

Agenda
Fifteenth Meeting
Crown Estate Scotland (Interim Management) Board
24 July 2019
9.00am – 2.00pm

- 1. Standing Items**
 - 1.1 Welcome and Apologies (Apologies from Liz Leonard)
 - 1.2 Declarations of Interest
 - 1.3 Approval of Minutes of Meetings held 29 May 2019 Attached
 - 1.4 Matters Arising and Action Trackers Attached
 - + 1.5 Stakeholder Meetings BD(2019)15.1

- 2. Strategy and Planning**
 - ** 2.1 Draft E&I Strategy BD(2019)15.2
 - ** 2.2 Draft Aquaculture Strategy BD(2019)15.3
 - ** 2.3 Coastal Plan BD(2019)15.4

- 3. Business Management**
 - +* 3.1 Chief Executive's Report BD(2019)15.5
 - +* 3.2 Business Performance Report (to 30 June 2019) BD(2019)15.6
 - * 3.3 Annual Report and Accounts BD(2019)15.7
 - * 3.4 Annual Pay Claim BD(2019)15.8

- 4. Board Committees**
 - * 4.1 Audit & Risk Committee Minutes (25 June meeting) Attached
 - 4.2 Investment Committee (2 July meeting) Attached

- 5. Any Other Business**

- 6. Dates of Next Meetings**

25/26 September 2019 (Fochabers)

26 November 2019 (Edinburgh)

*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	Fifteenth Board Meeting	BD(2019)15
Meeting date	24 July 2019	
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 at Kirkwall on Wednesday, 24 July 2019		

Present:

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

In attendance:

Simon Hodge	Chief Executive
Esther Black	Head of Corporate Operations
Lynne Higgins	Head of Finance & Commercial
Colin Palmer	Head of Marine
Andrew Wells	Head of Property
Helen Howden	Governance Manager (minutes)

By invitation:

Alex Adrian	Aquaculture Manager (by telephone, for Minute item 2.2)
Graham Black	Director, Marine Scotland
Madeleine Kemna	Shadowing observer

1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the fifteenth meeting and the first in Orkney. It was noted that the day before had been spent in useful and informative discussions with Aquatera Ltd; with EMEC; and with the Leader and representatives of Orkney Islands Council.

Apologies had been received in advance of the meeting from Mrs Leonard.

1.2 Declarations of Interest

There were no declarations of interest in any of the items on the Agenda. Mrs Lindsay advised that she had been appointed to the Board of Revenue Scotland.

1.3 Approval of Minutes of Meeting held on 29 May 2019

Noted that:

- (a) Mrs Lindsay attended the steering group and did not join it (Minute item 1.4(a)). The minute should be amended for accuracy.

Agreed that:

- (a) with the amendment noted above made, the Minutes were approved.

1.4 Matters Arising and Action Trackers

Noted that:

- (a) action 13/4 required that the revised budget for 2019/20 be brought back to the Board for approval. The approved budget did already include a £1m contingency to fund work packages. The first tranche of draw-down has been agreed with Scottish Government. This and other significant movements in the budget, such as revenue works arising out of the condition survey, will be managed through the in-year variance process.
- (b) Health & Safety training for Board members was an action arising out of a previous Audit & Risk Committee meeting. It should be added as a Board action and added to the action tracker. Mrs Lindsay would discuss this training with the Governance Manager outside the meeting.

Action: HH(15/1)

1.5 Stakeholder Meetings (paper BD(2019)15.1)

The Board **noted** this paper.

2. Strategy and Planning

2.1 Draft E&I Strategy (paper BD(2019)14.2)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the draft strategy was intended to be an internal document covering a 10-year period. It built on a previous discussion with the Board in October 2018. The strategy covered the vision for each of the areas (offshore wind, wave & tidal, cables & pipelines and carbon capture & storage (CCD)); the drivers for each area; and the opportunities, challenges and risks for each. The approach proposed was a proactive one, going beyond solely asset management.

- (b) the Board were being asked to provide feedback on the draft and the proposed approach for each area.
- (c) there were overlapping aspects and the ambition outlined would have implications for resourcing. The specific resource requirements would be quantified once the strategic direction was agreed and the Board asked to approve that as part of the budget process for the organisation. The requirements would also be assessed in due course as part of the organisation's skills and capacity review.
- (d) the draft set out a proposed strategy, with emphasis on offshore wind and cables & pipelines. Uncertainty in the current policy landscape means increasing fragility in the wave & tidal sector. Participants in the sector are looking for support from Crown Estate Scotland in terms of championing the sector and providing backing for the development of local energy networks.
- (e) Crown Estate Scotland was participating in the discussions with Scottish Ministers and other parties on the maximisation of the offshore wind supply chain to Scotland.

Agreed that:

- (a) the Board gave the draft strategy broad support, identifying that it displayed realistic ambition and recognising that the detail of implementation of the key deliverables would follow as part of the corporate and business planning process. Additional activity in relation to supporting the development of local energy networks and to the wave & tidal sector should be considered in the strategy along with the role which Crown Estate Scotland would take.

Action: CP (15/2)

- (b) it was important to continue to recognise that Crown Estate Scotland had a growing asset management role, particularly in relation to offshore wind and cables & pipelines.
- (c) the strategy would benefit from summarising priorities, the relative scale of intended activity and the focus for each sector at the start of the document. The Board would find it helpful if a visual matrix of the strategy could be drawn up.

Action: CP (15/3)

- (d) the Board flagged two projects of potential relevance for further investigation, ReFLEX and Project Columbus.

Action: CP (15/4)

The Aquaculture Manager joined the meeting by telephone

2.2 Draft Aquaculture Strategy (paper (BD(2019)15.3)

CLOSED BUSINESS - CONFIDENTIAL

Noted that:

- (a) the draft aquaculture strategy had been prepared on a similar basis to the E&I strategy. The three core drivers to the strategy were: sustainability and promotion of high standards; economic benefit to Scotland; and regional development and optimisation of aquaculture opportunities.

- (b) a review of the terms and conditions offered to aquaculture tenants, including the rent terms, was being undertaken with a view to implementation of any recommended changes on 1 January 2022.
- (c) the communication of Crown Estate Scotland's role in relation to farmed salmon had to be clear. There is an overlap between the regulatory bodies and Crown Estate Scotland as landlord however there was a risk to the organisation of being drawn into regulatory matters which were beyond its control. Marine Scotland was leading on clarifying the roles of the relevant sector bodies. Crown Estate Scotland would continue to have a role in promoting sustainability in aquaculture, including taking a more proactive role in relation to interactions management.
- (d) consideration was given to the role Crown Estate Scotland should have in relation to development of some aquaculture sectors, particularly shellfish and seaweed.
- (e) the shellfish sector was facing competition from external markets and has an aging demographic. Other agencies, such as Scotland Food & Drink, were working to identify markets to bolster the sector. There was a role for Crown Estate Scotland to support sector development, both in working with the sector to succession plan and in helping identify new market opportunities to help accommodate growth and improved profitability.
- (f) for the harvested seaweed sector, any strategy would be subject to the outcome of the current Scottish Government review and the provisions of the Scottish Crown Estate Act 2019. That did not preclude the development of a cultivated seaweed industry and Crown Estate Scotland would support work to identify the opportunities to create this new industry.
- (g) the impact of the local management pilot projects had not yet been fully quantified, and the aquaculture team would continue to work with other managers, particularly in relation to consistency in leasing terms. The strategy should recognise this.

Agreed that:

- (a) the strategy would benefit from starting with a summary of the key priorities and roles for each area.
Action: CP (15/5)
- (b) it was important to be a good neighbour, whilst being mindful of the limits of Crown Estate Scotland's role in the aquaculture sector.
- (c) the strategy would benefit from summarising priorities, the relative scale of intended activity and the focus for each sector at the start of the document. The Board would find it helpful if a visual matrix of the strategy could be drawn up.
Action: CP (15/6)

The Aquaculture Manager was thanked for his participation in the meeting and the call with him ended.

2.3 Coastal Strategy (BD(2019)15.4)

Noted that:

- (a) since the Board had requested that a coastal strategy be prepared there had emerged an increasingly strategic emphasis on coastal assets, including in the draft strategic management plan being prepared by Scottish Ministers for the Scottish Crown Estate. This moved beyond traditional asset management and cut across the activity in the organisation, with the blue economy and built environment.
- (b) it was therefore proposed that this wider framing be developed in the draft Corporate Plan and Investment Strategy around a broader theme of coastal regeneration. Consideration will then be given to what tactical planning was required to provide clear direction for future coastal activity.

Agreed that:

- (a) the Board delegated authority to Mr Macdonald and Mr Steele to work with the Chief Executive and the Head of Property on the coastal strategy aspects of the draft Corporate Plan.
- (b) a coastal strategy would be developed after the feedback from the Corporate Plan consultation had been received.

Action: AW (15/7)

3. Business Management

3.1 Chief Executive's Report (paper BD(2019)15.5)

Noted that:

- (a) the discussions in relation to the proposed sale of salmon fishings previously agreed by the Board, was complex and negotiations protracted. Although heads of terms had been agreed a conclusion to the legal process was expected to take several more months.
- (b) the consultants appointed to carry out the outsourced services review will be seeking the views of Board members. Members were asked to note that a meeting would be scheduled if required.
- (c) the proposed transaction on the MeyGen project was now on hold. The Head of Marine would be meeting with Atlantis to discuss the future for the project.

3.2 Business Performance Report (paper BD(2019)15.6)

Agreed that:

- (a) the format of the dashboard report was still not giving the information required by the Board in order to give them a snapshot of the business. The Chair would look again at the

format with the Head of Corporate Operations following the Board meeting to be held on 26 September 2019.

Action: AB/EB (15/8)

- (b) if items in the business plan were being rescheduled or amended then the tracker should contain the detail of that. The Head of Property would update the Business Plan tracker with a commentary on actions 35 and 36.

Action: AW (15/9)

3.3 Annual Report and Accounts (BD(2019)15.7)

Noted that:

- (a) the annual report had been circulated to the Board and comments had been received from members. The draft had also been sent to the sponsor team for review and comment. The external audit report had made some non-material points which were easily rectified and provided a good indication of the performance of the organisation.
- (b) the intention was to have the report and accounts finalised and signed in August and passed to Audit Scotland to co-ordinate the laying of the report and accounts in the Scottish Parliament after the summer recess.
- (c) due to the timing of the Board meeting, a finance report was not available however provisional Q1 revenue results were ahead of budget. A full finance report would be submitted to the next Audit & Risk Committee.

Agreed that:

- (a) the Board approved the draft annual report and accounts and expressed their thanks to those who had been involved in the preparation of them.

3.4 Annual Pay Claim (paper BD(2019)15.8)

Noted that:

- (a) PCS had submitted a pay claim for 2019/20 which the Chief Executive was, except for one element, recommending the Board approve.

Agreed that:

- (a) the Board approved that the recommended position from the Chief Executive be put to PCS.

4. Board Committees

4.1 Audit & Risk Committee Minutes

Noted that:

- (a) the Committee had reviewed the annual accounts and commentary and had received an update from the external auditors.
- (b) the invitation to tender for the appointment of new internal auditors was being finalised and would be published later in the summer.
- (c) the Committee had discussed a request to offer a rent subordination to a bidder in relation to a specific round of offshore wind developments. The Executive Team had been asked to consider further the implications of such an offer and had concluded that the offer of a rent subordination could be construed as anti-competitive so would not be offered.
- (d) the timing of future meetings of the Committee would be considered with the Committee Chair, the Head of Finance & Commercial and the Governance Manager to ensure timely reporting.

Action: HH (15/10)

4.2 Investment Committee Minutes

Noted that:

- (a) the Committee had spent time understanding the process behind the annual valuation process and the output from that.
- (b) a further iteration of the investment strategy had been reviewed. There required to be some further discussion on how the rural strategy decision on farm sales would impact the ability to raise the capital required for the investment strategy. The Committee had reaffirmed the need to sell rural assets. An options paper would be developed in relation to this. The process around any sales would be open and transparent.
- (c) the next stage of the process would be to finalise the investment strategy content in the consultation draft Corporate Plan, ensuring that the consultation provides a clear basis for proceeding with the bold new directions for investment and divestment.
- (d) it has been agreed that opportunities for built environment on the existing estate would be considered initially by the Committee rather than the Board.

5. Any other Business

5.1 Staff Survey

Noted that:

- (a) the results of the second annual staff survey had been circulated to the Board in advance of the meeting. There were several positive results but in another year of organisational change, there were also some negative results, for example in relation to workload, perceptions of bullying/harassment and overall satisfaction with Crown Estate Scotland as an employer.
- (b) the Executive Team had held an initial discussion on how to respond to the survey results and to discuss leadership within the organisation.
- (c) no formal complaints of bullying or harassment had been received. The results of the survey would be presented to staff at a meeting on 1 August and during that meeting a reminder of the grievance procedure would be given and staff encouraged to share concerns.
- (d) as had happened after the previous survey was completed, staff would be asked for their input in creating an action plan to address issues raised.

Agreed that:

- (a) the Chief Executive, the Head of Corporate Operations and Mrs Lindsay would meet to discuss the output of the survey and the response to it.

Action: SH/EB/JL (15/11)

5.2 Scotwind Update

Noted that a conference call would be arranged in August to provide the Board with an update on the Scotwind leasing process.

5.3 Director of Marine Scotland

Noted that:

- (a) the Chair thanked the Director of Marine Scotland for taking the time to join the Board in Orkney for the stakeholder engagement sessions and the Board meeting.
- (b) the Director thanked the Board for the opportunity to join the interesting sessions. He was impressed at the constructive challenge throughout the meeting. He wished to express his thanks to the Board, Executive Team and staff at Crown Estate Scotland for the way that business as usual had continued during a period of change.

5.3 September Board Meeting

Noted that:

- (a) following the feedback given to the Chair by members on the future content and structure of Board meetings, it was proposed that the September meeting be used to take stock of achievements to-date; to review the operation of the Board and determine priorities for the Board over the coming year.

Agreed that:

- (a) the September meeting would take place as proposed, possibly with an external facilitator. The Governance Manager would email members to seek views on any matters they wished to see included in the meeting.

Action: HH (15/12)

6. Dates of Next meetings

25/26 September 2019

26 November 2019

Amanda Bryan
Chair, Crown Estate Scotland (Interim Management)

Date

Board	Fifteenth Board Meeting	BD(2019)15
Meeting date	24 July 2019	
Paper title	Stakeholder Meetings BD(2019)15.1	
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 May 2019 to 12 July 2019.

Meetings held

2. The Chair and Chief Executive jointly met with:
 - Cabinet Secretary for Environment, Climate Change and Land Reform on 13 June 2019.
 - Telephone call with James Stockan, Leader Orkney Islands Council to discuss Board visit.
3. The Chair attended or met with:
 - Community Land Scotland Conference on 21 and 22 June 2019. Participated in a panel discussion during the Conference.
4. The Chief Executive attended or met with:
 - Surf Scotland on 20 May 2019 with Esther Black and Lynne Higgins.
 - Scottish Futures Trust on 22 May 2019 and on 10 June 2019 with Esther Black, Lynne Higgins, Colin Palmer and Andy Wells.
 - Port Development Workshop with Scottish Enterprise, HIE and Transport Scotland, Colin McIver, Colin Palmer and Andy Wells on 11 June 2019.
 - Scottish Government's Remuneration Group (with Fiona Haywood) on 23 May 2019.
 - Visit to Mowi at Invermoriston on 12 June 2019.
 - Visit to St Fergus Gas Terminal for Acorn CCS project with Colin Palmer, Gillian Martin MSP and Stewart Stevenson MSP on 17 June 2019.

- Environment and Economy Leaders Group Meeting on 18 June 2019.
 - Royal Highland Show on 19 June 2019.
 - Cabinet Secretary for the Rural Economy with Andy Wells on 26 June 2019.
 - Alasdair Allan MSP with Andy Wells on 26 June 2019.
 - Scottish Land Commission on 8 July 2019.
5. The Head of Corporate Operations attended or met with:
- CEO and Head of Development, Edinburgh Science on 31 May 2019.
 - SCDI Policy Committee on 13 June 2019.
 - Forestry and Land Scotland corporate plan consultation event on 1 July 2019.
 - Edinburgh Science Climate Change roundtable with Roseanna Cunningham MSP and Christiana Figueres.
6. The Head of Finance & Commercial met with:
- Quay Marina and Dean & Reddyhoff (with Paul Bancks) on 10 June 2019
7. The Head of Marine attended or met with:
- Seaweed Review Steering Group on 16 May 2019
 - Marine Scotland (David Pratt) and SG Energy Supply Chain (David Stevenson) on 30 May 2019.
 - SG CCUS and Hydrogen team on 4 June 2019.
 - SG Consumer and Low Carbon Division Deputy Director, Sue Kearns and members of her team on 6 June 2019.
 - HSE Board networking event (primary regulators in attendance) on 12 June 2019.
 - Blue Economy meeting with Scottish Enterprise and HIE on 14 June 2019.
 - SG Economic Development (Brenda Calder) on 14 June 2019.
 - Visit to Mowi at Invermoriston on 18 June 2019.
 - “Scottish Seafood: at the forefront of sustainability, foremost in innovation” dinner organised by Heriot Watt University, Stirling University and UHI on 1 July 2019.
8. The Head of Property attended or met with:
- Cairngorms National Park Authority on 31 May 2019.
 - Chair of National Lottery Heritage Fund, Sir Peter Luff with Karen Smith and Simon Ovenden on 4 June 2019.
 - Scottish Government Farming Opportunities for New Entrants (FONE) meeting on 14 June 2019.
 - CEO Stornoway Port Authority with Paul Bancks on 24 June 2019.

Board	Fifteenth Board Meeting	BD(2019)15
Meeting date	24 July 2019	
Paper title	Coastal Plan BD(2019)15.4	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Author	Andrew Wells/Paul Bancks	
Annexes	Annex A: Consultation Plan	
Recommendation	The Board is invited to address and agree a position regarding certain key strategic questions and the priorities and objectives to be included in the Coastal Plan.	
The board secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

1. Introduction

At the January 2019 meeting a paper (BD(2019)11.4) was presented asking the Board to provide guidance on the priorities for the future management of the coastal portfolio.

The paper provided details regarding the characteristics of the coastal assets and highlighted the potential opportunities for Crown Estate Scotland to fulfil its enabling, asset management co-ordination and investment roles.

The Board agreed that in developing the future strategic plan for management of the coastal assets, it was important to identify where Crown Estate Scotland could add value and to identify a range of activities of varying scales and with different collaborating partners. The plan should consider the benefits which Crown Estate Scotland could deliver for coastal and marine communities.

The Board also indicated that consideration should be given to the nature of the consultation on the Coastal Plan, taking account of information already held through the tenant surveys and responses from stakeholders to other consultations.

Subsequent considerations regarding preparation of the draft 2020-2023 Corporate Plan and Investment Strategy, the Scottish Government's Strategic Plan for the management of the Scottish Crown Estate is now setting the wider strategic framework for the development of the Coastal Plan.

The draft 2020-23 Corporate Plan identifies the Strategic Objectives for the organisation which sets the context for how the Coastal assets will be managed.

These Corporate Strategic Objectives are:

- Support the expansion of Scotland's blue economy, focussing on marine and coastal development;
- Develop built environment that strengthens communities and benefits businesses;
- Invest in innovation and work with tenants to enable sustainable natural resource use;
- Build partnerships for people and the planet;
- Develop and deploy our people's expertise to deliver value and success.

At the May 2019 Board meeting it was agreed that consultation on the Coastal Plan objectives would be included in the Corporate Plan consultation and that more targeted stakeholder consultation would be undertaken regarding relevant aspects of the Coastal Plan.

Following the experience of the Rural Strategy consultation and the steer provided by Board in relation to several key questions, the development of the Coastal Plan has raised some additional strategic considerations on which the Board's direction is sought.

Elements of the feedback from the Rural Consultation also have direct relevance to the development of the Coastal Plan, particularly the references made to including priorities to improve natural capital and biodiversity, address climate change, protect the environment, engage more with communities, promote development of renewable energy and focus more on socio-economic environmental outcomes rather than financial outcomes in line with sustainable development goals.

This paper therefore sets out the draft objectives/actions identified for management of the Coastal assets and raises questions regarding several wider issues for consideration. Once an agreed position is reached on these, the Coastal Plan will be finalised following a targeted consultation exercise (see Annex A).

2. Background

The Coastal Portfolio comprises a suite of agreements for all activities on Crown Estate Scotland managed foreshore and seabed but excluding: aquaculture developments; renewable energy schemes, and interconnector cables & pipelines. Given that the asset being managed is predominantly land¹ (albeit underwater), asset management of seabed and foreshore mostly involves: granting occupations rights; rent collection; land sales; tenant and stakeholder engagement, and financial management. The capital value of the Coastal Portfolio is calculated as the value of the future income streams from the various agreements.

The premise on which asset management of foreshore and seabed rests is that Crown Estate Scotland will make Crown foreshore and seabed available to accountable entities, for fully consented activities, on suitable financial and legal terms - including an undertaking to return the foreshore and seabed to its original condition at the end of its use. Given that CES has a virtual monopoly for the provision of seabed in Scotland, this premise mitigates the risk of anti-competitive practices.

¹ The exception is at Rhu Marina near Helensburgh, this is a direct managed operating asset wholly managed by CES which is leased to a marina management company (Quay Marinas) on a commercial basis.

Historically management of foreshore and seabed has been largely reactive and enabling, in support of a wide range of different coastal-based activities. The introduction of Local Management Agreements (LMAs), setting up of local mooring associations and some small-scale investment in pontoons and stewardship initiatives (under previous schemes) has previously helped facilitate a wide range of community led initiatives around Scotland's coast. Crown Estate Scotland wishes to play a much more proactive role through partnerships and investment alongside enabling and active asset management to help unlock more activities which contribute to sustainable economic development and coastal community prosperity.

The Scottish Crown Estate marine assets present significant opportunities for collaboration with a wide range of people and organisations. The Coastal portfolio particularly, provides opportunities for projects that can make a real difference to those reliant on the marine environment for their livelihoods, leisure activities and general wellbeing. Investment and grant funding into marine projects prior 1st April 2017² demonstrate the opportunities open to Crown Estate Scotland to play a greater role in generating economic and social benefits around the coast. Potential benefits include: the provision of more opportunities for local management of marine assets (through the pilot programme and other initiatives); development of partnerships; investment in regeneration schemes; support for port and harbour expansion with associated economic benefits; contributions towards community initiatives (e.g. funding support for research, feasibility studies, education initiatives etc.); security of tenure; flexibility and efficient management of agreements; and supportive and consistent lease terms in line with the new legislation.

To finalise the Coastal Plan, the Board is requested to provide direction regarding the nature and scale of capital investment, the longer-term aspirations for the portfolio and the balance of outcomes required from Coastal management activities.

While several questions/considerations are raised in this paper the Board is also asked to highlight (for discussion) any other questions or priorities that can inform the development of the Coastal Plan.

3. Corporate Plan Actions

The draft Corporate Plan currently includes four core actions in relation to the management of the Coastal Portfolio. These are as follows:

Asset Management role:

Action: Implement a three-year Coastal Asset Management Plan to meet business targets, manage agreements efficiently and support the development of ports, harbours, maritime transport, oil and gas infrastructure, marine tourism, utilities and private/commercial development.

Action: Complete the voluntary registration of uncontested Crown foreshore and continue to progress title conflicts to protect Crown Estate Scotland Assets and contribute to Scottish Government targets on Land Registration.

² 'Scottish Coastal Communities Projects Scheme' and subsequently the 'Marine Stewardship Fund'.

Action: Improve business processes to ensure an effective and efficient service for our customers, utilising IT solutions to support the development of high-quality customer service and improved communication with tenants and stakeholders.

Investment and Enabling role:

Action: Work in partnership with stakeholders to identify opportunities for investment to grow revenue and capital value, support local decision-making and deliver environmental and socio-economic benefits to coastal communities and contribute towards growth in the blue economy, with a focus on: ports and harbours; boat-based tourism, and coastal development land.

The Corporate Plan also includes actions under the 'built environment that strengthens communities and benefits businesses' and the 'partnerships for people and planet' strategic objectives relevant to the Coastal Plan. These include:

Action: Explore and further opportunities for joint development activities with preferred partners, including coastal regeneration projects, as part of wider investment strategy

Action: Support local regeneration and sustainability, particularly in coastal areas

Action: Support and encourage local empowerment by helping implement Local Management Pilots Projects; assessing Pilots process and developing recommendations to inform how opportunities in the Act may be realised; and supporting a range of other partnership projects.

These actions are focussed on working with communities through the community support and pilot programmes to deliver wider value, particularly social and environmental well-being and locally-led development which may include investment proposals that have a different financial threshold to other types of investment. It is proposed that these elements are included in the Coastal Plan.

A: Question: The Board is asked to provide feedback regarding these draft objectives and comment on any additional objectives/actions they think should be included in the Corporate Plan /Coastal Plan.

