

Agenda
Nineteenth Meeting
Crown Estate Scotland (Interim Management) Board
25 March 2020
8.30am – 12.30pm

Part One – items for consideration outside of the meeting

- | | | |
|-----------|---|--------------|
| 1. | Standing Items | |
| 1.1 | Approval of Minutes of Meetings held 26 November 2020 | Attached |
| 1.2 | Matters Arising and Action Trackers | Attached |
| + 1.3 | Papers considered out of meeting | BD(2020)19.1 |
| + 1.4 | Stakeholder Meetings | BD(2020)19.2 |
| 2. | Business Management | |
| 2.1 | Chief Executive's Report | BD(2020)19.3 |
| 2.2 | Performance Management Dashboard | BD(2020)19.4 |
| 3. | Governance | |
| 3.1 | People Committee – Terms of Reference | BD(2020)19.5 |
| 4. | Any Other Business | |

Part Two

- | | | |
|-----------|--|--------------|
| 5. | Standing Items | |
| 5.1 | Welcome and Declarations of Interest | |
| 6. | Strategy and Planning | |
| 6.1 | Sustainable Communities Fund | BD(2020)19.6 |
| ** 6.2 | Additional Wider Benefits Policy | BD(2020)19.7 |
| 7. | Board Committees | |
| 7.1 | Investment Committee (18 February meeting) | Attached |
| 7.2 | Audit & Risk Committee Minutes (20 February meeting) | Attached |
| 7.3 | People Committee (3 March) | Attached |

Part Three

- | | | |
|------------|-----------------------------|---------------|
| 8. | Business Management | |
| * 8.1 | New Office Project | BD(2020)19.8 |
| * 8.2 | Finance Report | BD(2020)19.9 |
| 8.3 | Board PAYE | BD(2020)19.10 |
| 9. | Governance | |
| 9.1 | Delegated Authority | BD(2020)19.11 |
| 10. | Date of Next Meeting | |
| | 26/27 May 2020 | |

*This item will be treated as closed business and the paper exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002

** This item will be treated as closed business and the paper exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002. + This item is for noting

Minutes for	Nineteenth Board Meeting	BD(2020)19
Meeting date	25 March 2020	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Minutes for the meeting of the Board of Crown Estate Scotland (Interim Management) held by telephone conference call on Wednesday, 25 March 2020		

Present:

Amanda Bryan	Chair
Dr Michael Foxley	
Liz Leonard	
Jean Lindsay	
Andrew MacDonald	
Robert Mackenzie	
Richard Morris	
Alister Steele MBE	

In attendance:

Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations (left after Minute item 7.1)
Alastair Milloy	Director of Finance & Business Services
Colin Palmer	Director of Marine
Andrew Wells	Director of Property
Helen Howden	Governance Manager (minutes)

By invitation:

Martha Walsh	Shadowing observer
Annie Breadon	Head of Policy (for Minute item 5.1)
Anna Morgan	Financial Controller (from Minute item 7.2)

1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting and thanked members for having raised queries on agenda items 1 – 3 in advance of the meeting. It was noted that the Governance Manager would collate the questions and responses and circulate those to members and would also incorporate these into the minute of the meeting where appropriate.

The Chair advised members that the Board would hold a discussion on the impacts of the current COVID-19 pandemic on the organisation, tenants and stakeholders.

1.2 Declarations of Interest

Dr Foxley advised that he had declared an interest, as Chair of the Highlands and Islands Further Education Regional Board, as a member of the Court of UHI and a member of Mallaig Harbour Authority, in an item which had been discussed at the Investment Committee meeting on 18 February 2020. Dr Foxley had left the meeting before the item was discussed.

There were no declarations of interest in any of the items on the Agenda.

1.3 Approval of Minutes of Meetings held on 26 November 2019

Agreed that the Minutes of the meeting held on 26 November 2019 were approved.

1.4 Matters Arising and Action Tracker

Noted that:

- (a) a recommendation to the Board from the Executive Team in relation to completion of e-learning modules had still to be received (action 17/3).
- (b) as the Corporate Plan had now received Ministerial approval the Business Plan for 2020-21 was being finalised and would be circulated to the Board by e-mail during April with a view to publication by early May (actions 17/7, 17/8 and 17/9).

1.5 Papers considered out of meeting (paper (BD(2020)19.1)

The Board **noted** the content of the paper.

1.6 Stakeholder Meetings (paper BD(2019)19.2)

Noted that:

- (a) the Chair had met with the Director of Marine Scotland on 4 March 2020. During that meeting they had discussed the move by the head of the sponsor team to the Energy Directorate and steps to cover his role and prospective replacement. The Chair had indicated that Crown Estate Scotland would find it useful if any replacement had a background in development and investment as this was likely the area that the organisation would have increased engagement with the sponsor team in the future.

2. Business Management

2.1 Chief Executive's Report (paper BD(2020)19.3)

Noted that:

- (a) the completion of the job evaluation appeals had taken longer than had originally been planned for. This was due to limited availability both of staff (the appellant and their line

manager) and the consultants who were supporting the process. Final outcome letters have now been issued.

- (b) the annual asset valuation process was underway and that it was likely the valuers would add a “material valuation uncertainty” clause (as recommended in the RICS Red Book) due to the pandemic.
- (c) members would appreciate an update on the next steps in relation to any Scottish Government review of the aquaculture consenting regime once those steps had received Ministerial approval.

Action: CP (19/1)

2.2 Performance Management Dashboard (paper BD(2020)19.4)

Noted that:

- (a) the Audit & Risk Committee had reviewed the health and safety incidents which had been reported and although the number had risen there was no underlying cause for concern, the increase reflecting more rigour in reporting of near misses and incidents.
- (b) the property vacancy rate in the rural estate was around 5% of the total properties capable of being let. Some property types did have a higher level of vacancy than would be the norm due either to falling demand or because they were being held back from the market for sale or refurbishment.

3. Governance

3.1 People Committee – Terms of Reference (paper BD(2020)19.5)

Agreed that:

- (a) the Board approved the draft terms of reference for the People Committee.

4 Any Other Business

There were no items of other business for the Board to consider.

The Head of Policy joined the meeting

5. Strategy and Planning

5.1 Sustainable Communities Fund (paper BD(2020)19.6)

Noted that:

- (a) the initial proposal brought to Board was for a fund to support the early development of community capacity to deliver regeneration and activity to shape Crown Estate Scotland’s longer-term approach to community partnership and investment.

- (b) stakeholder engagement on this proposal, which included questions in the Corporate Plan consultation, indicated support for funding for early stage development activity as other sources of funding were no longer available. The engagement also highlighted that there was limited funding for small scale environment improvement activity and that there was an appetite for such funding.
- (c) the proposal set out in the paper was to create a Sustainable Communities Fund which would have two elements, the first offering Community Capacity grants and the second, Environment grants. The Fund would offer £250k of funding each year during the next Corporate Plan period.
- (d) it was proposed that the Community Capacity grants, which would have £150K available each year, would not be restricted to current tenants but would be available for activity on or directly adjacent to the Scottish Crown Estate and so effectively open to all coastal communities. There was a risk of over-subscription which would be mitigated by having clear guidance on applications and by having a two-stage application process.
- (e) the environmental grants would be focused on tenants and community groups on the Scottish Crown Estate with the intention being to fund projects which would benefit groups of people rather than individuals. It was important that the guidance was clear that this was not a substitute for the repairing obligations either on Crown Estate Scotland or on tenants.
- (f) detailed criteria for the grants would be prepared during April and May and the intention was to have the Fund ready to launch in June, although the timing of the launch would require to be considered given the pandemic.
- (g) the application process for the Community Capacity grants would be managed by a third-party provider who had the necessary expertise to do so. A tender process was under way to identify the preferred supplier. Using a third party, who would work closely with the Crown Estate Scotland team, would provide support in an area of activity which was new to the organisation and would provide an opportunity for the team to learn about the process.
- (h) the Environment grants would be managed in-house and although the intention had not been to have a set period for receipt of applications, as would be the case for Community Capacity grants. The Board expressed the view that an open-ended approach would not be as effective as having a set “window” for applications, particularly given the current capacity in the team. It was agreed that the team would consider the relative merits of the two different approaches.
- (i) there would be caps on the amount of funding for each project and the application process would be as straightforward as possible.
- (j) at the end of the first year there would be a review to see how effective the process had been, including the use of the third party provider.

Agreed that:

- (a) the Board supported the creation and launch of the Sustainable Communities fund as set out in the paper and that they would be willing to look at additional funding being made available to it if that was deemed necessary to meet demand.
- (b) the Board supported a review after one year of the delivery mechanism to ensure cost effectiveness; that it reflected Crown Estate Scotland values; and the value in terms of association of the fund with Crown Estate Scotland.

The Head of Policy was thanked for her contribution and she left the meeting.

5.2 Additional Wider Benefits Policy (paper BD(2020)19.7)

Noted that:

- (a) the provisions of The Scottish Crown Estate Act 2019 which gave the organisation new duties would come into force on 1 April 2020. These duties include an obligation not to make a relevant transaction, such as a sale of an asset or the grant of a lease, at less than market value. The 2019 Act also provides that a relevant transaction might be made at less than market value if Crown Estate Scotland is satisfied that the transaction is likely to contribute to the promotion or improvement in Scotland of economic development, or regeneration, or social wellbeing, or environmental wellbeing, or sustainable development.
- (b) there were a number of areas where Crown Estate Scotland already transacted at less than market value in order to realise wider benefit however it was the appropriate time now to regularise that approach, making it open and transparent and to manage the expectations of stakeholders and tenants, some of whom had already made requests to transact at less than market value.
- (c) colleagues in relevant NGOs and in Scottish Government, including Marine Scotland, had been engaged, particularly in relation to the operation of the Community Empowerment legislation and right to buy schemes.
- (d) Crown Estate Scotland is in a different position to other organisations in that the 2019 Act applies to all type of tenants including individuals and private businesses and not just to communities or community groups. Legal advice had been obtained and the approach proposed would require to remain mindful of Competition law and State Aid provisions.
- (e) some stakeholders appeared to be interpreting the provisions of the 2019 Act as providing compensation in the form of reduced (or no) rent in exchange for delivery any of the benefits listed. That was not the position of Crown Estate Scotland who would expect to see additional benefit over and above what might normally have been expected to be delivered by activity on the Scottish Crown Estate under standard market value leases.
- (f) the approach proposed in the draft policy would be evidence-based, with proportionate evidence being required to demonstrate that the benefits could not be delivered by a transaction at market value and that the benefits are tangible and deliverable.

