

**FRAMEWORK DOCUMENT - PUBLIC CORPORATION
CROWN ESTATE SCOTLAND (INTERIM MANAGEMENT)**

FRAMEWORK DOCUMENT FOR CROWN ESTATE SCOTLAND (INTERIM MANAGEMENT) - MARCH 2017

INTRODUCTION

This Framework Document has been drawn up by the Scottish Government's Marine Scotland Directorate (the sponsor Directorate) in consultation with Crown Estate Scotland (Interim Management). Part One sets out the broad framework within which Crown Estate Scotland (Interim Management) will operate while Part Two sets out certain aspects of the financial framework in greater detail. The Framework Document does not convey any legal powers or responsibilities.

The Framework Document shall be reviewed and updated periodically by the sponsor Directorate, normally at least every 2-3 years.

Crown Estate Scotland (Interim Management) ('CES(IM)'), or the sponsor Directorate, may propose amendments to the Framework Document at any time. Any such proposals by CES(IM) shall be considered in the light of the Scottish Ministers' strategic objectives and policy aims, operational factors and the track record of CES(IM) itself. The sponsor Directorate shall determine what changes, if any, are to be incorporated in the Framework Document. Legislative provisions shall take precedence over any part of the Framework Document in the context of the agreement between the Scottish Government and the UK Government on the Scottish Government's fiscal framework.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/503481/fiscal_framework_agreement_25_feb_16_2.pdf.

CES(IM) shall satisfy the conditions and requirements set out in the Framework Document, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers/sponsor Directorate may from time to time impose. CES(IM) is subject to the requirements of the Freedom of Information (Scotland) Act 2002. Any question regarding the interpretation of the Framework Document shall be resolved by the sponsor Directorate after consultation with CES(IM).

Copies of the Framework Document have been placed in the Scottish Parliament Reference Centre and published on the Scottish Government website. Copies shall also be made available on the CES(IM)'s website and on request.

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PART 1: MANAGEMENT STATEMENT FOR CROWN ESTATE SCOTLAND (INTERIM MANAGEMENT)

1 FUNCTIONS, DUTIES AND POWERS

1.1 Founding Legislation; Status

- The Scotland Act 2016 ('the 2016 Act') established a process for devolution of the management of The Crown Estate's ('TCE') economic assets in Scotland, and the revenue generated from these assets to the Scottish Parliament. As part of that process, the Treasury has the power to make a Transfer Scheme via statutory instrument, which will transfer the Scottish functions of the Crown Estate Commissioners to the Scottish Ministers or a body nominated by them. The 2016 Act also allows for the creation of a new public body to receive the functions, and to establish Crown Estate Scotland (Interim Management). Scottish Ministers have decided to nominate CES(IM) to receive the transfer.
- The transferred assets will be managed by CES(IM), which was established by The Crown Estate Scotland (Interim Management) Order 2017 ('the 2017 Order'). CES(IM) must act in accordance with the provisions of the 2017 Order.

1.2 The Functions, Duties And Powers of CES(IM)

- CES(IM) has a duty under the Crown Estate Act 1961 ('the 1961 Act') to maintain TCE's Scottish assets as an estate in land and to maintain and enhance its value and the return obtained from it, with due regard to the requirements of good management.
- In accordance with the Civil List Act 1952, the payment of hereditary revenues from the Scottish assets are to be paid into the Scottish Consolidated Fund.
- CES(IM)'s strategic aims must be aligned to support the Scottish Government's purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth, stimulating investment in the environment, physical infrastructure and investment companies. Scottish Ministers expect CES(IM) to do this by aligning its aims and objectives with the Scottish Government's published Economic Strategy¹ and National Performance Framework².
- In fulfilling these functions CES(IM) will consult and work in partnership with the appropriate bodies, most notably with enterprise agencies, local authorities, community representatives and conservation groups. CES(IM) may agree Memoranda of Understanding with these and other organisations.

1.3 Classification

- For policy/administrative purposes CES(IM) is classified as a Public Corporation.
- For national accounts purposes CES(IM) is classified to the public corporations sector.

¹ Scotland's Economic Strategy March 2015 - <http://www.gov.scot/Resource/0047/00472389.pdf>

² National Performance Framework 2016 - <http://www.gov.scot/Resource/0049/00497339.pdf>

- References to CES(IM) include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document that follows the principles set out in this document and (where practicable) the procedures set out here noting the arrangements between it and CES(IM).

2 AIM(S), OBJECTIVES AND TARGETS

2.1 Overall Aim of CES(IM)

To achieve revenue and capital growth and provide continuity in customer service and asset management to support the Scottish Government's purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing sustainable economic growth, stimulating investment in the environment, physical infrastructure and investment companies.