4. Revenue and Capital Growth

In the absence of capital investment, and with active asset/lease agreement management, revenue from the Coastal Portfolio grows at a steady 3-5% per annum, with occasional windfall payments e.g. one-off dredging projects or national infrastructure projects such as the latest Forth Bridge.

The capital value of the Coastal portfolio has risen in value from £29.4m to £33.1m since March 2017 (12.49% growth). Capital value is directly related to the number, rental value and term of agreements in place to third parties and this uplift reflects various commercial agreements that have been put in place historically and over this period.

Unlike the rural estate there is limited scope for trading foreshore and seabed. Sales of seabed and foreshore are generally limited to small scale sales to support infrastructure development (e.g. bridges or harbour walls/port expansion) and to limit long term liabilities associated with occupied seabed. Therefore, the core of the Scottish Crown Estate Coastal Portfolio is unlikely to change in the

long-term. There is, however potential opportunity for Crown Estate Scotland to invest capital in coastal developments e.g. Rhu Marina, marine leisure, ports and harbours, built development, strategic coastal land.

The Board's aspiration for revenue and capital growth will be a key driver in the development of the capital investment strategy for the Coastal portfolio and the approach taken regarding management of agreements, particularly when the delivery of wider added value / public benefits is incorporated into the Coastal Plan.

B: Question: In the context of the wider business, what are the Board's long-term aspirations for revenue and capital growth from the Coastal Portfolio?

5. Capital Investment

Ports and harbours have been identified as key catalysts for economic development through trade, transport links, servicing the blue economy and provision of tourism services. This sector has been identified as a focus under the 'Building the Blue Economy' corporate plan theme. Given the close association between ports and harbours and the Scottish Crown Estate, we are working with government enterprise agencies, ports bodies and other stakeholders to identify targeted investments where we can help release economic potential and bring significant benefits to coastal communities.

Given the large number of Coastal Portfolio tenants engaged in marine tourism activities, marine tourism is an area that remains of key interest to Crown Estate Scotland for potential investment. The Awakening the Giant 2015-2020 strategy set an ambition for growth of Marine Tourism from £360m to £450m. Sailing was identified as the largest of the activities within the sector targeted to grow from £105m to £145m. The key to success lies in the development of sustainable facilities to accommodate growth and changing leisure patterns.

Four distinct subsectors are emerging from initial scoping have been included in the Investment Strategy: Port infrastructure supporting the offshore wind sector.; Deep water facilities for cruise liners and other sectors; Infrastructure supporting the boat-based tourism sector; Development land associated with ports and harbours.

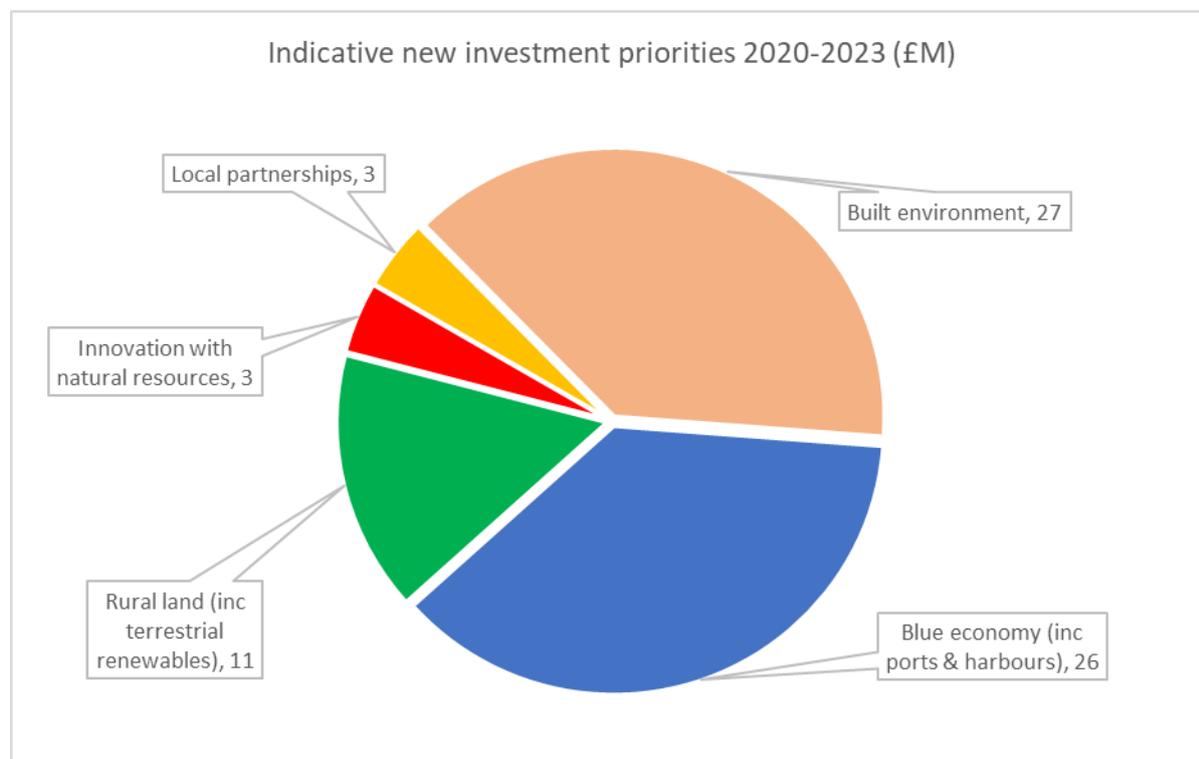
In the draft Scottish Government strategic plan for the management of the Scottish Crown Estate Scottish Ministers would like managers to consider the potential for increased investment activity for the purpose of regeneration for community or national benefit, including land on the coast around ports, harbours and other infrastructure, to realise opportunities for Scotland and local economies, and for these investments to normally be prioritised over other new commercial land or property investments. The strategy also identifies that investments should not be limited to the land or property that currently forms part of the Estate if returns or wider benefits to the Estate and Scotland can be realised, particularly to make it possible to deliver benefits to communities living on the coast adjacent to parts of the seabed contained in the Estate, if that investment can be expected to directly or indirectly benefit the management of, or future opportunities for, the seabed.

In general, capital investment in marine infrastructure (in the water) generally involves large capital costs, small financial returns, high maintenance costs, depreciation of capital value and long-term liability issues. The Investment Strategy identifies that all investment business cases will be required

to demonstrate the reasonable prospect of a positive real (after accounting for inflation) return on investment in relation to capital growth and revenue yield. The Investment criteria do make provision to accept lower returns for projects that offer a high level of certainty of significant contribution to sustainable development. However, a portfolio approach will be taken to investment management to manage the portfolio-level risk-reward profile, whilst also allowing for specific profiles to be set for specific portfolio components. This is likely to require that higher risk or lower financial return investments be balanced by lower risk or higher financial return investments to meet the target real capital growth – currently requiring value growth of at least 2% per annum.

Opportunities for capital investment within Crown Estate Scotland's budget that are likely to yield significant capital and revenue growth are likely to be focused on strategic port land /buildings or associated small–medium scale commercial activities. However, there will also be opportunities for Crown Estate Scotland to invest or co-invest in infrastructure developments which add significant value for local socio-economic benefit, but which have limited financial returns and a higher risk profile. Developing business investment models that adequately balance risk, enables a financial return and embeds future capital release will be key to identifying investment opportunities in marine infrastructure and lower yielding investments.

The chart below (taken from the draft investment strategy) gives an indication of the projected potential capital spend on Coastal investment over the period of the next Corporate Plan.



The priorities for investment identified in the Coastal Plan, will be in line with the final Crown Estate Scotland Investment Strategy and investment criteria, and investment in Coastal activities could potentially come from all the above investment categories other than rural/terrestrial land.

However, to help provide a strategic focus for bringing forward these opportunities in the plan, it would be helpful to understand the Board's view on the priorities for this investment.

- C: Question: What is the Board's view on the range and balance of outcomes that Crown Estate Scotland would wish to see the Coastal assets deliver and how should this inform the priorities for capital investment?**

6. Revenue Funding for Coastal Initiatives

There is also a significant demand for revenue / grant funding for coastal development projects that provide local community and other public benefits and positive PR opportunities. Opportunities are available for Crown Estate Scotland to play a greater role in marine and coastal management initiatives e.g. marine planning, coastal fora, research and development, education, environmental and other sector initiatives etc. This could be on grant funding basis, utilising revenue expenditure, on projects which comply with governing legislation and contribute to organisational objectives and support partnership working (e.g. with other public agencies). This expenditure is also likely to support the delivery of many of the wider public benefit aspirations regarding the enhancement of natural capital and biodiversity, protection of the marine environment, community engagement and sustainable development goals that were highlighted in the Rural consultation and are mirrored by coastal stakeholders.

- D: Question: Will the Board support additional revenue funding on a grant basis for community facilities and marine and coastal development / stewardship initiatives?**

(Note: This would be in addition to any funds distributed through the community support programme which forms one of the work packages agreed with Scottish Government as considered by the Board in a paper in March 2019).

7. Coastal Liabilities

The Coastal assets include structures such as unoccupied slipways and other redundant infrastructure that can present liabilities for Crown Estate Scotland. Management of these assets is generally done on a risk management basis working in partnership with relevant stakeholders. Liabilities associated with lease terminations and expiries can also present management issues where infrastructure is not removed at the end of a lease. The sale of seabed and foreshore on which assets that present potential long-term liabilities is a desirable outcome if this can be arranged and is current management policy. These liabilities are regularly reviewed as part of management activity by managing agents and asset managers with appropriate action taken to mitigate risks to Crown Estate Scotland including making budget provision for necessary works as required and agreed.

- E: Question: Does this approach meet with Board expectations or should a different approach be taken to the management of these liabilities and included in the Coastal Plan?**

8. Pilot Programme

Crown Estate Scotland is currently moving into the implementation phase of the Pilot Project programme. Although the proposals included in the pilot applications are now known, the exact implications for management of the Coastal assets in the pilot project areas and the ongoing involvement of Crown Estate Scotland is still uncertain but this will be informed by the subsequent evaluation and review process and the outcome of the ongoing discussions with the organisations concerned, particularly in the preferred project areas. The Coastal Plan will be informed by this process and will need to take account of the aspirations of the pilot projects and have the flexibility to accommodate other local management initiatives.

9. Consultation on the Coastal Plan

The Board agreed that consultation on the coastal plan should be wrapped up in the consultation on the corporate plan. The consultation Plan is included in Annex A. This activity will include:

- Ports & harbours workshop
- Coastal tenants survey
- Workshops, papers and presentations at a range of autumn events including Development Trusts Association Scotland (DTAS), SURF (Scotland's regeneration forum), COSLA, Convention of H&I, SCDI etc.
- Consultation on the draft Corporate Plan Environmental Report (as part of the SEA process)
- Mailout to community councils/key stakeholders

Further engagement with Scottish Government and other public sector bodies will take place as part of our scoping of the community support programme.

10. Financial

The Coastal Plan will be developed in-house using existing Crown Estate Scotland staff and business partners, hence no additional costs are anticipated. The implementation of the Coastal Plan, assuming Crown Estate Scotland becomes an active investor, will result in increased expenditure of capital and revenue, in line with the investment and people strategies.

11. Sustainability

The long-term sustainability of the Coastal portfolio will be a key consideration in the development of the Coastal Plan in line with Corporate Plan objectives.

12. Legal implications

There are no anticipated legal considerations associated with the development of the plans themselves. There will be legal complexities to overcome in relation to the business models for potential investment and/or grant funding.

13. Risk

The main risks to the business from not developing a Coastal Plan are reputational and financial. The lack of expenditure on Coastal issues since devolution in 2017 has been commented on by tenants and coastal communities and the potential for inertia in business decision-making could lead to a failure to take advantage of emerging opportunities.

14. People considerations

As the Coastal Plan is implemented there will be a need to consider the staff/advisory resource skills and capacity requirements to implement the Plan. The review of managing agents will have a bearing on future delivery of the Plan depending on the outcome of this work.

15. Reputational / PR implications

Interest from tenants and stakeholders as to the future management of foreshore and seabed in Scotland means that the development of the Coastal Plan has significant potential for generating positive PR and enhancing the reputation of Crown Estate Scotland.



Annex A

2020-2023 Corporate Plan consultation events

Consultation dates

Mid-August to mid-November 2019

Key tasks / potential support needed

- Researching and booking venues for consultation specific events
- Placing ads
- Contacting local groups – development and community trusts
- Draft release / contacting media
- Social media schedule
- E-newsletter

Events attending

As per table below

Targeted workshops

- Ports & harbours
- SCDI policy committee
- Scottish Renewables
- NFUS & Tenants working group
- Young Scot events
- CPG meetings
- COSLA eg Heads of Economic Development

Umbrella bodies' newsletters etc

- BITC Scotland
- SCDI
- DTAS

Consultation

- Community consultation best practice
- Citizen Space

Board	Fifteen Board Meeting	BD(2019)15
Meeting date	24 July 2019	
Paper title	Chief Executive's Report BD(2019)15.5	
Security classification	Restricted (in part)	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Renee Lefrancois	
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. Health and Safety

Whilst health and safety reporting will be principally to in 2019 the Audit and Risk Committee, the table below summarises Q1 incidents.

Accident	Location	Action Taken
MTB rider at Bike trail came off bike and suffered slight injury	Glenlivet	Thorough investigation found no fault with track, signs or anything else provided by CES. No further action required
Removing old forestry wire fence - small cut to finger	Glenlivet	Review effectiveness of safety gloves
Several incidents of contact with office sculpture installation	Bells Brae	Sculpture re-sited
Office potential accidents involving electric cable trip hazard, adjusting a wall clock and knives in dishwasher		

2. Meetings/engagement

A separate list of the engagement and meetings has been submitted to the Board (BD(2019)15.1)

3. People

- Individual packs outlining the proposed new pay & conditions package were sent to staff in the week commencing 8 July. Key next steps include feedback from staff and the Union ballot, with new contracts going to staff early August.
- Development of core competency framework based on our organisational values is underway. Staff are being invited to workshops in August.
- The annual staff survey results were discussed by Executive Team mid-July. Results plus proposed follow-up actions have been sent to the Board.
- Since the last Board meeting we have welcomed the following new staff into the organisation:
 - Management Accountant (maternity cover)
 - HR Adviser (existing role)
 - Senior Corporate Affairs Manager (maternity cover)
 - E&I Coordinator (new role)
- To accommodate the growing number of staff, the seating layout in the office is being changed.

4. Risk Management

At the Audit & Risk Committee on 25 June, three risk areas with increasing risk were brought to the attention of the Committee:

- Risk 3 (Finance – lack of skills and capacity leads to failure of financial management and accounting) – this was still a work in progress and would continue to be monitored;
- Risk 5 (Brexit) – with continuing uncertainty and the possibility of a no-deal exit from the EU remaining a reality this risk continued to be tracked and opportunities to provide support to affected tenants being sought; and
- Risk 9 (Society – loss of skills, expertise, morale results in loss of relevance and failure to create new opportunities for future delivery) – the reviews into pay and grading and outsourced services were having an impact on morale as indicated by the preliminary results of the annual staff survey.

5. IT Review

Final report to be considered by Executive Team. The proposal will lead to the recruitment of an IT Manager and a programmed implementation of recommendations.

6. Annual Report & Accounts

The draft Annual Report & Accounts were reviewed by Audit & Risk Committee and will be considered by Board at its July meeting. It is proposed that they will be signed shortly thereafter by Chair, CEO and auditors, within the deadline in the Framework Document. Publication is expected in September once Parliament is back from recess.

7. External suppliers / agent review

Consultants MainStreet Consulting Ltd have been appointed and are now working through their project plan. A steering group has been established, which includes Michael Foxley. Draft report

and recommendations expected late autumn with a final report scheduled for the January Board meeting.

8. 2020-23 Corporate Plan

Work is on track to enable corporate plan consultation to launch late August. The Investment Committee has been considering how to present our investment and asset sales plans with sufficient clarity for meaningful consultation but in a way that retains the scope to evolve our approach. Full programme of consultation has been developed including several events, a ports & harbours workshop, coastal tenants' survey, and research with young people. The Strategic Environmental Report will be consulted on at the same time.

9. Rural & Coastal Update

- New Farm, Applegirth has been on the open market for letting with applications from new entrants being encouraged. Seventeen applications are currently under review. An independent party has been selected to form part of the adjudication panel. Target date for start of tenancy is August.
- Spey Fishings sale – negotiation of an arrangement to replace the NDA and hence allow discussion with fishing associations is imminent. Lawyers have been instructed to progress an option agreement to follow conclusion of heads of terms.
- We have now confirmed our agreement to support the second National Electrofishing Programme to monitor wild Atlantic Salmon. The work is being coordinated by the Freshwater Fisheries Laboratory. Discussions with Scottish Government regarding publicity are ongoing.
- The maintenance team have worked with tenants and Moray Council to bring private water supplies in line with the Water Intended for Human Consumption (Private Supplies) (Scotland) Regulations 2017. Their work has attracted praise from Moray Council who would like to use the exemplary work carried out by the team as a benchmark to measure other private supplies.
- Following the designation of Tomintoul and Glenlivet as an International Dark Skies Park (the most northerly in the world), Crown Estate Scotland are a major partners with the Tomintoul and Glenlivet Landscape Partnership in submitting a £1.3m bid to the Natural and Cultural Heritage Fund for 70% funding for an £1.8m observatory and planetarium on the Glenlivet Estate. The proposed location has yet to be determined but one of the preferred sites is next to the bike trails. A similar venture in the Galloway Hills in 2012 has drawn an estimated 40,000 additional visitors to the area, predominantly during months when the traditional tourism offer is quieter. A decision regarding the funding approval is expected in September 2019, after which Crown Estate Scotland will consider the potential to contribute funding and/or project management input alongside other funding partners including Highlands & Islands Enterprise and community funds from the Dorenell Windfarm.
- Encouraging discussions are taking place with a possible new tenant for the Glenlivet Bike Trails. Their existing photography / filming / PR business is based in Northumberland and they wish to relocate to the Cairngorms and take on a new outdoors business challenge.

10. Marine update

- Scotwind pre-launch is still anticipated for the end of July, however, this will be a tight target deadline partly due to the parallel workstream (and associated resource requirement) looking at alternative mechanisms to support supply chain growth in light of ongoing engagement with Scottish Government and significant legal challenges.
- A legal workshop was held with Anderson Strathearn to explore ways in which CES might encourage local supply chain benefits. The State Aids Regulations make this very difficult and the current focus is on exploring innovative options in relation to ensuring supply chain is available in the future to build out a significant potential pipeline.
- The scope for the 'root and branch' review of aquaculture lease terms has now been agreed, with the ITT to be circulated in July.
- **Closed business – commercially confidential** Since the last Board meeting issuing of the bond for MeyGen was firstly delayed to August but has now been indefinitely postponed. The reason for this is that the Bond Advisors Pareto no longer feel they can support it. We will meet with Atlantis in August to understand next steps.

Board	Fifteenth Board Meeting	BD(2019)15
Meeting date	24 July 2019	
Paper title	Business Performance Report BD(2019)15.6	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Renée Lefrançois / Esther Black	
Annexes	Annex A: Business plan action tracker Q1 2019-20 Annex B: Dashboard	
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. Board is invited to note the business plan action tracker for Q1 for 2019-20 and the performance dashboard at Annexes A and B.

Board paper

Annex A: 2018-19 business plan – Q4 progress tracker

Corporate

No	Action	Measure	End Date	% Complete	Status (Green – min 80% complete/on track; amber- partially delivered/at risk/delayed; red – target missed / abandoned)	Comment (if applicable)	Owner
1	Manage budget and implement investment strategy to raise capital for reinvestment; deliver revenue profit (paid to Scottish Government to benefit public finances), and capital growth	£3.3m net capital funds raised in 2018/19 £7.3m revenue profit achieved Scheduled revenue payments to Scottish Government made, portfolio valuation shows capital growth	31/03/19	100		Capital and revenue results for the first 6 months evidence strong progress towards our targets.	LH/SH
2	Develop a tool to better understand, measure and monitor our social, economic and environmental impacts & value to inform future planning and investment decisions. Share with SMEs and other bodies, to drive inclusive and sustainable economic benefit.	Methodology or methodologies established by September 2018 Metrics confirmed and first full year of measurement complete with results included in annual report (published summer 2019) Publish methodology or process on our website	18/12/19	25		This work has now been incorporated into the Value Project which will run for 2 years.	CP
3	Use results from research to drive excellence / best practice in tenant service, and undertake an independent evaluation of	Improvement plan based on 2017-18 tenant research in place summer 2018 (to include more bespoke and targeted tenant communications)	31/03/19	100		2017-18 tenant service action plan implemented. Managing	EB/AW

Board paper

	the managing agent model (following Scottish Land Commission's wider review of managing agents in Scotland, due to conclude Spring 2018)	Rolling programme of tenant research continued Managing agent model evaluation completed				agents review started Q1 2019/20 (postponed due to operational requirements). 2018 research complete and results shared with teams.	
4	Embed engagement charter throughout the business ensuring best practice in line with National Standards for Community Engagement.	Key local coastal authorities' / partners' satisfaction levels above 70% Complete a minimum of three case studies evidencing community engagement shaping projects by March 2019.	31/03/19	100		Engagement Charter (based on core values) developed and will be aligned with SLC guidance (published Jan 2019); further embedding of approach taking place through pilots' scheme.	EB
5	Enable pilots of local asset management by implementing a robust and transparent process.	Criteria / guidance consulted on, finalised, published and proactively promoted Applications assessed according to timescales agreed following consultation.	31/03/19	100		Stage 2 applicants finalised and being assessed.	AW
6	Transparent reporting in place with production of our first audited financial statements.	Annual report laid in Parliament	31/03/19	100		First annual report & accounts	LH

Board paper

						published Dec 2019.	
7	Progress voluntary Land Registration Completion of assets in line with Scottish Government targets.	First phase of registration completed (in line with available budget and staffing) covering 25% of rural and coastal assets	31/03/19	100		Internal work to reach 25% target complete. Final 3-4% of external work (sitting with Anderson Strathern) to be completed prior to end of May.	MG
8	Raise awareness about the business to increase transparency through a dedicated campaign including developing wider range of bespoke, targeted communications in response to tenant and stakeholder research.	Website users up 10% (on 2017-18 figures) Twitter followers up 40% E-newsletter subscribers up 25% Tenant and stakeholder research shows minimum 80% awareness of Crown Estate Scotland's role / remit.	31/03/19	100		Website, Twitter and e-newsletter targets met; tenant research indicates 49% knowledgeable and 99% aware; 100% Committee and H&I MSPs familiar.	EB
9	Further development of public portal (online asset map) plus additional published data providing access to spatial and other data relating to asset agreements.	Scoping completed and delivery plan agreed covering: <ul style="list-style-type: none"> • key asset data • data standards • options for efficient analysis & delivery • capitalise IXP functionality • resource requirements (future budgets and 	31/03/19	80		Esri GIS Metadata; Scot Govt SSDI data standards UK Gemini; Ordnance Survey 'Presumption to publish' and	HK/MG

Board paper

		<p>operational plans consideration)</p> <ul style="list-style-type: none"> • Additional downloadable data e.g. aquaculture published 				<p>Open Govt Licencing (OGL); see also item 10.</p> <p>Aquaculture to be published May-2019; Software Licence required – Esri WebAdaptor - for secure publication of other Asset sectors, cfwd 2019/20; IT Review Consultants to incl. IXP review / future considerations</p>	
10	Creation of Open Data Publications plan	<p>Scoping complete to inform subsequent delivery plan / implementation covering</p> <ul style="list-style-type: none"> • data inventory • data management • data quality • data standards • GDPR (General Data Protection Regulation) compliance • Open Government Licence 	31/03/19	100		<p>Open Data workshop held for CES staff June-2018 (HK);</p> <p>Open Data Publication Plan scoping complete. Draft now ready for review and Board approval.</p>	MG/HH

Board paper

		<ul style="list-style-type: none"> Publication of/ access to information 					
11	Strengthen our culture and engage with employees to deliver our vision, goals and strategic objectives, and ensure our values underpin all that we do and how we do it.	<p>Programme of activity delivered resulting in 70% good-strong levels of employee engagement including awareness of their role in delivering our strategic objectives and corporate plan (as shown in staff survey)</p> <p>80% aware of key proposals in the Crown Estate Bill</p> <p>Max 10% unplanned turnover</p>	31/03/19	80		Staff survey action plan implemented; staff input into new Vision & Purpose; handbook being finalised; draft people strategy developed with wider team; sessions on Bill; all staff session on values Feb 2019; Q4 unplanned turnover YTD 12%; new survey results awaited	SH/EB/ FH
12	Enhance staff expertise to meet evolving business needs, including development and roll-out of staff code & handbook of policies.	<p>People Strategy in place; CPD (continuing professional development) plans completed for all staff;</p> <p>Staff code & handbook of policies in place and staff survey shows 80% good-strong level of understanding</p>	31/03/19	70		Skills and capacity review in progress; staff survey conducted results awaited; key HR policies reviewed; handbook to launched Q1 19-20	FH