- (g) monitoring and evaluation would be important to be able to demonstrate the delivery of the benefits from a transaction at less than market value and where a transaction was on-going there might require to be adjustments made if the delivery was not as had been expected. The onus would be on the tenant/applicant to provide the evidence, an approach which was consistent with the provisions of the Community Empowerment legislation.
- (h) the policy also would apply to situations where Crown Estate Scotland proposed a below market value transaction, for example accepting a lower farm rental to enable an opportunity for a new entrant.

Agreed that:

- (a) the style of the draft policy should be looked at again to ensure that it was clearly a policy and that the procedural elements should be removed to a separate document. The drafting should seek to avoid setting up an expectation that this was the norm and that the obligation to achieve best value set out in the 2019 Act should not be circumvented.

Action: SH/EB (19/2)

- (b) the name of the policy was confusing and should be reviewed to see if a clearer name could be formulated.

Action: SH/EB (19/3)

- (c) the drafting would be revised and send to Liz Leonard for review before being sent to stakeholders for comment. The final draft policy would be brought back to the Board (and could be looked at out of meeting if required).

Action: SH/EB (19/4)

- (d) on this basis, the proposal was approved.

6. Board Committees

6.1 Investment Committee – 18 February 2020

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the minutes recorded that a briefing paper would be provided to the Board on a proposed acquisition at Montrose. This had been subject to a delay but the intention was still to circulate a paper to the Board.

6.2 Audit & Risk Committee – 20 February 2020

Noted that:

- (a) the Committee had held positive discussions with the external and internal auditors on their plans and expected good progress. However, with the current crisis, audit logistics would require to be kept under review.

- (b) the Committee had discussed a paper on Contract Management, in which a failure to properly manage a contract had been identified. The contract continued to be performed and payments against it made although it had expired and should have either been retendered or extended in accordance with the organisation's procurement policy. The Committee had been advised of the actions which had been immediately implemented by the Executive Team to prevent recurrence, the processes which were being changed and the amendment to the risk register to reflect the position.

Agreed that:

- (a) in future Committee chairs should flag any significant organisational issues, such as the contract management issue, to all Board members as soon as practicable following Committee meetings.

Secretary's note: a standing agenda item "Any issues requiring early notification to the Board" has been added to the agendas of the Board's Committees.

6.3 People Committee – 3 March 2020

Noted that:

- (a) the People Strategy had not been finalised and, following input from the Committee, was being redrafted and that it was intended that the redrafted Strategy would be presented to the Board at the July meeting.

7. COVID-19

7.1 Internal organisational impact

Noted that:

- (a) information on the arrangements for staff to work at home had been sent to the Board over the past week. An emergency management team had been established and was meeting daily. The main means of communicating with staff was by the intranet and Microsoft Teams.
- (b) The offices were not yet shut. One member of staff had indicated that they did not have a suitable home environment to work in. The position was being kept under review while arrangements were put in place to allow the member of staff to work at home. There might remain operational reasons not to close the offices completely.
- (c) for the staff based at Glenlivet and Fochabers, separate arrangements were in place, particularly in relation to updating risk assessments when going on to tenant sites. Limitations had been put in place to prevent unnecessary access to tenant sites and only essential or emergency works were being carried out.
- (c) in the past two weeks, three new members of staff had joined the organisation and they had received their induction and been provided with equipment to commence their roles.

Agreed that:

- (a) the Board required assurance that there were contingency plans in place to ensure that staff would continue to be paid if the personnel who approved payroll fell ill or if the payroll provider collapsed.

Action: AM (19/5)

Secretary's note: the payroll provider (CGI) have provided detail of their business continuity arrangements and we are content that they are robust. We have also gathered information to enable us to pay staff direct should CGI not be able to.

- (b) the Board requested that the Chief Executive and the emergency management team consider whether the offices could be shut and would report back to the Board on their decision when the Chief Executive returned from annual leave on 30 March 2020.

Action: SH (19/6)

Secretary's note: the Chief Executive sent an email to the Board on 30 March to advise that arrangements were being made for the Bells Brae office to be closed to staff other than for regular visits to check the premises and collect mail.

The Director of Corporate Operations left the meeting and the Financial Controller joined it.

7.2 External impacts – tenants and stakeholders

Noted that:

- (a) representations had been received from some tenants for financial support during the crisis, including refunds of rent paid and rent abatement. The shellfish sector had seen its market virtually collapse and tourism tenants had had to close their premises.
- (b) the Scottish Government were working to identify a suitable package of support for the shellfish sector and Crown Estate Scotland were engaging with them to create a collaborative approach to providing this support.
- (c) the rural asset managers were looking at ways to support tourism tenants, including offering rent abatement periods. The tenant for the café and mountain bike trails at Glenlivet was keen to sign the lease to secure the tenancy even though they would be unable to open during the current crisis. The agreement with them included a rent free period and consideration would be given as to how best to support them going forward.
- (d) some mooring associations had indicated that they would not be able to pay their rents timeously, although this was due to practical difficulties in collecting rents rather than an inability to pay.
- (e) agricultural tenants had so far not come forward with specific requests although some had intimated that they were self-isolating. The asset managers were identifying those leases where rent reviews were due to take place and how those could be handled during the crisis.

- (f) FISA and Confor guidance was being monitored in relation to forest management works. A limited felling programme had been planned for 2020/21 and the works could potentially be undertaken later in the year.
- (g) the annual asset valuation was being finalised and it was anticipated that the valuers would include a 'material valuation uncertainty' clause in their valuation (as recommended by the RICS Red Book in current circumstances). This will have no impact on the quantum of the valuation but it will highlight the uncertainty attached to it.
- (h) an update statement on the launch of ScotWind had been put on the website and the launch was still planned once Ministerial approval had been received. It was likely that developers would require more time to pull together partnerships and financial support for bids and so the timescales might require to be adjusted.
- (i) cash flow was being monitored and an indication had been given to the sponsor team that to protect cash flow, it might not be advisable to pay over the full amount to the Scottish Consolidated Fund which had previously been intended. Modelling for cash flow over the next three and six months will be undertaken, looking at various scenarios, identifying pinch points and looking at potential impacts across the organisation and asset classes.

Agreed that:

- (a) the Board would welcome an update report on the financial modelling based on the impact of the pandemic at the next Board meeting.

Action: AM (19/7)

8. Business Management

8.1 New Office Project (paper BD(2020)19.8)

Noted that:

- (a) the paper set out the process which had been followed to identify a longlist of properties, assess them against the 12 criteria established and to prepare a shortlist. The shortlisted properties had been further assessed in relation to the impact on staff journey time and the ability of stakeholders to easily access them. The annual costs quoted in the paper included rent, service charge and rates.
- (b) as the only Scottish Government building with space potentially available, Silvan House, had required to be assessed. However as the current lease was limited in duration and a new lease had not yet been agreed on it was not a viable option.
- (c) the Board had asked that the vacant office space in George Street was included in the assessment process however it as is subject to a vacation strategy to allow full refurbishment from 2023 and performs poorly in the energy efficiency ratings it was not included in the preferred options.
- (d) the property which was the preferred option had a fit-out which could be used initially. A move to it would be less impacted by the current crisis and any delays in the fit-out supply chain. This property was one of the smallest being considered but would still

allow around 44 desks while retaining a flexibility to use the remaining space in different ways.

- (e) it was too early to say what impact on working practices the shift to remote working required as a result of the pandemic would have on staff but it was still anticipated that there would be a need for office accommodation of the size proposed.
- (f) the property search agents had identified a further potential office space in the same area as the preferred option and were obtaining more information to allow an assessment of that against the criteria to be made.
- (g) the landlord of the Bell's Brae property had previously indicated that there would no leeway in the expiry date of the lease but they had been contacted again to ascertain if that remained the case given the current crisis.
- (h) an initial meeting with PCS had been held with a further meeting planned. The main concern being expressed was in relation to mitigation of the impact on staff. There would require to be consultation with the union in relation to changes in some staff contracts which referred to relocation within London. Not all members of the Board were aware that staff continued to be employed on contracts issued before the establishment of Crown Estate Scotland and some expressed concerns about this.
- (i) the proposal for an office in Edinburgh was consistent with the agreed approach of creating a hub and spokes model for the business. Work was still underway in relation to establishing the spokes and would develop further as new roles, such as regional engagement managers were created.
- (j) Ministerial approval would require to be sought as office leases are subject to Ministerial approval and as the total cost for the project would exceed delegated limits.

Agreed that:

- (a) a report on the position with staff contracts would be submitted to the next meeting of the People Committee.

Action: EB (19/8)

- (b) the Board were supportive of the preferred option identified and approved the proposal to continue negotiations in relation to the second preferred option while also obtaining information on the new property recently identified.
- (c) the proposed budget was approved for both rent and fit-out costs.
- (d) the Board noted the programme for mitigation of staff journeys for a period of three years.
- (e) the Board agreed the approach to union consultation.
- (e) Robert Mackenzie had delegated authority from the Board to approve the final deal negotiated and that if Mr Mackenzie was unavailable then the Chair would have the necessary authority.

