Scottish Crown Estate Local Management Pilots:
Interim lessons learned report
November 2021

Executive Summary

In 2017, Crown Estate Scotland was tasked with testing potential appetite and models for "more organisations to have more opportunity to get more involved in Crown Estate Scotland land and property".

We implemented a Local Management Pilot Projects application scheme process that has led to four agreed projects from the initial 13 applications. This report is intended to provide a record of lessons learned from the process that has been undertaken so far.

A successful exercise
Based on our experience and the feedback we have received, the local asset management process has been successful in many respects.

- The model has led to credible proposals that stand to significantly increase the involvement of local communities in management of the Estate
- The journey of cultural change within Crown Estate Scotland has led to greater shared understanding and responsibility in relation to both the risks and the opportunities for Scotland's communities in managing the Estate
- We have seen a significant, positive shift in our local partners' experience of working with Crown Estate Scotland. Feedback on the model, local engagement and collaboration has been almost universally positive

Key lessons learned
- **Crown Estate Scotland's openness** to explore, understand and accept greater local involvement in management of the Scottish Crown **Estate is a transformational message**;
- **Parties interested in the scheme tended to seek specific benefits** that often didn't comprehensively encompass the full management function, for example a focus on securing monetary resources to support local priorities and control of decision-making;
- The positive relationships built as a direct consequence of the scheme tended to result in a **desire for greater partnership**;
- **Early clarity within the scheme on accountability and liabilities of managers is crucial**, including in relation to managing potential conflicts of interest;
- **It takes a lot of time and input** to receive, assess and implement local management proposals as interested parties build their capacity and understanding whilst shaping their aspirations accordingly;
- Current local management projects generally involve **additional direct and indirect costs**, sometimes specifically when viewed in relation to the assets that are managed. Monitoring & evaluation will be useful in due course to help understand how the projects deliver wider value in this context;
- The Local Asset Management Pilot Scheme process, criteria and guidance provided **a good basis on which to objectively promote, receive and assess proposals**, and the implementation phase learnings should help any future projects progress faster.

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GLOSSARY OF KEY ACRONYMS

CnES – Comhairle nan Eilean Siar/ Western Isles Council

FDSB – Forth District Salmon Fishery Board

HoTs – Heads of Terms (for a contractual agreement)

LOA – Lease Option Agreement (an 'Option' for a lease)

OIC – Orkney Islands Council

SIC – Shetland Islands Council

UOG – Urras Oighreachd Ghabhsainn/ Galson Estate Trust

1. Introduction

Management of the Scottish Crown Estate ('the Estate') was transferred to Scottish Ministers through the Scotland Act 2016. This Act, in line with the Smith Commission recommendations, set out enabling provisions for 'double devolution' of management of the Estate to local communities. Enabling provisions for greater local management of the Estate was included in the Scottish Crown Estate Act 2019 ('the 2019 Act') to either delegate or to wholly transfer Estate management functions to certain bodies, including local communities. Crown Estate Scotland (Crown Estate Scotland) is currently responsible for management of the whole Estate.

In 2017, Crown Estate Scotland was tasked with testing potential appetite and models for "more organisations to have more opportunity to get more involved in Crown Estate Scotland land and property" before secondary legislation was brought in to implement those provisions within the 2019 Act. Crown Estate Scotland therefore devised, in consultation with a broad range of stakeholders, a 'Local Management Pilot Projects' scheme that was based on applications for delegated management using an objective, transparent application process and could not be delivered using existing, established mechanisms such as leasing. Implementation of the outcomes of this process is ongoing, having taken the intervening time to further develop approaches to the operational stage of Pilot projects for a variety of reasons that are explored further below.

This report is intended to provide a record of lessons learned from the process that has been undertaken so far. These are drawn from observations made by the Pilots project manager, the consultant who devised the criteria and guidance, feedback from a selection of applicants, and feedback from other Crown Estate Scotland staff. It covers distinct stages of:

- Developing the Pilots criteria and guidance;
- Seeking and supporting applications;
- Assessing the applications over two stages; and
- Working successful applications into suitable implementation agreements.