Board paper

13	Compliance with new General Data Protection Regulations.	Policy and procedures in place. Staff training delivered. Staff survey to show majority of relevant staff have good-strong level of understanding.	31/03/19	90		Initial training delivered, and e-learning tool rolled out to staff. Staff survey not conducted to validate level of understanding.	HH
14	Support 2018 Year of the Young Person.	Forestry training scheme/s delivered; volunteering opportunities for young people at Glenlivet Estate; opportunities for staff volunteering with young people and children	31/03/19	100		Internship in place. Ongoing ranger volunteering. Staff volunteering and fundraising completed (local high school careers session; children's charity fundraising; etc)	AW/EB

Board paper

Marine (Energy & Infrastructure; Aquaculture)

Energy & Infrastructure

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
15	Investigate potential for leasing seabed for local energy systems project covering energy generation, storage and consumption (working with Scottish Enterprise, HIE (Highlands & Islands Enterprise) etc).	Clear, transparent and robust leasing process in place to ensure access to seabed.	31/03/19	100		Leasing process for marine energy in place which is satisfactory for local energy system use. To enable this to be utilised, an initial technical and commercial feasibility study has been completed.	SW
16	Support CCS ambitions in Scotland, in line with Scottish Government's Energy Strategy's 2050 Vision, by investigating potential value and / or benefits that the sector may deliver.	At least one study completed and launched.	31/03/19	100		Final report published on our website picked up by BBC amongst others, and contributed to	TM

Board paper

						leveraging UKCCSRC funding for next step research	
17	Support floating offshore wind through Study to evidence potential macro-economic benefits for UK; sharing of findings through workshops Co-ordinating a UK-wide Floating Wind Steering Group (Crown Estate Scotland, The Crown Estate, RenewableUK, Scottish Renewables) to build industry-wide approach	Floating Offshore Wind Energy Route Map developed setting out clear vision and helping to identify development opportunities and large-scale deployment New leasing (see no 19 below) New / emerging UK government policy takes account of floating wind opportunity in Scotland	31/03/19	100		Final report published on our website picked up by BBC amongst others, and contributed to leveraging UKCCSRC funding for next step research	SW
18	Investigate the opportunity for further offshore wind leasing to enable new projects operating from mid-2020s, with associated job creation and carbon reductions. Work with Scottish Government as well as wider stakeholders including UK Government to ensure clarity and certainty on a UK-wide basis for overseas investors.	Leasing process launched, evidencing stakeholder input and support, with the process clearly aligned with Marine Scotland / Scottish Government planning and policy to help de-risk development and attract developer interest Developer applications submitted (or in advanced stage of preparation, depending on final leasing round timescales)	31/03/19	50		Final lease offering originally planned to be completed by December 2018, but now likely to be late 2019 following revised Marine Scotland timelines for Sectoral Marine Plan launch.	JR

Board paper

19	Manage our £10m investment in MeyGen	Contractual obligations delivered, project becomes fully operational, and capital return started.	31/03/19	100		Project operational, and capital return has started.	SW
20	Refine approach to awarding rights for offshore energy and infrastructure projects to optimise benefits for stakeholders & communities.	<p>Implement measures identified during 2017-18 joint review with Offshore Renewables Programme Board. These are likely to include</p> <ul style="list-style-type: none"> • providing documentation and materials that help suppliers, developers and enterprise agencies to stay up-to-date with developments in supply chain • providing certainty and clarity regarding pipeline of projects • structuring agreements to allow time for supply chain development 	31/03/19	70		Refined approach now drafted into leasing offer documentation.	JR

Board paper

					target will not be reached)		
23	Follow up seaweed and finfish waste anaerobic digestion biogas trials to inform participation in proposed BlueSeas project.	Confirmation of BlueSeas project with finfish industry partner.	31/03/19	25		This is now likely to be the initial stage of a wider seaweed value chain initiative project. Inaugural meeting of potential participants held 16/4/19.	AA
24	Build on findings of shellfish critical mass investigation to increase active cultivation.	Develop at least one identified loch-based shellfish cultivation business plan.	31/03/19	100		Final study due Q1 2019-20	AA
25	Develop a community information pack for shellfish farming in collaboration with Association of Scottish Shellfish Growers.	Publish and promote information pack.	01/10/18	90		Project underway and interim report submitted	AA
26	Pursue further opportunities for aquaculture Special Purpose Vehicles (SPVs), with community bodies as a joint leaseholder with operators.	SPV lease agreements with community signatories in place, giving local interests a direct stake in leases and a degree of control that ensures they cannot be passed to a different operator without their approval. This will signal	31/03/19	100		First salmon farm application from a SPV (Scalpay Multitrophic Aquaculture Ltd) received last month.	AA

Board paper

		a positive operator-community relationship.					
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Rural

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
27	Manage lease expiries across the rural estate, surrenders and restructures to deliver wider benefits including supporting new entrants into farming, developing business progression for existing tenants and releasing units for potential sale where appropriate.	Complete scheduled re-lettings; complete approx. 30 renewals for river salmon angling; facilitate at least one new entrant through a lease restructuring; facilitate surrenders as opportunities arise to release tenancies for restructuring / sale / tenant business progression.	31/03/19	100		Legal process completed for surrender of Upper Dalhousie farm tenancy. Dell -new entrant and Byres farm, Lower Auchenreath leases completed. New Farm -surrender of tenancy concluded & preparations for the new entrant letting opportunity underway including	AW/FS

Board paper

						improvement works. 20 renewals of river salmon leases completed.	
28	Release capital through targeted sales of different types of rural assets Complete capital investment programme on agricultural & residential units to support business development and diversification.	Release £8.7m in capital (as part of the £9.4m detailed in section 3) Completion of budgeted capital investment of £2.3m	31/03/19	80 100		Income of £6.3m received from sales – exceeding target sum excluding fishing’s sale. 2 Farm sales to tenants and one farm sale open market. 1 development land sale concluded April. 1 transfer of farmhouse & cottages for value (Up Dal) 1 development site & 2 steading sites accepted offers, legals progressing due to conclude April. 7 residential property sales completed.	AW/FS

Board paper

						3 major bldg. projects at Glenlivet and many minor completed and phase one of major silage pit completed on target. Spey Fishings sale delayed – purchaser not able to complete in current year but progressing.	
29	Facilitate business planning for agricultural tenants.	Programme of events / business planning activities delivered; strategic advice and guidance provided to tenants.	31/03/19	75		Programme of events agreed. Working with SRUC Consulting regarding support for Integrated Land Management Plans (ILMP). Meeting held to discuss this with tenant group and final timelines to be agreed.	AW

Board paper

30	<p>Forestry restocking at Glenlivet (Cairn Muldonich)</p> <p>Investigate potential new planting site, including preliminary survey work to assess ground and species suitability; develop outline planting proposal.</p>	<p>All works complete by May 2018.</p> <p>Site identified, site survey complete, planting proposal finalised.</p>	01/05/18	100 25		<p>Complete.</p> <p>Planting sites on tenant farm at Glenlivet Estate agreed. Tomintoul and Glenlivet Landscape Partnership to engage consultants to develop and design planting proposal.</p>	NP
31	<p>Trial Natural Capital Protocol with tenants and partners at Glenlivet and Fochabers estates</p>	<p>Phase 1 of trial reviewed, results shared, Phase 2 under development with partners (SNH & SEPA), with funding secured for further work to address key recommendations from Phase 1.</p>	31/03/19	100		<p>Further trial on a dairy unit developed with SEPA and to commenced Mar-19.</p>	AW
32	<p>Implement Biodiversity Action Plans for rural estates working with tenants, wildlife & recreation and community groups/agencies to promote enjoyment of and better understand the natural environment. Manage / monitor network of SSSIs and other</p>	<p>A minimum of five new biodiversity management projects underway including action on invasive species, new woodland establishment and peatland restoration.</p>	31/03/19	100		<p>Nine new projects underway encompassing all planned action areas (invasive species, new woodland establishment</p>	AW

Board paper

	designated biodiversity sites					and peatland restoration)	
33	Implement Tomintoul and Glenlivet Landscape Partnership Project (delivery phase), working with Tomintoul & Glenlivet Development Trust.	Secure majority of £550,000 grant from HLF Invest £50,000 from Crown Estate Scotland Implementation kept on time and on budget Majority of work on Blairfindy Castle Project completed.	31/03/19	100		Costs for project have increased by £177k, but these are covered by HLF contingency. CES are underwriting £50k of this sum. £280,000 grant agreement for Scalán Mills has been agreed and signed.	AW

Coastal

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green - on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
34	Build strategic partnership to deliver improvements to infrastructure at Rhu Marina	Establish funding partnerships with key stakeholders Progress funding applications as appropriate	31/03/19	40		Sparsity of available funding and lack of	AW/PB

Board paper

		Deliver works as funds and other constraints allow				certainty on EU funds. 2019-20 business plan includes works to be delivered and options / planning exercise.	
35	Implement any agreed changes to moorings management following 2017-18 fee review and survey of tenants	Plan (reflecting changes agreed in 2017-18 review) in place by June 2018 and implemented by March 2019.	31/03/19	60		Postponed to financial year 2019/20 to allow for further consideration.	AW/PB
36	Active engagement by agents to identify and pursue new initiatives with and for coastal communities.	Agent's engagement plan implemented with aim of maintaining high levels of coastal tenant satisfaction (6.9 on a 10-point scale in 2017-18); success measured in next coastal survey, due 2019-20 Maintain or increase numbers of moorings associations and individual licensed moorings.	31/03/19	100		Continuous and part of normal business.	AW/PB
37	Facilitate at least one asset sale or new lease opportunity to a community group, working with a wide range of organisations with an	Sale / lease completed.	31/03/19	100		Continuous and part of normal business.	AW/PB

Board paper

	interest in the marine environment.						
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Urban

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
38	Manage lease breaks and expiries at George St to reduce any void periods and maximise rental income.	Secure rental income of at least £300,000 per annum on office space.	31/03/19	100		Short extension of lease term & dilapidations agreement for 1st floor office completed. Proposed new 5 year lease 1st floor did not proceed. Installation of bike storage in garage progressing, basement decoration works	FS/LH

Board paper

						complete. Renewal of 4th floor lease for 2 years from April 19 completed. Joint letting agents appointed. Review of strategy undertaken. Heads of terms formally accepted for Lease of 1&2 floors. Legal work progressing to commence 1 May 2019.	
39	Identify and complete suitable acquisition to grow urban portfolio, in line with draft investment strategy	Acquisition complete delivering revenue increase	31/03/19	-		Acquisition not proceeding. No plans for substitute at current time.	LH

Annex A: 2019-20 Business Plan – Q1 progress tracker

Corporate

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
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	31.03.2020	15%			TM
2	Further develop our inclusive approach to local partnerships, particularly with coastal communities and rural development trusts	New programme of work scoped and launched; two community projects developed	31.03.2020	5%			AB
3	Create The Value Project protocol to assess social, financial, economic and environmental value generated by the Scottish Crown Estate	Protocol developed and tested ahead of roll-out across the business	31.03.2020	50%			CPeyton
4	Implement new pay and conditions framework	Framework implemented across the business; staff survey indicates medium-high awareness and approval among staff	31.03.2020	50%		Formal proposal to PCS imminent	FH/SH
5	Carry out research to assess tenant and stakeholder perceptions	Research complete, results summary published, relevant follow-up actions agreed	31.03.2020	20%		Annual local authority survey results to be circulated to Board	EB

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
						separately; coastal tenants survey scheduled for autumn	
6	Support the 2020 Year of Coasts and Waters	Develop support programme for coastal communities; support awareness-raising campaign with tenants and suppliers	31.03.2020	5%			AB
7	Review Board effectiveness	Commission externally facilitated review by March 2020	31.03.2020	0%			HH
8	Further embed best practice on data, including any recommendation made by internal audit and any requirement related to Brexit	Annual staff survey indicates 80% good-high awareness of policy and processes	31.03.2020	10%			HH
9	Progress land registration to aid transparency and protect property value	Priority assets identified and registered	31.03.2020	28%			MG
10	Review IT infrastructure and resourcing to assist in risk management and inform potential changes and development	Review complete and actions; recommendations implemented where appropriate	31.03.2020	25%			LH
11	Implement actions related to our Records Management Plan	All immediate actions (as agreed with Keeper, National Records of Scotland); Plan published, staff trained.	31.03.2020	75%			RL

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
12	Consult on new corporate plan (aligned with Scottish Government's strategic management plan for Scottish Crown Estate) to ensure our approach reflects stakeholder interests, broader sector and market trends, and the Act	Corporate plan complete and in place for early 2020-21; publication of summary of consultation responses and how feedback has influenced the final Plan	31.03.2020	20%		On track for consultation launch in August	EB
13	Review use of digital communications to ensure effectiveness, openness and transparency	Review complete and plan in place to develop and strengthen our use of digital communications	31.03.2020	10%			EB
14	Assess our skills to ensure the business is fully resourced and our team equipped to deliver long-term success	Review complete	31.03.2020	25%		Phase 1 of review complete	FH/EB
15	Review our future accommodation needs	Options presented to Board and next steps progressed	31.03.2020	15%			LH
16	Implement first phase of People Strategy (aligned with organisational values and Fair Work principles) designed to engage and develop individuals and ensure Crown Estate Scotland remains a great place to work	First phase complete; annual staff survey indicates employee engagement levels are high	31.03.2020	10%			EB/FH

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
17	Work with Scottish Government to ensure we are ready for the Scottish Crown Estate Act being commenced, including adapting structures and reporting to reflect new statutory remit	Preparation for new 'managers' underway; new corporate plan aligned with Scottish Ministers' strategic plan; decision-making processes and tools reflect new statutory remit	31.03.2020	20%		Review of IT systems to assess scalability for use by other managers completed (further action to be considered); new corporate plan in preparation in alignment with the strategic management plan; review of decision making processes has commenced; Value Project review underway while work on the project continues	SH

Marine (Energy & Infrastructure; Aquaculture)

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
18	Work with others to build a vision for Scotland's 'blue economy' based on inclusive and sustainable economic growth	Programme of work developed that helps optimise opportunities for sustainable development of marine resources in the future to deliver greater economic benefits	31.03.2020	5%		Initial stakeholder workshop has been held and scope of work now being developed by CES, SE and HIE	CP

Offshore renewables

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
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	31.03.2020	65%		Risks relate to (1) Marine Scotland timelines for Sectoral Marine Plan launch and legal interaction between the plan and the leasing and (2) Scottish	JR

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
		planning and policy, and UK Government decisions on route to market				Ministers' requirements relating to supply chain, however, will still be achieved in this financial year	
20	Explore innovative ways we can help unlock more economic development potential from offshore wind	Undertake appropriate study (for example, in relation to floating wind) and continue involvement in driving economic development (for example, supply chain development to boost inclusive growth)	31.03.2020	5%		Currently at early discussions phase around possible work packages: Engagement with BEIS progressed re information required by them to understand potential to support floating and potential for us to support this	JR/SW
21	Support wave & tidal sector in line with Government's Scottish Energy Strategy	Continue to offer access to seabed to wave & tidal energy sector. Complete a feasibility study into investment in a local energy system that would benefit	31.03.2020	25%		Ongoing leasing Tender process complete for next phase in local energy	SW

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
		local communities				systems feasibility	
22	Manage our £10m investment in the MeyGen tidal energy project	Ongoing contractual obligations managed	31.03.2020	25%		Significant work completed over last 9 months	SW

Infrastructure and CCUS (Carbon Capture, Utilisation & Storage)

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
23	Identify and scope at least one opportunity for collaborative cables feasibility study / project designed to unlock value from Crown Estate Scotland assets for benefit of Scotland.	Work up at least one project concept (for example, offshore digital infrastructure study)	31.03.2020	0%		Not yet commenced due to resource availability within team. With the E&I coordinator recruited in July, more resource should be available to progress	SW
24	Update standard terms as required for pipeline and cable agreements, with stakeholder input, to achieve transparency and provide certainty	Pipelines update complete Cables update of standard terms initiated (to be completed 2020-21)	31.03.2020	5%		Initial delays due to Bidwells resourcing and associated progress. Confidence to deliver has now improved following rectification discussions with Bidwells	SW
25	Support CCUS ambitions in Scotland and enhance our contribution by investigating potential value and / or benefits that the sector may deliver.	Continue to support CCUS sector with focus on offshore storage, including representation on key leadership forums in	31.03.2020	25%		Tom Mallows and CP continue to attend appropriate events to support sector.	SW

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
		order to maintain reputation and expertise. Monitor sector developments ensuring readiness to respond to government or other market signals.					
		Commence at least one work package to update current approach to CCUS in Scotland, focussing on a key area such as macro-economic value or decarbonisation of challenging sectors.	31.03.2020	0%		Not yet commenced due to resource availability within team. With the E&I coordinator recruited in July, more resource should be available to progress	SW

Aquaculture

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
26	Work with Marine Scotland to progress mainstreaming of marine-planning	Proposal developed and agreed	31.03.2020	5%		Recruitment has commenced for Planning &	AA

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
						Stakeholder Engagement Manager	
27	Work with Marine Scotland to develop sector plan including a programme of activity to support sustainable development of finfish and shellfish, reflecting recommendations in the Scottish Parliament's 2018 report on salmon farming in Scotland and the Scottish Government response to this	Plan finalised and incorporated into 2020-23 Corporate Plan	31.03.2020	75%		Draft Sector Plan complete – note consideration required for how this would be addressed in Corporate Plan	AA
28	Participate in Scottish Government-led review of regulatory regime for sustainable seaweed harvesting	Participation in line with Scottish Government timescales	31.03.2020	50%		Review underway and participating as part of SG convened group – first meeting held	AA
29	Collaborate on protocol for monitoring lice on wild fish	The 'wild fish lice monitoring protocol' that we are a partner in will report by the end of 2019-20, and will provide potential protocol measures and indicative costs to implement	31.03.2020	50%		Just entering third year and will likely further extend after that	AA
30	Seaweed co-digestion project	Project plan set up with confirmed partners	31.03.2020	75%		Plan and partners confirmed – testing to be formally	AA

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
						commissioned w/c 15/7/2019	
31	Undertake full portfolio leasing term review (shellfish rent review deferred for this wider portfolio review)	Commissioned and underway	31.03.2020	5%		Scope complete. ITT will be prepared and published by the end of July	AA
32	National Aquaculture Database upgrade	Crown Estate Scotland contributions agreed	31.03.2020	30%		Project underway – working with partners on SEPA timescales	AA

Coastal

No	Action	Measure	End Date	% Complete	Status (Green - on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
33	Consult on priorities for the coastal assets (part of consultation on new corporate plan), informed by stakeholder interests and wider sector trends	Consultation on coastal priorities complete	31.03.2020	50%			AW/PB
34	Expand work and activity on marine litter	Further support for projects in place	31.03.2020	10%			EB

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	31.03.2020	10%			PB
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	31.03.2020	20%			PB

Rural Land

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
37	Complete the projects identified in the Tomintoul and Glenlivet Landscape Partnership (TGLP) Plan including the works on Blairfindy Castle and the Scaln Seminary site	Core building works at Blairfindy and Scaln completed by October 2019 and available for public access by spring 2020; Identify further post-TGLP tourism legacy opportunities linked to Dark Skies status	31.03.2020	50%	Contractors on site for both projects. Works scheduled for completion on time	Savills currently representing CES on these projects due to CES staff illness	SO
38	Develop / enhance the Glenlivet Estate brand for use in destination marketing and working in collaboration with destination marketing organisations and other tourism bodies	Branding tools developed; roll-out across digital and Estate communications and touch-points underway; visitor monitoring, research etc in place	31.03.2020	10%		Brank specialists appointed and work to commence July 2019	SO
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;	31.03.2020				SO

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
		Pilot a minimum of four of health and wellbeing events	31.03.2020				SO
40	Capital investment programme to develop a more sustainable forest structure	Complete five-year restocking programme at Glenlivet	31.03.2020	90%		Campdalemore to be restocked 2020.	NP
41	Help farming businesses operate sustainably	Establish partnership with LEAF; promote Natural Capital approach; roll-out initiative to support farmers through Brexit; develop The Value Project to assess different types of benefits generated by tenant farming	31.03.2020	35%		Scheme of funding support for farm business development underway; discussions on value in different areas eg agricultural buildings progressed	AW/FS/CPeyton
42	Develop business progression for existing tenants and releasing units for potential restructures through managing lease expiries across the rural estate; negotiate surrenders to deliver wider benefits including supporting new entrants into farming	Complete 54 scheduled rural re-lettings following lease expiries	31.03.2020	25%			FS
		Facilitate one new entrant through restructuring	31.03.2020	50%		Marketed new Farm as new entrant opportunity 17applications currently being assessed.	FS
		Facilitate tenancy surrenders as opportunities arise to release land for restructuring / tenant business progression	31.03.2020	25%		Discussion ongoing with tenants to try to move things forward	FS

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
43	Invest in rural estate infrastructure	Implementation of ongoing programme of maintenance & improvements to bridges, water supplies and electrics	31.03.2020	35%		Largest single project – silage pit – completed end June. All condition survey works programmed in phases. Urgent and 25% of priority A works & this year’s other projects underway in various stages of planning, engineering specification, tendering or construction.	FS

Built Environment

No	Action	Measure	End Date	% Complete	Status (Green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
44	Scope options for the refurbishment of 39 George	Options and recommendation/s presented to Board,	31.03.2020	5%		Discussions on options with	LH/FS

	Street, Edinburgh (office and retail units), to ensure we provide quality premises, maximise rental income and adopt a longer-term view on value creation	implementation of approved option started				advisors commenced Considering next steps for scoping work.	
45	Scope potential development opportunities on Scottish Crown Estate land designed to help communities and businesses thrive, including engaging with potential development partners in projects with significant public benefit	Strategy (with options and recommendation/s) presented to Board; implementation started	31.03.2020	15%		Review of opportunities and options underway	LH/FS

Annex B: Crown Estate Scotland Dashboard - explanatory notes

Q1 2019-20

Business Plan – reporting by exception

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

Financials

Net Profit	Figure reported showing net profit distributable to Scottish Government
Capital Expenditure	Figure reported including capital sales
Capital Receipts*	Capital receipts and capital expenditure make up our capital account. Capital receipts are income in to the capital account.
*Exceptional items	No report generated

Health & Safety

H&S Stats (Accidents & Near misses)	There were 4 incidents and 3 accidents reported in Q1. All issues identified and resolved
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HR Stats

Sickness days: cost to business	Number of sickness days x daily rate of employee who is sick.
--	---

Top 5 tenants by income

Quarterly view of the top 5 tenants by value – including production.
--

Assets

Capital receipts	Capital receipts and capital expenditure make up our capital account. Capital receipts are income in to the capital account.
Sales (no.)	Figures reported showing consideration for properties that have been disposed only.
Number of 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.

Aged Debt	Total amount of unpaid invoices and unallocated credits/cash.
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Energy Generation

MW figure for operational offshore wind.
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Knowledge management

FOISA & EIR	Includes Freedom of Information (Scotland) Act & Environmental Information Regulation requests.
DPA Requests	Includes Data Protection Act / Subject Access requests.
Quarterly Knowledge Management statistics are published on the Scottish Information Commissioner's website: http://stats.itspublicknowledge.info/ .	

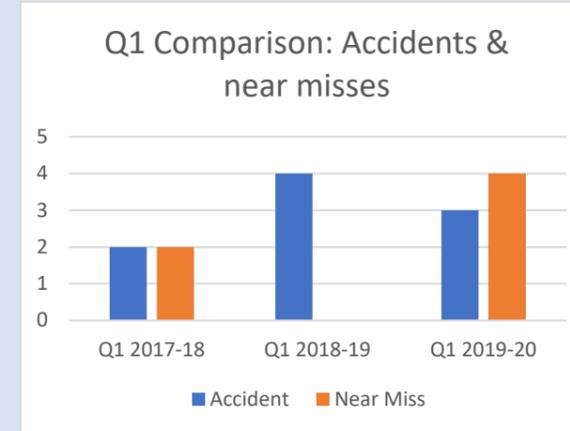
Media

Q1 2019-20 Covers all broadcast, online and print	At least one key message was evident in 175 items out of a total of 396. Top sources were heraldscotland.com and P&J, followed by The Herald, The Scotsman and West Highland Free Press. Reach measures readership (for print) or unique visitors (for online news).
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Procurement

Rolling quarterly view	Updates provided quarter on quarter. Reflects key procurement activity (underway and upcoming).
Total award	Figure provided for total contract award per quarter.