8.2 Finance Report (paper BD(2020)19.9)

Noted that:

- (a) turnover for the eleven months to 29 February 2020 was ahead of forecast, with the main reasons for the positive variance being increased revenue income from aquaculture and from E&I.
- (b) the impact of the pandemic would see repair work scaled back and an increase in the underspend as expenditure planned for March would not now happen. The forecast income in March in rural and coastal activity and in E&I would not now happen but when set against the underspend the net position would be £450k down on the period.
- (c) a write-off of a bad debt in excess of the current delegated limit had been approved by Scottish Ministers.
- (d) the paper proposed that an additional payment to the Scottish Consolidated Fund be made before the financial year end however the paper preceded the current crisis position and it was proposed that this be reduced to improve the management of cashflow over the coming months.
- (e) two reforecasts were planning for the coming financial year, one at the end of July and the other at the end of December.
- (f) the sponsor team had the draft budget for 2020/21 and had agreed that this would be put to Ministers for approval.

Agreed that:

- (a) the quantum of any additional payment to the Scottish Consolidated Fund before the year end should be decided by the Chief Executive in consultation with the Executive Team in the light of the pandemic.

8.3 Board PAYE (paper BD(2020)19.10)

Noted that:

- (a) catalysed by a change of HMRC rules which had been effective since April 2019, it was proposed that Board member expenses for travel to Edinburgh (which is deemed to be the place of performance of Board member duties) should be considered not tax deductible (and therefore a taxable benefit); that Crown Estate Scotland would pay the historic employee and employer tax due on these expenses; and that Crown Estate Scotland would make a voluntary disclosure of underpaid tax for the past two financial years as well as for 2019/20.
- (b) under Scottish Government guidance there is an option for Crown Estate Scotland to pay the grossed-up tax on behalf of members, to ensure that they are not out of pocket for the expenses. Crown Estate Scotland will meet the full grossed up tax due on future taxable expenses incurred by Board members through payroll from April 2020. This

change applies only to travel, accommodation and subsistence associated with travel deemed to be taxable (which will include at least all to Edinburgh) and not to other travel undertaken by members in the course of their work for the organisation.

- (c) the internal auditors have been engaged to provide advice on both the historical disclosure, and also the specific expenses that should be deemed to be taxable going forward. The position would be communicated to Board members when received.

Agreed that:

- (a) the proposals set out in the paper were approved.

9. Governance

9.1 Delegated Authority (paper BD(2020)19.11)

Noted that:

- (a) the new Framework Document, which would be effective from 1 April 2020, contained increased delegated limits for the organisation. It was therefore an opportune point to review the internal scheme of delegation to reflect that and in doing so the Executive Team had sought to empower other staff in relation to financial management, aligning responsibility and authority.
- (b) the Board were also being asked to authorise the Directors of Corporate Operations and Finance and Business Services as signatories on behalf of the organisation. Directors would have authority to sign for matters directly within their business areas with the Chief Executive and the Director of Finance and Business Services having authority to sign for all business areas where a prior arrangement with the other relevant Director has been made.
- (c) some members of the Board expressed unease in relation to approving the scheme of delegation and the shift from the tight Scottish Government control of financial management which the new Framework Document facilitated. The levels of bad debt write-off and impairment and claims waived or abandoned were of specific concern, particularly when set against the contract management issue which had been reported to the Audit & Risk Committee in February.
- (d) Liz Leonard and Andrew Macdonald requested that their concern over the levels of bad debt write-off and impairment and claims waived or abandoned were minuted.

Agreed that:

- (a) the Audit & Risk Committee should review the operation of the scheme of delegation in six months' time, specifically considering bad debt write-offs, impairment and claims waived or abandoned, and report to the Board.

Action: ARC (19/9)

- (b) the Board resolved that, with effect from 1 April 2020, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for

all other purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Simon Hodge (Chief Executive)
Esther Black (Director of Corporate Operations)
Alastair Milloy (Director of Finance and Business Services)
Colin Palmer (Director of Marine)
Andrew Wells (Director of Property).

10. Date of Next meeting

27 May 2020

Amanda Bryan
Chair, Crown Estate Scotland (Interim Management)

Date

Board	Nineteenth Board Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	Papers Considered Out of Meeting BD(2020)19.1	
Security classification	Unclassified	
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note the content of this paper	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This paper, which is for noting, records the decisions made by the Board out of meeting.

Decisions

2. **BD(2020)OOM1 – Spey Fishings**

The Board (other than Mr Raven who had previously declared an interest in the matter) received a paper on 15 January 2020 in relation the sale of certain fishing on the River Spey. The Board noted the content of the note from the Investment Committee discussion on 10 January and approved the majority recommendation from the Committee to progress the sale to three parties.

3. **BD(2020)OOM2 – Budget 2020/21**

The Board received a paper on 23 January 2020 with the draft Budget for 2020/21. A conference call was arranged to discuss the paper and that took place on 5 February 2020. The Board discussed aspects of the budget and requested that the Executive Team look again at the net revenue target to achieve a return of at least £8m, which would be consistent with the draft Corporate Plan. A revised budget, which reached this target, was subsequently circulated to the Board for information and submitted to Scottish Ministers for approval.

4. **BD(2020)OOM3 – ScotWind**

The Board received a paper on 24 January 2020 providing them with an update on the development of the ScotWind leasing round. The Board discussed this during the conference call held on 5 February 2020 and noted the position.

Board	Nineteenth Board Meeting	BD(2020)19
Meeting date	2 March 2020	
Paper title	Stakeholder Meetings BD(2020)19.2	
Security classification	Unclassified	
Presented by	Amanda Bryan/Simon Hodge	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note this paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair, the Chief Executive and members of the Executive Team have held during the period from 16 November 2019 to 6 March 2020.

Meetings and Events attended

2. The Chair and Chief Executive jointly attended or met:
 - Met with representatives of The Prince's Foundation at Dumfries House, 20 January 2020.
 - Met with HRH The Prince of Wales, 20 January 2020.
 - Met with the Minister for Rural Affairs and the Natural Environment, 26 February 2020.
 - Met with HRH The Prince of Wales, 6 March 2020 at Nansledan, Cornwall.
 - Attended a conference on Infrastructure in Scotland – the new strategy, investment and framework, also attended by Alister Steele and Colin Palmer, on 28 February 2020.
3. The Chair attended or met:
 - Green Energy Awards, 5 December 2019.
 - Call with Chief Executive, Scottish Renewables, 17 January 2020.
 - Attended discussion on "The Highlands and Islands: Policies for our common future", organised by Peter Peacock and Robin Lingard.
4. The Chief Executive attended or met with:
 - Meeting with Beatrice Wishart, MSP also attended by Tom Mallows, Partnerships Manager on 28 November 2019.
 - Natural Capital Roundtable, 4 December 2019.

- Green Energy Awards, 5 December 2019.
 - Meeting with Scottish Government officials on Offshore Wind Supply Chain, also attended by Colin Palmer, John Robertson and Colin Maciver, 7 January 2020.
 - Bi-monthly meeting with David Mallon on 9 January 2020.
 - Met Chief Executive of Forestry and Land Scotland, 9 January 2020.
 - Meeting with Chief Executive and Director Growth & Investment, North Ayrshire Council on 13 January 2020.
 - Scottish Government Offshore Wind supply chain summit, 16 January 2020.
 - Crown Estate Scotland Stakeholder Advisory Group, also attended by Esther Black, 22 January 2020.
 - Meeting with Chief Executive of Highlands and Islands Enterprise, 28 January 2020.
 - Environment and Economy Leaders Group meeting, 25 February 2020.
 - Fergus Ewing, MSP, also attended by Colin Palmer, 3 March 2020.
 - SSPO (Julie Hesketh-Laird and Anne Anderson) also attended by Colin Palmer, 4 February 2020.
5. The Director of Corporate Operations attended or met with:
- SCDI Roundtable on future of Scotland's economy, 2 December 2019.
 - Joe Brown, Scottish Government Economy Directorate, 18 February 2020.
 - Kate Forbes, MSP for Skye Kate Forbes MSP, 26 February 2020, also attended by Andrew Wells.
6. The Director of Marine attended or met with:
- John Thoules (Aquatera) and Andrew Scott (Orbital), 20 November 2019 – tidal and energy systems.
 - Sam Gomersal (Pale Blue Dot), 26 November 2019 – CCS and hydrogen.
 - Green Energy Awards, 5 December 2019.
 - Quarterly aquaculture meeting with Marine Scotland (Deputy Director Aquaculture & River fisheries, Alastair Mitchell), 14 January 2020.
 - Blue Economy update meeting with Scottish Enterprise (Chris Bryceland) and HIE (Morven Cameron), 17 January 2020.
 - Pipeline Terms & Conditions review meeting with Marine Scotland (David Mallon & Nim Kumar) also attended by Sian Wilson and Helen Howden, 20 January 2020.
 - Public Sector Workshop event (Datacentres and their potential impact on the Scottish Economy), 21 January 2020.
 - Attended Scottish Renewables Offshore Wind Conference and gave introduction speech at dinner, 28 January 2020.
 - Aquaculture meeting with MS (Deputy Director Aquaculture & River fisheries, Alastair Mitchell and David Mallon) regarding root & branch review, 4 February 2020.
 - NNG Financial Close evening reception, 6 February 2020.
 - SSE (Bless Kuri – SHE-T) regarding ScotWind and transmission infrastructure, 6 March 2020.



7. The Director of Property attended or met with:

- Alasdair Humphery, Lead Director – Scotland JLL, 19 November 2019 (also attended by Lynne Higgins).
- Alastair Nicolson, HIE Programme Manager Lochaber, 22 November 2019.
- Isla Developments – re Montrose proposal, 6 December 2019.
- East Cairngorms Moorland Partnership Meeting, 10 December 2019
- Caroline Campbell, Head of Performance and Resources Highland Council, 13 December 2019.
- Grant Moir, CEO Cairngorms National Park Authority re Glenlivet Masterplanning, 16 December 2019.
- Dean and Reddyhoff (tenants), Rhu Marina, 7 January 2020.
- Doug McAdam, Board member CNPA, 9 January 2020.
- STFA, SLE, NFUS, Woodland Trust Savills, Anderson Strathern, FLS re Farm tenants and forestry (AW Chair), 9 January 2020.
- Cairngorms Nature Strategy Group, 23 January 2020.
- Isla Developments re Montrose Proposal, 4 February 2020.
- Applegirth Estate tenants (re Dairy proposal), 5 February 2020.
- Scottish Land Commission (re farm incubators), 10 February 2020.
- Gary Templeton, Strategic Planning and Development Manager Moray Council, 13 February 2020.
- Crown Estate Scotland Tenant Farmers Group, 19 February 2020.
- Farm Advisory Scotland New Entrants Conference (gave presentation), 25 February 2020.
- Fochabers Angling Association re sale of fishings, 27 February 2020.