2.2 Objectives And Key Targets

The sponsor Directorate determines CES(IM)'s performance framework in the light of the Scottish Government's strategic objectives/priorities and core purpose of achieving sustainable economic growth. CES(IM)'s objectives and key targets shall be agreed within CES(IM)'s Corporate Plan (Section 9 below).

3 RESPONSIBILITIES AND ACCOUNTABILITY

3.1 Governance and Accountability

CES(IM) must, so far as reasonably practicable, operate in a way which –

- a) is transparent and accountable; and
- b) is consistent with any other principle of good governance which appears to it to constitute best practice.

3.2 The Scottish Ministers

The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of CES(IM). Their responsibilities include:

- approving CES(IM)'s strategic objectives and key targets as part of the corporate and planning process. This will include revenue targets, an investment strategy; and policy and performance framework within which CES(IM) will operate;
- approving CES(IM)'s Corporate Plan;
- keeping the Scottish Parliament informed about CES(IM)'s performance;
- approving the budget for loans or grants to CES(IM) and securing the necessary Parliamentary approval; carrying out responsibilities specified in the 2017 Order³ or the Crown Estate 1961 Act⁴ such as appointments to the CES(IM)'s Board and laying of the annual report and accounts before the Scottish Parliament.
- approving the CES(IM)'s Chief Executive and staff pay remit in line with Scottish Government's Pay Policy.

³ Crown Estate Scotland (Interim Management) Order 2017 - <http://legislation.data.gov.uk/sdsi/2017/9780111033388/data.pdf>

⁴ Crown Estate Act 1961 - <http://www.legislation.gov.uk/en/ukpga/Eliz2/9-10/55/contents>. See also section 36(7) of the Scotland Act 2016 and article 20 of the Crown Estate Scotland (Interim Management) Order 2017 which make modifications to the application of the 1961 Act to CES(IM).

3.3 The Accountable Officer

- The Principal Accountable Officer for the Scottish Administration designates the Chief Executive of CES(IM) as the Accountable Officer. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. The responsibilities of an Accountable Officer are set out in detail in the Memorandum to Accountable Officers from the Principal Accountable Officer – see Annex 2⁵ of the section on Accountability in the Scottish Public Finance Manual (SPFM). The Accountable Officer is supported in this role by the CES(IM) Audit and Risk Committee.
- In particular the Accountable Officer shall:
 - ensure the propriety and regularity of CES(IM)'s finances and that there are sound and effective arrangements for internal control and risk management.
 - ensure that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure Best Value for the organisation and to deliver Value for Money for the public sector as a whole.
 - ensure compliance with relevant guidance issued by the Scottish Ministers, in particular the SPFM.
 - sign the annual accounts and associated governance statements.
 - obtain written authority from the Board/Chair before taking any action which they considered would be inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the sponsor team/relevant Portfolio Accountable Officer.

3.4 The Sponsor Team

- Effective strategic engagement between the Scottish Government ('SG') and CES(IM) is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the SG and CES(IM) will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on 'Strategic Engagement between the Scottish Government and Scotland's NDPBs'⁶.
- Within the sponsor Directorate, the Crown Estate Strategy Unit (CESU) is the sponsoring team for CES(IM). CESU, in consultation as necessary with the Principal Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of CES(IM)'s responsibilities and the primary point of contact for CES(IM) in dealing with the sponsor Directorate. The sponsoring team shall carry out its duties under the Director and the Deputy Director for Marine Scotland who shall have primary responsibility for overseeing the activities of CES(IM) and ensuring effective relationships between the SG and CES(IM).

The sponsoring team shall advise the Scottish Ministers on:

- an appropriate framework of objectives and targets for CES(IM) in the light of the Scottish Ministers' wider strategic aims;

⁵ SPFM – Accountability A2-

<http://www.gov.scot/Topics/Government/Finance/spfm/Accountability/aomemoother>

⁶ Scottish Government Public Bodies Publication Strategic Engagement

<http://www.gov.scot/Topics/Government/public-bodies/pubs/StrategicEngagement>

- the corporate plans submitted by CES(IM) for approval by Scottish Ministers;
- appropriate budgets to CES(IM) in the light of the Scottish Minister's overall public expenditure priorities;
- how well CES(IM) is achieving its strategic objectives and whether it is delivering value for money;
- the appropriateness of the scale of net revenues forecast by CES(IM) and the timing for their surrender to the Scottish Consolidated Fund;
- the appropriate level of revenues to be retained by CES(IM) for capital investment;
- requests by the CES(IM) to borrow from Scottish Ministers; and
- the appropriateness of applications by the CES(IM) for external funding (not loans)