Business Plan				
No	Action	Measure	RAG Status	Notes
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	●	Risks relate to (1) Marine Scotland timelines for Sectoral Marine Plan launch and legal interaction between the plan and the leasing and (2) Scottish Ministers' requirements relating to supply chain.
23	Identify and scope at least one opportunity for collaborative cables feasibility study / project designed to unlock value from Crown Estate Scotland assets for benefit of Scotland.	Work up at least one project concept (for example, offshore digital infrastructure study)	●	Not yet commenced due to resource availability within team. With the E&I coordinator recruited in July, more resource should be available to progress
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	●	



Top media stories by volume and reach		
	Items	Reach
Scottish companies and offshore wind contracts	183	158,719,490
Cairngorm Catholic seminary restoration	30	269,439,264
Stock Exchange	21	5,502,340
Offshore wind industry	18	1,844,933
Public land made available to farmers	15	1,332,131

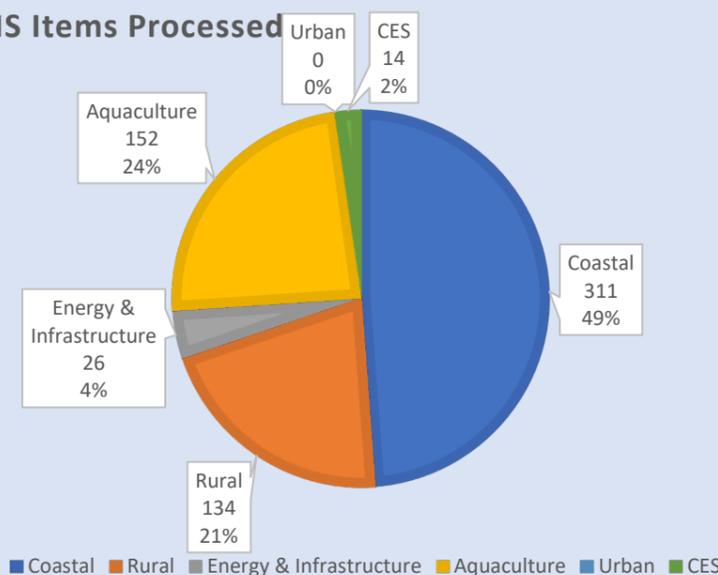
Financial reporting and related indicators will recommence with the Q2 dashboard.

HR Stats	
New Starts	2
New Starts (YTD)	2
Leavers	0
Leavers (YTD)	0
Sickness (YTD)	62.5
Cost to business of sickness days (YTD)	£8,361.96

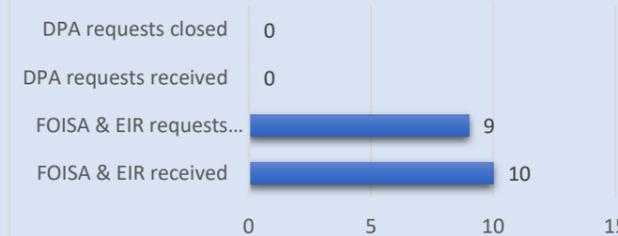
Operational offshore wind



GIS Items Processed



Knowledge Management



Procurement Activity

	Awarded	Underway	Highlights
Q1	3	0	Total Award: £161.6K Awarded: Pipelines T&C Review, Outsourced Services Review, Value Project PM & Governance Review One procurement attracted no bids (ScotWind Leasing Co-ordinator) – we are now using recruitment agency.



Board	Fifteenth Board Meeting	BD(2019)15
Meeting date	24 July 2019	
Paper title	Annual Report & Accounts BD(2019)15.7	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Esther Black/Lynne Higgins	
Annexes	Annex A: Performance Report & Accountability Report (Overview, Performance Analysis and Governance) Annex B: Accounts	
Recommendation	The Board is invited to note the content of the annexes.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

- Annexes A and B have been prepared by the Head of Corporate Operations and by the Head of Finance & Commercial respectively.

Discussion

- The final designed version will be portrait throughout and in line with our usual style.
- Board members and the sponsor team have reviewed and suggested amendments have been incorporated.
- The designed version will be signed by the Chief Executive and the external Auditors subsequent to this Board meeting, following any final, non-material revisions. The external Auditors will liaise with Audit Scotland for the Annual Report and Accounts to be laid in Parliament. We expect laying to take place in September, with appropriate press release as soon as practical afterwards.
- There is some repetition in different parts of the documents. This is down to two factors:
 - The guidance as to format includes repetition. For example, the format required risk to be covered in both the Performance Report and the Accountability Report; and

- A reader may not read from start to finish (dipping in and out of the document), so it is sensible to repeat key points to ensure they are picked up.

Financial

6. n/a

Sustainability

7. We propose a short print run only e.g. 150 copies to enable staff and key stakeholders (including the Royal Households) to receive hard copies.

Legal implications

8. The annual report is a legal obligation under The Crown Estate Scotland (Interim Management) Order 2017 (article 18).

Risk

9. n/a

People considerations

10. n/a

Reputational / PR implications

11. Providing a clear, accessible and engaging annual report is an important element of transparency.

12. Report launch PR to be considered in due course.

Crown Estate Scotland (Interim Management)

Annual Report and Accounts
to 31 March 2019

DRAFT

Presented to the Scottish Parliament in pursuance of Section 2 of the Crown Estate Act 1961, amended by the Scotland Act 2016, Chapter 11, Part 4, Section 36.

Laid before the Scottish Parliament by Scottish Ministers under Section 22(5) of the Public Finance and Accountability (Scotland) Act 2000.

DRAFT

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2. Section 2: Performance Analysis	
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Introduction

Welcome to Crown Estate Scotland's second annual report.¹

Crown Estate Scotland started operating on 1 April 2017 and is tasked with managing the assets – which together comprise the Scottish Crown Estate – to generate lasting value for Scotland.

These assets stretch the length and breadth of Scotland. The seabed, 620 square kilometres of foreshore (just under half of Scotland's total), rural land, commercial property and the rights to wild salmon fishing and naturally-occurring gold and silver: the estate is a unique mix of land, property and rights.²

How we manage it impacts thousands of people – their businesses and their communities – as well as the wider Scottish economy and environment.

In this report we outline what we have delivered in our second year of operation and look ahead to the opportunities and challenges in 2019-20 and beyond.

Our purpose: Investing in property, natural resources and people to generate lasting value for Scotland

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Section 1: Overview

In this section we give an overview of Crown Estate Scotland's purpose and activities. We also look at key risks and issues facing the organisation and give a summary of performance in 2018-19.

1.1 Statement from the Chief Executive

Our 2017-2020 strategic objectives are to:

1. Contribute to Scotland's economic, social and environmental well-being;
2. Grow revenue and enhance capital value of the estate;
3. Develop local decision-making and success, with a particular focus on communities and coastal local authorities;
4. Build confidence and trust in the organisation; and
5. Develop and deploy our people's expertise to deliver success.

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¹ Crown Estate Scotland is the trading name of Crown Estate Scotland (Interim Management).

² Throughout this document, 'the estate', 'the assets' or the Scottish Crown Estate refers to the land, property and rights currently managed by Crown Estate Scotland. Within the Estate, there are four categories of assets: Rural, Coastal, Marine (comprised of Aquaculture and Energy & Infrastructure) and Urban.

In last year's annual report, I started this statement with feedback from a coastal tenant who asked us to simply keep doing what we do. I had just joined the business and, reviewing that year's tenant survey results, was heartened to find plenty of positive feedback about what we do.

There was room for improvement too (see sections 1.4.1 and 1.4.2, and Case Study 4) and with excellence as one of our four organisational values, we are always striving to do better.

This year's survey, covering a different group of tenants, came back with more positive results and, helpfully, more suggestions for how we may improve. Thank you to everyone who responded.³

'Exceptional service. They are one of my favourite organisations to work with.' Offshore wind tenant feedback in our independent survey.

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Our unwavering commitment to deliver for tenants, as well as communities and Scotland as a whole, drives the ongoing development of Crown Estate Scotland as an organisation.

In 2018-19, new primary legislation, the Scottish Crown Estate Act 2019 ('the Act'), was passed by Scottish Parliament. This widens our role and sets out a clear remit for delivering value beyond financial return.

This legislation is reflected in our new strategic framework which we developed to guide our activity over the coming years. It provides focus and direction during a period of ongoing change in the sectors within which we operate (see section 1.2.1), and it offers our tenants and staff clarity after a period of transition.

Delivering for all

With just 41 FTE staff (supported by managing agents), Crown Estate Scotland is a small organisation, albeit one with a wide reach. Our work across seabed, coastline, rural estates and more, spans key sectors including offshore renewables, aquaculture, farming and port & harbours, and impacts thousands of people.

With this wide reach comes a responsibility to manage the assets in a way that delivers for all, creating a more successful country with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable and inclusive economic growth.

In 2018-19 we delivered on all five strategic objectives as set out in our 2017-20 Corporate Plan. In some areas, we surpassed challenging targets.

As a self-financing body, we are proud to contribute to public funds by returning all revenue profit to Scottish Government. Building on the success of 2017-18, we generated £11.4m for Scottish Government's public spending (£4.1m above target) in 2018-19. Offshore wind projects generating electricity earlier than anticipated, careful use of outsourced support and the sale of timber from trees affected by Dothistroma needle blight.

³ A summary of results is at <https://www.crownestatescotland.com/maps-and-publications/download/266>

We invested £4.4m of capital across the four rural estates to help support our tenants' businesses and their wider communities. This included two farm tenancy surrenders, three major new buildings, completing the restoration of a former opencast coalmine at Whitehill, and a range of electrical and asbestos works, improvements to water supplies and roofs upgrades.

Works at Rhu Marina in Argyll & Bute were postponed (see px) and works at Blairfindy Castle in Moray were not completed in 2018-19 due to challenges appointing specialists to deliver a technically demanding project. This resulted in planned capital investment being £3.5m lower than anticipated.

Following a number of transactions including the sale of four farms (three to sitting tenants and one on the open market) and offshore wind projects reaching significant milestones, we built up a capital reserve at 31 March 2019 of £38.2m for reinvestment.⁴ In 2019-20 we'll consult on our draft 2020-23 Corporate Plan, setting out how we plan to invest capital in property, natural resources and people to deliver lasting value.

Building for future success

Already, we have started to lay the foundations for how we will deliver that long-term value.

In 2018-19 we launched the first phase of a new approach to partnerships – our Local Management Pilots Scheme – marking a step-change in how we work at a local level.

We also developed a new leasing round for offshore wind to attract investment to Scotland, create jobs and enable low-carbon energy generation. This round will be launched in 2019-20 and could play a key role in delivering on Scottish Government's target for net zero greenhouse gas emissions by 2045.

The Value Project has started to develop a framework for identifying and measuring the different types of value – economic, social, financial and environmental – that Crown Estate Scotland and the Scottish Crown Estate deliver. This will inform strategic decision-making and help embed the Act, ensuring that the land and property is managed in a way that benefits all.

As our ambitions grow and we deliver more, our team develops and expands. New roles are being created and new colleagues are joining us both in the staff team and on our Board.⁵

We're incredibly proud of what the team delivered in the past year against a backdrop of ongoing change, including a review of pay and conditions. Thank you to all staff for their hard work.

⁴ This includes £25m capital receipts from offshore wind. The payments arose from offshore wind developments achieving specific project milestones or undergoing significant restructuring. Income of a similar scale in a single year is unlikely to recur from this source.

⁵ Two new non-executive members were appointed on 1 May 2019. This takes the Board up to nine members (three female and six male). The number of FTE staff rose by six in the 12 months to 31 March 2019 to a total of 41.

I hope this report provides an informative and balanced summary of work to date. Please contact the team (details are on the back cover) should you have any comments or queries.

SIGNATURE

Simon Hodge, Chief Executive

Date

Crown Estate Scotland (Interim Management)

DRAFT

1.2 Who we are and what we do

Scottish Crown Estate Act 2019

The new primary legislation governing management of the assets is the Scottish Crown Estate Act 2019 ('the Act'). This is in the process of being commenced. Until then, Crown Estate Scotland will operate under the Crown Estate Act 1961 but work within the spirit of the new Act.

The Scottish Crown Estate Act 2019

- Sets a duty on Scottish Ministers to develop a strategic management plan setting out Scottish Ministers' objectives, priorities and policies in relation to the management of the Scottish Crown Estate. All managers including Crown Estate Scotland are required to align their activities with this plan.
- Allows on a case-by-case basis for eligible bodies ('managers') (e.g. local authorities, Scottish harbour authorities, Scottish Ministers, other public bodies and community organisations), to take on responsibility for specific assets, potentially in partnership or with support from us (for instance, Crown Estate Scotland may act as coordinator of geo-spatial or financial information). Parliament also recognised that some assets may need to continue being managed at the national level.
- Sets a duty on all managers, including Crown Estate Scotland, to maintain and enhance the value of the assets in a way that supports sustainable development generally, and economic development, regeneration, social and environmental well-being specifically.
- Contains further provisions relating to managers' powers and duties, reporting, financial matters and ministerial directions. The Act therefore creates a new national framework to underpin a mix of national and local management of assets by different organisations and bodies in future.
- Removes the 'Interim Management' from our full name, signalling a long-term role for Crown Estate Scotland and helping give staff and tenants more certainty

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Crown Estate Scotland is a public corporation tasked with managing Scottish Crown Estate assets. Ownership lies with the Monarch in right of the Crown and management responsibility sits with Scottish Ministers who in turn delegate to Crown Estate Scotland.

Importantly, we are a net contributing body. All our revenue profit goes to the Scottish Consolidated Fund and, ultimately, Scottish Government, to benefit the public purse. Our [Framework Document](#) sets out our functions, responsibilities and powers.

As a public corporation, we are distinct from most other public bodies. Our commercial activity is under direct Government control and the Scottish Ministers appoint our Chair and Board members. We appoint staff (who are not civil servants) and we manage our own budget.

The Estate is a unique mix of land, property and rights, with a total property value of £385.8m.⁶ It is split into four categories: Marine (Aquaculture; Energy & Infrastructure); Coastal; Rural, and Urban. It includes ancient rights held by The Crown (e.g. wild salmon fishing) as well as historically acquired property (e.g. Glenlivet Estate).

MAP with updated valuations

1.2.1 Purpose and roles

Crown Estate Scotland's purpose is to invest in property, natural resources and people to generate lasting value for Scotland.

We manage assets that stretch the length and breadth of Scotland – seabed, coastline, rural estates and more – to ensure that families, businesses and communities can live, work and thrive on the assets.

This in turn supports the Scottish public sector's overall purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increasing wellbeing, and sustainable and inclusive economic growth.

Our goals and objectives align closely with the Scottish Government's National Performance Framework (see 2017-20 Corporate Plan, Section 4.1), Economic Strategy and Energy Strategy.

Our vision encapsulates what we want to deliver for Scotland during the period 2017-20 and the values provide the foundation for our behaviour as an organisation and as employees and non-executives. How we deliver is as important as what we deliver.

Detail on our 2017-20 strategic objectives and how our work in 2018-19 contributed to delivering them is in section 1.4.

Purpose: Investing in property, natural resources and people to generate lasting value for Scotland

Vision: Communities and business thriving through enterprising and sustainable development of property and natural resources

Roles:

- Investor – investing in property, natural resources and people to generate lasting value for Scotland. This covers capital investment in, for example, property development, as well as developing our staff and building external partnerships;
- Enabler – working with others to help them achieve their ambitions through access to property (e.g. leasing land and supporting community initiatives);
- Asset manager – this relates to management of leases and agreements, as well as direct management of forestry and the Glenlivet mountain bike trails; and
- Coordinator – as the Act is implemented in the months to come, we stand ready to support other managers, for example, in coordinating information.

Values

⁶ As at 31 March 2019, assessed by independent valuers. Figures have been rounded.

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1.2.2 Business model and management tools

Our success is intertwined with that of our tenants. We support them in helping them realise their ambitions, be that a farmer who wants to diversify, a community trust developing new facilities or a port seeking to expand operations and capacity. In doing so, we help deliver wider social, environmental and economic value.

We also need to pro-actively identify and pursue emerging opportunities that will deliver revenue and capital growth as well as broader environmental and socio-economic benefits e.g. offshore renewable energy.

At March 2019, we had 41 staff (FTE) working across different parts of Scotland. In time, we plan to co-locate staff with other public bodies outside the Central Belt (while maintaining a head office in Edinburgh) so that we can work effectively with tenants and other partners.

We currently contract teams of managing agents to provide specialist expertise, property management services and support in rural and coastal areas. This gives us flexibility and access to a wide range of expertise whilst helping manage costs. In 2019-20 we will review skills and capacity, and our model and staff team will evolve to ensure we can deliver our 2020-23 Corporate Plan.

Across our activity, we provide access to land and property in a way that is designed to:

- Ensure a plan-led approach, leasing in line with statutory plans (e.g. Local Development Plans, sectoral marine plans etc) whenever there is one in place. This helps ensure that our activity is aligned with stakeholder / community interests and reflects considerations related to the environment, equalities etc.
- Create new opportunities for people and organisations in the public, private and third sectors
- Be open and transparent while respecting commercial confidentiality
- Encourage diversity in terms of who uses land and property
- Encourage innovation
- Manage risk, particularly in relation to health & safety, and ensure that the integrity of assets is protected

Our governance structure is illustrated below and our organisational structure is at <https://www.crownstatescotland.com/about-us/careers>

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Case study 1: Towards a net zero emissions economy

Our unique position working across a variety of offshore sectors and technologies means we are ideally-placed to support the growth of Scotland's blue economy by enabling sustainable economic activity on the seabed.

To that end, in 2018-19 we commissioned leading academics and industry experts to help map the future development of cutting-edge industries and the 'just transition' to a net zero emissions economy.

This included:

- A study by the Offshore Renewable Energy (ORE) Catapult which set out the potential benefits to the UK economy of floating wind development. It estimated that up to 17,000 jobs could be created by 2050.
- A report by The University of Strathclyde which highlighted the potential for Carbon Capture and Storage (CCS) to play an important role in helping to sustain the approximately 44,000 direct and indirect Scottish jobs currently linked to oil and gas and other related industrial sectors.
- A study in partnership with specialists Everoze to provide a potential way forward for a more localised approach to offshore renewable energy deployment in coastal and island communities.

We also consulted on and designed our new offshore wind leasing round, ScotWind, which will help pave the way for a new pipeline of projects in Scotland's seas.

Scotland's offshore renewables sector celebrated a number of milestones in 2018-19. The 588MW Beatrice Offshore Wind Farm became fully operational, the European Offshore Wind Deployment Centre opened, and the £2.6bn Moray East project reached financial close. We're pleased to play a part in supporting our tenants on these projects.

1.3 Forward-look for 2019-20 and beyond

The Act tasks Crown Estate Scotland with managing the assets to provide value beyond financial return. It also introduces mechanisms for other bodies ('managers') to manage parts of the Scottish Crown Estate. It creates a new national framework for the Estate with Crown Estate Scotland adopting new 'coordinator' duties, for instance, in relation to some types of information and data.

We are well-placed to align with this new legislation with a review of internal decision-making under way; new ways of identifying and measuring value being developed; the Local Management Pilots Scheme trialling innovative management models, and the balance of in-house and outsourced support currently under review.

Alongside our ongoing work to deliver excellent tenant service, our objectives for 2019-20 are therefore to:

- Engage with local communities, tenants, communities of interest, business and the public sector to review how we can:
 - support strategic development in coastal infrastructure and the 'blue economy'⁷ more widely (linking to 2017-20 Corporate Plan strategic objectives no 1 & 2);
 - review how we work with the aquaculture and wild fisheries sectors to create a long-term sustainable future (strategic objectives no 1 & 3);
 - work with partners in the built environment to best add value, taking a holistic approach and identifying opportunities with strategic development potential (corporate plan strategic objectives no 1 & 2); and
 - manage the rural assets to ensure they deliver wider value (strategic objectives no 1 & 2).
- Collaborate with communities and strengthen partnerships, building on our Local Management Pilots Scheme, increased engagement and the success of moorings associations (strategic objectives no 1 & 3).
- Progress registration of the assets in the Land Register of Scotland, contributing to targets set by Scottish Ministers.
- Launch new leasing for offshore wind to attract investment in Scotland (strategic objectives no 1 & 2).
- Further strengthen organisational resilience while we prepare for the Act to be fully implemented, developing our expertise and ensuring our systems, policies and processes enable transparency, collaboration and innovation (strategic objectives no 4 & 5).

2019-20 will also see us develop our 2020-23 Corporate Plan (including an investment strategy) and a rural assets strategy.

The organisation and the staff team have managed a significant amount of change in recent years. To help us transition from an interim body to a permanent one will require a strengthened staff team and, potentially, new or enhanced systems.

We also need an organisational structure and working practices which reflect emerging needs and opportunities. These include the requirements on public bodies regarding reporting, consultation and communications, knowledge management, and alignment with a range of Scottish Government policies including, importantly, employee relations.

⁷ Blue economy refers to the sustainable economic development of the marine environment.

A people strategy, based on Scottish Government’s Fair Work principles, and a new pay & conditions framework will be implemented in 2019-20 to improve and develop our offering, adding greater transparency, fairness and accountability.

1.3.1 Key issues and risks that could affect the delivery of Crown Estate Scotland’s objectives

The diversity of the portfolio is both a strength (in terms of managing financial risk and identifying synergies between different assets and sectors) and a challenge (managing policy and regulatory risk as well as maintaining our expertise, profile and visibility across several different sectors).

The tables below provide a range of information including opportunities, operating environment and key risks related to specific parts of the business. Risk mitigations include processes and controls, transferring liabilities, informing and analysing emerging policy and close working with tenants and wider stakeholders. Our expertise – both in the core staff team and in our wider pool of outsourced support – plays a crucial role in identifying and managing risk. Strategic risk is sections 2.1 and 3.3.6.

Table X: Operating environment, policies, stakeholders and look ahead

	Rural	Coastal	Marine - Energy & Infrastructure	Marine - Aquaculture	Urban
Influencing factor					
Operating environment including any current shifts and trends	The agricultural sector is facing a degree of uncertainty as Brexit approaches. Existing subsidy levels will remain until 2022, but the longer-term outlook depends on the new regime. Agricultural tenancies place responsibility for new / replacement fixed equipment and other obligations on Crown Estate Scotland as landlord. With over 200 agricultural	Scottish ports saw significant drops in tonnages of cargo between 2010 and 2016 due mainly to global economic factors and, in the case of Hunterston, the closure of the last coal fired power stations in Scotland. Inward investment and diversification into the cruise ship and decommission markets have started to reverse this trend.	The route to market – covering issues relating to grid, financial support, and access to appropriate seabed – remain key for the offshore renewables sector. Global and national carbon reduction targets continue to drive investment in R&D, commercialisation and supply chain. The demand for green electricity will grow as	Global demand and prices for salmon remain buoyant meaning that Scotland, with 12,000 employees in processing and supply chain, must work to maintain its place as an attractive place to invest, live and work. There is increased interest in shellfish production, and in seaweed cultivation and harvesting as demand from	Urban property market continues to be influenced by economic uncertainty. Future work will include scoping other built development opportunities including potential regeneration projects.

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	tenancies, this responsibility has a strong bearing on our capital planning. Forestry values continue to appreciate while river salmon fishings rents are impacted by reduced catches and continued fish populations decline.	The marine leisure market has proved to be resilient but faces challenges if it is to grow e.g. the availability of capital for infrastructure works and competition from other leisure sectors.	heat and transport are decarbonised. Lead-times for projects are typically up to 10 years and technology development spans years, sometimes decades. This means that we need to plan far in advance and be flexible.	pharmaceuticals, food and cosmetic industries grow.	
Policies shaping performance	Aligning with Scottish Government policy, our priorities include encouraging new entrants (Scottish Government's Farming Opportunities for New Entrants) diversification and investment by tenants, working to build resilient farm businesses, identifying new income streams (including renewable energy opportunities) and enhancing natural capital.	The interface between land and sea is a significant influence on managing near-shore activities, framed largely by the National Planning Framework, Strategic Development Plans, Local Development Plans, National Marine Plan and the evolving Regional Marine Planning Partnerships. The National Tourism Strategy and the National Transport Strategy have a significant influence on the use of marine assets and new	Government policy continues to be central to offshore energy development, with private sector investment largely contingent on contracts awarded by the UK Government for low carbon generation. We work closely with Scottish Government to understand emerging policy and how we can best contribute to delivery. New leasing for offshore renewables will be in accordance with Marine Scotland's forthcoming Sectoral	The sector benefits from clear government support for its development ambitions. Aquaculture is subject to Scotland's National Marine Plan, local authorities' development plans as well as the objectives of Scotland Food & Drink's Aquaculture 2030 Vision project. We note the Scottish Parliament's 2018 report ⁸ on salmon farming and are working with government and industry to address	Ensuring commercial and residential accommodation helps create sustainable and desirable spaces, attracting businesses and consumers to locales, brings wider economic and social benefits.