Board	Nineteenth Board Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	Chief Executive's Report BD(2020)19.3	
Security classification	Restricted (in part)	
Presented by	Simon Hodge	
Author	Renée Lefrançois	
Annexes	n/a	
Recommendation	The Board is invited to note this Report	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

1. Meetings/engagement

A separate list of the engagement and meetings has been submitted to the Board (BD(2020)19.2).

2. Health & Safety

Crown Estate Scotland has been following official guidance from Scottish Government and NHS on COVID-19 with action including:

- Providing sanitising hand gels and tissues around offices.
- Frequent communications to staff to signpost them to updates in official guidance and clarify on working from home, absence management etc.
- Work to prepare for home-working, particularly in regard to IT.
- Tracking costs relating to COVID-19.

The Executive Team is discussing any measures in relation to suppliers and tenants.

3. Risk Management

Changes to the strategic risk register presented to the recent Audit and Risk Committee include:

- Removal of the risk that poor financial planning leads to a cash flow crisis and failure as a going concern. This is on the basis of the strength of Crown Estate Scotland finances, the increased capacity in the finance team and that control strategies are in place to effectively manage the risk.

- Failure to meet governance and regulatory requirements. Risk rating has been increased as contract management in parts of the business has been identified as a risk which requires mitigating actions including strengthening the use of a contract register, reviewing authorisation processes and training.
- Addition of a new risk regarding the office move. Project board created and a separate risk register established and monitored at Project board level.
- The risk relating to risk aversion stifling business innovation is likely to decrease further and be removed as the organisation matures the approach to business cases and works to implement the new corporate plan.

4. People

Appeals related to the new pay and conditions framework have all been completed and outcomes will be communicated to appellants late March/early April.

Modelling and benchmarking work on 2020/21 annual pay award is underway, liaising with Scottish Government pay colleagues. Scottish Government pay policy (<https://www.gov.scot/publications/scottish-public-sector-pay-policy-2020-21/>) requires a guaranteed basic pay increase of 3 per cent for those on less than £80,000.

As at 11 March 2020, we have not received a claim from PCS for 2020/21.

The new performance management framework is in track for roll-out for the 2020/21 reporting year. It strengthens the link between individual performance, team goals and organisational success. A staff working group was set up to develop an approach based on our core values with a focus on quality conversations, continual feedback and staff owning and driving their own professional development (this brief had been informed by workshops and staff survey feedback). By spring 2020, outputs will include:

- Training sessions and guidance documents;
- Ratings for assessing performance;
- A new business-wide approach to recognising success; and
- A new on-line system for tracking objectives, feedback and development.

5. IT Review

- Action plan being developed for recommendations from the IT review.
- COVID-19 Contingency planning – survey and action being undertaken to enable all staff to work from home if required.

6. Annual Report & Accounts

- The team are working on the Annual Report and Accounts together with the Annual Valuation process.
- No Accounts direction was received this year and so the Accounts are being prepared under the same direction as last year.
- New internal auditors have been appointed and an Audit Programme outlined.

- We have had the interim external audit and no matters were raised in it.
- The 2020/21 budget has been discussed with our sponsor unit who are now putting it to Scottish Ministers.

7. New Office Accommodation

Please see separate Board paper.

8. Corporate Plan

The 2020-23 Corporate Plan will be published early April.

The 2020-21 Business Plan will be published in April.

9. Local Management Pilots

Work is progressing to finalise agreements that will make the pilots operational. All projects have now moved from 'interim' to 'preferred' project status.

We have delivered three workshops and several meetings in Edinburgh, Inverness, Shetland, Orkney and Western Isles focused on defining the projects in enough detail to work up implementation agreements. Feedback from all pilot partners has been positive both in terms of our working practices and commitment to the projects, and of the learnings already realised by all pilot organisations. The reputational risk from these timescales is therefore low, especially where primarily driven by the applicants such as in Shetland. There are potential implications for reporting on pilot operations outcomes to Scottish Government. This is being mitigated by providing an interim report via the Stakeholder Advisory Group on the Crown Estate outlining key lessons from the application process, timed to inform Marine Scotland's consultation on secondary legislation later this year.

Current status:

- Comhairle nan Eilean Siar/ Galson Estate Trust (CnES/ GET) – final draft Heads of Terms (HoTs) issued Feb 2020, expect to conclude HoTs March, legal agreement April/ May.
- Forth District Salmon Fisheries Board (Forth DSFB) – HoTs agreed Feb 2020, legal drafting of agreement started, aiming to conclude March/ April.
- Orkney Islands Council (OIC) – final draft HoTs issued Jan 2020, expect to agree HoTs Feb/ March and draft legal agreement March/ April.
- Shetland Islands Council (SIC) – draft HoTs issued October 2019, no comments on these received to date although holding responses have been provided indicating prioritisation of their Sullom Voe Masterplanning process, uncertain timing for next step but appears unlikely to progress until spring/ summer 2020.

The agreements terms discussions have taken longer than anticipated to progress for a variety of reasons as follows:

- CnES/ GET are delayed by around four weeks primarily due to turnaround times within CnES in responding to proposals for resolving 'interim status' issues as well as greater complexity of those issues than initially thought.
- Forth DSFB is essentially still on track as per above.
- OIC is also around four weeks behind our internal schedule, with the 'interim issues' having been resolved in September 2019. This is due in part to internal Crown Estate Scotland workload prioritisation and OIC staff changes.
- SIC has seen delays with the Council. We have been gradually working through a process of escalation following formal requests for clarification of status in December 2019 and will continue to support SIC where they ask for our help at the same time as pushing to develop the implementation agreement as soon as possible.

10. Marine update

Aquaculture

- The 'root and branch review' of aquaculture lease terms has commenced. The consortium led by Avison Young has commenced initial engagement with industry and other stakeholders with a progress update meeting undertaken with CES in February to review priorities. The review remains on course to report to the Board in Autumn 2020.
- Fergus Ewing (Cabinet Secretary for Rural Economy and Connectivity) has expressed interest in Crown Estate Scotland being involved in helping streamline the Aquaculture consenting regime and reviewing the appropriate mechanisms and lease terms in relation to revenues from industry. We confirmed the root and branch review is already considering revenues along with sustainability and optimisation within current legislative and regulatory parameters. In relation to streamlining the consenting regime a number of proposed next steps (to be initially led by Ministers) have been agreed with Scottish Government officials.
- The Wild Fish Lice Monitoring Protocol will report on the first three-year phase of work in March 2020. This will be used to help strengthen interactions management by industry in light of the requirement now for Environmental Monitoring Plans in new finfish farm proposals. It should also help inform potentially sustainability measures in our 'root and branch' review.
- As one of the joint enabling work packages with Marine Scotland, we have agreed to fund an Aquaculture Interactions Officer who will work with Fisheries Management Scotland. Through enabling new resource this will help support wild fish interests (and consequently local authorities) to work with fish farmers to produce fit for purpose environmental monitoring plans for new (and modified) finfish farm developments.

Energy & Infrastructure

- In January 2020 an approach to supply chain in ScotWind incorporating a development statement was agreed with Ministers (at the Supply Chain Development Summit) and Board (at the January Board meeting). The Board also authorised ScotWind to launch based on the principles in the Board Paper, with a final authorisation on these principles still pending from Ministers (at the time of writing a submission has not been made to them). The details of the supply chain mechanism have been developed by the team and are being finalised with input from Scottish Government officials. Final drafting and

reviews of ScotWind documentation are progressing with current target launch date being the end of April.

- Assessment has now been undertaken for competing tidal interest around Islay. The team will feed back to applicants imminently.
- Crown Estate Scotland has given consent to further investment to MeyGen to enable development of an innovative hub. This investment is from Scottish Government's Saltire Fund matched by Atlantis and will help enable continued activity at the site that may help enable future development.
- Both the Energy Systems and Offshore Wind Ports & Harbours studies will have completed by end of March. These will offer insights on future enabling actions to consider in relation to these areas, as well as providing contextual information as investment opportunities are considered by Crown Estate Scotland in the future.
- Two CCS workstreams are progressing aiming to help highlight the potential of the opportunity in Scotland and inform a route map of how this opportunity can be realised.

11. Rural & Coastal Update

Portgordon

- Safety – measures identified in the MAREX safety report Dec 2019 include height of mesh fence increased to 6 ft, ladders on harbour walls removed and creels stored at Fochabers depot until collection by owners. Structural survey update being undertaken week commencing 9 March. Vehicular access to piers and breakwaters has been blocked by boulders. Life rings have been upgraded to required standards.
- Community - as part of continuation of our work with the harbour group Saturday 22 February saw a four-hour public session held in the village hall to gauge support and ideas for developing the harbour area as a way of breathing new life into Portgordon and providing a firm foundation for longer-term attempts to develop as part of a whole community enterprise. Jointly hosted with Moray Council Third Sector Interface who are now running this element of community work. Significant community support is now developing, and subsequent meeting held with 19 attendees which voted to move forward towards a development trust.

Gold panning

- There has been a concerted campaign of information requests and questions received in January and February around our long-standing policy not to allow gold to be removed by panning. We responded to all, having reviewed and agreed our position with solicitors and mineral agents. The responses issued were covering ownership position, stemming from 1424 and 1592 Acts of the Scottish parliament as well as environmental damage and issues around best value to explain in more detail the reasoning behind the policy. Liaison and information provided to our sponsor department as the same questions and requests for change to our policy were sent to an MP and an MSP. A website statement is in the process of being updated to cover the queried points in as clear, transparent and detailed a way as possible to try to reduce number of future enquiries.