A summary timeline of the process so far is provided below:

1. Crown Estate Scotland asked to deliver Pilots by Scottish Government – Autumn 2017
2. Criteria and guidance drafted internally with targeted stakeholder input – Winter 2017/18
3. Stakeholder consultation on criteria and guidance March-April 2018
4. Application process launched June 2018
5. Stage 1 applications identified October 2018
6. Stage 2 application process closed March 2019
7. Stage 2 'preferred projects' confirmed between July and December 2019
8. Heads of Terms agreed summer/ autumn 2020
9. First Pilot agreement confirmed November 2020, second in January 2021

The four Pilot projects currently being taken forward are summarised below as:

- **Comhairle nan Eilean Siar and Urras Oighreachd Ghabhsainn** – a joint initiative on the Western Isles aiming to bring local authority or community landowner views into the process of seabed leasing;
- **Forth District Salmon Fishery Board** – delegating various management functions of salmon fishing rights within the Forth District;
- **Orkney Islands Council** – aiming to bring local views into the process of seabed leasing, coordinating with marine planning where appropriate; and

- **Shetland Islands Council** – delivering a bespoke local leasing approach to facilitate implementation of the Sullom Voe Marine Masterplan.

At the time of writing two projects, the Forth District Salmon Fishery Board and the Orkney Islands Council Pilot, have entered the setup/ operational phase. This report therefore makes no observations as to the success or otherwise of the operational elements of the Pilot projects that are being taken forward. Two other projects are still progressing towards implementation.

2. Development of Pilot project application criteria, guidance and procedures

The final Local Management Pilots Project Criteria and Guidance document is provided in Annex 1 of this report.

Development of the criteria and guidance was delivered by a third-party contractor with expertise in coastal community development and stakeholder engagement. It covered the period from autumn 2017 to summer 2018. Approximately 70 organisations with an interest in how the Scottish Crown Estate is managed were approached during the development phase of the criteria including extensive engagement with Crown Estate Scotland and Marine Scotland. A list of organisations significantly involved in development of the criteria and guidance is provided in Annex 2.

The contractor was tasked with testing the viability of models providing local authorities and communities with more control over decisions regarding assets managed by Crown Estate Scotland. This was to include setting criteria against which proposals could be assessed and designing a process for consistent and transparent processing of applications.

It was broadly decided that projects should aim to overcome any existing barriers to greater local involvement in managing the Estate, have community support, and create more 'value'. Consultation with stakeholders and the emerging Scottish Crown Estate Bill led to value being defined as financial, environmental, or social (including well-being). The aim was to create a suite of projects which demonstrated a range of scale and management approaches including local decision making and community involvement.

The Pilot Scheme application process was designed to be different to other grant or transfer type applications. In common with some application processes it was clear that applicants should identify who would be involved in a Pilot and provide robust evidence of their support. However, unlike other processes, there was an initial expectation that applicants should address the potential impact the proposed project would have on the financial performance of Crown Estate Scotland. Impacts on Crown Estate Scotland costs and to Crown Estate Scotland staff were also to be considered as part of the assessment process.

Whilst the process was intended to link clearly with existing policy and strategy frameworks, there was potential for this to add complexity. A balance between making connections and insisting on evidence of compliance had to be struck, with the criteria and guidance deliberately maintaining a high degree of flexibility in the end.

Options considered during the development of the process that were not ultimately followed included:

- Use of a pre-defined scoring system for assessing the applications. This was rejected as it was recognised that the processes needed to be flexible enough to respond to a potentially wide range of applicants and project types.
- Putting out a call for Expressions of Interest and developing a process of assessment which would respond to what was received appropriately. This was also decided against as it was felt that it was not sufficiently transparent and could lead to communities and other stakeholders putting in unnecessary work that may not result in a suitable application.
- Undertaking a leasing round type approach in particular geographical areas, for particular assets or for particular types of organisation. This was also rejected as it was felt that it could restrict the potential for innovation.
- Options for decision making were also considered including whether the National Forestry and Land Scheme or the Community Asset Transfer Process examples should be followed, and an independent panel set up to decide on the applications. On reflection it was decided that, in order to retain flexibility and maximise lessons learnt for the organisation, this was an unnecessary step at this time. An appeals process was designed into the application process.

