



Business Plan

2022-23



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1. Introduction

Welcome to our 2022-23 Business Plan.

This year will see us develop a long-term vision for Crown Estate Scotland, drawing on insights from people and organisations that we work with, and explore how we can further invest in property to support Scotland's just transition journey.¹

The land and property that forms the Scottish Crown Estate is the foundation of our work – but our people-focussed approach is equally important. Together, the assets and our partnerships enable us to create economic, social and environmental value for Scotland, as well as the revenue we return to Scottish Government.

Throughout 2021-22, as businesses and communities across Scotland navigated the impacts of COVID-19, Crown Estate Scotland has continued to invest to generate lasting value for Scotland.

Our work in the 'blue economy' expanded as we supported the development of marine-based industries and sectors, as did our activity relating to buildings & place, particularly in coastal communities. 2021-22 saw significant progress in offshore wind, a sector which could help revitalise manufacturing and power a just transition from oil and gas, creating new jobs in clean, green energy.²

After a detailed evaluation of 74 applications, we announced the results of ScotWind, the first round of leasing for offshore wind farms in Scottish waters for a decade. Developer ambition and initial commitments made by 17 successful applicants on supply chain investment suggest ScotWind has the potential to make a big, positive impact on the Scottish economy and our progress toward net zero emissions by 2045.

We plan to launch an Innovation and Targeted Oil & Gas (INTOG) offshore wind leasing round in 2022-23, designed to encourage innovation and give oil & gas operators the opportunity to progress projects that will decarbonise production, supporting a smooth just transition. We also anticipate investing in ports to further support the delivery of new offshore wind projects.

The need to ensure the seabed is used for the benefit of the people of Scotland underpinned our review of aquaculture leasing. The review is now complete, and changes will be implemented in phases from early 2023. In addition, our team will support Scottish Government as appropriate

in relation to changes resulting from the Aquaculture Regulatory Process review.

In 2021-22 we worked closely with farmers on secure tenancies to develop a new process to enable them to buy or relinquish farms that they currently lease. This process, which supports land ownership diversification, is now being piloted in Applegirth and Auchindoon. This year will see us take forward discussions with those who are keen to pursue the opportunity.

We will also progress the three Challenge Funds launched in 2021-22 in line with partners' plans and resource. These funds allocate up to a total of £9m capital investment in natural resource, local partnerships, and boat-based tourism projects.

Built development that supports sustainable economic growth and strengthens communities is a focus of our investment strategy. At ZeroFour near Montrose, which we plan to develop into a hub for companies in marine-based, clean growth and technology sectors, we'll soon progress to preparatory works, and at Whitehill we'll be completing a development framework and submitting potential development proposals to the planning authority for consideration in their Local Development Plan.

We continue to strengthen partnerships with enterprise agencies, local authorities, and communities across Scotland, in line with our commitment to involve people in decision-making and support them in realising their ambitions.

Long-term partnership working increasingly drives new types of activity – our work with North Ayrshire Council, Portgordon Community Development Trust, and Fort William 2040 are just a few examples.

In marine natural capital, we are funding work in the Solway Firth and 2022-23 will see us carry out further research to establish a long-term approach for Scotland's seabed.

This year we'll also be inviting communities and organisations in and around Glenlivet to work with us to develop a long-term vision for the area.

¹ Figures throughout this plan have been rounded.

² See more on just transition at [Just Transition Commission – gov.scot \(www.gov.scot\)](https://www.gov.scot)

The third round of our £850,000 Sustainable Communities Fund will be rolled out this year. To date we've helped fund a wide range of projects covering, for example, local energy plans, childcare services development, and town centre regeneration.

We are on track to pay the budgeted £12m to the public purse for 2021-22 activities and are proud to make this contribution to Scotland's public spending. Most of these funds will be redistributed to coastal local authorities.

Our team is evolving. As well as doubling the size of our energy team to help deliver Scotland's net zero commitment, this year will see us recruit a new Chief Executive ahead of Simon Hodge's retirement in summer 2022. We'll also work with Scottish Government on Ministers' appointment of a new Chair pending Amanda Bryan's term ending in March 2023. For both of these senior team changes, we'll be planning carefully to deliver a smooth and managed transition.