Tenant Survey

- Results of the coastal tenant survey now published on our website. These were sent to the Board in January. Rural tenants survey results will be available soon.

Rhu Marina

- The Royal Clyde & Northern Yacht Club (RNCYC) plan to re-locate to the west end of the marina and has a back-to-back deal with a housing developer for their current home. Discussions continue with the marina tenant, Dean & Reddyhoff, and RNCYC over the requirement by Argyll & Bute Council for a Masterplan for the whole site.

Mountain Bike Trails

- The new tenant at the café and mountain bike trails is expected to sign their lease agreement (initial five-year term) in mid-March. It is planned for the café to re-open on 27 March 2020 after being closed since November 2018.
- Construction of the new Orange Mountain Bike Trail (fast and challenging) has been completed at a cost of £30k. The trail now needs to settle for a few weeks before it can be ridden, but it will be open in time for Easter.

Glenmuillie Peatland Restoration (Phase 2)

- The funding application and plans for phase 2 of the Glenmuillie Peatland Restoration are in progress. This phase will seek to address the problem of natural conifer regeneration across the area and continue the work to block drains and ditches. Confirmation of funding is anticipated by June 2020 with works to take place within the subsequent 12 months.

Observatory and Planetarium

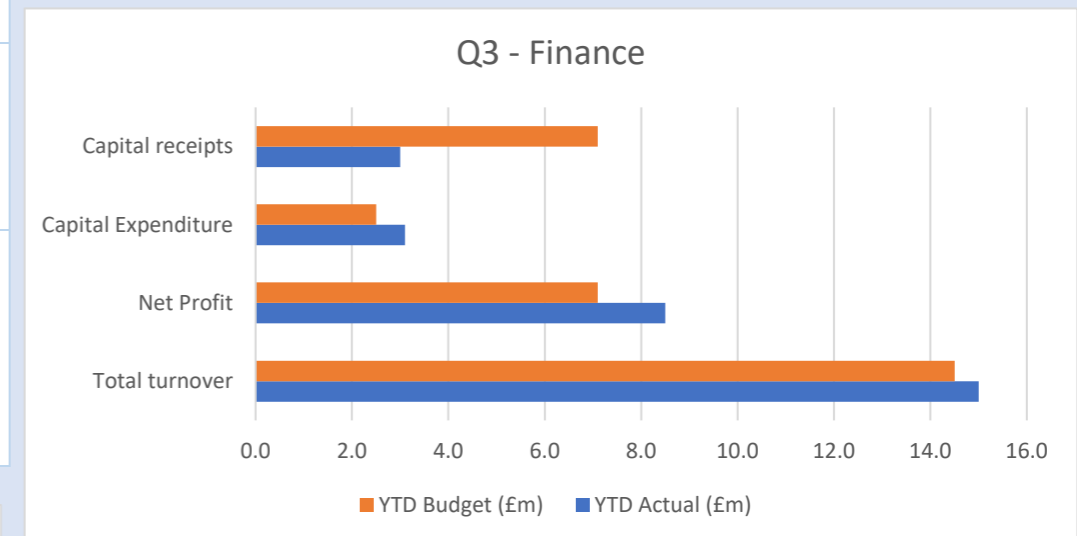
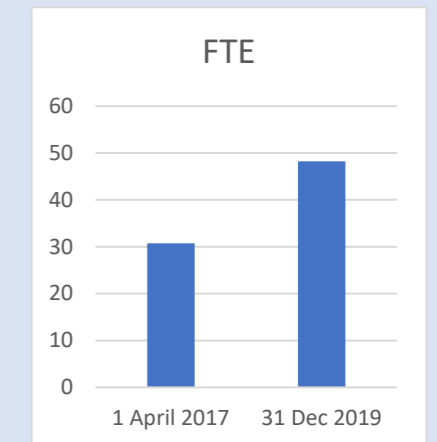
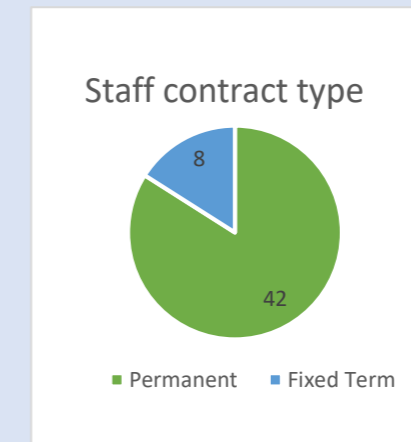
- We have been informed by Scottish Natural Heritage (SNH) that the £1.75m community Observatory Project is now likely to receive grant funding (c. £1.3m). SNH have emphasised the current confidentiality of this news, as Scottish Government wish to make the first announcement of this European money being used to deliver projects through the Natural & Cultural Heritage Fund. A Scottish Government announcement was scheduled for January 2020 and we now expect to receive confirmation before the end of March 2020. Crown Estate Scotland has given an in-principle agreement to be one of the lead partners in delivering this project and a business case will be prepared as a basis for Crown Estate Scotland considering a detailed proposal.

Business Plan (38 Green out of 45 total)

No	Action	Measure	RAG Status	Notes
1	Prepare to implement the Local Management Pilot Projects (likely to involve design and integration of financial, spatial and property systems and data considerations)	Systems and processes ready for implementation	●	See CEO update report for latest update
19	Launch new offshore wind leasing. Work with Scottish Government as well as wider stakeholders including UK Government to provide attractive investment opportunities in Scottish waters	Leasing process launched, designed to enable successful offshore wind project development and attract developer investment to Scotland, taking into account Marine Scotland / Scottish Government planning and policy, and UK Government decisions on route to market	●	Risk relates to Scottish Ministers' requirements relating to supply chain and ensuring the final ScotWind offering is robust. See CEO update report for latest update
35	Assess long-term options for Rhu Marina	Critical marine infrastructure works underway or completed; onshore development options study and / or a master planning exercise completed	●	Budget for critical works not approved. Master planning work may be started by year end but will not be completed.
36	Explore new mechanisms to help unlock the economic potential of the maritime sector	Establish a working group with the ports sector to explore and implement new ways of helping the industry meet its challenges	●	Stalled. Awaiting guidance on investment strategy and priorities.
39	Promote use of estates to support physical and mental health and well-being	Develop partnerships with at least two regional organisations promoting well-being in the outdoors; Pilot a minimum of four of health and wellbeing events	●	Initial contacts made but delivery at risk of delay until 2020/21.
44	Scope options for the refurbishment of 39 George Street, Edinburgh (office and retail units), to ensure we provide quality premises, maximise rental income and adopt a longer-term view on value creation	Options and recommendation/s presented to Board, implementation of approved option started	●	Savills report has been received. George St is under consideration re the potential office move. Activity has had to be paused until built development decisions reviewed and way forward agreed.

Top media stories by volume and reach

	Items	Reach
Funding from Marine assets (net revenue)	26	546,283
Offshore wind (ScotWind)	25	46,045,058
Licenses (ScotGold)	20	3,427,390



Assets	RURAL	COASTAL	E&I	AQUA.	URBAN
No. of dealings/agreements	12	44	2	35	
No. of properties vacant	44	N/A	N/A	N/A	2
Aged debt	£958,447	£679,158	£921,107		£78,424



Issues/New Activities:

- Below market value policy (see separate board paper)
- Further updates covered in CEO update report

FOI responses issued & highlights:

- Total 7
- 4 relating to aquaculture
- Non-salary awards from 2017 to present

Procurement Activity	
Awarded (YTD)	Highlights (Quarter)
7	<ul style="list-style-type: none"> • Total award £249K • ScotWind Leasing spend - £180K (depending on no. of applications) • Other significant contract awards – Internal Audit (£60K), Ocean Energy/ Cables & Pipes/ CCS Valuation (£36K)

Crown Estate Scotland Dashboard - explanatory notes

Q3 2019-20

Business Plan – reporting by exception

Amber status	Partially delivered / delayed.
Red status	Target missed / abandoned.

Financials

Net Profit	Net profit distributable to Scottish Government
Capital Expenditure	Includes surrender payments
Capital Receipts*	Income into the capital account.
*Exceptional items	No report generated

HR Stats

FTE	Sum of Full Time Equivalent compared to when CES began
Staff contracts	Comparing number of staff with permanent contracts and number of staff on fixed-term

Assets

Number of new dealings/agreements	Rural figures include Rural Estates and Mines Royal & Minerals.
No. of properties vacant	Rural & Urban figures include only truly vacant land which could be let. Properties (eg Nether Murthat) where they are not actually vacant as they are managed by volunteers and not an actual tenancy. Other properties (eg 7 the Square) are not lettable as planning application for residential development underway
Aged Debt	Total amount of unpaid invoices and unallocated credits/cash.

Stakeholder / reputation

Issues/New Activity	Summary of any emerging issues
Top Media Stories	By volume and reach – including the top 3

FOISA	Number of requests answered in that quarter (covers both requests under Freedom of Information (Scotland) Act 2002 and Environmental Information (Scotland) Regulation 2004
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Procurement

Total award	Figure provided for total contract award as a year to date figure for the end of that reporting quarter
Highlights	Highlighting key activities for the reporting quarter.



Board	Nineteenth Board Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	People Committee – Terms of Reference BD(2020)19.5	
Security classification	Unclassified	
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	Annex A: Draft Terms of Reference	
Recommendation	The Board is invited to approve the proposed Terms of Reference for the People Committee at Annex A	
	The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest	

Background

1. The Board established a short term, advisory committee, the People Committee, to provide advice and support to the Executive Team and to HR in relation to staff related matters.
2. The Committee, which has held one meeting, has agreed draft Terms of Reference which are attached as Annex A.

Recommendation

3. The Board is invited to approve the proposed Terms of Reference at Annex A.

Annex A

Draft Terms of Reference – People Committee

Introduction

Crown Estate Scotland has developed a People Strategy which requires to be implemented, is conducting a review of its outsourced services, and is carrying out a skills and capacity review. At the end of 2020 the organisation will be moving to new office premises in Edinburgh.