In support of the Principal Accountable Officer the sponsoring team shall:

on performance and risk management -

- work closely with the CES(IM) Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with CES(IM) characterised by openness, trust, respect and mutual support;
- monitor CES(IM)'s activities on a continuing basis through an adequate and timely flow of information from CES(IM) on performance, budgeting, control and risk management, including **by year ended 31 March** sight of CES(IM)'s Governance Statement; address in a timely manner any significant problems arising in CES(IM); whether financial or otherwise, making such interventions in the affairs of CES(IM) as judged necessary;
- ensure that the activities of CES(IM) and the risks associated with them are properly and appropriately taken into account in the Scottish Government's risk assessment and management systems;
- ensure that the performance of the CES(IM) Chair is assessed by Director/Deputy Director at least annually;
- ensure that appointments to the Board are made timeously and in accordance with the 2017 Order and the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as issued by the Commissioner for Ethical Standards in Public Life in Scotland.⁷

on communication with CES(IM) –

- inform CES(IM) of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to CES(IM) as necessary;
- bring concerns about the activities of CES(IM) to the attention of the Chief Executive and/or Chair.

3.5 The Chair of CES(IM).

- The Chair is appointed by the Scottish Ministers in accordance with the 2017 Order and in line with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland as issued by the Commissioner for Ethical Standards in Public Life in Scotland.
- The Chair is accountable to the Scottish Ministers. The Chair shall aim to ensure that CES(IM)'s policies and actions support the purpose and national outcomes of the

⁷ Code of Practice - Commissioner for Ethical Standards in Public Life in Scotland
<http://www.gov.scot/Topics/Government/local-government/governance/ethical-standards/cio>

Scottish Ministers; and that CES(IM)'s affairs are conducted with probity. The Chair shares with other Board members the corporate responsibilities set out in paragraph 7.1.3, and in particular for ensuring that CES(IM) fulfils the aim and objectives set by the Scottish Ministers.

- The Chair has a leadership responsibility on the following matters:
 - formulating the Board's corporate strategy;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance issued by the Scottish Ministers;
 - encouraging high standards of propriety and regularity
 - representing the views of the Board to the general public.
 - ensuring that the Board has a balance of skills appropriate to directing the CES (IM)'s business in accordance with recognised good practice in corporate governance;
 - ensuring that all members of the Board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
 - advising the Scottish Ministers in a timely manner of the needs of CES(IM) when Board vacancies arise and undertaking succession planning, with a view to ensuring an appropriately diverse Board;
 - ensuring that the work of the Board is subject to regular self-assessment and that the Board is working effectively;
 - assessing the performance of individual Board Members on a continuous basis and undertaking a formal appraisal at least annually;
 - ensuring that there is a code of conduct for Board members in place, approved by the Scottish Ministers;
 - in consultation with the Board as a whole, undertaking an annual appraisal of the Chief Executive.
- Communications between the Board and the Scottish Ministers shall normally be through the Chair and sponsor team. The Chair shall ensure that other Board members are kept informed of such communications.

3.6 CES(IM)'s Board and Responsibilities

Board Membership of CES(IM) will consist of:

- a member appointed by the Scottish Ministers to chair it (the Chairing Member), and
- up to 8 other members appointed by the Scottish Ministers

3.7 CES(IM) - Role of the Board

- Members of CES(IM) are appointed by the Scottish Ministers in accordance with the 2017 Order and in line with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as issued by the Commissioner for Ethical Standards in Public Life in Scotland. The members constitute the Board of CES(IM).
- The Board has corporate responsibility for ensuring that CES(IM) fulfils the aim and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources in accordance with the principles of [Best Value-](#)

including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that CES(IM) acts in accordance with the SPFM.

To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of CES(IM) within the policy, planning and resources framework determined by the Scottish Ministers, and agree the Corporate Plan;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of CES(IM) or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of CES(IM)) are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers;
- ensure that the provisions of the 1961 Act (as amended) are taken into account in reaching decisions in relation to the management of the Scottish assets;
- ensure that the Board receives and reviews regular financial and performance information concerning the management of CES(IM); is informed in a timely manner about any concerns about the activities of CES(IM); and ensures that appropriate action has been taken to address such concerns;
- demonstrate high standards of corporate governance at all times, including by setting up and using an independent audit committee - in accordance with the guidance on Audit Committees in the SPFM - to help the Board to address the key financial and other risks facing CES(IM). The Board is expected to assure itself on the effectiveness of the internal control and risk management systems.
- provide commitment and leadership in the development and promotion of Best Value principles throughout the organisation;
- appoint a Chief Executive to CES(IM) in accordance with the 2017 Order (although, the appointment of the first Chief Executive will be made by Scottish Ministers) and, in consultation with the sponsor Directorate, set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight both to the proper management and use of public monies, to the delivery of outcomes in line with Scottish Ministers' priorities and to pay policy guidelines in force.

Further guidance on how the Board should discharge its duties will be provided in appointment letters and in guidance⁸ for Board members of public bodies. Individual Board members shall comply at all times with the body's Code of Conduct and with the rules relating to the use of public funds and conflicts of interest.

