allow for tenants to give notice to quit within relatively short timescales.

The following information explains the priority and urgency of the works:

- The biomass units at Battleby are aging and one is undersized for the building and one is obsolete. It has been very challenging to get parts to maintain these and there has been a constant run of issues with the units. They need to be replaced to mitigate the risk of loss of business continuity if there is an all-out failure resulting in having no heating or water. There is a legal obligation on NatureScot as an employer and landlord to operate a site that meets health, safety and wellbeing and is building compliant now and in future. Whilst there has already been disruption to business continuity in the past year owing to poor performance of the heating systems, the risk of an unrecoverable failure in the near future as the winter temperatures place a higher demand on the systems than this summer. We have considered mitigations to the risk: The back up oil boilers are also at end of life although they are being maintained in a usable condition. In the event of the backup failing, some heating could be provided by plug-in wall units although alternative hot water supplies are not so easy install especially for a large office.
- The boiler room set up at Battleby needs rationalisation as over the years there have been changes and additions installed with no overall consideration of how all the separate systems work. The space is very congested and has already redundant pipes and pumps in-situ. The existing Ground Source Heat Pump does not work and is 16 years old and obsolete.
- As regards roof repairs, urgent repairs have been carried out this year but the list of recommendations is based on a non-invasive survey and could be underestimated. The actual state will only become known once the roof has been opened up to start the work. This work is basic wind and watertight works.

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Option 2: NatureScot relocates its office to Strathearn House and operational activities to one or more locations to be identified

Scottish Government has confirmed that there is office space that could potentially be reprofiled in Strathearn House which is a building occupied by APHA/RPID and SEPA. This would provide approximately 280m² of space and could provide the office “hub” for NatureScot for a period to the end of the current lease until a longer term joint strategy with SG and other partners is in place for Perth.

There are photos of Strathearn House in Annex 1b.

The offer is dependent on:

- Getting clearance from SG security colleagues on this offer and what conditions they would set on occupation use.
- Confirmation from the occupants to confirm they are content with the proposal to reduce their space.
- Time and resources: The SG projects team felt that it could take close to 12 months to do the planning, clearing the space and fit out work to prepare for relocation of NatureScot. It may be possible to reduce this time by, for example SG increasing the resources but this requires further discussion.

The future of Strathearn House is uncertain with a lease break option approaching.

Criterion #1: Customer Centric presence

The location of Strathearn House is located a short distance off the A9 in the vicinity of Perth so has a large catchment area with proximity to our stakeholders. The travel plan in the Annex gives an indication on accessibility, there are bus routes and active travel routes. There is also parking in the vicinity, including a car park in the grounds of the building which we assume is on a first come first served basis.

Scottish Government has made a commitment to increase the utilisation of space in Strathearn House including developing it for use as a public sector hub. SG is offering each partner a dedicated workspace reflecting the requirements of those on the SCOTS Network that requires higher security protocols.

The building is currently occupied by APHA/RPID and SEPA with whom NatureScot has a strategic partnership.

Assuming Perth continues to be a meeting hub for staff and events sponsored by NatureScot it will be necessary to use external venues that can offer large conference facilities. This is a change in the service delivery model that will require allocation of budget and administration which could be mitigated by setting up a preferred supplier call off contracts list with negotiated rates.

Criterion #2: Enables individuals and teams to deliver well

Strathearn House is a modern office of open plan design and with a range of welfare amenities that NatureScot has in its Workplace Standards such as meeting rooms, breakout spaces, welfare rooms.

NatureScot has a Workplace Experience that it is striving for aligned to SG direction of travel. SG has an agreed vision for hub working and has invested in a transformation leader to help drive towards this in Strathearn House.

Whilst the location of the workspace on offer and its size is still to be confirmed, the space can be customised as SG will enable NatureScot to configure it in a Smarter Working design using existing furniture which is of a high specification and some of which is more bespoke (eg rise and fall desks and personal lockers) ensuring we meet the standard NatureWay workplaces offer to employees.

As regards the size of workspace offered (which is assumed to be fully reconfigurable), 280m² is 15% less than the workplace calculations on Net Internal Area and would be the minimum being sought (330m²) for general office space. This presents a risks, but as was demonstrated in the Edinburgh case, the NIA 10m² per headcount provides for more space that is required as it includes a budget for common areas. Therefore it is expected that 280m² should be sufficient to provide the number of workstations in the calculations (22) and to offer the same ballpark allowances for space for storage that has been given to Edinburgh staff in Meadowbank House. The challenge will be, as is the case in Edinburgh, in staff being able to achieve the target downsizing which requires a concerted drive and capacity to prioritise document management. However in Strathearn House, unlike Meadowbank House, it is less likely that a lot more space will become vacant, at least in the short-medium term.

