

Business Plan 2017/18



Contents

Introduction	1
Strategy framework	2
Leadership and governance	4
How we work – practices and standards	5
Helping deliver Scotland’s national outcomes	6
Finance	7
Business objectives	9
Annex 1	12
Annex 2	13
Annex 3	14

Introduction

This will be the first year of operation for Crown Estate Scotland (Interim Management) following devolution of management of The Crown Estate's Scottish assets to Scottish Ministers on 1 April 2017.

The business, with the trading name of Crown Estate Scotland, will be responsible for managing the assets on an interim basis pending legislation on long-term arrangements, or any other changes that Scottish Ministers may make.

Our corporate plan, due to be published later in 2017, will set out how Crown Estate Scotland will create long-term success for the benefit of our tenants and other stakeholders, local communities, the economy and Scotland as a whole. This includes delivering a revenue return and growth in the value of the estate as well as contributing to wider socio-economic and environmental objectives.

This business plan reflects how we will run the business for the next 12 months. During this time, we will prepare the organisation and its staff to meet the new challenges and take advantage of the short to medium-term opportunities.

As part of this process, we will start to adjust the make-up of the estate so that we are better able to deliver Scottish Ministers' objectives, increase profit, generate capital growth and manage risk. This will involve selling a small number of assets so that we can invest elsewhere. The Crown Estate has always sold assets in order to buy and develop. Crown Estate Scotland will continue doing that in a way that strengthens the newly devolved business, enabling it to invest in new and existing holdings.

Our main goals for the next 12 months will be:

- Maintaining gross revenue and managing operating costs
- Establishing recognition of Crown Estate Scotland by continuing to build strong partnerships with customers and stakeholders, and by changing how we engage with communities and coastal local authorities
- Identifying and selling assets to raise up to £10m that can then be reinvested with the aim of creating a more balanced property portfolio¹
- Preparing the organisation to respond to Scottish Ministers' long-term objectives for the management of the estate

We have an interesting, busy and challenging year ahead of us. In setting out a clear plan with measurable objectives we demonstrate that we have the skills, resources and ambition to maximise the benefits from the assets we manage.



Amanda Bryan
Chair
Crown Estate Scotland (Interim Management)



Ronnie Quinn
Chief Executive
Crown Estate Scotland (Interim Management)

¹ In 2015/16 the Scottish assets (then managed by The Crown Estate and now managed by Crown Estate Scotland) had a capital property value of £271.8m

Strategy framework

The devolution of The Crown Estate offers an opportunity to increase socio-economic benefits related to our activity to assist in meeting expectations of stakeholders, the objectives of the Scottish Government and requirements of good management.² This requires a clear strategy for the period until any long-term arrangements become law.



² Good management is one of Crown Estate Scotland's statutory obligations as in The Crown Estate Act 1961

Strategy framework (cont)



Leadership and governance

Under The Crown Estate Act 1961, Crown Estate Scotland has a duty *‘to maintain the estate as an estate in land and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management’*.

Our aims will be aligned with the Scottish Government’s purpose of creating *‘a more successful nation, with opportunities for all of Scotland to flourish through increasing sustainable economic growth’*.

To meet these requirements, the Board will:

- Set the overall strategic direction of Crown Estate Scotland including the development of the corporate plan
- Ensure that any statutory or administrative requirements for the use of public funds (all funds falling within the stewardship of Crown Estate Scotland) are complied with; operate 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, in reaching decisions, will take into account relevant guidance issued by the Scottish Ministers
- Receive and review regular financial information concerning the management of Crown Estate Scotland; be informed in a timely manner about any concerns about the activities of Crown Estate Scotland; and ensure 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 audit committee to help address financial and other risks, and ensuring effective internal control and risk management systems
- Provide commitment and leadership in the development of cost effective solutions which secure best value

Crown Estate Scotland operates under a Framework Document drawn up by the Scottish Government. This sets out:

- Our functions, duties and powers
- Our aims, objectives and targets
- Our responsibilities and accountability, including our relationship with the Scottish Government
- Our plans, budgets and controls
- Our external accountability arrangements
- Our staff management arrangements
- Certain aspects of our financial framework

More on our governance structure is in [Annex 1](#).

How we work – practices and standards

During this period of transition, our objectives and working practices will be aligned with those of the Scottish Government.