3.8 CES(IM) Chief Executive

CES(IM) is to have, as a member of staff, a Chief Executive. The Scottish Ministers are to appoint the first Chief Executive on such terms and conditions as they determine. CES(IM) is to appoint each subsequent Chief Executive:

⁸ On Board – A Guide For Board Members Of Public Bodies In Scotland - <http://www.gov.scot/Resource/0047/00475242.pdf>

- with the approval of the Scottish Ministers;
- on such terms and conditions as it, with the approval of the Scottish Ministers, determines.

3.9 Role of the Chief Executive

- The Chief Executive of CES(IM) is responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of CES(IM)) for which the Chief Executive has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of CES(IM). The Chief Executive should operate in a way which is in accordance with the terms of this Framework Document and within the terms of guidance in the SPFM and other instructions and guidance issued by the Scottish Ministers.
- The Chief Executive has a duty to secure Best Value, which includes the concepts of good corporate governance, performance management and continuous improvement. Guidance on what organisations should be able to demonstrate in fulfilment of these duties is included in the Best Value section⁹ of the SPFM.
- The Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring –

- **Implement** CES(IM)'s Corporate Plan taking due account of the Scottish Ministers' aims, objectives and plans;
- **Establish** a robust performance management framework which supports the achievement of CES(IM)'s aim and objectives as set out in the Corporate plan; and which enable full performance reporting to the Board, the sponsor Directorate and the wider public;
- **Ensure** effective relationships with SG officials;
- **Inform** the sponsor Directorate of CES(IM)'s progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- **Ensure** that timely forecasts and monitoring information on performance and finance are provided to the sponsor Directorate; that the sponsor Directorate is notified promptly if overspends / under spends are likely or if performance targets are at risk, along with detail of mitigating/corrective action taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor Directorate in a timely fashion.

on advising the Board –

- advise the Board on the discharge of its responsibilities as set out in this document and in any other relevant instructions and guidance issued by the Scottish Ministers / sponsor Directorate;
- advise the Board on CES(IM)'s performance compared with its aim and objectives;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that standard financial appraisal techniques¹⁰ as set out in the SPFM are followed as far as this is appropriate and practical;

⁹ SPFM- <http://www.gov.scot/Topics/Government/Finance/spfm/BestValue>

¹⁰ SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/appraisal>

- take action and inform the sponsor team/Portfolio Accountable Officer immediately, if the Board, or the Chair, are contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;
- inform the sponsor team/Portfolio Accountable Officer immediately, if the Board, or the Chair, are contemplating taking an action which would not be in accordance with any limits of the duties under the 2017 Order or the 1961 Act.

on managing risk and resources –

- ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that the funds falling within the stewardship of CES(IM) are used for the purpose intended, and that such monies, together with CES(IM)'s assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by CES(IM), including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective HR management policies are maintained and that strategic HR planning is linked to CES(IM)'s objectives;

on accounting for CES(IM)'s activities –

- sign a **Governance Statement**¹¹ regarding CES(IM)'s system of internal control, for inclusion in the annual report and accounts;
- ensure that an **effective complaints procedure** is in place and made widely known;
- give evidence when summoned before the Scottish Parliament on the use and stewardship of public funds by CES(IM).

The Chief Executive may delegate the day-to-day administration of his/her responsibilities to other employees in CES(IM). However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this document.

4. PLANS, BUDGETS AND CONTROL

4.1 The Corporate Plan

- CES(IM) shall agree with the SG the issues to be addressed in the Corporate Plan (normally cover a 3 year period) and the timetable¹² for its preparation and review. The

¹¹ SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/sic>

finalised plan shall reflect the CES(IM)'s strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. The corporate plan should include (in addition to those provisions listed in the 2017 Order):

- the purpose and principal aims of CES(IM);
 - an analysis of the environment in which CES(IM) operates
 - key objectives and associated key performance targets for the period of the plan, the strategy for achieving those objectives and how these will contribute toward the achievement of the SG's primary purpose, the National Performance Framework (NPF) and Scotland's Economic Strategy;
 - indicators against which performance can be judged;
 - other matters as agreed between the sponsor Directorate and CES(IM).
- The plan shall be submitted, via the sponsor Directorate, for approval by Scottish Ministers. The actual timetable for such submission will be agreed with the sponsor Directorate as required.
 - The corporate plan should inform the development of a separate business plan for each financial year. The business plan should include key targets and milestones for the year immediately ahead, aligned to the NPF, and be linked to budgeting information so that, where possible, resources allocated to achieve specific objectives can be identified. A copy of the CES(IM)'s business plan should be provided to the sponsor unit prior to the start of the financial year.

4.2 Publication of Plans

Subject to any commercial considerations a summary of the Corporate Plan and business plans shall be made available on the CES(IM) website. A summary version made available to staff of CES(IM).