The size of the dedicated workspace, 280m², is unlikely to be large enough to install informal break out spaces or a confidential pod for easy access to private spaces, NatureScot staff will be able to use breakout, meetings and welfare facilities in the common areas throughout the building on a shared basis with other tenants. The 280m² space is insufficient for installing a kitchen area so confirmation is needed from SG that there will be a refreshment point within close proximity of the workspace offered. It may be that the space offered is close to the kitchen/café and whilst there are Tea/coffee points on the wings, it has not been confirmed these are for shared use. The café is on the ground floor.

The size of space offered will not provide for specific storage requirements that is listed in the business requirement section and there is no offer for external storage.

There is car parking for the fleet and pick up truck (photo in Annex). We believe SEPA has access to EV charge points at this office and others and has pledged to share with other organisations although there may currently be barriers to that owing to the conditions of public or private use on those charge points. In the absence of access to EV charge points at Strathearn House, there would need to be agreement in principle given by SG for installation and agreement on funding for that, and an interim arrangement found.

Sharing buildings and rationalising the SG Estate is a SG imperative. So whilst there are dependencies on security and IT protocols as noted above, which creates uncertainty, there is a strong drive to enable the collocation. SG operate their building at a higher security level than NatureScot and, like NatureScot, has limited capacity within workplaces and IT teams to engage to find solutions. The timeline proposed acknowledges this resource requirements.

There is a high confidence that a wi-fi first solution can be implemented in the open plan dedicated workspace but there may be complications in providing access to NatureScots IT systems in shared meeting rooms and other common areas of the building (such was our conclusion in the Edinburgh case when we explored the option another of SG's buildings at Victoria Quay).

There is currently no shared booking system available for collocatee for booking resources, car parking, desks which will presumably be done through the SG facilities team. This will feel like a retrograde step from self-service in Book-it. There is a drive by SG and partners to find a solution for a common platform for resource booking systems however the current IT digital and security protocols are such that this is unlikely to become

a reality for some years yet. Registers of Scotland are operating a Resource booking system in Meadowbank House that all tenants can access directly and this may provide some learning.

Criterion #3: Greener Estate (contribution to Net Zero)

Strathearn House has an Energy Performance Certificate of B.

The size of space occupied by NatureScot has a bearing on carbon emissions so for this reason it would be expected to be lower than the larger space that NatureScot occupies in the Main House of BBY. There are expected to be other reductions given the carbon emissions associated with the conference centre compared to sharing smaller footprint of meeting spaces in Strathearn House and lesser grounds maintenance.

Criterion #4 Financials

This is a private sector leased building with associated costs and financial risks.

The all-inclusive rate for space at Strathearn House under a MOTU agreement will provide more predictability for NatureScot which is helpful in terms of budgeting in times of increasing financial constraint. There are some large property costs due to come up but the details are yet to be confirmed and NatureScot would be expected to contribute a share of these based on a % of dedicated space within the overall space in Strathearn House.

4.3 Weighting and Scoring and Value for Money Exercise

The business case requires a minimum of two options to complete the non-financial scoring, NPVs and Cost per Utility Point. In this case we have completed the scoring for all 4 options.

The Options are scored 0-5 (low to high) on the basis of how closely they meet with the non-Financial Success Measures specified in the NatureScot Estates Strategy. Each Success Measure is given equal weighting and scored to reflect how well they meet and comply with required criteria below. **The justification for these scores are set out in the Options Appraisal.**

1. We maintain **customer centric presence** across a range of urban and rural locations, seeing evidence of more public sector co-location and the development of public sector hubs.
2. We move towards a **greener estate in support of our Net Zero** direct emission commitments which reflects the changing offer we make to staff around home working options with more flexibility to adapt to changes in staff working preferences.
3. Our buildings support recruitment and retention and **enable individuals and teams to deliver well** for the vision and purpose of the organisation.
4. **Value for money and financial sustainability** are achieved.

The Cumulative cost and NPC over 5 years are from Annex 5 Cost and Income Analysis. These are based on the best available data at the time of writing and subject to various caveats noted in the Analysis. The figures illustrate the scale of costs/saving.

Note the following:

- We have compared the financial data of running costs which excludes costs at BBY for things that NatureScot would expect to pay in addition to the all-inclusive MOTU at Strathearn House including taxi fares, provision of IT including Multifunctional Devices.
- There are no additional charges to be made for the facilities team at Strathearn House as these are included in the all-inclusive MOTU. In other words the savings to the paybill as a result of relocation out of BBY are in addition to these costs.
- The running costs of BBY exclude the IT provision. There will be additional costs for the set up and use of IT in Strathearn House. These costs are not known as an IT solution will be firmed up following a decision as to the future of BBY.
- The running costs include annual property maintenance and repairs for BBY but is likely to be understated, as explained in the section on property maintenance costs at BBY. These sorts of routine property costs are part of the all-inclusive MOTU at Strathearn House.
- The future estimated property costs at BBY for renewables and other significant repairs to the roof are excluded from the annual costs. Likewise, future associated costs with Strathearn House are excluded. The share to NatureScot for this and any charges for dilapidations at the end of SG’s lease would be based on the % dedicated space in the total building.
- The FIT and RHI payments have been worth on average c£25-£30k per annum in recent years. If the renewables investment is made at BBY and the biomass units replaced then the income from that part of the RHI scheme will cease.
- Excess fares costs are not included but are not material to the case.
- The fit out costs are based on industry standards and the actual costs once planned in detail may be lower or higher than this.