Challenges identified by the criteria development team at this stage included:

- Identifying what sort of projects would be categorised as a 'Pilot Project' as opposed to a lease, purchase or other existing management type approach. There was already considerable flexibility in the system, making it challenging to spell out what would fall outside existing mechanisms.
- Designing a process which was applicable to all potential applicants. The tests for a small-scale project involving one asset class or small land area were clearly different to those for a Local Authority or similar wishing to take on all assets and management functions.
- Catering for the prospect of projects that pushed the boundaries of the existing '1961 Crown Estate Act'. The Pilot Scheme was to test new management approaches and inform what is now the Scottish Crown Estate Act 2019. This brought in innovation, but also a fresh set of challenges about how to measure 'Best Value', including how to ascertain the value to the community and / or the natural environment from any proposed new management approach.
- Potential applicants, faced with the need to return net revenues to the Consolidated Fund, found it difficult to identify mechanisms or projects which were economically sustainable. At this stage it was also unclear as to what management fees might be reasonable to charge. Future schemes could more clearly spell out the cost recovery mechanism parameters to address this.
- It was clear that a significant burden would inevitably land on Crown Estate Scotland in relation to due diligence and appropriate tests of the viability of the projects. The team attempted to resolve this with a scoring mechanism for projects against a range of criteria, however this became unwieldy and it was decided it was not flexible enough to cope with the perspective range of applications. The process of drafting the scoring matrix was useful however as it worked through a range of issues for the team.
- There was a significant lack of understanding about how the Scottish Crown Estate is managed, including the complexity of interpreting the Act and demonstrating how to do this differently. The guidance was developed to attempt to address this but, given feedback on subsequent Stages, there is clearly a need to do more in this respect for those considering transfer or delegations.

- There was the perception of an ongoing tension between Crown Estate Scotland and applicants seeking to take on functions from an existing manager, combined with perceptions of historic opacity in the 'landlord-tenant' relationship. This stemmed from two key aspects:
    i. Where the 'landlord' holds power over the tenant in the form of setting terms for use of the Estate such as rent; and
    ii. Where historic Estate management has been carried out in a manner that led to calls for greater transparency and accountability for decisions in relation to key aspects, particularly asset management decisions.
- It was also recognised by Crown Estate Scotland that applicants who were tenants on the Estate may face particular difficulties in designing and taking on meaningful delegated management functions. This was particularly in relation to managing conflicts of interest where such applicants were not already in a position to address such issues in the way that larger applicants such as Local Authorities might be.
- It was recognised early in the process that the actual level of community support for the Pilot proposal could be hard to demonstrate by the applicant short of putting the proposals to full public consultation. Given the time and resource constraints for both applicants and Crown Estate Scotland, it was decided that applicants would have to ensure true community representation on their governing bodies as well as demonstrate community commitment (for example through provision of letter of support or similar).
- Indicators of success were not specified in the final criteria as it was understood that the applications would most likely cover a range of assets and a range of affected parties. Considerable time might also be required to allow the benefits to become evident.
- As the Scottish Crown Estate Bill was progressing through the Scottish Parliament at the time of applications, it was necessary to anticipate likely outcomes in relation to the Pilots criteria.
- Applicants often wanted to start from a clean state, and for liabilities to be removed from their project area or remediated before the project would begin. Concerns were expressed about how existing leases nested within Pilot project areas should be dealt with.

The draft Pilots application and assessment criteria were discussed with stakeholders throughout development and were published on the Crown Estate Scotland website seeking feedback from all interested parties. 13 responses were received, all from organisations with an interest in how the assets are managed. No individuals responded. In general respondents wanted the process to be as flexible as possible.