At the same time, it will be important to maintain the confidence of our stakeholders, staff and partners, ensuring that they are fully engaged in our plans.

With this in mind, we will:

- Develop stakeholder and community engagement plans based on our research and best practice
- Place health and safety at the centre of our business operations and culture
- Adopt comprehensive equalities policies for employment and how we manage the estates
- Pursue best practice in procurement and customer service, ensuring fairness and transparency
- Ensure we work in an open and transparent way including making information on Board activity and decisions publicly available
- Aspire to meet the highest standards of environmental responsibility
- Build our capacity as a learning organisation, committed to enhancing the expertise and development of our people
- Regularly report to the public on our performance

Helping deliver Scotland's national outcomes

Crown Estate Scotland's work contributes towards the following six Scottish Government outcomes identified in the National Performance Framework.

NATIONAL OUTCOME	WHAT WE DO	ACTIONS
We realise our full economic potential with more and better employment opportunities for our people	We support thousands of individuals and businesses who rely on leasing the assets in order to succeed	Our support for sectors such as offshore renewables, aquaculture and marine tourism help drive economic growth and job creation. We are an accredited Living Wage employer and are helping fund and deliver Business in the Community Scotland's programme to help people in to good quality jobs
We live in a Scotland that is the most attractive place for doing business in Europe	Our proactive and strategic support role in offshore renewables and aquaculture helps attract investment and create jobs	We will continue to provide specialist legal, geospatial, consenting and commercial support to offshore renewable energy projects. This year we will also investigate the future for the floating wind industry in Scotland, and explore how best to bring seaweed cultivation to a commercial scale
We are better educated, more skilled and more successful, renowned for our research and innovation	We support and fund strategic research that will help grow the sectors we operate in / impact on. Our people continually develop their skills, and we help others to do so through various education activities	Recent and current projects include part-funding the Sailing Tourism in Scotland report; research into collaborative investment in equipment and infrastructure to improve returns for shellfish growers; work with other bodies to draft and pilot wild/farmed fish interactions plan, and a partnership with Moredun to provide farming tenants with biosecurity advice. Last year we welcomed 380 schools pupils to Glenlivet Estate
We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others	We collaborate with communities across Scotland, often helping them to manage assets on a day-to-day basis.	We have completed eight Local Management Agreements helping community organisations take on day-to-day control of areas of coastline and / or seabed. We have initiated, coordinated and supported the Tomintoul & Glenlivet Community Liaison Group and approx. 120 moorings associations that devolve management to the local level
We value and enjoy our built and natural environment and protect it and enhance it for future generations.	The integrity of the natural environment is central to our decision-making. We have a duty to ensure long-term 'good management' of the assets (as in the Crown Estate Act 1961) that is reflected in our robust approach to sustainability	In 2017/18 we will start to develop a framework to measure the wider socio-economic and environmental benefits that we deliver. We will continue our work to help trial the Natural Capital Protocol at Glenlivet and support local biodiversity projects
We reduce the local and global environmental impact of our consumption and production	We help developers to generate offshore renewable energy, reducing climate change emissions, and are committed to continuing to support the industry and help Scotland meets its ambitious renewable energy consumption targets.	We are proud to be supporting the Beatrice offshore wind farm which, when fully operational in 2019, will be able to generate 588MW of electricity, enough to power about 450,000 homes. Our predecessor The Crown Estate has invested nearly £10m in the MeyGen project to help unlock Scotland's tidal energy potential. Developer Atlantis expects the project to eventually have capacity to generate 398MW .

Finance

(all values are provisional)

Income from the properties, after the deduction of all operating costs and permissible transfers to the capital account, is payable to Scottish Government.³ This figure is shown below as profit. Capital investment and development is funded from the sale of assets.

Revenue

- Gross revenue for 2017/18 is projected at £14.7m.
- Some indirect costs are new or will have increased and it will not be until after the first full year as a standalone business, and the 2017/18 figures are finalised, that we will have a full appreciation of revenue expenditure requirements.
- Direct costs include maintenance, repairs, managing agents and other costs related to the land and property for which we are responsible.
- The budgeted profit is £5.9m, representing 40% of gross revenue.