The Cost/Utility point is calculated by dividing the 5 year NPC by the total non-financial score for each of the two options; it provides a measure of the non-cash benefits factored against the Net Present Cost (NPC) and gives an overall indication of value. The lower the Cost/Utility point the better value for money. The Table below illustrates that Option 1’s Cost/Utility Point is lowest and therefore provides enhanced value for money compared to other options.

Success Measures	Weight	Option 1 Status Quo – BBY		Option 2 Relocate office hub to Strathearn House and other site(s) for operational space and pay-as-use external conference venues	
		Score	Total	Score	Total
1. Customer centric presence	33.33	4	133	4	133
2. Enable individuals and teams to deliver well	33.33	3.5	117	3.5	117
3. Greener estate (contribution to Net Zero)	33.33	3	100	4	133
<i>Scores for non-financial success Measures</i>	100	10.5	350	11.5	383
Total cost (undiscounted) 5 year term			£681k		£607k for Strathearn House £25k Estimated “budget” for operational storage based on UK average prices source: Google and to cover pay-as-you-use external conference venues to allow like for like comparison with BBY site costs
Total Cumulative at Net Present Value (NPV) 5 year Term			£636k		£ 571k + £25k = £596k
Cost/utility point			£1,817		£ 1,600

4.4 Preferred Option

The preferred option 2 is for NatureScot to relocate its office hub to Strathearn House under the terms of a MOTU with Scottish Government based on NatureScot paying a contribution to actual running costs and the rates being all-inclusive. NatureScot is seeking flexible terms of occupation ideally the same as NatureScot has negotiated with Registers of Scotland in Meadowbank House which is for a period of six months from the dates that are agreed with Scottish Government following approval of this business case and so on until ended by either party giving 3 months' notice with the presumption that both partners will keep the other informed of any emerging changes well in advance of serving notice. In the event that the space provided initially does not meet future changes in our requirements such as the need to expand the number of desks, either SG will provide additional space to NatureScot or if that is not possible as there is no vacant space then NatureScot will look to source additional space in another office in the vicinity which currently would have to be a new payee in the Local Authority, community venture or private sector as there is no option in the SG Estate.

In addition to the location of the "hub" above, NatureScot explore options for meeting the gap in our operational storage requirements. In the event that no suitable premises can be found, the contingency arrangement would be to share Upper BBY with SF until they leave, taking back desk space that is not being used and the suite of meeting rooms as internal storage and continuing to use the external storage that is in place. Storage that is not site specific could be transferred to our office in Stirling where we have recently vacated space.

Also to note the change in service model from in-house provision of the conference centre to pay-as-use external venues.

The differences that underpin the reasons for preferring option 2 and relocating our activities to the status quo remaining in BBY and developing the hub is based on a balance of financial and non-financial considerations, the primary factors being as follows:

Firstly, NatureScot's workplace criteria upon which this property appraisal is assessed sets out the current business requirements for Workplaces in future and there have been some key changes that means that BBY is no longer as good a fit with NatureScot's business requirements.

Relocation will deliver a lower risk solution but it is not without risk, but overall better value in financial and non-financial considerations as explained below.

As regards risk, relocation has a lower risk profile to remaining owner and occupier of Battleby site. The property investment in heating and hot water systems required is significant and immediate as all out failures risk business continuity and reputational damage as a landlord with tenants paying commercial rents so potentially seeking compensation for business losses as a result of outages; there are risks to NatureScot relating to affordability and ability of the collocates to meet these cost; there is a question about whether investment in Battleby is best value for the overall public purse given their is vacant space in a building in the SG Estate that has a higher Energy Performance Certificate which is the same Grade B that is the best that Battleby could hope to achieve following significant investment. There is the risk of Battleby becoming a stranded asset if investment is not made and sale postponed. Sharing Strathearn House will reduce our paybill costs. Disposal of Battleby site will generate a significant sales receipt against which any costs of sale will be offset, and rationalise the SG Estate. The rates charged to NatureScot under MOTU will be income for SG to offset its own costs of occupation of Strathearn House providing more value to the public purse. Battleby is too big for NatureScot alone so there is a key dependency on collocates income, some of whom are currently reviewing their options. Any costs associated with mothballing and disposal of Battleby – which could be significant if a sale is not forthcoming quickly - will be offset by the significant sales receipt. Savills

report considers the demand for a site like this and suggests this asset will be attractive and has a number of potential future uses. If a future investor is found it is likely they would invest in redesigning the interior, and replace the building systems in a way that best enables that.

Relocation to Strathearn House is not without risk, however. The future of the office with a lease break coming up carries some risks:

Other considerations are:

Criterion #1: Customer Centric presence

Perth is a location of strategic importance and continuing to have an office here will help engender in staff a sense of belonging to the organisation whilst also providing visibility and accessibility to key stakeholders, supporting our brand image and showing the work that we do.

