

Invitation to Tender

A Review of Rent & Lease Terms for Marine Aquaculture in Scotland

Section 1

Introduction

This Invitation to Tender ("ITT") initiates the tendering of a comprehensive and fundamental review of:

- the rent and lease terms of Crown Estate Scotland agreements for cultivation of finfish and shellfish on Crown seabed and foreshore, and
- the mechanisms and criteria through which aquaculture sites are offered to the market.

This document provides tenderers with:

1. Context, background and specification of the services sought;
2. Information about Crown Estate Scotland, including business structure;
3. Information required from tenderers, including an outline of the process and key delivery dates.

Objective of the Tender

Crown Estate Scotland is developing a strategy for its marine aquaculture ('aquaculture') business that will set out the organisation's plans and ambitions for the sector's future development.

A core element emerging from the strategy is the terms under which Crown Estate Scotland conducts its leasing and licensing of aquaculture developments and activities.

Current finfish and shellfish agreements reflect reviews conducted previously by The Crown Estate. The last major overhaul of terms was in 2007 (for finfish) and 2010 (for shellfish). The resulting terms have been subject to rent-only reviews at five yearly intervals since.

Crown Estate Scotland, formed in 2017 and now mandated by the Scottish Crown Estate 2019 Act, has identified the need for a more fundamental 'root & branch' examination

of current business arrangements. The review will establish rent determination processes and rents along with lease terms and leasing processes appropriate to the individual aquaculture sectors

Crown Estate Scotland therefore invites tenders to lead a review that will underpin its future business relationship with these sectors.

Specification

Reviewed terms and processes must reflect:

- Both Crown Estate Scotland's and the aquaculture industry's ambitions for sustainable development;
- The requirements of our legislative mandate and associated business priorities;
- Necessary acknowledgement of the industry's relationship with wider interests in a shared marine environment.

The review must identify clear means whereby rents accurately and consistently reflect the value of seabed development rights to tenants' businesses and enable equitable sharing of financial success.

Reviewed terms will constitute the means through which Crown Estate Scotland manages its aquaculture business for the next 10 years, possibly longer, and may serve a similar purpose over time to inform other managers of Scottish Crown Estate assets

It is essential therefore that this review is undertaken by a team with good knowledge and understanding of:

- The parties involved and their business priorities and requirements;
- The history of current lease terms and leasing mechanisms; and
- The scope of commercial management options available for a diverse portfolio of marine business types.

Crown Estate Scotland requires the review to be led by a small expert panel of two to three persons (working with relevant Crown Estate Scotland personnel) and invites tenders for this panel that will be able to clearly demonstrate:

- Knowledge and insight of both shellfish and finfish industries in Scotland, and clear grasp of their commercial drivers and constraints;
- Knowledge and appreciation of Crown Estate Scotland's estate management remit for those industries;

- Demonstrable experience and expertise in evaluation of appropriate rent models that can consistently realize rents reflecting the value of the leased seabed to the businesses involved;
- Knowledge and insight of finfish (chiefly salmon) and shellfish markets, and sources of price and market data necessary for inputs to rent determination processes (necessary expertise here may sit within the panel or be co-opted as required);
- Familiarity with the evolution of the lease terms and leasing mechanisms in place currently.

A provisional engagement and reporting plan to support the review process must be included. This should align with the ‘milestones’ indicated below in this document.

Outputs

The review will produce a report with recommendations for the following elements;

1. Rents – *to recognize value*
 - sector specific, where appropriate, annual rent determination and payment process options
 - associated rent/ revenue forecasts - for all sectors from 1st January 2022,
 - a review mechanism and timetable

This element will constitute the main part of the review and will be undertaken by the expert panel, informed by Crown Estate Scotland’s business priorities

2. Wider management terms – *for sustainable performance and development*
 - revised lease terms that may address certain aspects of tenants’ commercial and environmental performance as appropriate for finfish and shellfish, to align with Crown Estate Scotland’s legislative mandate, policy and ambitions for the sectors.