Look ahead

To deliver lasting value, our five strategic objectives for this corporate plan period are to:

- Support the sustainable expansion of Scotland's blue economy, focussing on marine and coastal development;
- Invest in buildings and help create great places;
- Promote new sustainable ways of using natural resource to produce energy, food, and other products;
- Involve people in how land, coastline and seabed are managed;
- Use our skills and knowledge to deliver financial success and help businesses and communities to thrive.

More detail on actions to deliver against these objectives is in the sections that follow.

2. Who we are and what we do

Crown Estate Scotland manages property – including buildings, land, coastline, and seabed – on behalf of people of Scotland. Together these assets and property form the Scottish Crown Estate (‘the Estate’).³

Our purpose is to invest in property, natural resources, and people to generate lasting value for Scotland.

We work in a way that:

- Generates prosperity and value for all of Scotland;
- Supports the growth of sustainable business and industry in Scottish seas and on the coast;
- Makes places better for those who live, work and visit there;
- Promotes sustainable ways of producing energy, food, and other products; and
- Creates opportunities for people to use and benefit from the Scottish Crown Estate.

Our work supports the Scottish public sector’s overall purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable and inclusive economic growth. Our current corporate plan sets out how we align with the National Performance Framework and contribute to work to address the climate emergency.

Scottish Ministers’ vision for the Estate is that it is ‘managed sustainably, responsibly and fairly, and in a transparent and inclusive manner, to deliver financial benefits and wider and long-term social, economic and environment benefits for Scotland and its communities’.

Our strategic framework aligns with this (see Annex 1). It includes four different roles for Crown Estate Scotland as well as our values of integrity, excellence, collaboration and commercialism. The latter provide the foundation for our behaviour as an organisation and as employees and non-executives: how we deliver is as important as what we deliver.

The Estate is a unique mix of land, property and rights, with a total property value at March 2021 of £455.6m. It includes ancient rights held by The Crown (e.g. wild salmon fishing) as well as acquired property (e.g. the ZeroFour site).

Crown Estate Scotland manages the assets across four categories or types:

- Marine (Aquaculture; Energy & Infrastructure);
- Coastal;
- Rural Land; and
- Built Environment.

As a public corporation, our Chair and Board are appointed by Scottish Ministers. We appoint staff (who are not civil servants), and we manage our own budget. More on our governance structure is in Annex 2.

³ Ownership of the Estate lies with the Monarch and management responsibility sits with Scottish Ministers who in turn delegate to Crown Estate Scotland.

3. Finance

Crown Estate Scotland is a self-funding body and all income, after operating costs and permissible transfers to the capital account, is payable to the Scottish Consolidated Fund and, ultimately, to the Scottish Government. Most of these funds are redistributed by Scottish Government to coastal local authorities to be utilised for coastal community benefit.

Capital must be reinvested in the Estate.

Capital investment and expenditure is funded from the sale of assets and other transactions (for example, payments arising from offshore wind farms achieving specific project milestones) as well as statutory transfers from revenue (see Table 1).

Our annual report & accounts can be found at www.crownestatescotland.com

We have developed our financial budgeting and reporting to align with the four Crown Estate Scotland roles as set out in our corporate plan. These are investor, enabler, asset manager and coordinator.

Revenue

Gross revenue for 2022-23, including anticipated £70m ScotWind option fees, is budgeted to be £101.8m, an increase from £26.1m on 2021-22.

Our work during this year is anticipated to generate an estimated £87m for Scottish Government's public spending.

Total costs include maintenance, repairs, managing agents and other expenditure related to the property in our care, as well as the costs of running the organisation.

The 2022-23 revenue budget includes:

- Gross revenue increasing by £70m due to ScotWind option fees (these fees will total an approximate £700m for 17 10-year option agreements).
- A further £4.9m increase in net revenue from existing offshore wind developments (i.e. projects that precede ScotWind).
- Total costs which have increased on last year's budgeted £12.1m to £12.4m as we continue to improve the quality of the assets and build our team.
- £1.8m for enabling activities, some joint-funded with Scottish Government, to further sustainable development. These include costs associated with the Forth District Salmon Fisheries Board local management pilot and our Sustainable Communities Fund.