4.3 Reporting Performance To The Sponsor Directorate

- CES(IM) shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its Corporate and Annual Report.
- CES(IM) shall take the initiative in informing the sponsor Directorate of changes in external conditions which make the achievement of objectives more or less difficult, or which may require a change to the budget or objectives set out in the Corporate and Annual Plans.
- CES(IM)'s performance in helping to deliver Ministers' policies, including the achievement of agreed key objectives, shall be reviewed twice yearly by the sponsor Directorate. Additionally, CES(IM) shall meet with the sponsor Directorate every three months to discuss progress against objectives. The appropriate Cabinet Secretary / Scottish Minister shall meet the Board formally each year to discuss CES(IM)'s performance, its current and future activities and any policy developments relevant to those activities.

¹² Timetable for Corporate Plan - The first Corporate Plan must be prepared and submitted as soon as practicable after the 2017 Order comes into force and new plans are to be submitted not later than three months before the expiry of the existing plan.

- CES(IM)'s performance against key targets shall be reported in CES(IM)'s annual report and accounts, see Section 14 below. Other forms of reporting performance to the public should also be considered.
- Where monitoring of performance indicates that the forecast level of net revenues will not be achieved, CES(IM) must report this to the sponsor Directorate at the earliest opportunity.

4.4 Budgeting Procedures

CES(IM)'s budgeting procedures are set out in this Framework Document.

4.5 Audit And Other Committees

- CES(IM) must establish an audit committee in accordance with the guidance on Audit Committees in the SPFM¹³. CES(IM) may establish other committees and sub-committees. The membership of a committee or sub-committee may include (but may not consist entirely of) persons who are members of the staff of CES(IM).
- In addition, CES(IM) shall forward to the sponsor Directorate an annual report on fraud (including theft) suffered by CES(IM); notify any unusual or major incidents as soon as possible; and notify any changes to its audit committee's terms of reference or its Fraud Policy¹⁴ and Fraud Response Plan¹⁵.

5 EXTERNAL ACCOUNTABILITY

5.1 Annual Report

CES(IM) must, as soon as practicable after the end of each financial year:

- prepare a report on its activities during that year; and
- send a copy of the report to the Scottish Ministers.
- publish the report as soon as practicable after a copy of the report has been laid before the Scottish Parliament by the Scottish Ministers.

The annual report should cover the activities of any subsidiary or joint venture under the control of CES(IM). The report must list any direction given to CES(IM) during that year, subject to the requirements of article 18 of the 2017 Order.

5.2 Accounts

- CES(IM) shall produce audited accounts in the agreed form, being accounts in the same form as the annual accounts of The Crown Estate Commissioners as at the date of this Framework Document (Appendix B). The accounts will, so far as appropriate, comply with the SPFM and with any accounts direction or other relevant direction issued by the Scottish Ministers.
- The report and accounts shall be submitted in draft to the sponsor Directorate for comment by 1 August in any given year and the final version shall be laid before the Parliament later that year by the Scottish Ministers in keeping with the timetable as

¹³ Establishing Audit Committees – SPFM -

<http://www.gov.scot/Topics/Government/Finance/spfm/auditcommittees>

¹⁴ Fraud Policy – SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/fraud>

¹⁵ Fraud Response Plan – SPFM -

<http://www.gov.scot/Topics/Government/Finance/spfm/fraud/fraudannex2>

advised by the sponsor Directorate. The accounts must not be published before they have been laid. CES(IM) shall be responsible for the publication of the report and accounts.

5.3 External Audit

- CES(IM)'s accounts are audited by auditors appointed by the Scottish Ministers on the recommendation of the Board. CES(IM) must establish an audit committee; and may establish other committees and sub-committees.
- CES(IM)'s accounts will be audited by Audit Scotland. CES(IM) shall submit the audited accounts to the Scottish Ministers, who shall lay them, together with the annual report, before the Parliament.
- Whilst the statutory date for laying and publishing accounts audited by the Auditor General Scotland (AGS) is by 31 December, following the close of the previous financial year, there is an expectation on part of the Scottish Ministers that accounts will be laid and published at the earliest possible date following the completion of the formal sign-off and approval process.
- The accounts must not be laid before they have been formally sent by the AGS to the Scottish Ministers and must not be published before they have been laid. CES(IM) shall be responsible for the publication of the report and accounts, including on CES(IM)'s website.
- CES(IM) shall include copies of all external audit management letters (and correspondence relating to those letters) and responses in the audit committee papers which are shared with the sponsor Directorate in the normal course of business.

5.4 Value For Money / 3E Examinations

- The Auditor General for Scotland (AGS), under section 23 of the Public Finance and Accountability (Scotland) Act 2000 (the PFA Act), may initiate examinations into the economy, efficiency and effectiveness (3E examinations) with which certain bodies have used their resources in discharging their functions. 3E examinations are also commonly referred to as "section 23 examinations / reports", "value for money (vfm) examinations / reports" and "performance audits / reports".
- In addition, CES(IM) shall provide, in conditions to grants and contracts, for the AGS to exercise such access to documents held by grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

6 STAFF MANAGEMENT

Within the arrangements approved by the Scottish Ministers, CES(IM) shall have responsibility for the recruitment, retention and motivation of its staff. To this end CES(IM) shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;

- the level and structure of its staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and CES(IM)'s performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve CES(IM)'s objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest Disclosure Act 1998¹⁶ are in place.