⁸ <https://digitalpublications.parliament.scot/Committees/Report/REC/2018/11/27/Salmon-farming-in-Scotland>

		opportunities emerging include the decommission market and innovation in energy production.	Plan for Offshore Wind.	some of the matters raised.	
Stakeholders	Tenants, communities, development trusts, local and planning authorities, industry bodies, farmers' unions, a range of public bodies and enterprise agencies.	Tenants, all users of the marine environment across a range of sectors, activities and industries, Government, economic development agencies, statutory nature conservation bodies, industry bodies, regulators, planning authorities and local authorities.	Government and economic development agencies, statutory nature conservation bodies, industry bodies, regulators and planning authorities, energy developers and local authorities.	Consenting and planning authorities and others who use the marine environment, including fisheries, commercial and recreational navigation (e.g. RYA Scotland), coastal and island communities. For farmed salmon, District Salmon Fishery Boards and Trusts are priority stakeholders as are cetacean and seal conservation groups.	Tenants, local authorities, and business improvement districts. As we other explore opportunities, we will engage with organisations such as housing associations and enterprise agencies.
Look ahead, opportunities to create value	We want to remain a champion of integrated, multiple-use land management. Glenlivet – located in the UK's largest national park – demonstrates how farming, conservation, tourism and sporting can work side-by-side	The ports and oil & gas sectors will continue to form a key part of the coastal portfolio, with a number of major investment projects completed, planned and underway. We'll support tourism initiatives that contribute to 2020 Year of Coasts and	Offshore wind contribution is increasing and will continue to as new projects start operating. Wave and tidal energy technologies are currently less widely deployed and are at an earlier stage of commercialisation,	Brexit-related uncertainties include the possibility of trading tariffs and the strength of sterling. There are challenges however, including biological and environmental pressures (e.g. sea lice in farmed salmon, visual impact	Due to the attractive returns and relatively low property management requirements, urban development is a potential candidate for further investment. This will be explored as we further develop our investment strategy.

	<p>and help regenerate rural communities. Our three other estates also evidence this approach to integration combining farming, residential, mineral operations sporting & development land.</p> <p>The diversity of the rural estate provides a range of opportunities for growing value. This is balanced by some uncertainties particularly in regard to the impact of Brexit.</p> <p>The uncertainty surrounding the impact of Brexit and other factors mean there is limited potential rental growth from land let for agriculture.</p> <p>Continuing to explore and supporting other commercial land uses such as mineral operations remains an area of focus.</p>	<p>Waters, as well as the industry strategy 'Awakening the Giant'.</p>	<p>with potential to grow in future.</p> <p>Oil & gas, which accounts for most of our offshore pipeline agreements, is influenced by oil price fluctuations and is undergoing a longer-term structural change as the North Sea basin matures.</p> <p>As the need for further connectivity grows, there may be a demand for more electricity transmission and telecommunication cables.</p> <p>CO2 transport, utilisation and storage opportunities are being explored and underpinned by policy development. The scale and timing of activity will be influenced by market models adopted, and other policy and regulatory factors.</p>	<p>of farms, water quality for shellfish), a regulatory regime that is perceived as complex and, for shellfish, access to development finance.</p> <p>There is an opportunity to grow the emerging seaweed / alginate industry in Scotland in a socially and environmentally sustainable way.</p>	<p>We will also explore the opportunities for property development on the wider estate and the alternatives for optimising total contributions from our strategic landholdings.</p>
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Table X: Key risks associated with specific parts of the business

Asset	Description	Potential impact	Mitigation
Rural	Brexit and associated impacts on agricultural support affects tenant business viability	Significant impacts on tenant farmers leading to tenant defaults, a lack of husbandry and reduced revenue over many years. Potential to impact on in-hand forestry, reduced capital value and increased costs.	Develop rural assets strategy which allows for: <ul style="list-style-type: none"> • Helping to provide business planning support and advice to tenants • If necessary looking for opportunities to restructure farm holdings into viable units. • Creating opportunities to innovate with new models, demonstrator projects, etc
Coastal	Securing funding to maintain and improve marine assets.	Reduction in capital value, low revenue growth, deterioration of existing assets, increased maintenance costs, increase in liabilities with associated financial and Health & Safety implications.	Build coalition of support for capital investment. Ensure incoming tenants are of sufficient standing to meet lease obligations, including decommissioning and seabed restoration.
Marine - Energy & Infrastructure	Capital investment required to create new offshore wind infrastructure may not be attracted to Scotland.	Projects not developed, related government policies and targets not reached, revenue and capital potential not realised.	Early engagement with industry (to establish market appetite and key issues), UK and Scottish governments, and NGOs and sector bodies that may be impacted. Reducing consenting risk for project development by committing to lease in accordance with Marine

			Scotland's forthcoming Sectoral Marine Plan for Offshore Wind.
Marine - Aquaculture	Significant pest or disease impacting aquaculture production, sector development and rental income.	Large scale outbreak of fish pest or disease. Significant impacts on fish farmers leading to tenant defaults and reduced revenue over many years.	Promote best practice and help fund research & development Work closely with tenants to manage economic impacts Discuss possibility of additional sites to remove healthy stock from risk area.
Built Environment (categorised as Urban until end 2018-19)	Significant void periods following lease expiries and tenant break options. Sub-optimal investments. Development lifecycle risk	Reduced revenue and failure to increase market value.	Dialogue with tenants and proactive and timely marketing strategies. Future exploration of built environment opportunities will be in line with 2020-23 Corporate Plan. Build in-house expertise. Evolve systems to plan and manage significant development projects

Case study 2: Helping farmers build their businesses

With around 115 farms and over 200 agricultural tenancy agreements spread across four estates, we're responsible for ensuring that the land and property is used in a way which delivers environmental, economic and social benefits.

In 2018-19 we invested £4.4m capital in the rural estates, funding three major new buildings at the Glenlivet Estate, a range of electrical, water supplies and roof works, as well as lease restructuring. These investments help tenants in their day-to-day operations and this in turn benefits the wider local economy.

Some of the works have supported tenants in building and diversifying their businesses, many of whom are situated in remote rural locations.

One of the key projects we funded in 2018-19 (with further expenditure in 2019-20) was the construction of a replacement silage pit at Wester Manbeen Farm on the Fochabers Estate. The pit supports the farm's organic dairy and beef cattle business.

George Hendry, tenant farmer at Wester Manbeen Farm, said: "Being an organic farm we are totally dependent on home grown forage. The new silage pits give us the capacity to carry over stocks from one year to the next allowing us to have forage available 12 months of the year. It also provides a modern and safe working environment when filling the pit, with the additional benefit of reducing plastic as we use less bale and ag bag silage."

Andrew Wells, Head of Property at Crown Estate Scotland, said: "As the needs of our tenant farmers are constantly evolving, we continue to find new ways of helping ensure they have the facilities they need to strengthen their operations. Farming businesses underpin many rural communities throughout Scotland and we know that these investments can have a positive effect far beyond the farmgate."

1.4 2018-19 performance summary

Here we highlight some key activities with reference to our 2018-19 Business Plan (actions completed). These actions are all aligned with our 2017-20 Corporate Plan.

Our 2017-2020 strategic objectives are to

1. Contribute to Scotland's economic, social and environmental well-being;
2. Grow revenue and enhance capital value of the estate;
3. Develop local decision-making and success, with a particular focus on communities and coastal local authorities;
4. Build confidence and trust in the organisation; and
5. Develop and deploy our people's expertise to deliver success.

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1.4.1 Corporate

- Raised £32.4m capital against target of £10.6m
- Returned £11.4m revenue to Scottish Government against target of £7.3m
- Launched The Value Project to identify the economic, financial, social and environmental value that Crown Estate Scotland and the Scottish Crown Estate delivers.
- Developed and implemented tenant action plan including introducing bespoke communications for different groups of tenants; tougher action on unlicensed moorings; Board visits to rural estate tenants; providing further information on rents, and an extensive conditions survey of property across the four rural estates
- Conducted tenant service research. Offshore wind and wave & tidal tenants rate our service particularly highly with 9 and 7.8 out of 10 respectively. These results add to those from last year to provide a complete baseline (covering all groups of tenants) against which future changes will be measured.⁹
- Launched our Local Management Pilots Scheme, enabling communities and local authorities to apply to manage Scottish Crown Estate assets in a way which will improve the economic, social and environmental well-being of their local area. This initiative marks a step-change in how the assets are managed, signalling our drive to involve communities much more. From 13 initial applicants, five have progressed to the final stages of the scheme and all others are in discussion with us about other forms of partnerships.¹⁰
- Developed our communications with tenants and wider stakeholders. Research shows that, from tenants who responded to surveys, virtually all are aware of who we are and that the majority know what we do.¹¹ Our digital communications channels (website, social media, e-newsletters) are increasingly popular
- Created a new strategic framework bringing together our core values alongside a newly-defined purpose, vision and set of roles. This has been informed by feedback from tenants, our partners and wider stakeholders and will guide our activity and organisational development over the years to come.
- Developed a People Strategy and staff handbook (both to be rolled-out in 2019-20) and reviewed pay & conditions to help us attract and retain talent.
- Commissioned an independent review of our IT infrastructure examining how we can strengthen and develop our systems.
- Developed an Open Data Publication Plan, published more spatial data, and rolled out further training on General Data Protections Regulations (GDPR) .

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⁹ The full summary of results can be found at <https://www.crownestatescotland.com/maps-and-publications/download/266>

¹⁰ The latest progress on the Pilots Scheme can be found at <https://www.crownestatescotland.com/what-we-do/local-pilot-scheme>

¹¹ See the two sets of tenant research at <https://www.crownestatescotland.com/maps-and-publications/download/266> and <https://www.crownestatescotland.com/maps-and-publications/download/167>

- Completed the first phase of land registration covering 25% of rural and coastal assets.
- Supported 2018 Year of the Young Person with a range of activity (see Case Study 3).

Business plan actions: 1-14

1.4.2 Rural

- Invested £4.4m capital in the rural estate, including new buildings infrastructure, development and lease restructuring. This included:
 - Three major building projects at Glenlivet Estate completed;
 - The first phase of new silage pit at a farm on the Fochabers Estate;
 - A range of improvements at properties to improve water supplies, prevent damp and upgrade roofs;
 - £50,000 contribution to Tomintoul & Glenlivet Landscape Partnership, with planning for Blairfindy Castle works completed and the Scalan Mills grant secured;
 - Surrender & waygo payments to release units for restructuring opportunities including re-letting or sale;
 - Major drainage, tree-planting and hedging at Whitehill to complete the restoration of former opencast coal land for agriculture use; and
 - An ongoing programme of electrical and asbestos related works in houses and cottages.
- Took a leading role in trialling the internationally recognised Natural Capital Protocol across the entire 23,000 hectare Glenlivet Estate, an upland tenant farm, and a lowland arable business on the Fochabers Estate. The final report from this trial will inform how farmers can potentially use a natural capital approach to inform what they do.¹² In 2019-20 we are carrying out further trials, extending to the dairy sector, and exploring how we can use it to inform management of Scottish Crown Estate land.
- Completed forestry restocking at Cairn Muldonich, Glenlivet, investing £145,000 capital in planting 130,000 trees.
- Renewed 20 river salmon leases giving continuity in access.
- Launched nine new projects across all four rural estates as part of our Biodiversity Actions Plans. Activity covers tackling invasive species, creating new woodland and peatland restoration.
- Improved how we communicate with agricultural tenants (in response to tenant survey feedback) with Board visits and more tailored communications. We liaised closely with the Scottish Tenant Farmers' Association and the NFU Scotland (including their Tenants' Working Group).
- Extended our ongoing support for river salmon angling tenants with 50% and 25% rent reduction on category 3 rivers and category 2 rivers respectively. These will be in place for the 2019, 2020 and 2021 seasons to help clubs invest in activities that support habitat management and / or recruit members. This affects 55 out of our 140 fishing tenancies spanning 31 different rivers in Scotland.
- Contributed £10,000 to the Atlantic Salmon Trust's Missing Salmon project, a campaign to raise awareness and fund research to uncover the reasons behind the recent declines in salmon returning to Scotland's rivers.
- Raised £6.7m capital for reinvestment in the Scottish Crown Estate. This included four farm sales (three to sitting tenants and one on the open market) plus seven residential property sales income from sales of development land.
- Consulted on future priorities and guiding principles for how we manage the rural assets long-term. This includes how we raise and reinvest capital. Our forthcoming rural assets strategy and 2020-23 Corporate Plan will take the consultation feedback into account.

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¹² Available at <https://www.crownstatescotland.com/maps-and-publications/download/194>

Business Plan action no: 27-33

1.4.3 Coastal

- Took action to address the issue of unlicensed moorings (in response to tenant feedback) and to provide a better service to the boating community (see Case Study 4)
- Helped fund Keep Scotland Beautiful's Upstream Battle which aims to change behaviour and prevent marine litter at source focussing on the entire length of the River Clyde and its tributaries.
- Facilitated a number of ports and harbours projects coming to fruition including expansion projects at Lerwick, Aberdeen and Kishorn.

Business Plan action no: 3, 36, 37

1.4.4 Energy & Infrastructure

- Consulted on and developed new offshore wind leasing for Scotland, informed by feedback from industry, government and NGOs. The leasing round, called ScotWind, will be launched in 2019-20 and will be designed to incentivise strengthening of the Scottish offshore wind supply chain.¹³
- Entered into Crown Estate Scotland's first lease option agreement for carbon dioxide storage, signalling our commitment to enabling development in the sector and contributing to Scotland's ambitious climate change targets. The Acorn CCS option is to develop CO2 storage deep below the seabed in the Central North Sea.
- Supported our offshore wind tenants as their projects progressed including construction of the Beatrice project being substantially complete by March 2019 (and fully completed in May 2019) and the finalisation of the Moray East project construction arrangements in December 2018.
- Secured £25.6m in capital payments as projects reached milestones or restructured
- Commissioned studies and research to support emerging sectors and technologies including:
 - Opportunities for a localised approach to offshore renewables in coastal and island communities. We will carry out further work on local energy systems in 2019-20.
 - The potential of CCS (carbon capture and storage) to help sustain jobs and build supply chain, helping the 'just transition' to a low carbon economy
 - The potential macro-economic benefits to the UK if the floating offshore wind industry is provided with support to grow
- Provided further support for development of the CCS sector in Scotland, including granting an option for lease of the seabed for the Acorn project off the north-east coast.
- Managed our investment in tidal energy project MeyGen as the project became fully operational, with capital return starting

Business Plan action no: 15-22

1.4.5 Aquaculture

- Funded research for successful wild and farmed fish interactions management with a commitment of £25,000 each year for three years (2017-18-2019-20) for a wild fish lice monitoring protocol pilot led by Fisheries Management Scotland

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¹³ Marine Scotland is conducting a strategic planning exercise which will result in a Sectoral Plan for Offshore Wind. Crown Estate Scotland will lease only within areas identified as suitable within that Plan.

- Launched the second phase of our ‘critical mass’ work to support scaling-up of Scotland’s shellfish sector. The study into how a commercially viable mussel farm may be supported will provide a framework for use across the sector.
- Worked with the Association of Scottish Shellfish Growers to develop a community information pack for shellfish farming (to be completed summer 2019)

Business plan action no: 24-26

1.4.6 Urban (39-41 George St, Edinburgh)

- Worked with partners to attract new tenants and negotiate lease extension for current tenants.
- Preparations for cycle storage were complete, further enhancing the attractiveness of the retail and office units in the property.

Business plan action no: 38

The following 2018-19 business plan targets were not fully met:

- Work to deliver improvements at Rhu Marina in Argyll & Bute has not progressed to plan due to sparsity of funding and uncertainty relating to EU funds. We will reassess options for the marina and surrounding area in 2019-20 (action no 34).
- A woodland planting proposal is still being developed (action no 30).
- A target of acquiring an urban property has been incorporated into a broader strategy to invest in built environment (urban and rural) and will form a key strand of the 2020-23 Corporate Plan (action no 39).

Case study 3: Supporting Scotland's Year of the Young Person (2018)

At Crown Estate Scotland we hugely value the creativity, skills and talent of young people. In 2018, we supported a range of projects and initiatives to encourage, empower and inspire the younger generation. This included recruiting our first Forestry Intern, Angus Voy.

For this annual report, we asked Angus to share his thoughts about his time working with our team on the Glenlivet Estate in Moray.

- **Tell us a bit about what yourself**

I live in Inverness and having worked in various jobs, including small scale practical forestry work, I decided to pursue a career in the forestry industry.

I'm currently undertaking a forestry HND course at the Scottish School of Forestry based in Balloch. Having completed the first year, my placement at Crown Estate Scotland forms part of my second year.

- **What drew you to the forestry industry – what do you like about it and what are the challenges?**

I've always been a big lover of the outdoors – so what better career than forestry where you spend so much time out and about in great locations. I find the different types of forestry fascinating and from a young age I always wanted to find out more about it.

- **What three words you would use to describe your time at Crown Estate Scotland?** Educational, diverse, enjoyable

- **What are the kinds of tasks and activities that you've been involved in?**

Every day is different, but I've worked a lot on the maintenance of the mountain bike trails, fence inspections and visiting working sites across the Estate to get an overview of timber harvesting and haulage being carried out.

- **What have you enjoyed most about your internship with us?**

I've loved working in such a beautiful part of Scotland and have particularly enjoyed building great relationships with the team.

- **What would you say has been the key thing you'll take away from your experience with Crown Estate Scotland?**

During my internship I've learned the importance of good team work, open communication and to be thorough in completing tasks. All these things will be valuable for me in my career and life.

Knots to Watts

We supported the Scottish Council for Development & Industry's 'Knots to Watts' initiative, an engineering competition researching new offshore technologies. Three hundred pupils from 50 primary and secondary schools took part this year, researching the offshore wind industry and designing and building a floating wind turbine.

Clyde in the Classroom

We sponsored The Clyde River Foundation's 'Clyde in the Classroom' again in 2018-19, a project that sees thousands of school children from across the River Clyde catchment raise and release brown trout into the river system. The annual initiative provides learning opportunities across the curriculum as pupils monitor fish development, calculate what they need to keep them healthy and record their experiences. Having the responsibility of caring for the fish also inspires an interest in nature and the environment.

Volunteering in the local community

Edinburgh-based charity The Green Team do fantastic work in supporting children and young people to learn about and connect with nature, others and themselves. Our staff, joined by managing agents Savills and our legal advisers at Anderson Strathern, took part in a volunteer day led by The Green Team. We planted 350 trees at the Whitehill Estate. The funds we provided for the charity's support will help to resource their programmes with young people.

Careers fayre

Our team also took part in a careers fayre to raise awareness of the range of jobs and specialisms in the property and energy sectors. Our staff spoke to nearly 200 secondary school pupils at Trinity Academy, which has a mixed catchment area, and were incredibly impressed with their enthusiasm.

Commented [LC16]: Pull out the three projects

Section 2: Performance Analysis

Our corporate plan details a range of KPIs and targets for the three years to March 2020 covering our five strategic objectives.

These three-year targets are sub-divided and reflected in each annual business plan, which in turn is cascaded down into staff members' performance objectives. We are developing a comprehensive assurance framework for use from 2019-20 onwards.

Progress is tracked throughout each financial year through quarterly reports to the Board, monthly leadership and team meetings as well as quarterly individual performance reviews.

Below we illustrate progress to date on some of the priority KPIs and targets.

Table X: Priority 2017-20 KPIs and targets

Strategic objective	KPI	March 2020 target	How performance is tracked	Progress as at 31/03/19
1. Contribute to Scotland's economic, social and environmental well-being	Number of projects started under the Local Management Pilots Scheme	Three pilot projects started	Updates to Board on delivery of published scheme and timetable	Pilots scheme developed and consulted on; scheme launched and Stage 1 and 2 completed. Five applicants progressing a total of four projects.
2. Grow the revenue and enhance the capital value of the estate	Revenue generated (2017-18 baseline) Total capital property value	Revenue increase £10m working capital fund established (target set out in draft Investment Strategy)	Financial performance reporting framework including quarterly reporting to Board Weekly transactions pipeline review	2018-19 £19m total turnover (against budget of £16.4m) (cf. 2017/18 £16.4m against budget of £14.17m) £38.2m capital funds held and £385.8m total investment property value (cf. 2017-18 £8.9m and £324.6m)

3. Develop local-decision-making success, with a particular focus on communities and coastal local authorities	Tenant satisfaction levels Key partners' satisfaction levels including local authorities	Tenant satisfaction levels above 75% and key coastal local authorities' / partners' satisfaction levels above 70%	Independent tenant and stakeholder surveys	Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10). Offshore wind tenants (which include two of our five highest value tenants) rated satisfaction at 9 out of 10. Local authority CEOs' favourability and satisfaction increased; Heads of Economic Development awareness and satisfaction also up on previous year ¹⁴
4. Build confidence and trust in the organisation	Tenant satisfaction levels Key partners' satisfaction levels including local authorities	Tenant satisfaction levels above 75% and key coastal local authorities' / partners' satisfaction levels above 70%	Independent tenant and stakeholder surveys	Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10). Stakeholders surveyed 2017-18 rated Crown Estate Scotland 7.3 (out of 10) on transparency
5. Develop and deploy our people's expertise to deliver success	Staff engagement levels Staff retention levels Tenant satisfaction levels	Minimum 75% good-high engagement Maximum 10% unplanned turnover	Annual staff survey Quarterly reporting on staff turnover Tenant and stakeholder surveys	13% turnover in 2018-19 (action linked to this is covered in section 2.3.1) Tenants surveyed 2018-19 reported satisfaction at 7.2 (out of 10).

2.1 Uncertainties that may impact performance

¹⁴ PA Advocacy surveyed local authorities in April to June of 2019. 14 CEOs, 19 Leaders and 21 Heads of Economic Development were interviewed. e

There are risks and uncertainties that could impact on both the reputation and performance of Crown Estate Scotland. It is important that Crown Estate Scotland has in place appropriate measures to mitigate these.

The approach to risk management that has been adopted is set out in sections 1.3.1 and 3.3.6 and reflects the guidance published by the Scottish Government.

Crown Estate Scotland is an asset-based business with a capital-intensive rural estate and a growing offshore renewables asset-base. The agricultural and aquaculture sectors are facing considerable uncertainty related to Brexit, and much of the future success of the offshore renewables sector relies on UK government policy and wider consenting and spatial factors.

Our mandate focusses on delivering lasting value as well as our contribution to public finances. To optimise what the assets deliver for Scotland, we must better understand the impacts of different approaches to management and investment. We are developing a framework to measure the wider benefits the different types of assets deliver for Scotland. This will help inform-decision-making in a consistent and evidence-based way, considering economic, social and environmental impacts.

The Local Management Pilots Scheme, launched in 2018, is an important part of wider changes in how we empower communities and work with local partners. Five applicants are now working with us under the Scheme to develop their plans for assets in their area and move towards finalising agreements. At this stage, the full impact of the Scheme in terms of staff resource and cost is not fully known. We have scoped and planned for likely scenarios and are developing monitoring and evaluation processes.

In time, as the Act is fully implemented, other bodies may become managers of Scottish Crown Estate assets. This may impact delivery of some activity in our 2020-23 Corporate Plan. We will keep this under review through our established monitoring and reporting mechanisms.

Overview of risk management policy

Crown Estate Scotland maintains a well-established Risk Management Framework, overseen by the Audit and Risk Committee.

Crown Estate Scotland's approach to risk management aligns with the Scottish Public Finance Manual¹⁵. It is designed to:

- facilitate identification of risk priorities (in particular to identify the most significant risk issues);
- capture the reasons for decisions made about what is and is not tolerable exposure;
- facilitate recording of the way in which it is decided to address risk;
- allow all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitate review and monitoring of risks.

¹⁵ <http://www.gov.scot/Topics/Government/Finance/spfm/risk>

Risk associated with specific parts of the business is covered in section 1.3.1 and there is further information on our approach in Section 3.3.6. An extract from the strategic risk register is as follows.

Table X: Extract from risk register

Category of risk	Description	Impact	Mitigation
People	Accident on the Scottish Crown Estate leads to fatality or serious injury.	Loss of life. Permanent disablement.	H&S policies, processes, training and reporting in place. 'Health check' of our operational management activities in line with our policies. Development of strong H&S culture Improved incident reporting Review of H&S framework. Robust audit procedures. Monitor changes in legislation and case law and action as appropriate.
Finance	Brexit results in lease defaults leading to loss of revenue, reduced capital valuation and increased liabilities.	Liabilities increase Loss of value	Monitor Brexit arrangements and sector indicators. Prepare cautious budget to accommodate payment deferrals and defaults. Facilitate provision of support for farm business planning / development of tenants' integrated land management plans (ILMP's) Close liaison/communication with agricultural tenant group to address emerging concerns
Society	Uncertainty and ongoing change leads to loss of skills / expertise / morale	Negative impact on team, staff well-being and overall performance	Implement People Strategy Annual staff survey with subsequent action plans Complete Pay & Conditions review

			<p>Ensure staff are fully involved in developing new strategic framework and corporate plan</p> <p>Complete skills & capacity review</p>
Finance	<p>Loss of systems, information and business continuity results in organisational failure.</p>	<p>Reputational damage and loss of key business information; recovery costs</p>	<p>Independent review of IT infrastructure, and implement recommendations</p> <p>Build inhouse IT staff capacity</p> <p>Up-to-date business Continuity plan in place</p> <p>Records Management Plan in place</p>

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2.2 Overview of financial performance

With opening balances of nil in both revenue and capital bank accounts on 1 April 2017, the first year of operation was characterised by careful financial and operational management to meet targets and manage cashflow.

Our second year has seen us continue this approach. A slight increase in costs reflects increase in both headcount (from 35 FTE to 41 FTE) and in pension costs. We expect this to continue in 2019-20 as our team grow to deliver on our expanded remit.