As our activity expands, we have enhanced productivity and efficiency by digitising more business processes, re-tendering key contracts and investing in staff development.

We are also creating new jobs in investment management, spatial data, and sustainable development of Scotland's marine-based sectors and industries.

Posts that relate to asset management and the running of the organisation, are paid for from revenue and are therefore reflected in Table 1 below.

Posts that relate to investment and growing the long-term value of the portfolio, are paid for with capital. Table 2 shows a £0.5m increase in capitalised salaries.

Table 1: 2022-23 costs and net revenue (£m)

	2022-23 £m
Gross revenue	101.8
Direct Costs	(5.8)
Indirect costs	(6.6)
Statutory transfers to capital*	(2.4)
Net revenue (paid to Scottish Government)	87.0

* See Notes 11 and 14 in the 2020-21 Annual Report & Accounts.

Capital

Managing capital is critical to the short and long-term success of Crown Estate Scotland.

Capital receipts are retained as part of the Scottish Crown Estate and we have a statutory duty to maintain and seek to enhance capital value as well as deliver broader economic, social, and environmental value.

To achieve this, we must ensure that we have funds to maintain properties and to invest in assets and activity that generate income.

Capital expenditure covers essential work on farming units, rural and coastal infrastructure, research related to CCUS (carbon capture, utilisation & storage) and offshore

renewables, alongside furthering development opportunities at, for example, ZeroFour, Fochabers and Whitehill.

Receipts relate not only to property sales but also to other types of capital transactions such as the sale of rights (for example, dredging).

This year, we have allocated up to £17.6m for capital investment (cf. 2021-22 £20.8m) covering acquisitions as well as other expenditure. Receipts are expected to total £5.0m (down from £10.2m last year), giving a net capital investment of £12.6m.

The capital budget for 2022-23 includes:

- Potential new acquisitions that align with our investment strategy.
- Staff costs for some offshore energy and property development roles.
- £1.4m of offshore wind costs (including INTOG) and sector studies.
- Capital receipts from farm sales and INTOG leasing application fees. The latter will cover capital costs

associated with developing the programme and are classed as capital as they relate directly to increasing the value of the seabed.

- Our three £3m capital investment challenge funds, with more than half of the £9m expected to be committed in 2022-23. These funds will support investment opportunities in boat-based tourism, natural resources, and local partnerships.
- Development costs relating to Whitehill Estate in Midlothian, Mosstodloch in Moray, and ZeroFour near Montrose.
- £3.8m expenditure on the four rural estates covering:
 - Forestry costs including replanting and identified fencing works;
 - Capital improvements for rural properties following the conditions survey (in addition to £0.4m revenue spend); and
 - Ongoing expenditure in farm buildings, infrastructure, roads and bridges, energy efficiency, and work to ensure water supplies and electricity wiring meet required standards.

Table 2: 2022-23 capital receipts and expenditure (£m)

	Receipts	Expenditure	Net
Buildings & Places	1.5	(2.7)	1.2
Rural land*	2.2	(8.8)	(6.6)
Coastal	0.4	(0.08)	0.4
Marine (Energy & Infrastructure; Aquaculture)	0.9	(4.5)	(3.6)
Capitalised salaries	n/a	(1.6)	(1.6)
Transfers from revenue	2.6	n/a	2.6
Total	7.6	17.6	(10.0)

* Rural land covers agriculture, minerals, salmon fishings and forestry. Residential properties which are on rural estates are part of the Buildings & Place category of assets. Rural land also includes £5.5m challenge funds capital. These funds may be invested in projects that are then moved to another category of assets.

4. What we will deliver

In the sections below we set out the actions and milestones relating to key activity to deliver corporate plan objectives. These actions all have a March 2023 delivery date unless stated otherwise.

A lot of day-to-day operational activity is not captured here but forms a key part of ensuring Crown Estate Scotland operates effectively and efficiently.