2017/18

Revenue	£m
Rural, Coastal & Urban	7.6
Marine (Energy, Infrastructure & Aquaculture)	7.1
	14.7
Direct Costs	
Rural, Coastal & Urban	3.4
Marine (Energy, Infrastructure & Aquaculture)	0.3
Indirect Costs	3.5
Net operating profit before transfers to capital	7.5
Transfers to capital account	1.6
Profit	5.9

³ The legislation which created Crown Estate Scotland ([Interim Management](http://www.legislation.gov.uk/sdsi/2017/978011033388)) (see <http://www.legislation.gov.uk/sdsi/2017/978011033388>, Article 20) enables the business to make transfers from the revenue account to the capital account. The amount that can be transferred is calculated as nine per cent of the previous year's turnover. In addition, the business can capitalise some costs, for example salaries. The legislation also permits the business to make loans from revenue received to fund short-term capital cashflow requirements. These are to be repaid as soon as practical and are not to be outstanding over a financial year end without the consent of Scottish Government.

Capital

- Our strategy is to generate capital funds to enable investment and growth. We therefore sell assets at the appropriate times to be able to buy, invest and develop.
- We will start to create a more balanced portfolio, improving returns on investment with managed exposure to risk. Capital will be reinvested in opportunities across our existing estate and in new commercial acquisitions, whilst seeking to maintain a reasonable capital reserve.
- Planned capital expenditure in the current financial year includes improvements to rural tenanted properties (under our lease obligations to provide suitable buildings and fixed equipment), development projects in offshore renewables and improvements to coastal assets.
- The Board will be asked to approve the parameters for investment so that the business can develop and implement an acquisition strategy.
- Taking into account transfers from revenue to capital, £4.4m of funds will be available for investment (see below).

Capital Receipts	£m
Rural, Coastal & Urban	10.2
Marine (Energy, Infrastructure & Aquaculture)	0.2
	10.4
Capital Expenditure	
Rural, Coastal & Urban	6.3
Marine (Energy, Infrastructure & Aquaculture)	1.0
Admin	0.3
	7.6
Transfers from revenue to capital	1.6
Net Capital Funds	4.4

Business objectives

Corporate

Securing recognition of the interim body and developing its reputation will be an early priority. This will include a strong focus on best practice in community and stakeholder engagement, as well as governance and transparency.

ACTION	MEASURE
1 Build awareness and understanding of Crown Estate Scotland and its role amongst stakeholders through a wide-ranging engagement & communications plan	Plan developed; 75% awareness by 31/03/18
2 Conduct research to build understanding of stakeholder perceptions of Crown Estate Scotland; review engagement & communications plan accordingly	Research completed, plan reviewed and implementation started
3 Develop high level of satisfaction amongst tenants and customers; establish customer service principles and baseline for continual improvement	Over 70% overall satisfaction in survey; principles agreed and rolled-out
4 Review community engagement practices and develop new guidance in line with best practice and revised National Standards	Guidance rolled out across business; case study evidence of local partnership working including pilots for new forms of engagement
5 Put in place measures to improve openness and transparency	Effective channels of public reporting in place (annual report; board engagement; website with GIS map etc); use customer and stakeholder surveys to establish baseline and further improvement measures
6 Corporate policies reflecting best practice in place (equalities, procurement, risk management, complaints, FOI etc)	Policies in place and staff survey shows over 60% awareness & understanding
7 Ensure that staff are fully engaged; retain and enhance expertise to meet evolving business needs	Unplanned turnover rate no more than 10%; new CPD provision in place to reflect needs of the business; individual CPD plans completed
8 Ensure new Board is operating effectively with good understanding of the business and appropriate processes in place including performance, risk and financial reporting and robust corporate governance processes	Governance structures embedded; induction completed by all members; three off-site Board meetings held; Audit Committee established
9 Develop framework to measure / track the benefits we deliver to communities and the nation including alignment with national outcomes	Complete first phase of scoping exercise re: establishing method / tools
10 Review direct and indirect expenditure to identify savings and efficiencies	Recommendations for improvement identified with plan for implementation
11 Progress voluntary land registration	Exercise to scope required resource completed
12 Establish robust procedures for managing, monitoring and auditing business Health and Safety	All policies and procedures reviewed and in place; full audit and gap analysis conducted with follow up actions completed
13 Long-term investment strategy developed	Investment strategy approved by Board; business started to implement
14 Ensure that appropriate processes are in place to capture data and financials, apportioned by local authority, to be able to provide information and analysis to Scottish Government as required	Provision of financial information to enable Scottish Government to apportion net revenues by local authority ⁴

4 Scottish Government, not Crown Estate Scotland, will decide the method of allocation of net revenues to local authorities

Rural & Coastal, Urban

We will work with Government, other partners and communities to ensure the sustainable development of rural and coastal assets while protecting and enhancing the natural environment. This will include working collaboratively with customers and tenants on business opportunities which offer mutual benefit as well as progressing large initiatives such as the Tomintoul & Glenlivet Partnership Project.