The Crown Estate Scotland Board has decided that it is appropriate to convene a limited duration advisory committee, the People Committee, to provide support and guidance to the Board and the Chief Executive during the implementation of the People Strategy, the completion of the skills and capacity review and until after the office move.

Purpose

To provide support and guidance to the Board and the Chief Executive to help facilitate the delivery of people related objectives in the Corporate and Business Plans.

The Committee will receive or hear reports from the Executive Team or Senior HR Manager on the delivery of the People Strategy, the skills and capacity review, the progress of the office move project and other people-related activities including staff learning and development, change management, and performance management. In doing so the Committee will comment constructively on reports, acting as a critical friend and, if appropriate, offer to assist in the co-production of papers and reports for the Crown Estate Scotland Board.

If requested by the Board or the Chief Executive the Committee will receive or hear reports from the Executive Team or Senior HR Manager on the development, implementation and review of principles, policies and procedures relating to the recruitment, wellbeing, motivation and retention of staff in Crown Estate Scotland.

The Committee may also consider reports on the measures being adopted to ensure that an appropriate culture, underpinned by Crown Estate Scotland's values, prevails within the organisation and provide reports to the Board on these if it considers necessary.

In the consideration of reports, written or oral, the Committee will give due consideration to issues of equality and diversity.

Membership

Three non-executive Board members, the Director of Corporate Operations (Chair), the Senior HR Manager. Chief Executive, other Directors and staff involved as required.

Meetings

The Committee will meet at least three times a year and otherwise as required. Business of the Committee may be conducted in person, by telephone or videoconference call or by e-mail as necessary.

Meetings will be quorate if four members (including at least two non-executive Board members) are present, either in the room or by telephone or videoconference call.

Board paper



Minutes or notes of the meetings will be prepared and submitted to the quarterly meetings of the Crown Estate Scotland Board.

The terms of reference for the Committee will be reviewed by the Board in November 2020. The Committee will be asked to reflect then on its effectiveness and to suggest any amendments to the terms of reference to the Board.

Duration

It is anticipated that the People Committee will be stood down on 31 March 2021. On recommendation from the Board Chair or the Chief Executive, the Crown Estate Scotland may ask the Committee to stand down early or to continue with its work for a further short period.

December 2019

Board	Nineteenth Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	Sustainable Communities Fund BD(2020)19.6	
Security classification	Unclassified	
Presented by	Annie Breaden	
Author	Annie Breaden	
Annexes	n/a	
Recommendation	The Board is invited to approve the creation of the Sustainable Communities Fund with the associated budget as set out in this paper.	
	The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest	

Background

1. This paper develops proposals outlined in a paper approved by Crown Estate Scotland Board on 27 March 2019 (paper BD(2019)13.9).
2. The primary objective set out in that paper was to create and deliver an initial programme of support that enhances and strengthens community capacity to deliver regeneration or to address other local issues. A secondary objective to pilot activity that feeds into and helps shape our longer-term approach to community partnerships and investments was also identified.
3. The paper considered two forms of support – grant-funding and specialist support (e.g. consultancy time) for communities at an early stage of devising plans/vision – and committed to stakeholder engagement to test and develop that proposed approach. That engagement has informed the approach described in this paper. More detail on this is provided below.
4. The Sustainable Communities Fund is revenue funded and sits alongside three capital investment funds being developed by the Property team. These are:
 - A Partnership Fund (value ~ £3m);
 - An Innovating with Natural Resources Fund (value ~ £3m); and
 - A Marine Tourism Fund (value ~ £3m).¹

¹ Note that these values are indicative and are subject to approval.

The Partnership Fund also has some revenue allocation for 2020-21 to provide support for projects and initiatives identified in partnership with other organisations. The capital funds are part of the wider investment strategy in the Corporate Plan and will provide opportunities for co-investment with a wide range of tenants, partners and communities to support projects with high potential for wider benefit delivery.

Discussion

5. Action 15 in the 2020-23 Corporate Plan is to: 'Support local regeneration and sustainability, particularly in coastal areas, by rolling-out Sustainable Communities Fund.' This contributes to strategic objective 3 which is to 'involve people in how land, coastline and seabed are managed.' The aim is to help community groups and local organisations to progress sustainable development projects on or adjacent to the Estate.
6. Stakeholder engagement was undertaken between August and December 2019 with a wide range of stakeholders. Meetings were held with: DTAS, SURF, HIE, Scottish Government (Marine Scotland; Regeneration), HES, Scottish Land Fund, National Lottery Community Fund, Heritage Lottery, Tobermory Harbour Association and West Highlands Mooring Association. All provided useful advice based on their experience and knowledge. The proposals have also been discussed informally with some Board members.
7. The stakeholder feedback was supplemented by consultation responses to the Draft Corporate Plan and responses to the autumn 2019 Coastal tenants survey.
8. Key points of feedback include:
 - Widespread support for early stage development activities i.e. feasibility studies, business planning, development officer posts etc. Other sources of funding for this stage have dried up and it is now seen as a gap e.g. HIE do not fund social enterprise projects identified as at the "Emerging" Stage on their Social Enterprise Capacity Ladder. Activities at this stage are likely to involve business plan development; stakeholder consultation; and investigative and feasibility work.
 - There is limited grant funding available for small scale environmental improvements. This funding can provide easy wins which can help bolster community confidence and encourage them to undertake more ambitious projects.
 - The loss of The Crown Estate's stewardship fund has left a gap for smaller projects. Funders indicate that small grants for environmental improvements are a gap and tenants indicate demand for grants to assist with improvement on the Estate.
 - Capacity building is an important area of focus for many funding organisations now – helping less advantaged communities access funds.
 - Our programme of support is likely to be oversubscribed. We will need to consider how to manage demand.
 - Coastal tenants are very keen for support for local communities in terms of advice, financial assistance and grants. This was the most common response (14 respondents) to a question in the coastal tenants' survey about priority areas for the programme of support. When asked more generally about the blue economy, and marine and coastal development, the top priority was biodiversity and environment (52 respondents).

- Respondents to the draft Corporate Plan generally welcomed the proposed support for communities. They also suggested that support for environmental projects seeking to improve biodiversity and natural capital would be welcome.
9. As a result of feedback, we propose the Sustainable Communities Fund has two strands as below. The proposed total to be awarded is £750k (revenue) over three years. A further breakdown of figures is in paragraph 14.
- **Environment grants**
 - i. Approximately £100k per year for small projects (up to £20k per project)
 - ii. Projects on the Scottish Crown Estate.
 - iii. Provision of grants for 'on the ground' work which can be delivered within 12-18 months of award i.e. environmental improvements which can demonstrate sustainable development, community or regeneration benefits. For example, making repairs to slipways; improving waste ground with planting, benches etc; managing an area of woodland to support wider biodiversity.
 - iv. Administered in-house by Crown Estate Scotland – ad-hoc applications accepted on an on-going basis.
 - **Community capacity grants**
 - i. Approximately £150k per year for projects in region of £25-50k. For applications in Year 1, funding for development officer posts could be provided for up to three years.
 - ii. The vision for the fund is to support community enterprises to deliver projects that help regenerate and ultimately improve places.
 - iii. Objective is to provide early stage support for development of community projects e.g. funding for community engagement activities, business plans, feasibility studies, development officer posts etc.
 - iv. Applications will need to evidence community support for the project.
 - v. Projects to be located on or directly adjacent to the Estate including the rural estates, foreshore and seabed.
 - vi. Priority will be given to projects that promote coastal regeneration and which provide potential opportunities for future capital investment by Crown Estate Scotland. Messaging will therefore encourage applications from those potentially looking for long-term partnerships. This is in keeping with our purpose. Views are sought on the degree to which we encourage or prioritise applications from Crown Estate Scotland's priority places (e.g. Fort William, North Ayrshire etc)
 - vii. To support on establishing, governance and administration of the fund, a third party is being sourced. This will ensure the marketing of the fund is very clear in terms of the types of projects that will be eligible for support; the application process is easy and efficient; the decision-making process is robust and transparent; and successful projects are effectively monitored and reviewed.
10. Detailed criteria and application documentation will be developed in April and May 2020 with the Fund launched in June 2020, possibly with ministerial involvement. Messaging will be linked to 2020 Year of Coasts and Waters.

11. It is anticipated that the deadline for **community capacity** applications will not be until October 2020 to take account of the busy summer season for coastal communities, with successful projects announced in early 2021.
12. It is intended that the next round of funds will be broadly similar in terms of objectives, structure and level of funding although tweaks may be made following Year 1 to reflect feedback or levels of demand etc.

Financial

13. Revenue budget for the fund as well as funding for external support i.e. set-up and administering of fund has been included in the budget for 2020-21.
14. Table 1 sets out the total budget that is required for the three year fund. Note that although in financial year 2020-21, applications will be invited for a total fund of £250k, successful applications for the community capacity grants will not be announced until early 2021 and so financial awards are not expected to be made until financial year 201-22. It is intended that the community capacity grant scheme will be opened up again in April/May 2021 so financial awards for financial year 2021-22 can be made by March 2022.

Table 1

	FY 20-21	FY 21-22	FY 22-23	Total
Environment grants	100,000	100,000	100,000	300,000
Community capacity grants	0	300,000	150,000	450,000
External support	25,000	20,000	20,000	65,000

15. These figures have been taken into account in the three-year budget published in the Corporate Plan.

Sustainability

16. The programme will support Crown Estate Scotland's remit to further sustainable development. The key objectives relate to the promotion of sustainable development and regeneration activities.

Legal implications

17. State aid considerations will be addressed by adopting the *de minimus* approach i.e. ensuring that our funding together with any other relevant funding provided by other government organisations will not exceed a total of 200,000 euros. Applicants will be required to demonstrate compliance with state aid regulations.
18. A legal review will be undertaken in April to ensure the proposal is compliant with the Scottish Crown Estate Act 2019.