4.1 Support the sustainable expansion of Scotland's blue economy, focusing on marine and coastal development.

No	Action	Milestone
1	Advance opportunities for investment in ports to help unlock the potential of the 'Blue Economy', including in offshore renewables.	Existing opportunities progressed. New opportunities explored and agreed recommendations progressed.
2	Deliver on our Memorandum of Understanding with North Ayrshire Council.	Potential investment and partnership opportunities identified and agreed recommendations progressed.
3	Preparatory works at ZeroFour to develop infrastructure that will support the blue economy.	Completion of masterplan design, design code, revised EIA, detailed infrastructure design to enable works towards delivery of ZeroFour.

Energy & Infrastructure

No	Action	Milestone
4	Implement seabed agreements for offshore wind schemes as they progress through development and towards operation.	Existing agreements managed to support incoming investment as appropriate and lease agreements for current pipeline of offshore wind projects in place.
5	Deliver offshore wind leasing in alignment with Scottish Government's Sectoral Marine Plan for Offshore Wind.	First round of ScotWind Leasing concluded and option agreements awarded. INTOG leasing round implemented and Exclusivity Agreements concluded.
6	Deliver programme of work to help maximise and enable the full potential of offshore wind in Scotland and support efforts to develop offshore wind supply chain in Scotland.	Activity delivered including, for example: <ul style="list-style-type: none"> • Support for Scottish Offshore Wind Energy Council (SOWEC); • Working with partners to commence new studies focussed on enabling offshore wind; • Engagement with tenants, government and agencies to participate in supply chain initiatives flowing from Supply Chain Development Statements; and • Engagement on Offshore Transmission Network Review workstreams undertaken to support offshore wind development.
7	Across emerging technologies and infrastructure (Wave & Tidal (W&T), Cables & Pipeline infrastructure and CCUS) we will support development working with tenants, industry and public sector partners to aid Scotland's efforts to decarbonise and enhance connectivity.	Enabling activities delivered, working in collaboration with industry and public sector partners. This may include: <ul style="list-style-type: none"> • CCUS development activities to support sector development and potential coexistence, and engagement with industry / government to support policy development and / or • Work to enable energy systems opportunities (for example W&T and hydrogen). Appropriate access to seabed provided and existing agreements managed.

Aquaculture

No	Action	Milestone
8	Start roll-out of new terms and conditions for aquaculture leasing following review.	Finalised reporting templates and guidance in place. New lease templates in place and variation to tenants' existing agreements implemented.
9	Contribute to R&D on sustainable finfish production and further development of shellfish and seaweed cultivation industries in Scotland.	Enabling activities in progress including: <ul style="list-style-type: none"> • Feasibility study to develop a 3-year pilot investigating management areas with monitoring of wild fish lice levels in collaboration with FMS, Salmon Scotland and industry (3 years). • Study investigating primary processing facility needs to support the growth of the seaweed industry Shellfish blue economy opportunities study completed.
10	Use stakeholder interest database to help inform pre-application consultation and development prospects with and by developers.	Further development of productivity, site utilisation and sea lice Insights analysis completed. Database validation complete following tenants' and agencies' testing.

Coastal

No	Action	Milestone
11	Support Portgordon community aspirations to manage local land and property.	Memorandum of Understanding implementation on track, harbour management advisory group supported.
12	Assess and develop investment projects resulting from the launch of the Boat-Based Tourism Challenge Fund.	Second stage application assessment completed and successful projects progressed to development of full business cases.
13	Continue support for outer Clyde marine tourism development coordination.	Funding for Marine Tourism Project Officer provided (post is part-funded by CES and based with North Ayrshire Council), actions identified, and feasibility/ investment cases progressed.
14	Undertake reviews of mooring licence fees and Shetland marinas rent.	Reviews completed and agreed changes implemented.