ACTION

MEASURE

15	Raise capital through sale of assets, including rural properties, and through property transactions	£10m of assets identified and sold
16	Complete capital investment programme on agricultural & residential units, investing £4.6m in new buildings infrastructure, development and lease restructuring; explore opportunities to facilitate new entrants as part of tenancy restructures	All projects completed within budget
17	Complete asbestos and electrical related works	Works completed
18	Undertake comprehensive independent review of coastal moorings management and mooring fees	Review completed and consultation report prepared
19	Implement Glenlivet landscape partnership project with funds from HLF	Implementation kept on time and on budget
20	Progress the Low Carbon Renewables Project (with Aberdeen and Robert Gordon Universities)	Phase 2 feasibility study complete
21	Develop Natural Capital Protocol Project in partnership with SLE, SNH, SEPA and other partners	Funding secured and project underway
22	Explore opportunities to enable developers to achieve commercial scale use of Mines Royal	Recommendation made to Board
23	Optimise new rentals from property in George Street, Edinburgh	Remaining vacant office let at market value

Marine (Energy, Infrastructure and Aquaculture)

We will support capital investment, particularly by helping to build confidence in the offshore renewables sector. This will include supporting the deployment of Beatrice, Aberdeen Bay and Hywind 2 and further development opportunities. We will also examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to increase benefits for stakeholders, including communities.