A change in location is a key concern raised by employees in Battleby. There is a report on travel options in the Annex 6 showing travel options. Strathearn House is a relatively short distance from Battleby. It is accessible by public transport and on the outskirts of town providing ease of access to staff and visitors a matter which was raised by staff many of whom do not have public transport links where they live.

Sharing a building with SG and SEPA will provide more collaboration opportunities for strategic partners with a close alignment. If SF and FLS also relocate to Strathearn House that will provide continuity. The other collocatees in BBY have been valued for the income generated and have some alignment to the business of NatureScot but any loss of collaboration would be low risk and can be mitigated fairly easily. The occupation agreements allow for termination within 3 to 12 months and those with the longer notice periods are already well informed about NatureScot's intentions so should not present any reputational risks.

Criterion #2: Enables individuals and teams to deliver well

A relocation will remove the risk of loss of business continuity arising from outages of heating and hot water systems at Battleby and provide assurance to staff that NatureScot is able to provide a fit for purpose place to work that meets health and safety standards.

Strathearn House is modern, open plan and offers a better match for NatureScot's Workplace Standards. SG has an agreed vision for hub working and has an appointed leader to drive this forward. Our BBY Office Manager and others in NatureScot have demonstrated leadership in developing BBY as a hub and will be able to share insights and a passion to help SG drive this forward.

SG has not confirmed the actual space that NatureScot will occupy but it can be customised to meet our Smarter Working design requirement and if it is the better outcome to use our existing furniture some of which is bespoke (eg rise and fall desks and personal lockers). This will all help ensure we meet the standard NatureScot Way workplaces offer to employees.

Whilst the space offer at Strathearn House is marginally lower than NatureScot's space calculations, it is sufficient – subject to there being no physical building constraints causing inefficient use of space - to house the number of desks and a similar size of floor space for storage to that purchased for colleagues per head in Edinburgh. Downsizing our space requirements will deliver higher utilisation of space which helps meet our measures of success. To fit into the space offered two things are needed: Firstly acceptance that it is unlikely limited breakout features or a confidential pod will be provided in the workspace area so confidential conversations will have to be taken to formal meeting spaces which may be inconvenient or not practical if of the moment, particularly if bookings of rooms is required – we can investigate this with SG to see if we can

secure a local room for drop in use. Secondly, a concerted effort will be needed to reduce storage to fit in and in the event that a transition period is need additional space could be found in the Stirling office, potentially by agreement with another partner in the area (eg Perth and Kinross) or through hire of space in a community venture or private sector landlord. NatureScot expects the dedicated workspace to be within a short walk of a tea/coffee point or the café. Strathearn House is on a business park within reach of local shops and other sporting amenities which may be viewed as a benefit for staff.

Sharing a building with SG will undoubtedly have some challenges because of their higher security requirements so the freedom of access all areas, the need to accompany visitors which may include permanent homeworkers who will be treated as visitors if not put through SG’s security clearance which in itself takes several weeks, and other office protocols that cumulatively may impact the Workplace Experience which is sought as part of our NatureScot Way offer to staff. It is also unlikely that NatureScot will not have direct access to resource booking systems so the additional administration and inconvenience of having to go through a third party will be less efficient and feel like a retrograde step. On the other hand we can share best practice on how sharing of workspace and access to resource systems has been achieved in Battleby, Clydebank and Edinburgh and support SG’s local office managers to help effect the sorts of changes both partners want to see.

Having another site for operational storage will mean more journeys, so increasing carbon emissions, as many staff currently go to the Battleby office do some work there then collect equipment before heading off on a site visit in our fleet. Having the fleet at the office base also reinforces the Travel and Subsistence Policy which for expenses to be office to site which may mean some staff who travel from home to the operations base may incur more commuter costs which will be paid for under NatureScot’s excess fares allowances.

Strathearn House does not have much green space around the site but there may be scope to work with the landlord – as we were doing in Clydebank and previously at Silvan House in Edinburgh prior to its disposal – to influence the use of the building and external space for Green Infrastructure projects that demonstrate best practice. REDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTEDREDACTED
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Strathearn House is an attractive modern office which will help in the recruitment and retention of staff and on boarding of new staff into our corporate culture and values. Working in one large open space will also engender more cross team working.

Closure of the conference centre in BBY will have some consequences for staff as it’s well-liked as a meeting place its part of the NatureScot Way offer, and all staff are free to book and access it. Strathearn House will cater for team gatherings but visitors will need to be managed. Larger meetings may require use of an external venue – establishing a call of list of approved venues may reduce the administrative effort. It is also a consideration that not having a conference centre may not be as deeply felt as some might predict it to be in so far as there has been a change to where we meet the public and other stakeholders. Throughout Scotland we are accessible by other means for example online and on video at meetings and events to enable choice and more accessibility by the public to our services and supporting recruitment and retention of our highly valued employees.