Risk

19. The risks associated with the Fund are as follows:
 - The fund may be oversubscribed. This will be mitigated in a number of ways:

- i. Materials will be designed to prevent submission of less-relevant applications and will be clear as to what we will and won't fund.
 - ii. For the community capacity fund, we will prioritise coastal areas, potentially linking funding to our emerging spatial/place-based priorities and requesting projects to indicate potential to receive capital investment from Crown Estate Scotland. We will also work with organisations such as DTAS and HIE to ensure their network are well informed about the objectives of the fund to avoid applications that are not eligible.
 - iii. Environmental grants will be limited to projects on the Scottish Crown Estate and applicants will need to demonstrate the environmental, regeneration and/or community benefits associated with their project, not just the need for an asset to be repaired.
 - iv. Applications for environmental grants will be invited on an ad-hoc basis. When the funding for 2020/21 has been allocated, we will make this clear on our website, noting that further funding will be available in 2021/22.
 - v. The external provider will be able to advise on demand management tools e.g. sifting of applications or a 2-stage process with expressions of interest submitted and only relevant projects invited to submit full applications.
- Using an external provider to administer the fund means there will be limited direct contact between potential applicants and Crown Estate Scotland. We will have to ensure that the third party understands our business and the different types of funding that we have available and that they are equipped to engage in an informed and positive way. The external support will bring the knowledge of the wider funding landscape and should be able to signpost other funds which may be more appropriate for the applicant.
 - Capital investment is unlikely to be available for all projects that receive funding through the Sustainable Communities Fund. Communication on this must be very clear to manage expectations.
 - For the Community Capacity grants, providing funding for early stages of development can be considered riskier than funding for later stage projects as the project proposals are less well developed, feasibility studies may not have been completed and project risks may not have been identified yet. The external provider will provide expert knowledge in terms of potential pitfalls for projects as well as understanding what is needed for successful projects. Use of an Evaluation Panel comprising experienced funders (managed by the external provider) will further support informed decision making.
 - It will be important to define what success looks like for Crown Estate Scotland. While delivery of projects that have a positive outcome on their local place would be an obvious success, there may be additional successful outcomes such as capacity building and increasing the community's confidence to take on bigger projects. Evaluation and monitoring will use indicators that are both appropriate to the project and linked to our strategic objectives.

People considerations

- 20.** The roll-out of the funds and the overall process will be managed by the Policy Team with administration and management of the Community Capacity applications outsourced to an external provider.
- 21.** Although the Policy Team will be the first port of call for Environment applications, input will be required from other teams for the assessment of applications e.g. from the Coastal Team for applications relating to coastal assets.

Reputational / PR implications

- 22.** The programme of support is a very positive initiative which should have reputational benefits for the organisation. It demonstrates real support for community initiatives and commitment to partnership working. The design of the programme reflects stakeholder feedback from recent consultation processes.
- 23.** Learning lessons from the Local Management Pilots project, we will need to ensure that community groups are aware of the Fund and we will liaise with organisations such as DTAS, CLS and HIE to promote it.
- 24.** Briefings will be provided to agents and colleagues to help them raise awareness.



Board	Nineteenth Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	Board PAYE BD(2020)19.10	
Security classification	Unclassified	
Presented by	Anna Morgan	
Author	Anna Morgan	
Annexes	Annex A: Additional Information	
Recommendation	The Board is asked to note and comment and, if acceptable, approve the proposals set out in the paper.	
	The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest	

Purpose

To make Board members aware of a change in arrangements regarding taxation of office holders travel expenses.

Background

Crown Estate Scotland has been reviewing the business's current tax treatment of Board Members expenses to the Edinburgh office.

Scottish Government guidance states that Board Members of public companies such as Crown Estate Scotland should not be out of pocket for expenses that result from their appointment. As such Crown Estate Scotland reimburses its Board members for all reasonable travel and subsistence costs involved, including those to the office in Edinburgh.

HMRC has some detailed guidance on which expenses are deemed to be tax deductible and which are not. Annex A to this report sets out the technical detail relating to this.

The basic premise of the tax guidance is that expenses incurred in the performance of duty are tax deductible, but those incurred to the employee's place of work are not (as they put the person in a position to start work).

We have considered the position of the Crown Estate Scotland Board Members (with reference to the detail in Annex A) and note that;

- Appointments are for 24 months or longer;
- No place of work is noted in the appointment letters;

- Detailed diaries of Board member engagements and activities are not kept, although some details are recorded, so it is not possible to say with certainty all Board Members spend less than 40% of their time in Edinburgh; and
- The different roles of different Board Members mean some spend more time in Edinburgh than others.

As it is not possible to say with certainty that all Board members spend less than 40% of their time in Edinburgh, we believe that it would be appropriate to consider Bell's Brae Board Members permanent place of work, and include within this expenses to all Edinburgh locations, not tax deductible (and therefore a taxable benefit).

Crown Estate Scotland has not historically been reporting this benefit or paying the associated taxes to HMRC. **While it is possible that individual Board Members may have been declaring them on their personal tax returns we will assume, unless this is reported to Helen Howden by 31 March 2020 that they have not.**

Under the Scottish Government guidance of Board Members not being out of pocket for expenses there is the option for the business to pay the grossed-up tax on behalf of the Board Member. Up until April 2020 it was possible to do this through a PAYE settlement agreement, but since April 2020 the expenses (and the grossed-up tax element) must be declared through payroll.

If the Edinburgh office of Crown Estate Scotland is to be considered the Board Members permanent place of work (which is our recommendation for tax purposes). Two actions are required by Crown Estate Scotland. A declaration and payment of underpaid tax for the three financial years 2017-2020, and a change in process to ensure appropriate tax is paid going forward.

Board Members are reminded that this change relates only to travel to Edinburgh, not other business travel required by Board Members in the course of their duties.

In deeming these expenses a benefit Crown Estate Scotland has a historic tax liability due to HMRC. The draft calculations from April 2017 Feb 2020 indicate that the total Edinburgh related expenses are £15-£20,000, which leads to grossed up tax of **£10-15,000** (based on assumed highest rate tax levels). To declare this to HMRC we need to make [a voluntary disclosure to HMRC](#). The Board should note that there may be interest to pay on the tax owed, and HMRC can charge a penalty of up to 100% of the tax owed.

We are seeking external advice from our internal auditors RSM on this calculation and methodology to ensure the disclosure is undertaken correctly first time.

Impact on the Office Holder personally

- Board members should note that their tax code will change as a result of expenses going through payroll.
- As the expenses will now go through payroll the combination of this, plus the Crown Estate Scotland grossing up to account for the tax and NI, will given the impression of the Board Member having a higher salary, and has the potential to move Board Members to a higher tax band.
- From 01 April 2020 expense claims for travel and subsistence to Crown Estate Scotland's Edinburgh office / Central Edinburgh will need to be separate from those for other locations

so that the new tax regime can be administered. Submission for both types of expenses will remain through Focalpoint in the current normal manner.

- The [Public Sector Pay Policy Technical Guide](#) for the remuneration of Senior Appointments states that reasonable expenses should be covered and that Chairs and Board members should not be out of pocket. It also states that the responsibility for ensuring compliance with HMRC requirements lies with the individual organisation and that individual Chairs and Board Members must satisfy themselves as to their own tax liabilities resulting from their appointment to a Board.
- HMRC guidance on [travel](#), indicates that Crown Estate Scotland could continue to book and pay for travel directly so the Board member is not out of pocket, although it would still be reported through payroll. We have not found any equivalent guidance on accommodation or subsistence so to err on the side of caution for now while Crown Estate Scotland will still be able to book accommodation the Board Members will need to pay and reclaim expenses for accommodation in Edinburgh.

Impact on Crown Estate Scotland

- Crown Estate Scotland has not previously declared the expenses of Office Holders travel to Edinburgh as a benefit. This means neither the Office Holder nor Crown Estate Scotland has been paying tax that may be due. For FY17/18, 18/19 and 19/20 Crown Estate Scotland will need to agree unpaid tax and declare and pay it to HMRC as a voluntary disclosure of underpaid tax. There is a one-off underpaid tax associated with this is estimated to be £10-£15k. HMRC can also charge interest on the late tax, and a penalty of up to 100% of the tax due.
- Crown Estate Scotland needs to register with HMRC before 01 April 2020 to gain approval to pay expenses as a benefit.
- From April 2020 Crown Estate Scotland needs to set up and administer a robust way to documenting Office Holders travel and subsistence to allow confidence that all claims are subject to the correct tax treatment. Further guidance will be provided on this.
- There will be an increased ongoing cost to the business as the tax and grossed-up tax of the expenses is now paid by Crown Estate Scotland. We estimate this will be under £10k per annum.

Recommendation

The Board is invited to consider this paper, including the impact on Board Members personal tax position, and note and approve:

- **Board members expenses related to travel to Edinburgh should be considered not tax deductible.**
- **Crown Estate Scotland paying the historic employee and employer tax due on Board Members expenses for travel to Bell's Brae, and other Edinburgh meetings, including the grossing up of tax due for Crown Estate Scotland paying these benefits.**
- **Crown Estate making a voluntary disclosure of underpaid tax for FY17/18, 18/19 and 19/20 (c.£10-£15k tax), noting that this may result in interest and a penalty charge (up to 100% of the tax due) being imposed by HMRC;**

- **Crown Estate Scotland paying the future expense incurred by the Board member for travel and ancillary costs associated with their travel to Bell's Brae and Edinburgh benefits through payroll from April 2020.**

Board members are reminded of their responsibility to satisfy themselves as to their own tax liabilities resulting from their appointment to a Board and asked to note that their personal tax code will change as a result of the payroll of benefits going from April 2020.

Note 1:

Crown Estate Scotland board members are office holders appointed by Ministers. They are not by our definition employees of Crown Estate Scotland, however they are paid through payroll. It is noted that the legislation referred to in this note documents rules for 'employees' where the definition of employee encompasses our Board Members ([Part 1 ITEPA 2003](#)) even though they are not employees by our definition of the word.