This element will be undertaken jointly by the expert panel working with Crown Estate Scotland personnel

3. Mechanisms through which leases and licences, including option agreements, are offered to the market - *to optimise value*
 - criteria and processes for granting development and access rights

This element will be undertaken jointly by the expert panel working with Crown Estate Scotland personnel

The review and recommendations for Crown Estate Scotland consideration will be based upon Crown Estate Scotland objectives for the above review elements, and finalised following engagement on a draft report with government and industry.

An inaugural commissioning meeting will be held with the successful contractors to confirm these objectives and the plan for the review process.

Milestones

Event	Date	Comment
Commission Review	w/c 30 th Sept 2019	Inaugural commissioning meeting with CES
Interim progress meeting	April 2020	
Draft Report	October 2020	Inc. meeting to discuss draft recommendations
Consult on draft report	Nov 2020	Consult with industry and government
Final Report published	Jan/Feb 2021	

Fees and Costs

Please provide a fixed price to deliver the required outputs accompanied by a table of costs and hours. Please include a proposed invoicing structure.

Rates and prices shall be deemed inclusive of all additional expenses howsoever incurred but exclude VAT.

Additional information

- Please provide CV's of proposed experts.
- Please provide confirmation that all relevant insurance is in place including professional indemnity.

Section 2 - Business Overview

About Crown Estate Scotland

Crown Estate Scotland (Interim Management), a public corporation, was established by Scottish Ministers in 2017 to manage assets which were, until then, part of a wider portfolio of land and property managed by The Crown Estate.

The [Scottish Crown Estate Act 2019](#) is currently being implemented. It sets out our statutory duty to manage the assets to support sustainable development generally, and economic development, regeneration, social and environmental well-being specifically.

The legislation also provides for two types of mechanism to be introduced (delegations and transfers) that will enable new 'managers' to take responsibility for managing specific Scottish Crown Estate assets.

Crown Estate Scotland's role enhance the capital value of the property in our charge, with net revenue profits flowing to the Scottish Consolidated Fund.

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

Crown Estate Scotland is responsible for a geographically-wide, varied portfolio:

- 37,000 hectares of rural land with agricultural tenancies, residential and commercial properties and forestry on four rural estates (Glenlivet, Fochabers, Applegirth and Whitehill)
- Salmon fishing rights on many Scottish rivers
- Just under half the foreshore, including 5,800 moorings and some ports & harbours
- Leasing of virtually all seabed out to 12 nautical miles covering some 750 fish farming sites and agreements with cables & pipeline operators
- The rights to renewable energy and gas and carbon storage out to 200 nautical miles
- Retail and office units at 39-41 George Street Edinburgh

Assets are held 'in right of The Crown' and the Monarch remains the legal owner.

In 2017/18, the property assets were valued at £324.6m value and generated c.£16.4m of gross revenue, with £9m revenue profit going to the Scottish Consolidated Fund.

The staffing complement consists of a small central team (circa 45 staff across three locations, with the majority based in Edinburgh), supported by external Managing Agents (mainly for the Rural and Coastal portfolios) and advisors. Some property portfolios are managed in-house by the central team.

More information on the business can be found at <http://crownestatescotland.com>

Section 3 – Tender Process

Timeline

Stage	Milestones	Target Date
1. ITT Completion	Proposals submitted	30 th Aug 2019
2. Proposals reviewed and evaluated	Proposals reviewed by CES	13 th Sept 2019
3. Decision/ implementation	Decision made and communicated to Tenderers	20 th Sept 2019
	Formal agreement in place	27 th Sept 2019

Evaluation of the Quote /Award Criteria

The responses to this ITT will be evaluated based on:

- Price (10% weighting)
- Experience and knowledge of the Scottish marine aquaculture sector (25% weighting)
- Experience and knowledge of markets for aquaculture products (farmed salmon, marine trout and bivalve shellfish in particular) and associated data and information sources (20% weighting)
- Expertise and previous experience in valuation and rent reviews, particularly of marine aquaculture and/or other marine businesses (30% weighting)
- Knowledge and experience of our business (15% weighting)

Terms and Conditions

The Terms and Conditions for Purchasing Consultancy Services will apply to this purchase and can be found attached.