Criterion #3 Greener Estate

As a leader in Climate Change our imperative is also to move at pace to Net Zero. Strathearn House has a more favourable Building Energy Rating at B with further investment expected through negotiations with its landlord. To deliver an improvement at Battleby site that will at best achieve the same Grade of Strathearn House requires significant investment and affordability is a key issue. Many landlords are unclear where

funds will come from: renewable programmes can attract external or government funding but some of these schemes have closed and/or there is increasing competition for funding.

There has been criticism in the local press about a leader in Climate Change making such high use of taxis to take staff and visitors to Battleby impacting on our brand image. The transport analysis in the annex shows that Strathearn House is a half hour bus ride from Perth railway station and enables journeys by foot/cycle.

Having another site for operational storage will mean more journeys so increasing carbon emissions for staff who currently go to the office then collect equipment before heading off on a site visit in our fleet. Whilst some staff may go to the operational storage from home, for expenses claims those are from office to site.

Criterion #4 Financials

The steer from our Board is to move at pace, as our currently highly dispersed office portfolio is unaffordable owing to inflation and planned property maintenance work leading to higher costs and increasing pressure on our Grant in Aid. Relocating to Strathearn House will reduce NatureScot's average annual running costs in the region of £20k per year less the costs of operational storage per year and having an all-inclusive rate gives NatureScot more certainty for budgeting. There will be further efficiencies from sharing workplace services.

There will be additional costs that are not shown in the Costs and Income Statement that are attributed to the hire of external venues for meetings and events that cannot be hosted at Strathearn House. It should also be noted that the new office in Edinburgh – Meadowbank House – caters for very large events and is considering developing its concierge service so it is worth NatureScot promoting this venue as a central meeting place. On the plus side NatureScot will no longer be subsidising use of the conference centre for other public sector organisations and moving to an external pay as you go should be affordable. Further work will be done to estimate future demand and to set up call off costs with favourable rates to drive best value.

SG expects to get a decision from Ministers to remain in Strathearn House until the end of the lease. It is possible there could be a rent review leading to SG increasing the MOTU all-inclusive rates and it is likely that NatureScot will have to contribute to any significant building work and dilapidations however this will be relatively small compared to the risk exposure at Battleby given NatureScot's percentage share is much less.

There will be costs associated with the closure of BBY site, potentially mothballing and sale costs some of which can be offset against the sales receipt.

5.0 Funding and Affordability

The costs associated with occupation of Strathearn House that Scottish Government will charge to NatureScot under the terms of the MOTU in Annex 1 will be borne by NatureScot and funded from existing budgets.

Our presentation in the Costs and Analysis is at Annex 4 and the summary in Section 4.3.

The analysis for BBY and Strathearn House is based on figures provided by NatureScot validated by NatureScot's accountant and SG by SG Property and Construction Division (PCD, includes Property Controls Team). In this business case whilst we have included the non-inflationary costs we also have included Net Present Costs which discounts the non-inflationary costs at 3.5%. There is no inflation added to the individual costs in accordance with business case practice. The application of VAT is noted in the spreadsheet.

6.0 Approvals

The Senior Leadership Team at NatureScot has endorsed the proposal which was put forward by the NatureScot Way Workplaces Programme Board, and this is for NatureScot to enter a MOTU with SG in Strathearn House and find premises for our specific operational storage.

This means that NatureScot has appropriate internal support and approvals under delegated authority for this business case and for signing the MOTU on receipt of formal approval from Scottish Government.

The steer from our Board is to move at pace, as our currently highly dispersed office portfolio is unaffordable owing to inflation and planned property maintenance work – particularly that at BBY - leading to higher costs and increasing pressure on our Grant in Aid.

Scottish Government: This paper has been submitted to SG Property and Construction Division (PCD, includes Property Controls Team) for consultation about this proposal. The NatureScot Sponsor Team have liaised with Ministers on our recommended option. The feedback, which aims to protect access rights, will be incorporated into the terms of the disposal.

7.0 Recommendations

Option 2 is recommended: That NatureScot relocate its office hub from Battleby to Strathearn House under the terms of a MOTU which includes an all-inclusive rate which NatureScot is taking to mean that NatureScot will not be required to contribute to any redecoration, capital property projects or dilapidations. It is also recommended that NatureScot provide separate premises to meet its specific operational storage needs.

The balance of factors underpinning this recommendation explained in Section 4.4 'The Preferred Option'. and outlined more succinctly in the Summary of this paper.

8.0 Next steps

Upon approval to progress Option 2, the next steps will be:

SG to make a satisfactory formal offer of terms of the MOTU for dedicated workspace in Strathearn House that is of a size and condition that is acceptable to NatureScot and reflects the appraisal in this business case including the urgency on pace. On the terms of occupation, NatureScot would prefer a flexible contract that enables us in future to expand or contract our dedicated workspace to meet any change in business requirements (this means handing back space or taking on more space assuming there is vacant space to do that) and a three month notice period to exit.