Other papers / references

- Scottish Government guidance to public bodies (available on request to Helen Howden)
- RSM [article](#) (Internal Auditors).

Annex A

HMRC withdrawal of PAYE settlement agreements – impact on Crown Estate Scotland Board members

Background – HMRC's guidance

HMRC's starting point is that everything an employee (see [note 1](#)) is paid by their employer is considered to be earnings, and so is considered to be taxable (for NI and PAYE). When an employer pays employees expenses that have been incurred in the performance of their duties the legislation allows these expenses to be deducted from total earnings and so tax is not paid on them. ([Section 337 – 339 ITEPA 2003](#))

As a general principle, the cost of travelling from an employee's home to his or her workplace (their commute) is not travel in the performance of their duties ([Section 338 ITEPA 2003](#)). This means that if an employer pays these expenses they are not tax deductible and are subject to PAYE and NI (as they are considered to be a benefit). For an expense to be tax deductible it must be incurred "in the performance of the duties of the office or employment". Therefore to satisfy this test, the expense must be incurred in actually carrying out the duties of the job. It is not enough for it to only put the employee in a position to start work at their permanent workplace.

The meaning of workplace is defined in [Section 339 ITEPA 2003](#) with more detailed guidance given in [EIM32065](#) and [EIM32080](#). HMRC considers the practicalities of where the employee's regular attendance is in the performance of their duties above anything set out in contractual documentation. The test is whether the employee has spent, or is likely to spend, 40% or more of his or her working time at that particular workplace over a period that lasts, or is likely to last, more than 24 months. Where that is the case the workplace is not a temporary workplace and so it is a permanent workplace. Travel between that place and home will be ordinary commuting and so is not deductible. It is also noted that where there is no significant change to the office holders commuting journey when attending a commitment this journey would also be considered a commute. For example in Crown Estate Scotland's case the expenses associated with a Board Members attendance at another central Edinburgh location could be considered a commute and therefore not be tax deductible. ([EIM32280](#)).

Background – Crown Estate Scotland policy

Scottish Government guidance states that office holders should not be out of pocket for expenses that result from their appointment ([section 5.18/19](#)). As part of Crown Estate Scotland Board Member terms and conditions of Appointment members are entitled to be reimbursed for all reasonable travel and subsistence costs incurred. This means that Crown Estate Scotland currently pays the expense of travel between an office holders home and the usual place where duties are performed ([EIM32065](#)) and a subsistence allowance for periods spent there.

We have considered the position of the Crown Estate Scotland Board Members and note that;

- Appointments are for 24 months or longer;
- No place of work is noted in the appointment letters;

- Detailed diaries of Board member engagements and activities are not kept, although some details are recorded; and
- The different roles of different Board Members mean some spend more time in Edinburgh than others.

We therefore feel it is possible that HMRC could consider the Crown Estate Scotland Edinburgh office our Board Members normal workplace when considering this appointment.

The impact of this is that the travel and subsistence expenses associated with attending the Edinburgh office, and possibly other central Edinburgh locations, would not be considered to be tax deductible, and should therefore be subject to taxes.

Impact of considering some expenses as not tax deductible

Prior to 6 April 2019 Crown Estate Scotland could have invited Board Members (part time office holders) to enter into an agreement whereby Crown Estate Scotland accounted for tax on payments towards travel and subsistence. These expenses payments would then:

- Not have been treated as pay for tax deduction purposes;
- Not have been included by the individual as expenses on their tax returns.

Crown Estate Scotland has never invited its office holders to agree this special arrangement.

These special arrangements for part time office holders were withdrawn on 6th April 2019 and are no longer available. These rules and changes that followed on April 2019 are set out in [PAYE70270](#).

From 06 April 2020 any payments made to the part time office holders in respect of travel and subsistence payments that are not considered to be tax deductible (ie are incurred for travel and subsistence to the usual place where duties are performed) have to be paid through payroll to account for the tax and national insurance due. Crown Estate Scotland is able to pay the tax and National Insurance due by grossing up the payments through the payroll so that the Board member is not out of pocket.

To do this Crown Estate Scotland needs to register with HMRC to allow benefits to be paid through payroll. We have confirmed with CGI (our payroll provider) that they are able to process the expenses and gross up the tax.



Board	Nineteenth Meeting	BD(2020)19
Meeting date	25 March 2020	
Paper title	Delegated Authority BD(2020)19.11	
Security classification	Unclassified	
Presented by	Anna Morgan	
Author	Anna Morgan / Simon Hodge	
Annexes	Annex A: Scheme of Delegation May 2019 Annex B: Proposed delegated approval levels Annex C: Current delegated approval levels	
Recommendation	The Board is asked to note and comment and, if acceptable, approve the proposals for presentation to the Sponsor Team and to pass the resolution set out in the paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Framework Document

The Framework Document for Crown Estate Scotland sets out the financial framework of the authorisation levels needed for the business to incur expenditure / consume resources.

It sets out that Crown Estate Scotland will:

- establish and agree with Marine Scotland 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:
- not, without prior approval of the Sponsor Team, enter into any undertaking to incur expenditure not previously approved in the Corporate Plan, which fall outside the specific delegations set out below.

Changes to the specific delegation levels have been agreed with Marine Scotland and Ministers and are on track to come into force on 1 April 2020. This document looks to consider Crown Estate Scotland internal delegated authorities in the context of these new levels.

Category	Delegated limit to 31 March 2020	Delegated Limit from 1 April 2020
Capital transactions	£2 Million	£3.5Million
Revenue Spend	£500,000	£950,000
Single-tender contracts	£50,000	£50,000
Claims waived or abandoned	£5,000	£150,000
Write-off of bad debt and impairments	£5,000	£150,000
Special payments	£1,000	£2,000

Internal Scheme of Delegation

The current version of the Internal scheme of delegation is v1.1 dated 17 May 2019. It is attached at Annex A. The following sections propose changes to the current scheme of delegation.

Changes to the scheme of delegation must be agreed by the Board and with our sponsor team. It is proposed that the current revision, which has been agreed by the Executive Team, once agreed by the Board is presented to the Sponsor Team.

Signing of asset agreements and contracts

It is proposed that all Directors become an Authorised Signatory with the authorisation to execute documents, deeds, certificates and notices in connection with their business areas.

It is proposed that the Director of Finance and Business Services be granted signing rights across the business for use only when the relevant Director or Chief Executive has formalised an arrangement prior to an absence.

In order to approve the Director of Corporate Operations and the Director of Finance and Business Services as authorised signatories, the Board is invited to resolve as follows:

THAT, with effect from 1 April 2020, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be

signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Name	Title
Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Alastair Milloy	Director of Finance and Business Services
Colin Palmer	Director of Marine
Andrew Wells	Director of Property

Signing of procurement contracts

It is proposed that the authority levels at Annex B be used to guide the authorisation of procurement contracts as well as purchase orders. As well as the approval of the authority levels at Annex B the procurement contract must also have the written approval of the line manager to ensure a second review of all new contracts. This relates to the procurement of goods and services and does not include the signing of asset agreements.

Approval of purchase orders

It is proposed the current authorisation levels are amended as shown in Annex B (for reference current levels are shown in Annex C). This specifically feeds into the authorisation levels used in the financial systems for the approval of purchase orders and then subsequent invoices.

The upper levels of delegation to Crown Estate Scotland; £950k revenue and over £3.5m capital; have been approved by Scottish Ministers.

It is proposed that a system of coding is introduced to POs that sets out if the PO is based on a contract, and if it is within the budget. The Director of Finance and Business Services is currently developing a new contract register, which would allow the easy confirmation of a contract's existence, validity and financial level. A flow chart has been produced which runs through the life of a contract and forms the precursor to a purchase order.

(Separately managing agents have been delegated authority up to £30k in their areas).

Goods receipt

This matrix of levels and individuals are set up on Focalpoint and determine the approvers for Purchase Orders. Once a purchase order is approved, the business area must then goods receipt the

service before finance can process an invoice. Goods receipting does not currently have to be done by the approver of the purchase order it can be done anyone with the necessary permissions in Focalpoint. As a result of this finance cannot assume that if a Purchase Order has been goods receipted the invoice can be paid. It means that each invoice is therefore checked again before processing. It is therefore proposed that the goods receipting process is managed to give positive confirmation invoices can be paid.

It is noted that it is also generally too late by the time we have the invoice to prevent work being done out of contract or beyond budget. The purchase order approval system needs to be linked to contact management and budget management to ensure accountability and budgetary rigor.

Claims waived or abandoned

The delegated limit for Crown Estate Scotland to sign off claims waived or abandoned will increase from £50k to £150k.

It is proposed that the Director of the division in which the claims falls authorises the claim, and that this is verified by the Director of Finance and Business Services.

Write off of bad debts and impairments

The delegated limit for Crown Estate Scotland to write off of debts will increase from £5k to £150k. it is now likely that the majority of debts we would need to write off can be covered internally.

It is proposed that the Director of the division in which the bad debt falls authorises the write off, and that this is verified by the Director of Finance and Business Services.

Budget management

Crown Estate Scotland requires a clear approach to budget management, that is directly linked to the authorisation of expenditure.

It is proposed that the appropriate authorising employees be given responsibility for specific areas of budget management. If proposed spend is out with contractual terms, or outwith the budget for that item then it should be passed to the divisional Director for consideration.

The finance team commit to providing monthly figures for each budgetary area. The aim is to do this through Focalpoint, along with a monthly meeting with each Director to update on budget and finance processes.

Training and probation

It is proposed all that individuals who have approval roles should undertake specific training and receive guidance to ensure understanding of what is required of them as an approver, including contract management budgetary considerations and raising purchase orders, and that the adherence of these is written into performance management objectives.

Employees at all levels of the business still within their probationary period are not given approval rights for purchase orders. These defer up to the line manager until the probationary period is successfully completed allowing training to be undertaken to ensure the employee has a full understanding of the process and requirements before approval rights are given.