Clarifications or requests for inclusion of specific text were mostly able to be accommodated, however the request for elected bodies to be judged as being automatically representative of the community were turned down as was the request to include leasing of all offshore wind out to 12nm. Requests were received to clarify the organisational stance on projects which aimed to ensure no degradation or loss of the assets i.e. protection measures which would likely have meant no allowable development rather than proactive management. Whilst these were not ruled out, they were subject to the same tests of community support and evidence of benefit or 'value'. In the end no such applications were received.

Feedback from key stakeholders and tenants encouraged the process to be mindful of the implications of the Pilot Scheme for existing Crown Estate Scotland tenants and to ensure that conflicts of interest were actively managed.

Applicants were concerned that engaging with the Crown Estate Scotland process that was occurring at the same time as the development of relevant legislation could result in duplication of effort to achieve similar goals.

Key learnings from the draft criteria feedback stage were:

- Drivers behind appetite for taking on local management covered different aspects. In some circumstances, applicants would potentially have enthusiastically undertaken a Pilot Scheme style application some years previously, but they now saw Crown Estate Scotland as a more collaborative partner and so were less keen to remove them from the management process. Such stakeholders considered that they had a good relationship with the managing agents and they recognised that Crown Estate Scotland was undergoing considerable and welcome change to their asset management approaches and underpinning policy.
- Resource constraints in terms of Crown Estate Scotland staff time and applicant capacity were identified as a being a key risk to the success of the Pilots at an early stage. It was recognised that the Pilot Scheme could generate additional interest from community organisations in lease agreements as a consequence of raising awareness of the Scheme, with additional resource requirements that would not be possible to measure or predict.
- The final published criteria and guidance was good, providing an excellent framework and basis for building future processes;
- Feedback from some stakeholders suggested that the draft application process of six weeks for Stage 1 and 12 weeks for Stage 2 was too short and for some too long. It was also too simple for some and too complex for others. This was indicative of the range of applicants and their readiness, or otherwise, to undertake further devolution of the management of the assets. Splitting the process into two streams may have been possible, however this could also have further complicated the project. In short, processes designed to target two different scales of local management, 'small' and 'large', might have helped generate more interest from local community bodies.
- The process of using a third-party contractor to develop the criteria and guidance was helpful, both providing sufficient resource and a degree of objectivity;
- The contractor dedicated a significant proportion of time to the design of the Pilot Scheme, including stakeholder engagement, for around eight months. The time was taken up with the complexity of the task but also indicates the significant amount of time required to meet in-person with interested parties. This may be reduced in Scottish Government's transfers and delegations as virtual meeting replace in-person, at least to some extent.
- Given the variety of communities and local authorities interested in the Pilot Scheme, further capacity within Crown Estate Scotland to engage with and provide coaching support to interested parties at this stage would have been helpful. This has been borne out by the key learning that prospective managers or delegates often struggle to understand the role of a 'manager' of the Scottish Crown Estate.
- Linking the Pilot Scheme process to key aspects of underpinning relevant legislation or national guidance was important, helping to ensure the projects were more likely to deliver current aspirations for wider societal outcomes.
- In developing the process and criteria it became apparent to many prospective applicants that revenues generated from the Estate within their interest areas would not flow to them as managers. Anecdotal feedback suggests that this was a key reason many organisations decided not to apply, alongside other considerations.

3. Application stages

Overall, the two-stage application process was successful in generating applications and in reducing administrative burdens on both Crown Estate Scotland and applicants by sifting ineligible projects at Stage 1. For example, two applications were received that related to marine sea fisheries, which fall outside the scope of the Scottish Crown Estate and were therefore deemed ineligible.