Develop the space plan for the new office in Strathearn House, identify any gaps in capacity to provide for storage and seek additional sites for to meet the specific operational storage requirements.

Head of Workplaces Team and the BBY Office Manager to liaise with SG to agree the workplace Services that each party will deliver under the MOTU seeking sharing of services where that is beneficial, and to agree protocols for sharing the building to engender a building-wide Work Local Hub culture.

Coordinate with partners the physical move out of Battleby and relocate NatureScot's operations to Strathearn House preferably before winter 2023 to mitigate financial risks associated with replacing heating systems and potential loss of business continuity. A project implementation team will be set up with

-
- **The timescale to plan and execute the relocation needs to be carried out at pace.** Sufficient resources in NatureScot and SG's workplace and IT teams needs to be allocated and committed to driving this change. There will be an operational impact on staff as they adapt to sharing a new Work Local Office Hub working in getting to know new collocates with whom they will share common areas of the building. Experience of change within all our organisations shows that initial concerns and issues can be addressed through sharing good practice of previous office relocations and agreeing protocols with the new partners.
 - **Continue to manage uncertainties that impact on finances:**
 - Liaise with Scottish Government to agree NatureScot's contribution to costs that are not yet agreed eg dilapidations.
 - Fit out costs for Strathearn House are based on industry standards costs pending more detailed planning. It is expected that using SG's/ and/or existing furniture from Battleby will reduce costs. In the event however that these estimates prove to be too low NatureScot will need to provide additional funding from existing budgets.
 - Continue to monitor whether the council introduces a car parking levy and liaise with SG as they plan what their policy and approach to charging collocates will be in the event of this happening and then what NatureScot's policy and approach will be to meeting any charges.
 - Commission work and provide staff resources to set up an approved list of external venues such as community facilities and libraries/hotels with meeting facilities that staff can use for larger events that cannot be catered for in Strathearn House.

Declare BBY surplus to NatureScot's requirements and commence action to dispose of BBY in line with the process set out in the SPFM which involves a trawl to identify interest in the building by other public sector organisation prior to advertising for sale. A decision will be needed on handling of the tied cottage.

- **Continue to liaise with Scottish Government and Perth and Kinross Council on a Joint Estates strategy for Perth and future opportunities to further consolidate the overall public sector estate and as regards the best choice of buildings/plans to achieve Net Zero by 2035 for NatureScot's stretch target and 2045 for the SG target.**

ANNEXES

**ANNEX 1 – 1A. BACKGROUND ON BATTLEBY SITE 1B. TERMS OF OCCUPATION OF THE RECOMMENDED
OPTION STRATHEARN HOUSE**

ANNEX 2 – CURRENT OFFICES AND STAFF HOME WORKING PREFERENCES DEFINITIONS

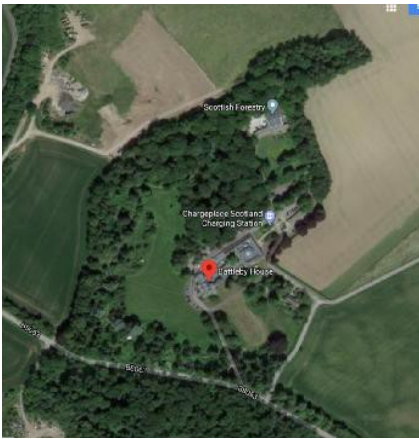
ANNEX 3 – PERTH STAFF HOME POSTCODES – STAFF SENSITIVE

ANNEX 4 - RISKS AND CONTROLS AND OPPORTUNITIES

ANNEX 5 - COSTS AND INCOME ANALYSIS

ANNEX 6 - ANALYSIS ON TRAVEL

ANNEX 1A BACKGROUND ON BATTLEBY SITE OWNED BY NATURESCOT



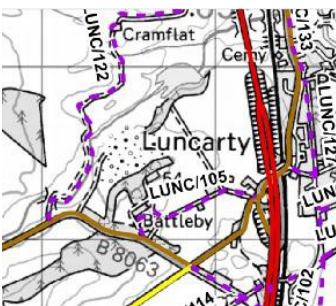
Arial view



Entrance to reception and conference centre



Gardners cottage



Public rights of way – the property is affected by two core paths, identified in the extract above taken from the Perth and Kinross Core Paths Plan.

Battleby site is owned by NatureScot.

The property comprises:

A country house, which is protected as a Category B listed building, and converted into offices and occupied by NatureScot staff and other partners.

A separate building known as Upper Battleby housing Scottish Forestry and Forestry and Land Scotland since 2014.

Attached to the main house is a steading complex, which has been converted into a conference centre which has been used by the public sector collocates and also let out to third parties at subsidised rates.

A 3 bedroom bungalow a tied cottage for the inhouse gardener, that is located to the east of Battleby House. The building is not listed and can be accessed via a separate agricultural track which runs to Battleby Farm.

-Upper Battleby offices – (leased to Scottish Forestry & Forestry and Land Scotland since 2014.