4.2 Corporate plan objective: Invest in buildings and help create great places

No	Action	Milestone
15	Explore investment or enabling opportunities in areas identified during 2021-22 as priority regeneration partnerships including Fort William, Orkney and North Ayrshire.	Partnerships identified and recommendations on investment / enabling opportunities made.
16	Invest in improvements to homes, buildings and infrastructure.	All Category A and at least 50% of Category B & C condition survey works complete (some activity has been postponed from 2021-22 due to COVID-19).
17	Implement improvements to residential properties incorporating energy efficiency works.	Overall approach reviewed; first phase of works complete.
18	Progress strategic land development at Whitehill Estate following local engagement.	Development Framework including action plan action completed and proposed new land allocations submitted to the Midlothian Local Development Plan (subject to local authority timescales).
19	Explore existing opportunities allocated within current local development plan in Rosewell and across the wider Whitehill Estate and surrounding area.	Opportunities identified and progressed.
20	On the Fochabers Estate, work collaboratively with stakeholders to maximise placemaking and development opportunities as part of the Mosstodloch Masterplan.	Community and stakeholder engagement undertaken. Masterplan developed in partnership with Moray Council complete.
21	Identify opportunities for acquisition of strategic development land in line with investments strategy.	Opportunities identified and progressed by: <ul style="list-style-type: none"> Producing a heat map for strategic development land to support sustainable economic development and wider value; Supporting strategic partner development opportunities; and Pursuing strategic land acquisitions opportunities as they arise.

4.3 Corporate plan objective: Promote new ways of using natural resources to produce energy, food and other products

No	Action	Milestone
22	Develop our approach to natural marine capital.	Projects relating to community aspirations and biodiversity net gain / positive effects progressed.
23	Support Solway Firth marine natural capital Borderlands Growth Deal project business case.	Project funding and advisory support provided.
24	Develop investment projects that support natural resource innovation.	Innovation with Natural Resources Challenge Fund applications assessed according to published timeframes.
25	Explore opportunities for new farm entrants from expiring leases / farm restructuring / relinquished tenancies.	Re-letting opportunity identified.
26	Work in partnership to encourage and enable development of sustainable farming initiatives.	Initiatives with tenants identified and progressed.
27	Progress peatland restoration at Glenlivet Estate working with Cairngorms National Park Authority Peatland Action officers.	Ongoing restoration work on Faemussach site undertaken. Programme of peatland restoration work (through Peatland Action on Glenmuillie) prepared and submitted.
28	Identify strategic investment opportunities for renewable energy and decarbonisation across the existing estate, including built development sites and rural estates.	Opportunities identified and progressed.