7. Health and Safety

CES(IM) is responsible for ensuring compliance with the requirements of the Health and Safety at Work Act 1974 and other relevant legislation, and will aim to achieve the highest standards of health and safety in its operations

¹⁶ Public Interest Disclosure Act - <http://www.gov.scot/resource/doc/76007/0061075.pdf>

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PART 2: FINANCIAL MEMORANDUM FOR CES(IM)

1 CES(IM) FUNDING

1.1 Income

CES(IM) obtains funding from a number of sources including revenue from the seabed, urban assets, rural estates, mineral and fishing rights, and those stretches of the Scottish foreshore for which it is responsible. CES(IM) business is split into two main branches, being Property; and Energy & Infrastructure (“E&I”). Within each area there are various departments, with the management of assets performed either in house or outsourced to managing agents (“MAs”).

Any grant application shall provide the sponsor Directorate with, as a minimum, information, which will enable the satisfactory monitoring by the sponsor Directorate of:

- CES(IM) cash management;
- actual and forecast outturn of expenditure of Grant;
- actual and forecast outturn of expenditure / consumption.

Any application for grants should not be paid out in advance of need.

1.2 Fees Or Charges For Services

Fees or charges for services or goods supplied by CES(IM), should be determined in accordance with the SPFM. In setting fees and charges CES(IM) shall:

- set fees in accordance with the SPFM;
- have due regard to its duty as a public body and to the public purse, bearing in mind that those charges will have implications for other public sector expenditure;
- where required, in accordance with the Fees and Charges section of SPFM (Sponsored Bodies), seek the approval of the Scottish Ministers to proposed charges.

1.3 Authority To Spend

CES(IM) shall have authority to incur expenditure / consume resources in accordance with the corporate plan without further reference to the sponsor Directorate, on the following conditions:

- CES(IM) shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur expenditure not previously approved in the Corporate Plan, which fall outside the specific delegations set out in the attached Appendix A. These delegations shall not be altered without the prior agreement of the sponsor Directorate;
- Prior SG approval must always be obtained before incurring any class of expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.
- CES(IM) shall comply with the conditions set out in this Financial Memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the SPFM; and
- CES(IM) shall provide the sponsor Directorate with such information about its operations, performance, individual projects or other expenditure as the sponsor Directorate may reasonably require.

- CES(IM) shall establish and agree with the sponsor Directorate a comprehensive system of internal delegated authorities which should be notified to all staff, together with a system for regularly reviewing compliance with these delegations.

1.4 Bad Debt And Impairments

Write-off of bad debt and impairments is subject to the delegated limit set out in the attached Appendix A.

2 CES(IM)'S INCOME

2.1 Borrowing

All borrowing by CES(IM) - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the Borrowing, Lending & Investment ¹⁷section of the SPFM.

Loans from the Scottish Government advanced to the capital account shall be repaid from the capital account along with any interest payable. Loans advanced from the Scottish Government for operating purposes (to the "income account") shall be repaid from the income account along with any interest payable.

2.2 Maximising Income From Other Sources

CES(IM) shall seek to maximise commercial income provided that this is consistent with CES(IM)'s main functions and its corporate plan as agreed by the Scottish Ministers. Proposals for new categories of income or material changes to existing categories of income must be cleared with the sponsor Directorate.

2.3 EU Funding

CES(IM) may seek grant funding from the EU as it considers appropriate and shall ensure that the sponsor Directorate is informed of any such grant funding in accordance with the guidance in the EU Funding section¹⁸ of the SPFM.

2.4 Proceeds From Disposal Of Assets

Disposals of land and buildings are dealt with in Section 7 below.

2.5 Gifts, Bequests And Donations

CES(IM) is free to retain any gifts, bequests or similar donations. Before proceeding in this way CES(IM) must consider if there are any associated costs in doing so or any conflicts of interests arising. CES(IM) must keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

3 CES(IM) EXPENDITURE: GENERAL PRINCIPLES

3.1 Delegated Authority

CES(IM) shall not, without prior approval of the sponsor Directorate, enter into any undertaking to incur any expenditure not previously approved in the Corporate Plan, which

¹⁷ Borrowing and Lending - SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/borrowingetc>

¹⁸ EU Funding section of the SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/eufunding>

falls outside the specific limits on CES(IM)'s delegated authority as set out in the attached Appendix A.

3.2 Appraisal and Evaluation

All expenditure proposals shall, so far as appropriate, be subject to the guidance in the Appraisal and Evaluation¹⁹ section of the SPFM.