All the buildings are set within extensive grounds that includes 15 hectares (36 acres) of woodland, orchards and wild flower meadows with informal access open to the public through a network of paths. Planning status is green belt therefore potentially restricted. The use has included:

- The grounds were designated as a designed landscape in 1987, on the basis that it is an early 19th century designed landscape of park and woodland containing a valuable 20th-century plant collection.
- A formal Display Centre was established in the grounds in the 1970s, demonstrating best and innovative practice in countryside management infrastructure – gates, stiles, recreation furniture, interpretation panels and play equipment.
- It was the home of ranger training and the ‘go-to’ source of access management information. Although this formal aspect of the Display Centre was phased out in the 1990s as other bodies took on greater demonstration role, the management of the grounds and associated recreation/art infrastructure still represents innovation and best practice. e.g.
- We have been managing the grounds as a Designed landscape and introduced things to demonstrate like the green wall and bee pollination trail. The grounds has a number of iconic tree species of national importance present.
- Demonstrating good practice in management for nature e.g. Meadow management (although this is not of the scale of demonstration available at NNRs),
- Public access - Used by residents from nearby communities of Redgorton and Luncarty as a place to exercise and by School groups and nurseries for outdoor learning and play.

Fleet provision

NatureScot has 4 cars in the fleet and a pick up truck. which may be parked outside NatureScot’s offices.

The purpose of the photo of the pick up truck is to show that this type of vehicle is of a size and look to not be out of place in an office car park.



ANNEX 1 B

TERMS OF OCCUPATION OF THE RECOMMENDED OPTION STRATHEARN HOUSE

NatureScot will have dedicated space under a MOTU terms to be agreed with SG in due course.

The actual space on offer is to be confirmed but for the purposes of the business case are 280m2.

The security and IT arrangements to be confirmed but given we share existing office spaces with partners we don't anticipate any significant issues.

ANNEX 4

RISKS AND CONTROLS AND OPPORTUNITIES

These risks, controls and opportunities support the options appraisal:

In no particular order:

- NatureScot Offices say something about the organisation to the public. NatureScot's business requirements set out our locational and brand requirements to help guide decisions about the choice of buildings. In this case, one might highlight that Nature is NatureScot's business and Battleby has extensive grounds that provide some capacity for raising awareness of nature and help offset carbon impacts (although NatureScot does not report offsetting and another owner would assume such gains). On the other hand in times when the public finances are under severe pressure, public sector organisations are under more scrutiny and there is a higher public expectation for prudence, expending significant financial costs on a site like Battleby could raise public concern. A prime location like Puller House in Perth City Centre with high footfall could provide visibility for the organisation and easy access for staff and visitors travelling by public transport.
- NatureScot's financial position: Significant savings need to be made from the changes to our office estate if a dispersed office model is to be affordable in future given the financial profiles and ongoing inflationary pressures impacting on running costs. Relocating to Strathearn House provides opportunities to realise significant financial savings for the public purse and to further develop a Local Workplace Hub that could provide collaborative working benefits with strategic partners. Whilst Battleby site has a lot of collocatees and good space utilisation, mixing remains a challenge largely due to the buildings floor plan.
- Related to the above, private sector leases such as Strathearn House have financial risks associated with the unpredictability of rent reviews and dilapidations. It is therefore not clear what liability would fall due to NatureScot and therefore not possible to confirm the ability of NatureScot to pay its contribution. Buildings that are owned by the public sector such as BBY may be lower risk as they are not subject to rent and dilapidations and the property investment decisions normally within the control of the owner.
- Timing of decision taking - We have been given a clear steer by our Board and Senior Leadership Team that a decision on this business case needs to be made quickly and is to be prioritised. There is a significant increase in the risk of loss of business continuity expected come the winter with increased loading on the obsolete heating systems so it is preferable to move before the winter 2023 or take a decision that will enable a planned and managed replacement of the systems. This is a tight timescale for planning and executing a relocation of this scale. Other risks to the pace of this project relate to ensuring local leadership of the project, staff capacity in SG and NatureScot and availability of suppliers and contractors to do the fit out and funding to deliver the relocation within the deadline. This project has the sponsorship of SLT who will make available sufficient resources to deliver this project in time.