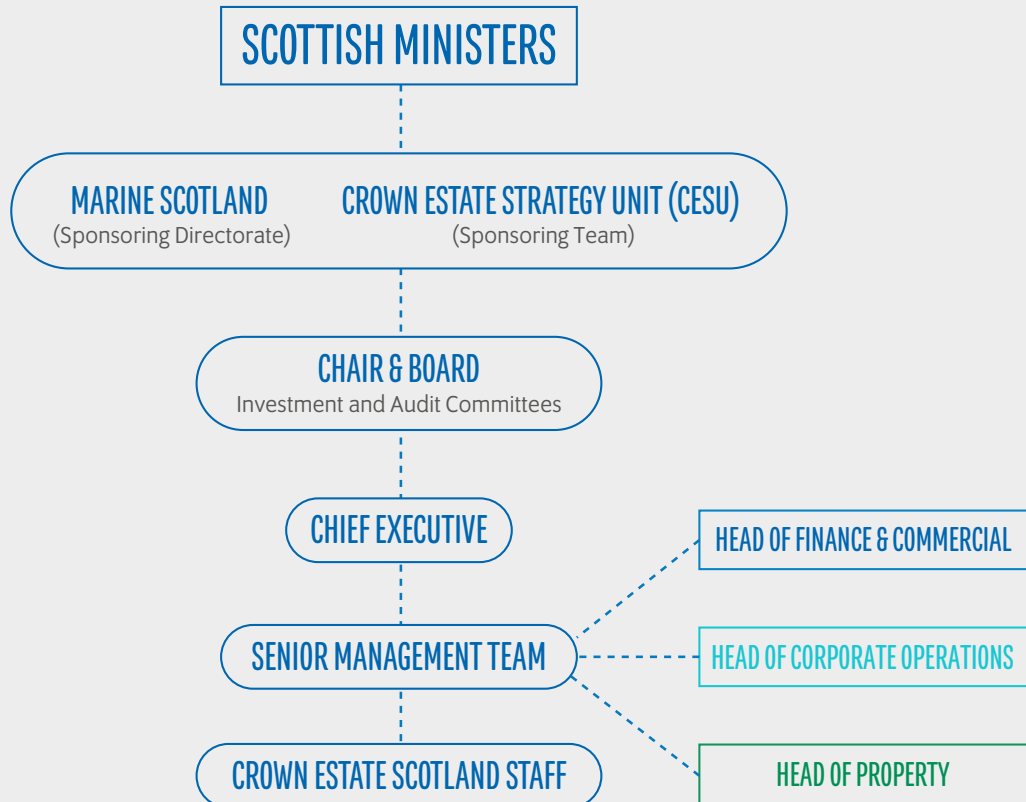
ACTION

MEASURE

24	Review offshore wind AfL option periods to ensure compatibility with CfDs and termination dates	Agreements and extensions in place. Make recommendations in respect of 10 year option period.
25	Work with offshore renewable energy developers to identify new development rights and additional targeted capacity for new projects. Create policy for extensions to existing sites / test and demo sites	Approvals agreed and contracts managed as required. New policy agreed
26	Collaborate with stakeholders on further research into offshore renewables, including how Scotland could benefit from floating wind, and energy storage	Complete initial studies into floating wind and energy storage identifying opportunities and recommended next steps
27	Work closely with the energy and telecommunications sectors to better meet their cable and pipeline needs	Collaborative project to unlock value from cables and pipelines infrastructure assets
28	Examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to optimise outcomes / benefits for stakeholders / communities	Review complete and recommendations presented to Board
29	Manage MeyGen investment	Manage contract to support completion and demobilisation of construction stage; support activity to attract investment in subsequent phases
30	Continue to explore a means for successful wild and farmed fish interactions management	Draft interactions plan with FMS, MSS, SAMS and other bodies; support workshop of wild and farmed interests and regulators to refine plan; pilot agreed plan
31	Participate with SARF in closed containment demo project (subject to confirmation of its proceeding)	Develop a model with SARF / specialist consultancy specifically for marine trout production where open sea phase <10 months (by Q4)
32	Attract commercial seaweed cultivation interest – shared investment on economically viable logistics development	Organise forum event for Seagas Project researchers and commercial biomethane interests to sense check R&D progress against commercial criteria and trends. Seek collaborative project re: how to bring cultivation logistics into commercial scale (and cost)

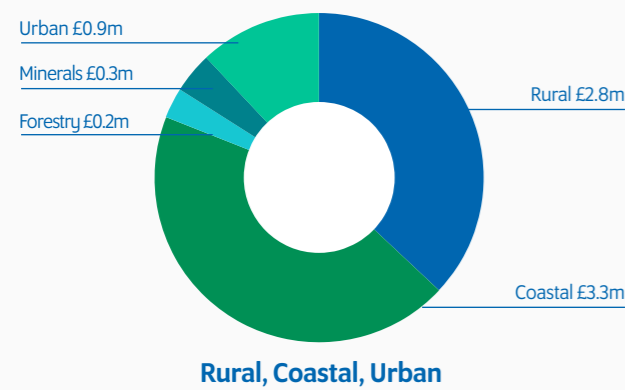
Annex 1

Governance Structure



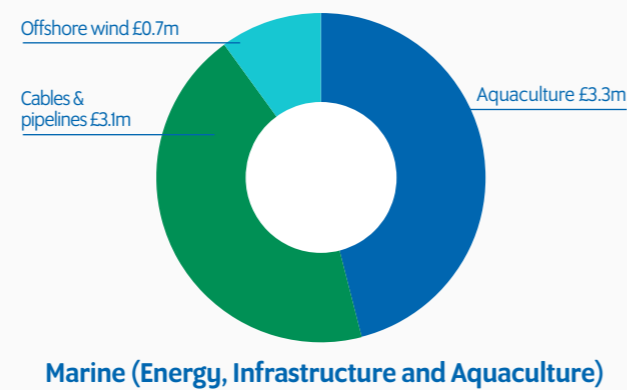
Annex 2

Summary of key targets and activities

REVENUES £14.7m

Rural, Coastal, Urban
PROFIT £5.9m
CAPITAL RECEIPTS £12m
CAPITAL INVESTMENT £7.6m
NET CAPITAL (TO BE REINVESTED) £4.4m

- > £10.4m sales and transactions
- > £1.6m transfer from revenue (by agreement with Scottish Government)

- > £4.9m investment in Rural
- > £0.8m investment in Rhu Marina
- > £0.3m in Forestry
- > £1.1m investment in offshore energy