Returning £11.4m to Scottish Government (over £4m ahead of budget) and having capital funds of £38.2m before permitted transfers from revenue demonstrates the success of this approach, the result of a 'one team' effort by staff, managing agents and other partners and suppliers.

Capital remains the property of the Monarch in right of the Crown. We therefore maintain a strict separation between revenue and capital accounts with transfers happening only under the circumstances defined within our legal framework.¹⁶

Cross-subsidy

We are not permitted commercial borrowing and must therefore raise capital from property transactions to meet our statutory obligations in undertaking works (e.g. providing and upgrading fixed equipment under our 200+ agricultural tenancies) and creating new shared value (e.g. by supporting development of the low-carbon economy). This reinvestment generates income and grows value in the future, supporting Scottish economic growth.

The ability to cross-subsidise – funding growth / investments in one part of the business by generating income in others – is critical to the long-term financial sustainability of the Estate.

In 2017-18, we sold one farm (which included four houses), plus eight separate residential cottages and one farmhouse.

In 2018-19, following a number of transactions including the sale of four farms (three to sitting tenants and one on the open market) as well as offshore wind projects reaching significant milestones, we have built up a capital reserve for reinvestment.

Revenue and value are determined by the activity that takes place on the assets. Valuation takes into account income streams and the degrees of certainty that this income will be forthcoming, assessed in relation to the type and duration of leases. Also reflected are wider market and macro-economic trends as well as risk associated with specific tenant activities.

¹⁶ The legislation which created Crown Estate Scotland (Interim Management) (see www.legislation.gov.uk/sdsi/2017/9780111033388, Article 20) enables the business to make transfers from the revenue account to the capital account. The amount that can be transferred is calculated as nine per cent of the previous year's turnover. In addition, the business can capitalise some costs, for example salaries. The legislation also permits the business to make loans from revenue received to fund short-term capital cashflow requirements. These are to be repaid as soon as practical and are not to be outstanding over a financial year end without the consent of Scottish Government.

Market conditions

The long-term investment in Marine Energy & Infrastructure, started by our predecessor The Crown Estate and continued by us, is increasingly driving up capital value and revenue returns. We expect this trend to continue in coming years as the energy industry continues to decarbonise and more offshore renewable energy projects progress through planning and consenting and into financial close, construction and commissioning.

Our ScotWind Leasing, to be launched in 2019, will open up new areas of seabed identified in Marine Scotland's Sectoral Plan for Offshore Wind, helping to develop a further pipeline of new offshore wind projects expected to be built in the late 2020s and beyond.

Rural value has held well. A small number of sales is balanced by healthy timber prices and the high value of forestry land. Scotgold Resources Limited's Cononish goldmine was granted planning completion in 2018-19. This resulted in Scotgold moving from an option agreement to full lease and starting work on the ground to develop the mine site. This was a significant factor in the near doubling of the value of Crown Estate Scotland minerals leases.

Fluctuations in commodities pricing, uncertainty around Brexit and rising food distribution costs characterised 2018-19. Our team will continue working with agricultural tenants to support them in business planning and diversification.

2.2.1 Revenue and valuation

Below we provide a summary of revenue income generated by activity on marine, rural, coastal and urban assets, as well as overall expenditure, and the property valuation. In [Table XX](#) we then detail key factors relating to changes in gross revenue and valuation compared to 2017-18.

Table X: summary of revenue account

	2018-19 £m	2017-18 £m
Gross revenue	19.0	16.4
Direct costs ¹⁷	(3.3)	(3.3)
Indirect costs ¹⁸	(2.7)	(2.5)
Transfers to capital account	(1.5)	(1.4)
Investment income	0.1	-

¹⁷ Direct costs include maintenance, repairs, managing agents and other costs related to the land and property for which we are responsible.

¹⁸ Indirect costs relate to staff (most staff costs are funded from the revenue account, some come for the capital account), operating our two offices, a range of systems, insurance, governance and some professional support.

Depreciation of tangible fixed assets	(0.2)	(0.2)
Net revenue	11.4	9.0

Gross revenue by operating division £m 2018-19 (2017-18)

Rural 4.1 (3.5)
 Coastal 3.9 (3.3)
 Marine (Energy & Infrastructure) 6.1 (4.1)
 Marine (Aquaculture) 4.0 (4.6)
 Urban 0.9 (0.9)

Property valuation by asset £m

Rural 123.2 (123.9)
 Coastal 33.1 (32.5)
 Marine (energy & infrastructure) 187.3 (124.5)
 Marine (aquaculture) 26.1 (27)
 Urban 16.1 (16.7)

Commented [BE17]: Pie charts – one for 2018-19, one for 2017-18.

Table X: 2018-19 gross revenue and property valuation

	Gross revenue (2017-18) £m	Notes	31 March 2019 valuation £m (% change on 31 March 2018)	31 March 2018	Notes on change since 31 March 2018
Rural (agriculture, forestry, minerals and naturally-occurring gold & silver)	4.1 (3.5)	The 2018-19 increase includes unanticipated felling of trees of affected by Dothistroma needle blight <ul style="list-style-type: none"> Timber sales following unanticipated felling of trees of affected by Dothistroma needle blight 	123.2 (-0.5%)	123.9	A small number of sales and reduced acreage had little impact on overall revenue as these were balanced by improved rents in other properties. Forestry has increased value, reflecting market trends and the sector's ability to attract investment.

		<ul style="list-style-type: none"> Scotgold's Cononish goldmine project as it progressed 			Value of minerals including natural-occurring gold and silver almost doubled largely due to Scotgold's progress at Cononish, moving from option agreement to full lease.
Coastal	3.9 (3.3)	Revenue generated by the activities managed as part of our Coastal portfolio (includes ports & harbours, moorings, pontoons, dredging and outfalls)	33.1 (+1.8%)	32.5	Slight increase in capital value. The portfolio is characterised by a high volume of low value dealings, with a small number of high value dealings in the ports and oil & gas sectors.
Marine (Energy & Infrastructure)	6.1 (4.1)	Energy revenue is linked to energy output. Some projects started operating earlier than expected. Infrastructure revenue arises from cable & pipeline activities on the seabed.	187.4 (+50.5%)	124.5	Increase in value driven by Beatrice offshore wind farm generating electricity and other wind farms securing CfDs and making preparations for construction.
Marine (Aquaculture)	4.0 (4.6)	Reflects a drop in finfish production following higher than anticipated production the previous year. Aquaculture income is impacted by fish health management year-to-year, market demands and global trends - and potentially trading tariffs in the longer-term.	26.1 (-3.55%)	27.0	Value decrease largely reflects the drop in production during 2018.

Urban	0.9 (0.9)	Our urban property consists of retail and office spaces at 39-40 George St, Edinburgh. It provides reliable income stream with relatively low management costs	16.1 (-3.47%)	16.7	Decrease reflects valuation carried out at a time when there were vacancies. As at early 2019-20 there are no units vacant.
Total	19.0 (16.4)		385.8 (+15.9%)		

Best Value and value for money

The Board has corporate responsibility for promoting the efficient and effective use of resources and staff in accordance with the principles of Best Value. The Chief Executive has a duty to secure Best Value through continuous improvement in performance and having regard to economy, efficiency and effectiveness (value for money), as well as equal opportunities. Further detail is in our Framework Document.

Forward-look

Gross revenue for 2019-20 is projected at £19.3m. Our work will generate an estimated £8m for the public purse, representing 41.5% of gross revenue.

We anticipate capital expenditure of up to £8.3m with receipts of approximately £3.5m.

As our remit grows and new requirements relating to the Act come into force, our costs – including staff costs – will increase so that we can deliver more. We are keeping this under review and have robust controls in place to ensure effective budget and cash management. We are resourcing new areas of activity including The Value Project and implementation of the Local Management Pilots Scheme (e.g. work in GIS (spatial mapping), finance and legal). These are important strands of work designed to contribute to the long-term sustainability and productivity of Crown Estate Scotland and of the Scottish Crown Estate as a whole.

In 2019-20 we will review the balance of outsourced and inhouse support to ensure value for money. We may secure new office accommodation in 2020 for our central team.

In Section 3.3, we set out our internal control structure and how we manage resources.

Case study 4: Helping communities access seabed

As manager of just under half of Scotland's foreshore, we want to maximise opportunities for communities to access the economic and social benefits of marine leisure, including the growing marine tourism sector.

A key part of doing this is understanding our tenants' needs and our most recent coastal tenant survey told us that, while levels of satisfaction were high, they wanted to see us work more closely with local moorings associations and do more to tackle unlicensed moorings.

In 2018-19, our team carried out 265 visits to moorings associations, development trusts, marinas, businesses, individual tenants and others - - that's more than one visit every working day.

At Holy Loch our Clyde Community Marine Officer conducted an extensive survey to identify and remove abandoned or illegal moorings.

With the growth of the marine leisure sector in Scotland, more pressure is being put on locations such as Holy Loch and having abandoned or illegal moorings only intensifies that scarcity of space and facilities. Safe identification and removal of abandoned or illegal moorings helps local associations to attract more visitors.

In addition, our three Community Marine Officers have supported local moorings associations and groups to manage seabed for the benefit of their members. We now have agreements with 125 mooring groups and associations.

2.3 Non-financial information

In this section we give an overview of non-financial information that is key to our success as a public body, as an employer and as a responsible business.

2.3.1 Our people

On 31 March 2019, Crown Estate Scotland had 41 FTE staff (more detail is in section 3.2). Our current business model is based on this small core team with support from managing agents and other professional service providers. This model will evolve to deliver our 2020-23 Corporate Plan.

Following last year's staff survey, the staff fed into an action plan which included:

- Developing a new pay & conditions framework, which will be finalised and implemented in 2019-20;
- Building a new staff intranet to aid communication and collaboration;
- Staff and Board working together to form a new strategic framework, with workshops on our values, vision, roles etc.;
- Strengthening our communication on the new Act, working with Scottish Government colleagues to ensure or people are clear on how it may impact them;
- Instigating a skills & capacity review, including the creation of new roles to address concerns relating to workload. This has enabled us to create opportunities for internal promotion, addressing feedback related to the need for more progression;
- Delivering a range of training including line manager training; and
- Reviewing and expanded our induction process.

In last year's annual report we highlighted the possible impact of the pay & conditions review on staff morale. In addition, there is considerable and ongoing organisational change.

In 2019-20 we have committed to building capacity across all teams, recognising the need to match our growing remit and ambition with the right staff resource. We will start to implement our People Strategy (to include enhancing staff expertise to meet evolving business needs, and development) and roll-out a staff handbook.

We will also work with our recognised trade union PCS to agree our new pay & conditions framework, and then implement it as soon as possible thereafter to give staff clarity and ensure that we have a transparent and fair pay structure that is aligned with Scottish Government Pay Policy.

We will ensure that we retain our Living Wage accreditation.

Our commitment to staff equality and diversity is detailed in section X. Crown Estate Scotland's Chair is committed to enhancing the gender diversity of the Board, appointments to which are made by Scottish Ministers. Two female members were appointed in early 2019-20 and a further two female shadow Board members will join us for six-month periods to help bring new talent into the public appointments systems.

2.3.2 Health & Safety

Excellent Health & Safety (H&S) management is fundamental to the success of the organisation. We seek to meet all relevant H&S requirements, to continually improve our approach and management, and to embed a positive H&S culture throughout the business.

The management of H&S is regarded as a key material issue in relation to Crown Estate Scotland's business interests. This is reflected in the H&S framework document, the revised policies and procedures and the importance placed on H&S in staff objectives and operational business management.

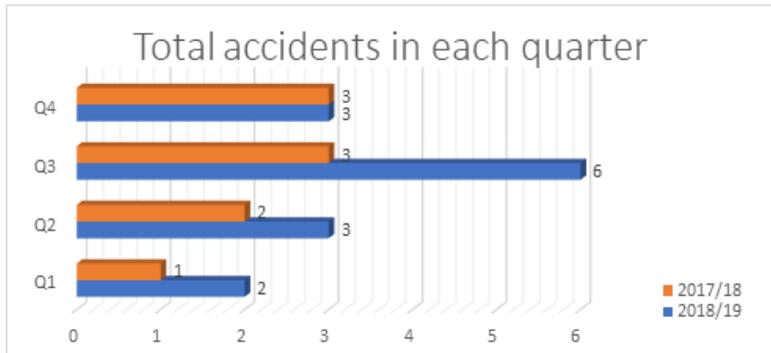
Our central H&S Committee meets quarterly and includes trade union representation. H&S is incorporated as an objective in all staff performance scorecards, is covered in detail in our indication process, and is a fixed item on all Board, senior management, staff and committee meeting agendas.

Chart X below shows recorded accidents and near misses related to staff in 2018-19 compared to 2017-18. In 2018-19 there were nine near misses / incidents and 19 accidents of which 14 were to employees, two to contractors working on site and three to members of the public. Of this, all were minor and resulted in no staff time off work.

There were no RIDDOR reportable staff accidents or incidents in the 12 months to 31 March 2019.

In 2018-19, a 'health check' review of the H&S framework was undertaken by the H&S consultant. This covered Crown Estate Scotland operations and the activity of the managing agents in relation to their responsibilities under the new policies. The review identified the need to put in place more robust resumption and recording policies and processes across all H&S management systems. This will ensure sufficient evidence of compliance is recorded to demonstrate that action has been taken.

Chart X: Staff accidents & near misses in 2018-19 compared to 2017-18



2.3.3 Public Interest Reporting

As a public body, Crown Estate Scotland is committed to full compliance with:

- Freedom of Information (Scotland) Act 2002 (“FOISA”)
- Environmental Information (Scotland) Regulations 2004 (“EIRs”)
- General Data Protection Regulation (GDPR) 2018
- Data Protection Act 1998.

Crown Estate Scotland also adopted the Scottish Public Sector Ombudsman’s model complaints handling procedure (CHP) in January 2018.

Table X: FOISA and EIR requests and responses

	2017-18	2018-19
Requests for information received	35	48
Requests for information responded to	35	44*
Percentage of requests responded to within 20 working days	97%	92%
Average response time (working days)	9	7.97
Number of reviews carried out	2	2

Number of cases appealed to the Scottish Information Commissioner	1	0
Decisions issued by the Scottish Information Commissioner	1	0

*some requests are still being processed within the statutory time limit

A quarter of the requests received were from the same requester, continuing a pattern established in the preceding year.

There have been four late responses (compared to one in 2017-18). Two of these were due to human error and processes have subsequently been reviewed.

Appeals

We received two requests for a review of Crown Estate Scotland's handling of their request. The reviews overturned the original decisions and the information was released.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

No appeals were made to the Scottish Information Commissioner during the period of this report.

Training

Training on freedom of information and on data protection is given as part of the induction process for new employees. Refresher training on freedom of information is being scheduled for all employees. Training on data protection has been delivered to staff and all staff are now undertaking an online training course which will be followed up with further face-to-face training.

Complaints

Three complaints were recorded in 2018-19 and responses were issued within the time limits set out in the CHP.

Training on CHP is covered in induction and we will offer further training to staff and work to raise internal awareness during 2019-20.

2.3.4 Sustainability

Environmental sustainability of the assets is key to our long-term success as an asset manager and investor, and to our ability to generate lasting value for Scotland.

We work with the Scottish Government, partners and communities to encourage sustainable practices, and continue to invest in public access and education activities to enhance public use and understanding of the natural environment.

This is demonstrated by activities including our:

- Work with tenants (on ecosystem restoration, woodland management, habitat and species management);
- Ranger team's educational work;
- Projects delivered through our partners (see for example marine litter in section 1.4.3 and Knotts to Watts in Case Study 3); and
- Management of forestry.

Crown Estate Scotland's assets are significant in supporting the delivery of Scottish Government objectives relating to the environment. Under the Wildlife and Natural Environment (Scotland) Act 2011, the 'Six Big Steps for Nature' set out in Scotland's Route Map to 2020 are integrated into our business planning. Our [Biodiversity Statement](#) was published in February 2018 and we will provide a publicly available report on actions taken to meet our biodiversity duty in 2021.

In 2018-19, we launched nine new projects across all four rural estates as part of our Biodiversity Actions Plans. Activity covers tackling invasive species, creating new woodland and peatland restoration. Our funding and operational activities with the National Lottery Heritage Fund (NHLF) grant-aided Tomintoul and Glenlivet Landscape Partnership supports the delivery of 20 projects that will provide a positive legacy for the local heritage, natural environment and community sustainability.

Crown Estate Scotland is also supporting the 'Investment in Natural Capital' as set out in the 2020 Routemap. We took a leading role in trialling the internationally recognised Natural Capital Protocol across the entire 23,000-hectare Glenlivet Estate, an upland tenant farm, and a lowland arable business on the Fochabers Estate. The final report from this trial will inform how farmers can potentially use a natural capital approach to inform what they do.¹⁹ In 2019-20 we are carrying out further trials, extending to the dairy sector, and exploring how we can use it to inform management of Scottish Crown Estate land.

We are developing a framework to measure and monitor social, economic and environmental impacts of our business decisions. The outputs of this work will be incorporated into the organisation's strategic and decision-making processes and used to monitor our ongoing contribution to generating lasting value for Scotland. We hope this project will be helpful not just for Crown Estate Scotland but for other asset managers in the public, private and third sectors.

Environment Assessment (Scotland) Act 2005

As a public body subject to the Environment Assessment (Scotland) Act 2005, we gauged the likely effects of our 2017-20 Corporate Plan on the environment in accordance with the criteria in Schedule 2 of the Act, concluding that the Plan was exempt under schedule 7 of the Act. In 2018-19, we conducted a Strategic Environmental Assessment (SEA) for our draft Investment Strategy. The feedback from this SEA has fed into a new investment strategy which forms part of the draft 2020-23 Corporate Plan. This will be subject to consultation and further statutory assessments in 2019-20 before being launched in 2020-21.

¹⁹ Available at <https://www.crownestatescotland.com/maps-and-publications/download/194>

Office operations

Our recycling and waste to landfill for 2018-19 is as follows. We have cited 2017-18 in brackets for comparison.

Measures in place to reduce the environmental impact of our direct operations focus on reducing landfill waste and minimising single use plastics. The pool car is a hybrid model.

The Glenlivet Estate office, which is also a visitor centre, has an electric vehicle charging point for public use and has been awarded the highest Green Tourism Gold Award by VisitScotland.

2018-19 saw us improve our recycling at our Edinburgh office facilities, with different types of materials being collected and clearer signage for staff in place.

More staff and partners are using both offices. This has led to increases in weight of recycled materials. A change in recording at Glenlivet to include waste from ranger activities has led to an increase in landfill.

Table X: 2018-19 weight of materials collected for recycling and landfill

Office	Recycled (kg) (2017-18)	Landfill (kg) (2017-18)
Edinburgh	2679 (2489)	2070 (6420)
Glenlivet	261.5 (174)	175 (90)

SIGNATURE

Simon Hodge

Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)

Date

3

Governance

This section explains the composition and organisation of Crown Estate Scotland's governance structures and how they support the achievement of our objectives.

3.1 Members' Report

Crown Estate Scotland is led by a Board comprising a Chair and up to eight other members, who are all appointed by Scottish Ministers. The current members are:

- Amanda Bryan (Chair)
- Dr Michael Foxley
- Andrew Macdonald (reappointed 1 May 2019)
- Robert Mackenzie
- Richard Morris (reappointed 1 May 2019)
- Hugh Raven
- Alister Steele MBE (reappointed 1 May 2019)
- Jean Lindsay (appointed 1 May 2019)
- Liz Leonard (appointed 1 May 2019)

Board members require to demonstrate appropriate levels of independence and objectivity. Members have, to the best of their knowledge, declared any conflict of interest to the Board and have disclosed in a Register of Interests details of any directorships, appointments or significant interests which may conflict with their role on the Board of Crown Estate Scotland.

As an organisation, Crown Estate Scotland is committed to equality and diversity and the Board signed the Scottish Government's Partnership for Change pledge on Board gender balance by 2020.

The role of the Board is set out in the Framework Document. The Board has set clearly defined delegations to its two committees, Audit & Risk Committee and Investment Committee, and to the Executive Team through a Scheme of Delegation.

A self-evaluation of the performance of the Board and of individual members was undertaken in 2018-19.

3.2 Statement of Accounting Officer's Responsibilities

As Accountable Officer, I confirm that the annual report and accounts are fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and for the judgements required to determine that it is fair, balanced and understandable.

I have taken all steps that I ought to have to ensure that I am aware of any relevant audit information and to establish that the auditors are also made aware of this information. As far as I am aware, there is no relevant audit information of which the auditors are unaware.

3.3 Governance Statement

The Board has a collective responsibility for maintaining a sound system of corporate governance and internal control that supports the achievement of Crown Estate Scotland's policies, aims and objectives whilst safeguarding public funds and assets. As Accountable Officer and Chief Executive Officer, I am personally responsible for the duties specifically assigned to me including:

- ensuring the propriety and regularity of Crown Estate Scotland's finances and that there are sound and effective arrangements for internal control and risk management
- ensuring that the resources of Crown Estate Scotland are used economically, efficiently and effectively and that appropriate arrangements are in place to secure Best Value for the organisation and to deliver Value for Money for the public sector as a whole
- ensuring compliance with relevant guidance issued by the Scottish Ministers, in particular the Scottish Public Finance Manual (SPFM)
- signing the annual accounts and associated governance statements
- obtaining written authority from the Board/Chair before taking any action which they consider would be inconsistent with the proper performance of the Accountable Officer functions

3.3.1 Governance Framework

Throughout the financial year, Crown Estate Scotland operated under an organisational structure with clearly defined lines of authority and accountability as set out in the Framework Document, the arrangements for Board and terms of reference for Audit & Risk Committee to provide:

- assurance to the Scottish Government that Crown Estate Scotland has in place an effective governance system, accountable to Scottish Ministers.
- transparency of the roles and responsibilities of the Board and the Audit & Risk Committee to demonstrate a shared governance agenda across Crown Estate Scotland to contribute to the achievement of the Scottish Government's Economic Strategy and National Performance Framework.
- assurance that the Board is focused on ensuring effective strategic leadership.
- assurance that there is a fully empowered Accountable Officer within Crown Estate Scotland, able to maximise productivity within a robust strategic framework.

As at the year end, the Board comprised seven non-executive members, including the Chair. It held seven Board meetings during the financial year to review Crown Estate Scotland's operational and financial performance compared to plan, business strategy and risk management as well as high level review and scrutiny of health and safety issues.

Crown Estate Scotland maintains an ongoing dialogue at all levels within Scottish Government. The Board met with the Cabinet Secretary for Environment, Climate Change and Land Reform to discuss future plans. The Chair and Chief Executive meet with officials from the Scottish Government to discuss a range of business issues and members of the Executive Team meet Scottish Government officials on a regular basis.

Reporting to the Board is the Chief Executive who has responsibility for the management of Crown Estate Scotland and the Audit & Risk Committee which scrutinises certain areas of activity in greater depth and makes recommendations to the Board as detailed below.

3.3.2 Audit & Risk Committee

The Audit & Risk Committee is chaired by Robert Mackenzie, a non-executive member with a business advisory and accountancy background and extensive public sector advisory and risk experience. Andrew Macdonald and Richard Morris were the other non-executive members who served on the Committee during the financial year.

The Committee review the financial report of Crown Estate Scotland and consider the results of the Auditor's opinion and review of the financial controls. It meets with management and with internal and external auditors to review the effectiveness of internal controls and business risk management.

The Committee adheres to the requirements of the Scottish Government's Audit Committee and Assurance Handbook.

Table 10: 2018-19 Board and Audit & Risk Committee attendance

Name	Board		Audit & Risk Committee	
	Held	Attended	Held	Attended
Amanda Bryan	7	7	-	-
Dr Michael Foxley	7	7	-	-
Andrew Macdonald	7	7	4	3
Robert Mackenzie	7	7	4	4
Richard Morris	7	5	4	3
Hugh Raven	7	6	-	-
Alister Steele MBE	7	7	-	-

3.3.3 Board and Committee performance

Formal annual evaluation processes are in place for all Board members. The Chair's evaluation will be conducted by the Director of Marine Scotland.

Induction and training is provided for non-executive Board members and they are encouraged to participate in training offered by the Scottish Public Bodies Unit.

3.3.4 Compliance

Throughout the financial year and up to the date of approval of the Annual Report and Accounts, Crown Estate Scotland complied with the Framework Document for Crown Estate Scotland (Interim Management) issued in September 2017.

In addition, Crown Estate Scotland complied with the SPFM which sets out the relevant statutory, parliamentary and administrative requirements, unless amended by the Framework Document or by specific derogation or prior agreement with Scottish Government or as noted in this statement.

Crown Estate Scotland has in place a Code of Conduct for Board members, as approved by the Scottish Ministers. In compliance with the Ethical Standards in Public Life, etc. (Scotland) Act 2000, the Code of Conduct for Board members is published on our website, together with the Board members' Register of Interests.

3.3.5 Risk and internal control framework

As at 31 March 2019, a suite of risk management documents appropriate for the size of Crown Estate Scotland, covering operational management for all areas of the business were in place and remain so up to the date of approval of the Annual Report and Accounts.