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- There is a risk that given the uncertainty of the future use of offices that NatureScot buys too much or too little space. The planning assumption that NatureScot Senior Leadership has agreed is to use the staff Homeworking preferences. It is imperative to have flexibility in any occupancy agreement. In this case a multi-site approach will be needed and there are uncertainties on the solution for the space that SG is not able to cater for in Strathearn House. Further work will be done over the summer and autumn to identify suitable provision with a fallback to either retain access to BBY site for internal and external operational storage only (accepting the costs of maintaining access to a suitable Health, safety and wellbeing of users standard) and/or relocate general office storage to Stirling and where NatureScot has recently handed back half of our floor plate to SEPA and other of our large offices.
 - We are considerate of the impact that changes in offices has on staff and engage with staff and support them through change. For example, in some areas a new Work Local Hubs may have a larger catchment area which could mean some staff have to make a longer commuter journey or changing the location of the office may impact of staff commuter journeys with other impacts as a result of that. Our NatureScot Way offer to staff enables more choice on when and where to work including home and other venues such as other public sector hubs in a City and local community facilities closer to staff homes; our relocation policy with excess fares allowances and mobility clauses in terms and conditions of employment for all staff except B grades and part-timers (for whom this represents a change in contract necessitating formal consultation) will help mitigate the risks and impacts for staff and offer staff support to make the change.
 - Net Zero offices: There is a risk that offices will not reach Net Zero by our stretch target of 2035 owing to funding constraints or commitment by landlords. The mitigation to this is long term planning for the office portfolio in conjunction with partners so future opportunities can be identified and setting clear requirement on our Net Zero to try to influence landlords commitments and working together to secure funding from the public sector finances or external funding schemes to pay for the investment in renewables.
 - Financial and business continuity: significant investment in heating systems and roof repairs is required to ensure the building remains safe and fit for occupation. Failure to investment is highly likely to lead to loss of business continuity and reputational damage.
 - Public interest: The disposal process will follow standard public sector protocols including process community ownership.
 - Engagement with, and impact on, key stakeholders namely staff, the public, local politicians: Should a decision be taken to close BBY there will be concerns about the potential impact of loss of greenspace, offsetting for carbon emissions and loss of conference facilities. Many staff and members of the public will recognise the need for change if they understand the context in which decisions are needing to be taken. Individual impacts on staff are covered later.
 - Constrained options for office space in Perth: there are few options in Perth available in the Scottish Government and no options currently in local authority Estates and limited in the community ventures. Scottish Government continues its search for a future offices in Perth and there are only private sector leases available with few viable alternatives to Strathearn House other than with the private sector. Given these constraints, it may not be possible to fully meet NatureScot's requirements at one location, however it may be feasible to offer a multi-site option.
 - Pace of decision taking and readiness of partners to reach a decision before the significant investment in the property works at BBY becomes critical. If NatureScot remains in BBY there is a lead

in time to instigate the works that if not pursued this summer risks loss of business continuity in the winter when there is increased loading on the obsolete heating systems.

- Impact on collocatees currently in Battleby. Scottish Government has given us a steer to pursue a solution for NatureScot to meet our business requirements. SG will support the collocatees to pursue options for the future of their offices.

- Change in service model has implications for staff: In October 2022 the Board endorsed the underpinning change in appetite towards asset divestment and consolidation (i.e. sharing fewer offices with partners more of which will be owned and operated by others). The case in Edinburgh has set the tone for the new service model for others to follow. Office Reviews at Battleby and Inverness are likely to have implications for staff delivering workplace and IS Infrastructure services.

ANNEX 5

COSTS AND INCOME ANALYSIS

NatureScot reference only:

The Cost and Income Analysis was provided REDACTED NatureScot accountant

Notes:

- We have compared the financial data of running costs which excludes costs at BBY for things that NatureScot would expect to pay in addition to the all-inclusive MOTU at Strathearn House including taxi fares, provision of IT including Multifunctional Devices.
- There are no additional charges to be made for the facilities team at Strathearn House as these are included in the all-inclusive MOTU. In other words the savings to the paybill as a result of relocation out of BBY are in addition to these costs.
- The running costs of BBY exclude the IT provision. There will be additional costs for the set up and use of IT in Strathearn House. These costs are not known as an IT solution will be firmed up following a decision as to the future of BBY.
- The running costs include annual property maintenance and repairs for BBY but is likely to be understated, as explained in the section on property maintenance costs at BBY. These sorts of routine property costs are part of the all-inclusive MOTU at Strathearn House.
- The future estimated property costs at BBY for renewables and other significant repairs to the roof are excluded from the annual costs. SG advised there are significant property costs to come at Strathearn House for which we are awaiting further details as to whether the all-inclusive rate covers it or whether there is to be a share from NatureScot may be based on the % dedicated space in the total building and recharged over a 5 year term.
- The FIT and RHI payments have been worth on average c£20k per annum in recent years. If the renewables investment is made at BBY and the biomass units replaced then the income from that part of the RHI scheme will end.
- Excess fares costs are not included but are not material to the case.
- There is no provision for any costs associated with installing EV charge points at Strathearn House should that be required for our fleet.

Information has been provided by a member of Workplace Services Activity Team – June 2023

This list shows travel information for each location. A relocation to any of the options should meet the test of reasonableness in terms of any additional added mileage from where staff currently live in relation to the location of the current office at Silvan House.

Strathallen House (Stirling) is included as a NatureScot's office within reach of Perth that could be a venue use to provide additional office type storage capacity in the event that is needed in the short or longer term to facilitate the relocation in this case.

Sites for storage of operational equipment are not included.

The assessment can be found here: <https://naturescot.nexus.objective.co.uk/documents/A4064742/details>

NatureScot February 2023