4.4 Corporate plan objective: Involve people in how land, coastline and seabed are managed

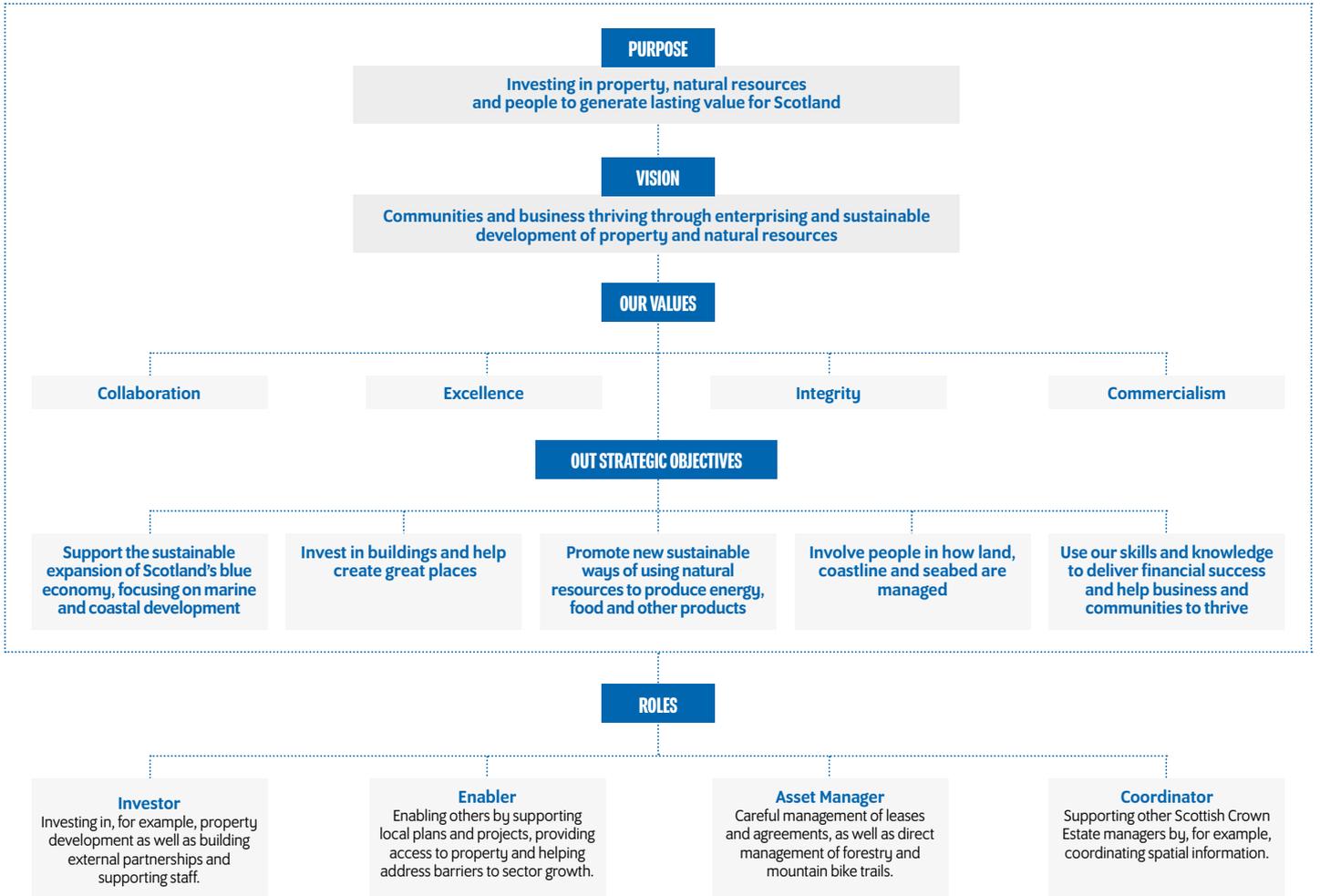
No	Action	Milestone
29	Progress and support local management pilots.	Project set-up and / or operations delivered according to pilot plans or alternative approaches agreed with partners in 2021/22. Monitoring & evaluation recorded in line with framework and/or individual project KPIs.
30	Develop investment projects resulting from the launch of the Local Partnerships Challenge Fund.	Local Partnerships Challenge Fund applications progressed according to published timeframes.
31	Develop future plan for the Glenlivet Estate.	Engagement work undertaken with a range of stakeholders (including tenants, other local residents, and young people) and draft plan developed.
32	Work to support wild salmon fishing sector and Scottish Government Wild Salmon Strategy.	Research projects identified with Marine Scotland and funding provided.

4.5 Corporate plan objective: Use our skills and knowledge to deliver financial success and help business and communities to thrive