There is strong commitment to continuous improvement to address document development, revision, compliance monitoring and internal audit methods and requirements going forward.

3.3.6 Approach to risk management

The SPFM requires all public bodies to maintain a risk management system which complies with its guidelines. Crown Estate Scotland has a risk management strategy, policy and processes framed in accordance with the Scottish Government's Scottish Public Finance Manual.

The system of internal control that has been adopted is designed to manage rather than eliminate the risk of failure to achieve Crown Estate Scotland's aims and objectives. It can therefore only provide reasonable and not absolute assurance of complete effectiveness.

The risk management system includes processes for the identification, evaluation and mitigation of risk. Review and reporting of risk is undertaken at a strategic, operational and project level. Each identified

risk has a designated owner and actions are taken to manage the risk accordingly.

As new or changed risks emerge they are identified, evaluated, reviewed for alignment with the business plan and escalated if appropriate. All strategic level risks are actively managed, reviewed and updated by the Executive Team and reported to the Audit & Risk Committee on a quarterly basis and to the Board on at least an annual basis or as deemed appropriate. More on strategic risk is in section 2.1.

3.3.7 Internal Audit

With effect from 1 April 2018 Crown Estate Scotland employed the services of independent auditors, Scott-Moncrieff, to report on the adequacy and effectiveness of Crown Estate Scotland's system of internal control together with recommendations for improvement.

The work of internal auditors will be informed by an analysis of the risk to which Crown Estate Scotland is exposed. An Internal Audit Plan for a 3-year period, including a detailed plan for the audits prioritised to be undertaken in 2018/19, was agreed with input from Audit & Risk Committee and the Executive Team.

During the year Scott Moncrieff carried out an audit into the financial activities and transactions carried out by Managing Agents on behalf of Crown Estate Scotland. These services are delivered by outsourced providers and members of staff. The findings were discussed with the organisation and action plans drawn up to implement the recommendations.

A procurement exercise will be carried out during 2019/20 seeking internal audit services. Further development of the Internal Audit Plan is intended to build on the work that has already been carried out and to give greater assurance and coverage of the control environment.

3.3.8 External Audit

The Auditor General for Scotland is responsible to the Scottish Parliament for securing the audit of the financial statements of Crown Estate Scotland. Grant Thornton UK LLP was appointed by the Auditor General for Scotland as the external auditors for Crown Estate Scotland for the year ended 31 March 2019.

3.3.9 Personal Data Related Incidents

Crown Estate Scotland had no significant data-related incidents during 2018-19.

3.3.10 Public Services Reform (Scotland) Act 2010

In accordance with the Public Services Reform (Scotland) Act 2010, Crown Estate Scotland will publish the information on expenditure and certain other matters as required on the Crown Estate Scotland website (www.crownestatescotland.com) following the publication of the Annual Report and Accounts 2018-19.

3.3.11 Conclusion

As Accountable Officer I can confirm that I am fully content with the effectiveness of Crown Estate Scotland's existing arrangements to ensure appropriate standards of corporate governance and effective risk management.

Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)

Date

Annex B

3.4 Remuneration and Staff Report

Remuneration Policy

The remuneration policy governing our management and employees is set by the Board. The Scottish Ministers are responsible for approving Crown Estate Scotland's remuneration policy.

Service Contracts

Our employees are crown servants. Crown Estate Scotland does not operate a remuneration committee however the terms and conditions of service applicable to the Chief Executive and Accountable Officer are subject to a separate approval exercise. The remuneration elements of this appointment are subject to the approval of the Scottish Government at the outset and annually, in line with the Scottish Government's Public Sector Pay Policy for Senior Appointments.

Board members are appointed by the Scottish Ministers in accordance with the Crown Estate Scotland (Interim Management) 2017 Order and in line with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, as issued by the Commissioner for Ethical Standards in Public Life in Scotland.

Remuneration of the Board (*subject to audit opinion*)

	Fees £'000 2018/19	Fees £'000 2017/18
Amanda Bryan (Non-executive member, Chair of the Board)	25-30	25-30
Dr Michael Foxley (Non-executive member)	0-5	0-5
Andrew MacDonald (Non-executive member)	0-5	0-5
Robert Mackenzie (Non-executive member, Chair of the Audit & Risk Committee)	0-5	0-5
Richard Morris (Non-executive member)	0-5	0-5
Hugh Raven (Non-executive member)	0-5	0-5
Alister Steele MBE (Non-executive member, Chair of the Investment Committee)	0-5	0-5

Board members did not receive any benefits in kind, bonuses or performance related pay. All members noted above served throughout the financial year.

Remuneration and pension benefits of the Chief Executive

Simon Hodge succeeded Ronnie Quinn as Chief Executive and Accountable Officer. Mr Quinn left Crown Estate Scotland on 31 March 2018 and Mr Hodge joined on 11 April 2018.

	Salary £'000	Pension Benefits* £'000	Total £'000
Simon Hodge	101	167	268

*The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

	Accrued pension at pension age as at 31.03.19 £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31.03.19 £'000	CETV at 31.03.18 £'000	Real increase in CETV £'000
Simon Hodge	45-50 plus a lump sum of 125 - 130	7.5-10 plus a lump sum of 22.5-25	1,018	767	158

During the prior year to 31 March 2018 Crown Estate Scotland entered into an agreement with Ronnie Quinn, the terms of which provided that a payment in compensation for loss of office would be payable, subject to the fulfilment of certain conditions. In April 2018 these conditions were satisfied and a payment of £94,425 made.

Salary

Salary includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued costs to Crown Estate Scotland and thus recorded in these accounts.

Bonuses

Most members of staff are contractually eligible to participate in a discretionary bonus scheme that may operate from time to time. Bonuses are based on performance levels attained and are awarded as part of Crown Estate Scotland's appraisal process. They relate to performance in the 12 months ended 31 March 2019 and a sum of £125,469 has been included as an accrual in the financial statements. Bonuses are payable following the end of the financial year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind provided during the period.

Exit packages

Other than the payment to Ronnie Quinn for compensation for loss of office there were no exit packages agreed or paid during the financial year.

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Civil Service Pensions

Pension benefits are provided through Civil Service Pensions. Further details can be found at: www.civilservice.gov.uk/pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefits scheme. As a result, we are unable to identify our share of underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2015. Further details can be found in the resource accounts of the Cabinet Office Civil Superannuation at: www.civilservicepensionscheme.org.uk/about-us/resource-accounts

During the 12 months ended 31 March 2019 employers' contributions of £467,586.20 were payable to PCSPS at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions typically every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018/19 to be paid when the member retires, not the benefits paid during this period to existing pensioners.

Fair Pay Disclosure (*subject to audit opinion*)

	2018/19	2017/18
Band of highest paid employee's total remuneration £'000	100-105	180-185
Remuneration range £'000	18-104	18-182
Median total remuneration of all employees £	45,741	47,391
Ratio	2.24	3.85

Total remuneration includes salary and bonus payments. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The variance in the ratio (of highest paid employee to the median remuneration of employees) from the prior year to current year primarily arises from the change in remuneration of the Chief Executive's role on its appointment in April 2018.

Staff Report

As at 31 March 2019 there were 43 staff in post and seven non-executive members. The split by seniority and gender is detailed below

for the total number of persons employed, and by the average number of full time equivalent persons employed.

Staff Numbers and Gender Composition

	Head Count 2018/19		Head Count 2017/18		Permanent Staff FTE 2018/19		Permanent Staff FTE 2017/18	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	6	1	6	1	n/a	n/a	n/a	n/a
Senior Management	3	2	2	2	3	2	2	2
Other Employees	19	19	15	16	18	18	15	16

Amanda Bryan, Crown Estate Scotland's Chair, has expressed her commitment to improving the gender balance of the Board, as circumstances allow.

Permanent staff includes staff employed on fixed term contracts. Crown Estate Scotland occasionally engages agency staff in relation to short-term projects or vacancy cover. There were no agency staff in place at 31 March 2019.

Staff Costs (*subject to audit opinion*)

	2018/19 £m	2017/18 £m
Wages and salaries	2.1	1.9
Social security costs	0.2	0.2
Other pension costs	0.4	0.3
Total costs	2.7	2.4

Sickness Absence Data

Our level of sickness absence for 2018/19 was 4.7 average working days lost (AWDL) (2017/18 - 2.9). Adjusting for incidences of long-term sickness the average number of days lost per employee was 1.6 days (2017/18 - 1.4 days).

Staff Policies

We are committed to eliminating discrimination and encouraging equality and diversity amongst our workforce.

We have developed a Crown Estate Scotland policy and procedure on ensuring equality and diversity in the workplace, which is widely available to staff. The purpose of this policy is to provide equality and fairness for all and not to discriminate because of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic origins), religion or belief, sex or sexual orientation. We oppose all forms of unlawful and unfair discrimination.

Our equality and diversity policy states our commitment to:

- creating an environment in which individual differences and the contributions of all our employees are recognised and valued;
- encouraging a working environment that promotes equality and diversity;
- no form of intimidation, bullying or harassment being tolerated whether direct, indirect, associative or by perception;
- offering training, development and progression opportunities to all of our employees;
- recognising the varied contributions that a diverse workforce makes to the business;
- reviewing all employment practises and procedures to ensure fairness; and
- ensuring compliance with the Equalities Act 2010.

Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)

3.5 Parliamentary Accountability and Audit Report

Regularity of Expenditure

In all material respects the expenditure and income in the accompanying financial statements were incurred or applied in accordance with the Crown Estate Act 1961 (as amended) and guidance issued by the Scottish Ministers.

Losses and Special Payments

Other than trade debts provided for during the year, as reported in note 21 of these financial statements, Crown Estate Scotland did not incur designated losses or make any other special payments during the 2018/19 financial year.

Fees and Charges

The Crown Estate Act 1961 provides that best consideration in money, or money's worth, must be achieved for any sale, lease or other form of disposal of Crown Estate assets or rights. In practice this means obtaining the optimum market value and terms for lease, sale and other transactions undertaken in the course of the management of the assets.

Where possible to do so, Crown Estate Scotland seeks to recover its transactional costs from the other transacting party.

Remote Contingent Liabilities

Crown Estate Scotland did not have any contingent liabilities as at 31 March 2019.

Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)

Date

4

Financial Statements

Independent Auditor's Report

This report is made solely to the parties to whom it is addressed in accordance with the Crown Estate Act 1961 (as amended) and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Crown Estate Scotland (Interim Management) for the year ended 31 March 2018 under the Crown Estate Act 1961 (as amended). The financial statements comprise the Statements of Comprehensive Income, the Statement of Financial Position, the Cash Flow Statement, the Statement of changes in capital and reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with section 2(5) of the Crown Estate Act 1961 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Crown Estate Act 1961 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officers' Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Crown Estate Act 1961 (as amended).

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Crown Estate Act 1961 (as amended) and directions made thereunder by the Scottish Ministers.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Annual Report and Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the directions made under the Crown Estate Act 1961 (as amended) by the Scottish Ministers; and
- the information given in the Corporate Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Joanne Brown, for and on behalf of Grant Thornton LLP

Date 30 August 2018

110 Queen Street,
Level 8
Glasgow
G1 3BX

Statements of comprehensive income

For the year ended 31 March 2019

Revenue account

	Note	2018/19 £m	2017/18 £m
Revenue	6	19.0	16.4
Costs	7	(6.0)	(5.8)
Operating profit		13.0	10.6
Investment income	10	0.1	0.0
Net operating profit before depreciation, capital transfer agreements and Statutory transfers		13.1	10.6
Depreciation of tangible fixed assets	19	(0.2)	(0.2)
Net operating profit before capital transfer agreements and Statutory transfers		12.9	10.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreements	11	(1.3)	(1.3)
Statutory transfers	14	(0.2)	(0.1)
Net consolidated revenue account profit		11.4	9.0
Statement of comprehensive income of the revenue account			
Net revenue account profit - distributable to the Scottish Government Consolidated Fund		11.4	9.0
Total comprehensive revenue account profit		11.4	9.0

Capital account

	Note	2018/19 £m	2017/18 £m
Revenue	6	-	-
Charge from revenue for salary costs	9	(0.7)	(0.7)
Capital impairment	20	(2.1)	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	12	83.5	54.1
Capital profit before capital transfer agreements and Statutory Transfers		80.7	53.4
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreements	11	1.3	1.3
Statutory transfers	14	0.2	0.1
Net capital account profit		82.2	54.8
Statement of comprehensive income of the capital account			
Net capital account profit		82.2	54.8
Items that will not be reclassified subsequently to the capital account:			
Deficit on revaluation of owner occupied properties	12	-	-
Total comprehensive capital account profit		82.2	54.8

Statement of financial position

As at 31 March 2019

	Note	2018/19 £m	2017/18 £m
Assets			
Non-current assets			
Investment properties	16	385.8	324.6
Owner occupied property	17	-	-
Plant and equipment	19	0.5	0.6
Receivables due after one year	20	7.6	10.1
Total non-current assets		393.9	335.3
Current Assets			
Inventory		0.1	0.2
Trade and other receivables	21	8.0	7.8
Cash and cash equivalents	22	40.1	10.9
Total current assets		48.2	18.9
Total assets		442.1	354.2
Liabilities			
Current Liabilities			
Payables - amounts falling due within one year	23	9.7	10.0
Total current liabilities		9.7	10.0
Payables - amounts falling due after more than one year	23	6.0	-
Total liabilities		15.7	10.0
Net assets		426.4	344.2
Capital and reserves			
Capital reserve		426.4	344.2
Revaluation reserve		-	-
Total capital and reserves		426.4	344.2

Simon Hodge
Chief Executive and Accountable Officer
Crown Estate Scotland (Interim Management)

Date

Cash Flow Statement

For the year ended 31 March 2019

	Note	2018/19 £m	2017/18 £m
Cash generated from operating activities			
Net operating profit – consolidated revenue account		12.9	10.4
(Increase)/decrease in receivables		(0.2)	0.1
Increase/(decrease) in payables		6.1	0.3
(Increase)/decrease in provisions		0.1	(0.2)
Interest received		0.1	-
Depreciation and impairment		0.2	0.2
Net cash flow from operating activities		19.2	10.8
Cash flows from investing activities			
Capital expenditure on investment properties		(4.2)	(2.9)
Proceeds from disposal of investment properties		5.9	5.0
Proceeds arising from overage events on investment property agreements		19.7	-
Other capital receipts		0.4	2.5
Net cash flow from investing activities		21.8	4.6
Cash flows from financing activities			
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents before Scottish Government Consolidated Fund payment			
Scottish Government Consolidated Fund payment		(11.8)	(4.5)
Increase in cash in the year after Scottish Government Consolidated Fund payment		29.2	10.9
Cash and cash equivalents at start of the year		10.9	-
Cash and cash equivalents at end of the year	22	40.1	10.9

Statement of changes in capital and reserves

For the year ended 31 March 2019

	Revenue Account	Capital Account		Total
	Revenue reserve available for distribution to the Scottish Government Consolidated Fund £m	Capital Reserve £m	Revaluation Reserve £m	£m
As at 1 April 2018	-	344.2	-	344.2
Net profit for the financial year	11.4	82.2	-	93.6
Introduction of capital	-	-	-	-
Other comprehensive income	-	-	-	-
Revaluation deficit of owner occupied properties	-	-	-	-
Total comprehensive profit for the year ended 31 March 2019	11.4	82.2	-	93.6
Due to the Scottish Government Consolidated Fund - paid in year	(7.3)	-	-	(7.3)
Due to the Scottish Government Consolidated Fund - payable	(4.1)	-	-	(4.1)
As at 31 March 2019	-	426.4	-	426.4

Notes to the financial statements

1. Basis of preparation

The Crown Estate Scotland Order (Interim Management) 2017 require that the body's initial financial year reflect the period from the date on which the legislation came into effect, 16 February 2017, to 31 March 2018. The management of the Crown Estate in Scotland was transferred to Crown Estate Scotland on 1 April 2017 – prior to that date the entity did not trade nor acquire any assets or liabilities. References in the financial statements to results for the year ended 31 March 2018 therefore also equate to results for the period from 16 February 2017 to 31 March 2018.

These financial statements have been prepared on a going concern and an accruals basis under the historic cost convention, modified to include investment properties, owner occupied properties and other investments at fair value. They are prepared in accordance with section 2(5) of the Crown Estate Act 1961 (as amended by the Scotland Act 2016) and with directions made thereunder. The accounts will, so far as appropriate, comply with the SPFM and the accounts direction issued by the Scottish Ministers under the Crown Estate Act 1961 (as amended). The particular policies adopted by Crown Estate Scotland are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in *International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors*.

Impact of the Crown Estate Act 1961 on the financial statements

Crown Estate Scotland is a body corporate regulated by Statute and domiciled in the United Kingdom. The provisions of the Crown Estate Act 1961, specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that Crown Estate Scotland resembles a trust, in which the revenue beneficiary is the Scottish Government Consolidated Fund and the capital is held for Her Majesty and Her Successors. Section 2(4) of the Act requires capital and revenue to be distinguished in the accounts and for provision to be made for recovering capital expenditure from revenue where appropriate and the accounts are prepared on that basis. The section then specifies that:

- any sum received by way of premium on the grant of a lease shall be carried to the revenue account if the lease is for a term of 30 years or less and to the capital account if the lease is for a term exceeding 30 years; and
- net earnings from mineral workings shall be carried one half to the capital account and one half to the revenue account.

To meet the requirements of the Crown Estate Act 1961, and directions made by the Scottish Ministers, the movements in comprehensive income are analysed between revenue and capital accounts. The capital account includes profits or losses arising on the sale of investment properties, the realisation of revaluation gains, the income arising on the grant of operating leases over land in exchange for a premium, the charge from revenue for salary costs, and the transfers between the capital and revenue account as required by Statutory provisions and capital transfer agreements. IFRS cannot be complied with in one respect due to the Crown Estate Act 1961. Where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the revenue account. This conflicts with the treatment required under IFRS, which requires such income to be spread over the lease term. However the impact is not regarded as material.

Treasury agreements

The Crown Estate Act 1961 allows adjustments between revenue and capital specifically for the purposes of recouping capital expenditure out of revenue. As Crown Estate Scotland is restricted in its ability to borrow, capital transfer agreements provide Crown Estate Scotland with a reliable and predictable source of capital. By agreement with the Scottish Ministers, the mechanism by which the revenue account is charged is calculated as an amount equivalent to 9 per cent of the previous year's gross revenue and after taking into account depreciation of plant and equipment. As 2017/18 was the first year of trading for Crown Estate Scotland the Scottish Ministers have agreed that the calculation for that year be based on the actual turnover achieved within the year.

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial Instruments came in to force with effect from the current financial year. No other financial standards have been adopted during the financial year.

2. Significant accounting policies

2a. Properties

Properties are valued by independent external valuers at the balance sheet date. The valuations have been carried out in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

Fair value measurement of investment property

IFRS 13 requires the use of valuation techniques for which sufficient data are available, maximising the use of observable inputs and minimising the use of unobservable inputs. The degree of detail of the disclosure depends on the observability of the inputs used. For this purpose, IFRS 13 establishes a fair value hierarchy that classifies the inputs into three levels:

- Level 1: unadjusted quoted prices in active markets
- Level 2: observable inputs other than quoted prices included within Level 1
- Level 3: unobservable and observable inputs where significant adjustments have been applied.

Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties and those in the course of construction are held at fair value. They are valued on the basis of open market value. When Crown Estate Scotland begins to redevelop an existing investment property for continued future use as an investment property, the property remains an investment property and is accounted for as such. Energy and mineral assets are valued only where a letting or licence exists, where an entry has occurred, or where an interest is expected to provide either a revenue cash flow or capital receipt within the foreseeable future. Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties consist of costs of a capital nature. At the balance sheet date investment properties are revalued to fair value. Any surplus or deficit arising on revaluing investment properties is recognised in the consolidated capital account.

Investment properties under development

Investment properties under development comprise properties subject to a major programme of redevelopment or development. They are categorised as such from the start of the programme until practical completion.

Owner occupied properties

Any surplus or deficit arising on the revaluation of properties occupied by Crown Estate Scotland is taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain previously recognised is taken to the consolidated capital account. These properties include a Countryside Rangers' centre on the Glenlivet estate and a work store on the Fochabers estate.

Disposals

Disposals are recognised at the date of legal completion. Profits and losses arising on disposal are recognised through the consolidated capital account. The profit or loss on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus additions in the period

and costs of sale. Properties are transferred between categories at the estimated market value on the date of transfer.

2b. Inventories

Inventories comprises timber that has been felled but not removed from site by the purchaser and title has not passed from Crown Estate Scotland. The valuation of inventories is assessed, taking into account the final sales value and the relevant stage of the timber harvesting.

2c. Leases

Crown Estate Scotland as lessor – operating leases

Leases granted to tenants where substantially all the risks and rewards of ownership are retained by Crown Estate Scotland as lessor are classified as operating leases. Where a premium is received in exchange for the grant of a long leasehold interest, the premium is taken to deferred income and released to revenue in the consolidated capital account over the life of the lease. Under the requirements of the Crown Estate Act 1961 a lease premium received on the grant of a lease with a lease term of 30 years or less is taken to revenue in the consolidated revenue account in the year that it is granted.

Crown Estate Scotland as lessee – finance leases

Leasehold properties are recognised as an asset as the sum of the premium paid on acquisition and the present value of minimum ground rent payments. The corresponding rent liability to the head leaseholder is included in the balance sheet as a finance lease obligation.

2d. Other property, plant and equipment

These assets are stated at cost less accumulated depreciation and are depreciated on a straight-line basis over their estimated useful lives as follows:

- Vehicles: 4-10 years depending on the nature of the vehicle
- Plant and Machinery: 4-25 years (pontoons are included in this category and have a useful life of 25 years)
- Computer equipment: 4 years
- Fixtures and Fittings: 4 years
- Office equipment: 4 years

Useful lives and estimated residual values are reviewed annually.

2e. Revenue

Revenue is recorded net of VAT and represents the total value of:

Rental income

Rental income is recognised on a straight-line basis over the term of the lease. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Where a rent free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of the lease commencement to the earliest termination date.

Royalties

Royalty income is received in return for the extraction of minerals, including aggregates, from the land and seabed.

Other income

Other income categories comprise income from lease premiums received on the grant of a lease with a lease term of 30 years or less, the sale of produce, miscellaneous fees and sundry income.

2f. Taxation

Crown Estate Scotland is not subject to corporation, income or capital gains tax. The revenue profit is paid to the Scottish Government Consolidated Fund and will be used for the benefit of the taxpayer.

2g. Banking

Crown Estate Scotland operates a number of bank accounts, ensuring separation of revenue and capital funds. This arrangement is allowable under the Crown Estate Scotland (Interim Management) Order 2017.

2h. The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. Crown Estate Scotland is unable to identify its share of the underlying assets and liabilities and as such has accounted for the scheme as a defined contribution scheme. A full actuarial valuation was carried out as at 31 March 2015. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

3. Significant judgements, key assumptions and estimates

3a. Trade receivables

The basis of arriving at the provision for impairment of receivables is as follows:

For both rental and non-rental debts the managing agents responsible for the dealing are instructed to review each debt and advise as to its recoverability. Management centrally also review the exposure to different market sectors and make further provision where there is objective evidence of impairment.

3b. Unsettled rent reviews

Where the rent review date has passed, and the revised annual rent has not been agreed, rent is accrued from the date of the rent review based upon the estimation of the revised annual rent. The estimate is derived from knowledge of market rents for comparable properties.

3c. Operating leases

Judgement has been exercised in identifying that in all material respects, where Crown Estate Scotland is the lessor such leases are operating leases. In exercising this judgement, consideration has been given to the nature and economic life of the buildings which are all held within investment properties, and whether the risks and rewards of ownership remain with Crown Estate Scotland. In instances where a premium has been received on the grant of a long lease the same considerations have been applied. In instances where a long lease has been granted in exchange for a premium and the building is 'substantial' in nature, the useful economic life of the building is judged to be greater than the lease length regardless of the lease term.

3d. Property valuations

Investment properties and owner occupied properties are shown at fair value in accordance with valuations carried out by independent valuers. Valuations are based on a number of key assumptions including an estimate of future rental income.

4. Changes in accounting policies not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations were issued but not yet adoptive.

IFRS 16 - Leases is effective from the financial year ending 2019-20. The projected impact of this is not expected to be material.

5. Segmental Analysis

Business segmental analysis

All Crown Estate Scotland's operations are in Scotland and are currently organised into five operating divisions. The divisions are: Rural, Coastal, Marine, Urban and Corporate. These divisions are the basis on which Crown Estate Scotland monitors its operations and upon which decisions are made by the Board.