3.3 Procurement

CES(IM)'s procurement policies shall, so far as appropriate, reflect relevant guidance in the Procurement section of the SPFM. Procurement should be treated as a key component of achieving CES(IM)'s objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. CES(IM) shall also ensure that it complies with any relevant EU or other international procurement rules.

3.4 Competition

Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide best value for money overall. Proposals to let single-tender or restricted contracts above the relevant delegated limit in the attached Appendix A must be submitted to the sponsor Directorate for approval.

3.5 Value For Money

Procurement by CES(IM) of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

3.6 Timeliness In Paying Bills

CES(IM) shall pay all matured and properly authorised invoices in accordance with the guidance provided in the SPFM on Expenditure and Payments²⁰ or within 10 days as provided for within the Payments section of the SPFM.

3.7 Novel, Contentious Or Repercussive Proposals

CES(IM) shall obtain the approval of the sponsor Directorate before:

- incurring any expenditure for any purpose which is or might be considered novel or contentious, or which has or could have significant future cost implications, including on staff benefits;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by the sponsor Directorate;
- making any change of policy or practice which has wider financial implications (e.g. because it might prove repercussive among other public sector bodies) or which might significantly affect the future level of resources required.

¹⁹ Appraisals and Evaluation – SPFM -

<http://www.gov.scot/Topics/Government/Finance/spfm/appraisal/appraisalannex1>

²⁰ Expenditure and Payments – SPFM -

<http://www.gov.scot/Topics/Government/Finance/spfm/payments>

3.8 Risk Management

- CES(IM) shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and shall develop a risk management strategy, in accordance with the Risk Management²¹ section of the SPFM.
- CES(IM) shall adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Fraud section of the SPFM.
- CES(IM) shall take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant.

4 EXPENDITURE ON BOARD MEMBERS

Remuneration, allowances and expenses paid to Board Members must comply with specific guidance and determinations on such matters issued by the Scottish Ministers.

5 EXPENDITURE ON STAFF

5.1 Staff Costs

CES(IM) is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it. However, any significant changes in staff numbers or organisational structure must be approved in advance by the sponsor Directorate.

5.2 Pay And Conditions Of Service

CES(IM) shall submit to the sponsor Directorate for approval (normally annually unless a multi-year deal has been agreed) a pay remit, covering the staff pay award. This should be in line with the provisions of the Scottish Government's Public Sector Pay Policy for Staff Pay Remits. CES(IM) may appoint subsequent Chief Executives and other staff on such terms and conditions as CES(IM), with the approval of the Scottish Ministers, determines. Proposals on non-salary rewards must comply with the guidance in the Non-Salary Rewards section of the SPFM. CES(IM) shall comply with the EU directive on contract workers, Fixed Term Employees Regulations (Prevention of Less Favourable Treatment). The terms and conditions of the Chief Executive are subject to a separate approval exercise, the remuneration elements of which are subject to Scottish Government approval at the outset and annually, in line with the Scottish Government's Public Sector Pay Policy for Senior Appointments.

5.3 Pensions, Redundancy / Compensation

- Superannuation arrangements for staff are subject to the approval of the sponsor Directorate. CES(IM)'s staff shall normally be eligible for entry to Pension Scheme.
- Staff may opt out of the occupational pension scheme provided by CES(IM). However, the employer's contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.

²¹ Risk Management – SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/risk>

- Any proposal by CES(IM) to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the sponsor Directorate. Proposals on severance payments must comply with the guidance in the Severance etc section of the SPFM.

6 NON-STAFF EXPENDITURE

6.1 Capital Expenditure

- Subject to being above CES(IM)'s capitalisation threshold as set out in their published accounts all expenditure on the acquisition or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the (a) acquisition, reclamation or laying out of land; (b) acquisition, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings; (c) acquisition, installation or replacement of movable or fixed plant, machinery, vehicles and vessels; and (d) staff costs where it is appropriate for them to be capitalised.
- Proposals for large-scale individual capital projects or acquisitions will normally be considered within CES(IM)'s corporate planning process and within the context of its long-term estate strategy. Any such project shall be subject to the guidance in the Major Investment²² section of the SPFM and, where appropriate, the Construction Procurement Manual²³ published by the Scottish Government's Construction Advice and Policy Division.

6.2 Lending, Guarantees, Indemnities, Contingent Liabilities, Letters Of Comfort

CES(IM) shall not, without the sponsor Directorate's prior consent, lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or legally binding letter of comfort, or incur any other contingent liability (as defined in the Contingent Liabilities section of the SPFM or in International Financial Reporting Standards), whether or not in a legally binding form.

6.3 Gifts, Losses And Special Payments

Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in the attached Appendix A must have the prior approval of the sponsor Directorate. Any such proposals should address the considerations listed in the Losses & Special Payments section of the SPFM. Gifts by management to staff are subject to the guidance in the Non-Salary Rewards²⁴ section of the SPFM.