Marine (Energy, Infrastructure and Aquaculture)

CORPORATE

Action	Measure
1	Build awareness and understanding of Crown Estate Scotland and its role amongst stakeholders through a wide-ranging engagement & communications plan
2	Conduct research to build understanding of stakeholder perceptions of CES; review engagement & communications plan accordingly
3	Develop high level of satisfaction amongst tenants and customers; establish customer service principles and baseline for continual improvement
4	Review community engagement practices and develop new guidance in line with best practice and revised National Standards
5	Put in place measures to improve openness and transparency
6	Corporate policies reflecting best practice in place (equalities, procurement, risk management, complaints, FOI etc)
7	Ensure that staff are fully engaged; retain and enhance expertise to meet evolving business needs
8	Ensure new Board is operating effectively with good understanding of the business and appropriate processes in place including performance, risk and financial reporting and robust corporate governance processes
9	Develop framework to measure / track the benefits we deliver to communities and the nation including alignment with national outcomes
10	Review direct and indirect expenditure to identify savings and efficiencies
11	Progress voluntary land registration
12	Establish robust procedures for managing, monitoring and auditing business Health and Safety
13	Long-term investment strategy devised
14	Ensure that appropriate processes are in place to capture data and financials, apportioned by local authority, to be able to provide information and analysis to Scottish Government as required

RURAL & COASTAL, URBAN

Action	Measure
15	Raise capital through sale of assets, including rural properties, and through property transactions
16	Complete capital investment programme on agricultural & residential units, investing £4.6m in new buildings infrastructure, development and lease restructuring; explore opportunities to facilitate new entrants as part of tenancy restructures
17	Complete asbestos and electrical related works
18	Undertake comprehensive independent review of coastal moorings management and mooring fees
19	Implement Glenlivet landscape partnership project with funds from HLF
20	Progress the Low Carbon Renewables Project (with Aberdeen and Robert Gordon Universities)
21	Develop Natural Capital Protocol Project in partnership with SLE, SNH, SEPA and other partners
22	Explore opportunities to enable developers to achieve commercial scale use of Mines Royal
23	Optimise net rentals from property in George Street, Edinburgh

MARINE (ENERGY, INFRASTRUCTURE & AQUACULTURE)

Action	Measure
24	Review offshore wind AfL option periods to ensure compatibility with CfDs and termination dates.
25	Work with offshore renewable energy developers to identify new development rights and additional targeted capacity for new projects. Create policy for extensions to existing sites / test and demo sites
26	Collaborate with stakeholders on further research into offshore renewables, including how Scotland could benefit from floating wind, and energy storage
27	Work closely with the energy and telecommunications sectors to better meet their cable and pipeline needs
28	Examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to optimise outcomes / benefits for stakeholders / communities
29	Manage MeyGen investment
30	Continue to explore a means for successful wild and farmed fish interactions management
31	Participate with SARF in closed containment demo project (subject to confirmation of its proceeding)
32	Attract commercial seaweed cultivation interest – shared investment on economically viable logistics development

Annex 3

Glossary

AfL	Agreement for Lease A binding agreement between a land manager and prospective tenant to grant and/or to accept a lease in the future once certain conditions have been met.
FMS	Fisheries Management Scotland Representative body for Scotland's network of District Salmon Fishery Boards, the River Tweed Commission and Rivers and Fisheries Trusts.
FOI	Freedom of Information The act which allows anyone to request information recorded and held by public sector organisations.
GIS	Geographic Information System A system for capturing, storing, checking, and displaying spatial data.
HLF	Heritage Lottery Fund An organisation which uses money raised by the National Lottery to fund heritage projects across the UK.
MSS	Marine Scotland Science The scientific division of Marine Scotland.
SAMS	Scottish Association for Marine Science Scotland's largest and oldest independent marine science organisation.
SARF	Scottish Aquaculture Research Forum SARF aims to promote, encourage and support research and development in aquaculture and related areas.
SEPA	Scottish Environment Protection Agency A non-departmental public body of the Scottish Government. Scotland's principal environmental regulator, protecting and improving Scotland's environment.
SLE	Scottish Land & Estates Representative body for those who own land and rural businesses in Scotland.
SNH	Scottish National Heritage Funded by the Scottish Government, SNH promotes, cares for and improve the country's natural heritage.