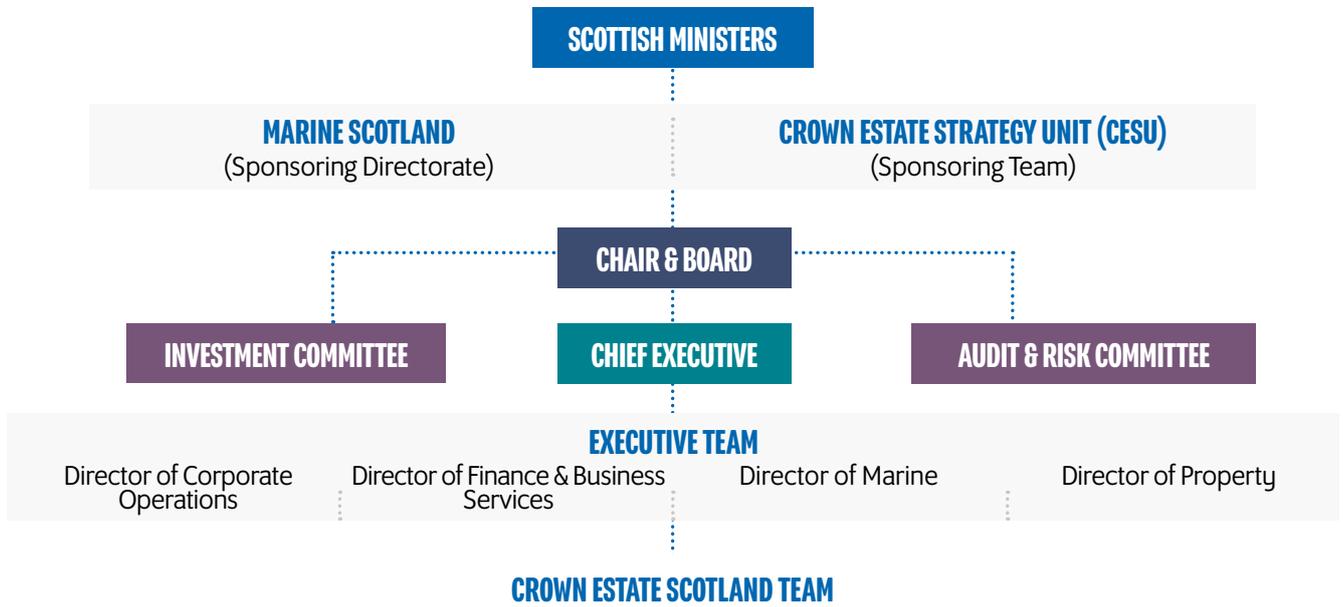
No	Action	Milestone
33	Develop long-term vision for Crown Estate Scotland to inform future 5-yearly corporate plans.	Vision developed with input from stakeholders; draft publication prepared for launch.
34	Strengthen our approach to equality, diversity, and inclusion in relation to our employees, our operations and how we manage the Scottish Crown Estate.	Implement our EDI plan: <ul style="list-style-type: none"> • D&I monitoring throughout recruitment and selection process in place; • Children and Young Persons Forum in operation; and • Diversity initiative with a sector or professional body set up / supported.
35	Develop workforce resilience, capability and capacity.	Competency Framework developed in line with our People Strategy. 2022-23 actions in Strategic Workforce Plan delivered.
36	Support Scottish Government roll-out of transfers and delegations.	Support provided through resolving queries and providing GIS information.
37	Ensure ongoing board effectiveness.	Support to Scottish Government provided as they recruit new Board members including a new Chair.
38	Further improvement of Cyber Security.	90% of Scottish Government cyber resilience framework at the 'target' level (self-assessment).
39	Continue Climate Change Action Plan implementation.	First annual report submitted to Scottish Government detailing compliance with our public body climate change duties.
40	Initiate new Health & Safety (H&S) advisory contract and continue work to foster a positive H&S culture.	Renewed H&S Management Framework in place. All H&S policies updated.
41	Promote land ownership diversity and raise capital through tenant-led farm sales pilot on Applegirth Estate and at Auchindoun in Moray.	Deliver first phase of pilot with eligible tenants, and complete sales negotiations in line with agreed sales protocols.
42	Contribute to Scottish Government's land registration targets.	Resolve title conflicts relating to CES managed foreshore. Complete registration of Whitehill Estate.

43	Review Sustainable Communities Fund.	Year 3 of fund implemented. Assessment of the fund outcomes completed. Proposed future approach developed.
44	Develop framework to track and communicate our contribution to social, economic, and environmental value in Scotland. This will include a focus on carbon emissions from different assets classes.	Design of value framework commissioned; draft developed.
45	Progress implementation of our 2020-23 Procurement Strategy.	Procurement Champions Network established; contract management approach delivered; community benefits delivered; Procurement & Commercial Improvement Programme assessment complete; and report on delivery of Procurement Strategy published.
46	Inform debate on offshore wind community benefit by researching potential opportunities.	Report completed.
47	Review Less than Market Value Policy.	Review complete.

Annex 1 – Strategic Framework



Annex 2 – Governance structure



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