6.4 Subsidiary Companies And Joint Ventures

CES(IM) shall not establish subsidiary companies or joint ventures without the express approval of the sponsor Directorate. In judging such proposals the sponsor Directorate will have regard to the Scottish Ministers' wider strategic aims and objectives.

²² Major Capital Construction Works - Appraisal, Evaluation and Major Investment - <http://www.gov.scot/Publications/2005/11/28100404/04050>

²³ The Construction Manual - <http://www.gov.scot/Topics/Built-Environment/Building/Building/procurement-manual>

²⁴ Non-Salary Rewards – SPFM- <http://www.gov.scot/Topics/Government/Finance/spfm/nonsalrewards>

6.5 Financial Investments

CES(IM) will have the ability to invest surplus cash balances in financial savings products of investment grade, which are available in the UK and on terms which the CES(IM) Board of members consider to be compatible with the requirements of the Crown Estate 1961 Act.²⁵ Modifications to the 1961 Act allow CES(IM) to invest funds in an interest-bearing account²⁶.

6.6 Unconventional Financing

Unless otherwise agreed with the sponsor Directorate, CES(IM) shall not enter into any unconventional financing arrangement.

6.7 Commercial Insurance

CES(IM) must take out commercial insurance where there is a legal requirement to do so, with the prior approval of the sponsor Directorate, and broadly in accordance with the guidance in the Insurance²⁷ section of the SPFM.

7 MANAGEMENT AND DISPOSAL OF FIXED ASSETS

7.1 Register Of Assets

CES(IM) shall maintain an accurate and up-to-date register of its fixed assets.

7.2 Disposal Of Assets

- CES(IM) shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the Property: Acquisition, Disposal and Management section of the SPFM. Disposal of any assets should be in accordance with the SPFM.
- The Scottish Government's Property Controls Team should be notified of relevant proposed disposals of property held by CES(IM) for operational purposes (as opposed to those held for investment purposes) at the earliest opportunity and should then submit them for trawl at least 1 month prior to their being advertised on the open market.
- Any proposal to acquire land, buildings or other rights in property, unless covered by a specific exemption, should comply with the SPFM, taking account of the statutory duties as regards management of the Crown Estate. CES(IM) is also subject to the SG Asset Management Policy and the Property Controls Team should be consulted as early as possible when considering any transactions which are covered by this. Information concerning CES(IM) should be accurately recorded and updated as necessary on the Office of Government Commerce electronic Property Information Mapping System.

7.3 Investments

CES(IM) will undertake investment in line with its legislative duties.

²⁵ Crown Estate Act 1961 - <http://www.legislation.gov.uk/ukpga/Eliz2/9-10/55/data.pdf>

²⁶ Crown Estate (Interim Management) Order 2017 - Article 20(3) of the 2017 Order modifies the application of section 3(4) of the 1961 Act.

²⁷ Insurance – SPFM - <http://www.gov.scot/Topics/Government/Finance/spfm/insurance>

7.4 Recovery Of Grant-Financed Assets

Where CES(IM) has financed expenditure on capital assets by a third party, CES(IM) shall use its best endeavours that any such assets above an agreed value are not disposed of by the third party without CES(IM)'s prior consent. CES(IM) shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition or improvement.

CES(IM) shall also ensure that if the assets created by grants made by CES(IM) cease to be used by the recipient of the grant within **5 years from the date** of completion for the intended purpose an appropriate proportion of the value of the asset shall be repaid to CES(IM).

8 BANKING

CES(IM)'s Chief Executive is responsible for ensuring that CES(IM)'s banking arrangements safeguard public funds and are carried out efficiently, economically and effectively.

9 MOVEMENT BETWEEN REVENUE AND CAPITAL

A transfer, or transfers, from revenue to capital is permitted each year, such transfer(s) being equal, in aggregate, to the sum calculated as 9% of the previous year's gross revenue. In addition, the gross annual income received, and the expenses incurred, from or in connection with **mining leases** or the working of mines or minerals shall be carried or charged as to one half to capital account and one half to revenue account. Funds transfers are permitted between revenue (the income account) and capital to assist with the management of cash flow. In line with the 2017 Order (article 20 (2) (b)) any such transfers must be repaid. Any proposal to delay repayment until after the financial year must be approved by sponsor team.

Where appropriate staff (and related) costs are charged to, and recovered from, the capital account.

PART 2: FINANCIAL MEMORANDUM FOR CES(IM) - SPECIFIC LIMITS ON DELEGATED AUTHORITY

Category	Delegated Limit
Capital transactions	£2 Million
Revenue Spend	£500,000
Single-tender contracts	£50,000
Claims waived or abandoned	£5,000
Write-off of bad debt and impairments	£5,000
Special payments	£1,000