Revenue Account

	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Year ended 31 March 2019 Total £m	Year ended 31 March 2018 Total £m
Rent and royalties	6	3.3	3.9	10.1	0.9	-	18.2	16.2
Produce	6	0.8	-	-	-	-	0.8	0.2
Revenue		4.1	3.9	10.1	0.9	-	19.0	16.4
Direct costs:								
Management fees and costs	7	(0.8)	(0.6)	(0.1)	-	-	(1.5)	(1.5)
Repairs and maintenance	7	(0.4)	-	-	-	-	(0.4)	(0.3)
Other direct expenditure	7	(0.8)	(0.2)	(0.3)	(0.1)	-	(1.4)	(1.5)
Total direct costs		(2.0)	(0.8)	(0.4)	(0.1)	-	(3.3)	(3.3)
Gross profit		2.1	3.1	9.7	0.8	-	15.7	13.1
Indirect costs:								
Administrative expenses	8	-	-	-	-	(2.7)	(2.7)	(2.5)
Total indirect costs		-	-	-	-	(2.7)	(2.7)	(2.5)
Operating profit/(loss)		2.1	3.1	9.7	0.8	(2.7)	13.0	10.6
Investment Revenue	10	-	-	-	-	0.1	0.1	-
Net operating profit/(loss) before depreciation, capital transfer agreements and Statutory transfers		2.1	3.1	9.7	0.8	(2.6)	13.1	10.6
Depreciation of tangible fixed assets	19	-	-	-	-	(0.2)	(0.2)	(0.2)
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		2.1	3.1	9.7	0.8	(2.8)	12.9	10.4
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	11	-	-	-	-	(1.3)	(1.3)	(1.3)
Statutory transfers	14	-	-	-	-	(0.2)	(0.2)	(0.1)
Net revenue account profit/(loss) distributed to the Scottish Government Consolidated Fund		2.1	3.1	9.7	0.8	(4.3)	11.4	9.0

Capital Account

	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Year ended 31 March 2019 Total £m	Year ended 31 March 2018 Total £m
Income from sale or leases	6	-	-	-	-	-	-	-
Charge from revenue account for salary costs	9	(0.1)	-	(0.5)	-	(0.1)	(0.7)	(0.7)
Capital impairment	20	-	-	(2.1)	-	-	(2.1)	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	12	2.0	0.5	81.6	(0.6)	-	83.5	54.1
Capital profit/(loss) before capital transfer agreements and Statutory Transfers		1.9	0.5	79.0	(0.6)	(0.1)	80.7	53.4
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	11	-	-	-	-	1.3	1.3	1.3
Statutory transfers	14	-	-	-	-	0.2	0.2	0.1
Net capital account profit		1.9	0.5	79.0	(0.6)	1.4	82.2	54.8

Consolidated Statement of Financial Position

	Note					Year ended	Year ended	Total £m	Total £m
		Rural £m	Coastal £m	Marine £m	Urban £m	31 March 2019 £m	31 March 2018 £m		
Non-current assets:									
Investment properties	16	123.2	33.1	213.4	16.1	-	385.8	324.6	
Owner occupied property	17	-	-	-	-	-	-	-	
Plant and equipment	19	-	0.4	-	-	0.1	0.5	0.6	
Receivables due after one year	20	0.3	-	7.3	-	-	7.6	10.1	
Total non-current assets		123.5	33.5	220.7	16.1	0.1	393.9	335.3	
Unallocated current assets							48.2	18.9	
Unallocated liabilities							15.7	(10.0)	
Net assets							426.4	344.2	
Acquisitions and capital expenditure	16	4.4	0.1	0.7	-	0.1	5.3	278.6	

6. Revenue

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Revenue account		
Rent and royalties	18.2	16.2
Produce	0.8	0.2
Total revenue reflected in the revenue account	19.0	16.4
Capital account revenue		
Revenue – amortisation of income from grant of lease premia	-	-

7. Costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Management fees and costs	1.5	1.5
Repairs and maintenance	0.4	0.3
Other direct expenditure	1.4	1.5
Administrative expenses (see note 8)	2.7	2.5
Total costs reflected in revenue account	6.0	5.8

8. Administrative Expenses

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Members' remuneration	0.1	0.1
Management and administration expenses	2.6	2.4
	2.7	2.5

Auditors' remuneration of £63,050 is included within Management and administration expenses. This is split between internal audit, £30,000, and external audit, £33,050..

9. Staff Costs

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Wage and salaries	2.1	1.9
Social security costs	0.2	0.2
Pension costs - defined benefit scheme	0.4	0.3
Total staff costs	2.7	2.4
Less staff costs charged to capital account	(0.7)	(0.7)
Staff costs reflected in the revenue account	2.0	1.7
Included in:		
Administrative expenses	1.3	1.0
Direct costs	0.7	0.7
Charged to the capital account	0.7	0.7
	2.7	2.4
	Number	Number
The average number of employees during the year	41	36

10. Investment Income

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Bank interest receivable	0.1	-

11. Recovery of capital expenditure under the Crown Estate Act 1961, The Crown Estate Scotland (Interim Management) Order 2017 and by capital transfer agreement

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
By agreement with the Scottish Ministers the income account is charged with an amount as disclosed in note 1		
Total recovered from the capital account	1.3	1.3
Depreciation of fixed assets charged as costs in the income account	0.2	0.2
Total recovered under capital transfer agreements	1.5	1.5

12. Net revaluation gains in property and investments (including profit/(loss) on disposal)

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Reflected in the capital account:		
Surplus on revaluation of investment properties	62.0	51.7
Adjustment for gross up for deferred rent movement	-	-
Gain on disposal of investment properties and overage events on investment property agreements	21.5	2.4
Deficit on revaluation of owner occupied properties	-	-
Net revaluation gains on investment property (including profit/(loss) on disposal)	83.5	54.1

13. Financial Instruments

Under IFRS 7 "Disclosure & Presentation of Financial Instruments", we are required to disclose information about the significance of financial instruments held over the year and the nature and extent of risks arising from those financial instruments. We are not exposed to the degree of financial risk faced by other business entities because of the way we are funded. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing us in undertaking our activities.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Financial Assets		
Long term receivables (note 20)	7.6	10.1
Trade receivables (note 21)	4.5	5.4
Other receivables (note 21)	0.3	0.1
Accrued income (note 21)	3.1	2.2
Cash and Cash Equivalents (note 22)	40.1	10.9
Prepayments (note 21)	0.1	0.1
	55.7	28.8

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Financial Liabilities		
Long term payables (note 23)	6.0	-
Trade payables (note 23)	0.1	0.1
Rents received in advance (note 23)	4.0	3.9
VAT and other taxes payable (note 23)	0.8	0.5
Accruals and deferred income (note 23)	0.6	0.6
Due to the Crown Estate Commissioners (note 23)	0.1	0.4
Due to the Scottish Government Consolidated Fund (note 23)	4.1	4.5
	15.7	10.0

Liquidity risk

Crown Estate Scotland is self-financing and a net contributor to the Scottish Government Consolidated Fund. Crown Estate Scotland's input to budget and outturn reporting is restricted to the amount of net profit contribution and the timing of payments to the Scottish Government. As a public organisation, and in accordance with the Crown Estate Scotland (Interim Management) (2017) Order, Crown Estate Scotland can request to borrow finances from the Scottish Government if required. Crown Estate Scotland's exposure to liquidity risks is therefore limited.

Fair values

Assets and liabilities are carried at fair value in the balance sheet. All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13 (see note 18).

14. Statutory Transfers

Under the provisions of the Crown Estate Scotland (Interim Management) Order 2017 the following amounts are carried to the capital account from the revenue account. Gross annual income received, and the expenses incurred, from or in connection with mining leases or the working of mines or minerals are carried or charged one half to the capital account and one half to the revenue account.

	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Transfer from revenue account to capital account:		
Mining and/or mineral dealings	0.2	0.1

15. Scottish Government Consolidated Fund Payment

In accordance with section 1 of the Civil List Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. £7.3million was paid to the Scottish Government prior to the year end and a further £4.1m is included within payables.

16. Investment Properties

Portfolio	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Fair value at 01 April 2018	123.9	32.5	151.5	16.7	-	324.6
Acquisitions	-	-	-	-	-	-
Capital expenditure	4.4	0.1	0.7	-	0.1	5.3
Capital receipts	(0.1)	-	(0.3)	-	-	(0.4)
Disposals	(5.0)	-	-	-	-	(5.0)
Revaluation	0.0	0.5	61.5	(0.6)	(0.1)	61.3
At closing valuation	123.3	33.1	213.4	16.1	-	385.8
Deferred income from lease premia received	-	-	-	-	-	-
Fair value at 31 March 2019	123.2	33.1	213.4	16.1	-	385.8

Included in deferred income from lease premia received is £41,059, amortised in accordance with the provisions of the Crown Estate Act 1961 (notes 1 and 23).

All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable and observable inputs where significant adjustments have been applied to determine specific property valuations, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The property portfolio was valued on 31 March 2019 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 18.

17. Owner occupied property

	£m	£m
Fair value at 01 April 2018	0.04	-
Capital expenditure	-	-
Revaluation	-	0.04
Fair value at 31 March 2019	0.04	0.04

Owner occupied properties are classified as Level 3 within the value hierarchy as defined within IFRS 13. Level 3 inputs used in valuing the properties are those which are unobservable, as opposed to Level 1 (inputs from quoted prices) and Level 2 (observable inputs either directly, i.e. as prices, or indirectly, i.e. derived from prices).

The property was valued on 31 March 2019 by Strutt & Parker, independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. Information about the fair value measurement of owner occupied properties is set out in note 18.

18. Fair value measurement of properties

For all investment property that is measured at fair value, the current use of the property is considered the highest and best.

Valuation process

The entire portfolio is valued on an annual basis by independent and qualified valuers on a fair value basis in accordance with IFRS 13, the RICS Valuation – Professional Standards (The Red Book) January 2016 and VPGA 1 guidance therein regarding Valuation for inclusion in financial statements. Crown Estate Scotland provides data to the valuers, including current lease and tenant data along with asset specific business plans. The valuers use this and other inputs, including market transactions for similar properties, to produce valuations. These valuations and the assumptions they have made are then discussed and reviewed with the asset management team, the senior management team and the members. The annual valuation is presented to and is endorsed by the Investment Committee.

Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the consolidated balance sheet.

All are considered as Level 3 in the fair value hierarchy.

Class of property	Fair value at 31 March 2019 £m	Predominant valuation technique	Key observable inputs	Range	Principal valuer
Rural and Coastal portfolio:					
Agricultural	101.6	Comparable/Investment	Proportion of vacant possession Yield	48%-100% 2%-4%	Strutt & Parker
Coastal	33.1	Investment	Yield	6.5%-15%	Bidwells
Forestry	19.1	Comparable	Land value Timber value	£1,150-£3,300 £300-£5,900	Tim R Kirk
Minerals	2.5	Investment	Yield	7%-25%	Wardell Armstrong
	156.3				
Marine portfolio:					
Renewables – Offshore Wind	163.0	Investment/DCF	Yield Discount rates	4.5%-16% 8%-25%	JLL
Renewables – Wave & Tidal	0.2	DCF	Discount rates	10%-27.5%	Powis Hughes
Cables & Pipelines	24.1	Investment	Yield	6%-10%	Powis Hughes
Aquaculture	26.1	Investment	Yield	12.81%-17.81%	Savills
	213.4				
Urban portfolio:					
Offices		Investment	ERV Yield ERV Yield	£24-£26 psf 6.25% - 7% £190 psf ZA 5.5%	JLL
Retail		Investment			JLL
	16.1				
Total all portfolios at valuation	385.8				

Owner occupied property valued at £0.04m is included in Agricultural properties and valued on a vacant possession basis.

The fair value of investment property is determined using the following valuation methods:

Investment Method

The Investment Method has been used which involves estimating the rental value of each lettable unit within the property, making an assessment of void periods and other costs of letting and then capitalising at an appropriate rate. Hope value has been included where there is future reversionary potential, e.g. conversion of property for an alternative use.

Discounted cash flow (DCF)

This involves the projection of cash flows to which an appropriate market-derived discount rate, and an attrition rate if appropriate, is applied to establish the present value of the income stream.

Comparable method

An indication of value arrived at by comparing information of the subject asset with similar assets for which valuation data is available.

Wind farms

Each Round 1 and Round 2 wind farm has been valued individually using an 'all risk' yield applied to the minimum and budgeted rents, or the actual output, subject to an end allowance where appropriate. As a cross check, a discounted cash flow of projected revenue streams has been undertaken with appropriate discount rates for differing levels of status in the development programme.

Round 3 has been valued on a portfolio basis.

Strategic land

Hope value for strategic land is incorporated into the Rural portfolio, discounted to reflect the stage reached in the planning process.

Properties being redeveloped

The Residual Method has been adopted which involves calculating the potential value when the property has been completed (using the Investment Method) and then deducting the cost to complete the construction, achieve lettings and appropriate allowances for profit to compensate for the risk of carrying out the development.

Rural and residential properties

These are generally valued using the Comparable Method and cross checked with the Investment Method.

Sensitivity analysis

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy of the investment property are:

- Estimating the rental value of each lettable unit with evidence derived from other recent lettings in the property itself or similar properties nearby, making adjustments for size, specification, location and letting incentives.
- Estimating the length of time taken and the cost to let vacant space and the likelihood of lease renewals.
- Deciding the appropriate capitalisation rate to be applied derived from transactions of comparable properties.
- Choosing the appropriate discount rate to vacant possession value for differing lengths and types of tenure on rural and residential tenancies.
- For property under development the assessment of the value created on completion and the allowance for construction and letting costs to achieve that.
- Inclusion of hope value for a higher value use (e.g. strategic land and properties with potential for residential conversion) dependent upon the likelihood, time and cost of achieving that use.
- Allowance for the level of volatility on turnover related valuations e.g. aggregates, minerals and aquaculture.
- Assessment of functional lifespan of offshore assets e.g. cables and pipelines.
- Assessing the appropriate discount rate for offshore windfarms from site exclusivity through to a generating wind farm.

Significant increases/(decreases) in the ERV would result in a higher/(lower) fair value measurement.

Significant increases/(decreases) in the long term vacancy rate (or yield) would result in a lower/(higher) fair value measurement.

19. Plant and equipment

2019	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & fittings £m	Motor vehicles £m	Total £m
Cost - opening balance	0.4	-	0.4	-	-	0.8
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost – closing balance	0.4	-	0.4	-	-	0.8
Depreciation – opening balance	0.1	-	0.1	-	-	0.2
Charge	0.1	-	0.1	-	-	0.2
Adjustment	(0.1)	-	-	-	-	(0.1)
Disposals	-	-	-	-	-	-
Total depreciation – closing balance	0.1	-	0.2	-	-	0.3
Net book value at 31 March 2019	0.3	-	0.2	-	-	0.5
2018						
Cost – opening balance	-	-	-	-	-	-
Additions	0.4	-	0.4	-	-	0.8
Disposals	-	-	-	-	-	-
Cost – closing balance	0.4	-	0.4	-	-	0.8
Depreciation – opening balance	-	-	-	-	-	-
Charge	0.1	-	0.1	-	-	0.2
Adjustment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Total depreciation – closing balance	0.1	-	0.1	-	-	0.2
Net book value at 31 March 2018	0.3	-	0.3	-	-	0.6

20. Receivables due after one year

	As at 31 March 2019 £m	As at 31 March 2018 £m
Other receivables	7.6	10.1

Following an impairment review, an impairment of £2.1 was made to reflect the reduced realisable value of an investment in a development project. This impairment is capital in nature and is therefore reflected in the Capital Account

21. Trade and other receivables

	As at 31 March 2019 £m	As at 31 March 2018 £m
Trade receivables	4.5	5.4
Other receivables	0.3	0.1
Prepayments	0.1	0.1
Accrued Income	3.1	2.2
	8.0	7.8

Trade and other receivables are shown after deducting provisions for bad and doubtful debts of £121,554. The trade receivable impairment reflects the application of Crown Estate Scotland's judgement in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value.

22. Cash and Cash Equivalents

	£m
Balance as at 1 April 2018	10.9
Net change in cash and cash equivalents	29.2
Balance as at 31 March 2019	40.1
The following balances were held within:	
Revenue account	1.9
Capital account	38.2
Balance as at 31 March 2019	40.1

23. Payables

	As at 31 March 2019 £m	As at 31 March 2018 £m
Amounts falling due within one year:		
Trade payables	0.1	0.1
Rents received in advance	4.0	3.9
VAT and other taxes payable	0.8	0.5
Due to the Crown Estate Commissioners	0.1	0.4
Due to the Scottish Government Consolidated Fund	4.1	4.5
Accruals and deferred income	0.6	0.6
	9.7	10.0
Amounts falling due after more than one year		
Deferred income on grant of long leases	6.0	-
	6.0	-

The Crown Estate Transfer Scheme 2017 transferred the existing Scottish functions of the Crown Estate to Crown Estate Scotland on 1 April 2017 from the Crown Estate Commissioners. The Scheme included provisions for the accounting of income and expenditure between the transferor and transferee. As at 31 March 2019 £0.1m was outstanding to the Crown Estate Commissioners.

During the period Crown Estate Scotland received a lease premium of £6m on a long lease. In line with the requirements of the Crown Estate Act 1961 (note 1) this will be amortised over the length of the lease.

24. Leasing

Operating leases with tenants

Crown Estate Scotland leases out all of its investment properties under operating leases for average lease terms of 15 years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	As at 31 March 2019 £m	As at 31 March 2018 £m
Less than one year	2.0	2.0
Between two and five years	1.5	1.7
More than five years	8.7	9.0
	12.2	12.7

Contingent rents receivable were £1.8 million at 31 March 2019. Crown Estate Scotland has no obligations under finance leases.

25. Capital Commitments

At 31 March 2019 capital expenditure of £0.5m had been authorised but not yet committed.

26. Contingent Liabilities

As part of the ordinary course of business Crown Estate Scotland receives and deals with claims relating to some of the crown assets it manages. Based on the information available it is not considered that resolution of any of these claims will give rise to any material liabilities.

Crown Estate Scotland is not subject to any ongoing litigation.

27. Related Party Transactions

Certain Board members hold posts, or have interests, in other organisations with which Crown Estate Scotland transacts. The table below sets out details of the related parties and the transactions undertaken during the period to 31 March 2019.

Member	Organisation	Position held	Amounts receivable by Crown Estate Scotland £	Amounts payable by Crown Estate Scotland £	Nature of transaction
Amanda Bryan	Forestry Commission	Forestry Commissioner	2,650*		Rental Income*
	Highlands and Islands Enterprise	Board Member	11,672		Rental Income
Richard Morris	Forestry Commission	Employee	*as above		*as above

28. Third party deposits

At 31 March 2019 Crown Estate Scotland held £104,283 of tenant deposits on behalf of third parties.

29. Events after the Reporting Period

Subsequent to the year-end xxx



Crown Estate Scotland (Interim Management)

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 2 of the Crown Estate Act 1961, amended by the Scotland Act 2016, chapter 11, Part 4, section 36 hereby give the following direction:

1. The statement of accounts for the financial year ended 31 March 2018, and subsequent years shall, subject to schedule 1, comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM), which is in force for the period for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial period, and of the state of affairs as at the end of the financial period of Crown Estate Scotland (Interim Management) in the exercise of its functions.
3. This direction shall be reproduced as an appendix to the accounts.

Signed by the authority of the Scottish Ministers

Dated 4th July 2018

Accounts Direction

Schedule 1

To meet the requirements of the Crown Estate Act 1961, the movements in comprehensive income will be analysed between revenue and capital accounts. The statement of accounts will also reflect the transfers between capital and revenue account as required by Statutory provisions and capital transfer agreements.

In departure from International Financial Reporting Standards and the FReM, where a lease premium is received in respect of an operating lease of less than 30 years the Crown Estate Act 1961 requires that the income is taken direct to the revenue account.



Board	Fifteenth Board Meeting	[BD(2019)15]
Meeting date	24 July 2019	
Paper title	2019/20 Annual Pay Award BD(2019)15.8	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Simon Hodge/Fiona Haywood	
Annexes	Annex A: PCS 2019/20 pay claim	
Recommendation	To approve the proposed annual pay award for 2019/20	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The PCS agreed to await the conclusion of the review of pay and conditions before submitting their 2019/20 pay claim. The review was based on pay at 1 April 2019, and hence does not include any element of 2019/20 pay award. Crown Estate Scotland has now formally submitted a pay and conditions proposal to PCS. By agreement PCS has therefore now submitted a 2019/20 pay claim.
2. Given the range of aspects incorporated into the pay and conditions review, the PCS have exceptionally submitted a pay claim (Annex 1) focused just on the annual pay award and accepting the limits set by the Scottish Government Public Pay Policy¹. This is welcome and indicative of the positive relationship we have maintained with the PCS during the pay and conditions review.

Provisions in the review of pay and conditions that relate to annual pay awards

3. The pay and conditions proposal does include two provisions affecting annual pay awards:
 - Moving the effective date for application of any annual pay award from 1 July to 1 April in any year. This provides a one-off benefit in 2019/20 equivalent to 25% of an annual pay award.

¹ <https://www.gov.scot/publications/public-sector-pay-policy-2019-20/>

- The offer proposes that annual pay awards be applied by uplifting all pay scales by the agreed amount (this is known as revalorisation). One effect of this is that pay awards will be applied to all staff irrespective of length of service.

Recommended pay award for 2019/20

4. We recommend supporting the PCS pay claim in all but one respect.
5. We recommend supporting:
 - An increase of 3% for all staff who earn £36,500 or less
 - An increase of 2% for all staff earning between £36,500 and £80,000
 - An increase of £1,600 for staff earning £80,000 or more
 - A cash under-pin of £750 for those earning £25,000 or less
 - Minimum salary at the lowest pay grade should be set at the level of the real Living Wage, currently £9.00 per hour
 - Confirmation that the no compulsory redundancies guarantee will apply
6. We would recommend not supporting:
 - A non-consolidated payment of 1% of salary for staff who are at or above the maximum of their pay range (i.e. red-circled) following assimilation to the new pay and grading structure.

Rationale

7. The elements for which we recommend support are all in line with Public Pay Policy. The cash under-pin is technically to be funded from paybill savings, which will not be the case for Crown Estate Scotland, but this under-pin for the lowest paid will apply only to several current staff at negligible cost. We believe that offering an annual pay award to the maximum permitted under the Scottish Government Public Pay policy will help secure staff good will during the implementation of the pay and conditions review and would demonstrate our commitment towards closing the gap for those 13 staff on pay protection measures (red-circled).
8. The proposed non-consolidated payment to those on pay protection measures, costing in the order of £10K, would be more problematic:
 - It would breach Public Pay Policy. Public Pay Policy does provide some discretion for up to 1% non-consolidated payments but paid for from paybill savings. In current circumstances there are no paybill savings.
 - The outcome of the JEGS process will be subject to an appeals procedure. Those on pay protection measures are most likely to appeal and hence the current pay position needs to be treated as provisional until the appeals deadline is passed.
 - The pay and conditions review already offers a £2K non-consolidated payment in 2019/20 for all staff employed at 1 April 2019.
 - By paying the maximum annual pay award allowable under the Public Pay Policy we are helping to narrow the gap for those on pay protection measures.

Financial

9. It is estimated that the 2019/20 pay award will increase the pay bill by £480K. Budgetary provision has been made for this within the additional £400K paybill in the 2019/20 budget compared to the 2018/19 budget.

Risk

10. Agreement to all points of the PCS claim would result in immediate agreement. Rejecting the one point could open up an extended and less positive negotiation process. It could also result in CES having to defend why we are not taking this additional opportunity to help staff on pay protection measures.
11. On the other hand, agreeing to this request could result in having to justify why we are proposing to breach Public Pay Policy and could result in Scottish Ministers not approving the CES annual pay award proposal.

People considerations

12. The recommended award is as generous as possible under the Public Pay Policy, and hence provides the maximum potential to demonstrate our commitment to staff at a time of uncertainty and low morale.

Reputational / PR implications

13. Abiding by the Public Pay Policy provides a sound basis for presenting and, if necessary defending, our approach to the 2019/20 Pay Award.

Annex 1: PCS Pay Claim for 2019/20



Simon Hodge
Chief Executive
Crown Estate Scotland
Bells Brae, Edinburgh

By email

5 July 2019

Dear Simon

Please see below the PCS pay claim for 2019/20.

As I indicated when we met on Monday 1st July, this year's pay claim is submitted within the wider context of the major transition on pay and grading that is taking place in CES. Exceptionally, and for 2019/20 only, our claim is for the following, based on Scottish Ministers' Public Sector Pay Policy for 2019-20:

- An increase of 3% for all staff who earn £36,500 or less
- An increase of 2% for all staff earning between £36,500 and £80,000
- An increase of up to £1,600 for staff earning £80,000 or more
- A cash underpin of £750 for those earning £25,000 or less

All of these increases should be fully consolidated, achieved by the revalorisation of pay-steps

- A non-consolidated payment of 1% of salary for staff who are at or above the maximum of their pay range (i.e. red-circled) following assimilation to the new pay and grading structure
- Minimum salary at the lowest pay grade should be set at the level of the real Living Wage, currently £9.00 per hour
- Confirmation that the no compulsory redundancies guarantee will apply

I hope this will allow us to make rapid progress in taking forward formal pay negotiations, and look forward to your response.

Regards

Cheryl

Cheryl Gedling
PCS Union Industrial Officer