Thirteen applications were received at Stage 1, with six proceeding to Stage 2 of the process. Timelines originally set out for each stage proved tight for both applicants and for Crown Estate Scotland evaluation. In particular, Stage 2 was extended from three to six months at the request of applicants. The final timeline for the application process is illustrated in Figure 1 below.
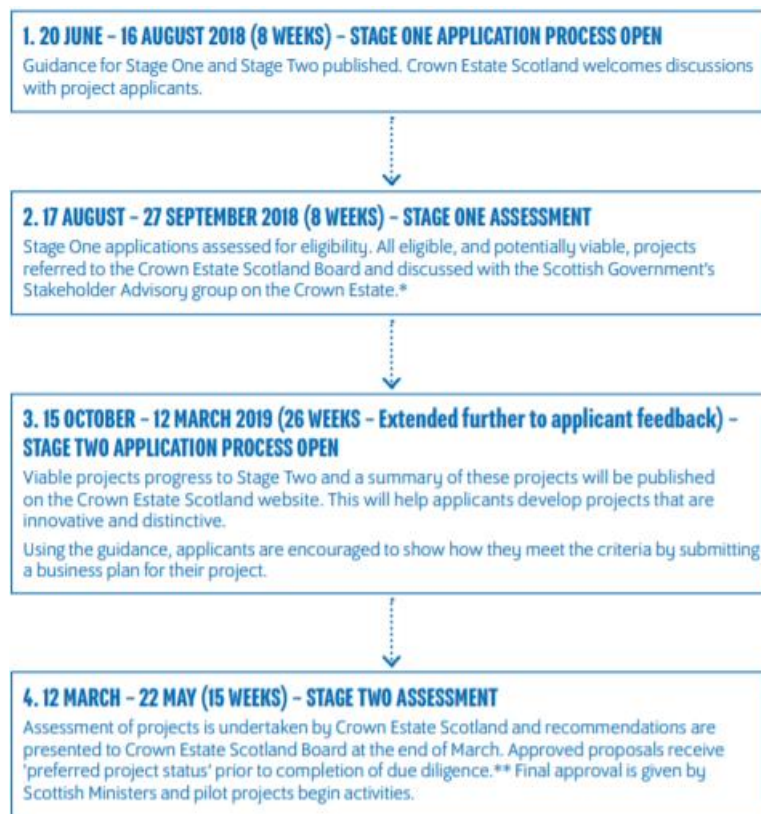
1. 20 JUNE – 16 AUGUST 2018 (8 WEEKS) – STAGE ONE APPLICATION PROCESS OPEN
Guidance for Stage One and Stage Two published. Crown Estate Scotland welcomes discussions with project applicants.

2. 17 AUGUST – 27 SEPTEMBER 2018 (8 WEEKS) – STAGE ONE ASSESSMENT
Stage One applications assessed for eligibility. All eligible, and potentially viable, projects referred to the Crown Estate Scotland Board and discussed with the Scottish Government's Stakeholder Advisory group on the Crown Estate.*

3. 15 OCTOBER – 12 MARCH 2019 (26 WEEKS – Extended further to applicant feedback) – STAGE TWO APPLICATION PROCESS OPEN
Viable projects progress to Stage Two and a summary of these projects will be published on the Crown Estate Scotland website. This will help applicants develop projects that are innovative and distinctive.
Using the guidance, applicants are encouraged to show how they meet the criteria by submitting a business plan for their project.

4. 12 MARCH – 22 MAY (15 WEEKS) – STAGE TWO ASSESSMENT
Assessment of projects is undertaken by Crown Estate Scotland and recommendations are presented to Crown Estate Scotland Board at the end of March. Approved proposals receive 'preferred project status' prior to completion of due diligence.** Final approval is given by Scottish Ministers and pilot projects begin activities.

Figure 1 – local management Pilots application and assessment process and timeline

Key learnings from the application stages were:

- In the application stage, as during the criteria design, significant effort, time and knowledge was required to provide 'coaching' for applicants and interested parties as to a Manager's duties. This was particularly relevant at Stage 2 given the level of detail required in the business plan. Had greater and / or more explicitly dedicated longer term resource been available to provide this to wider stakeholders during or prior to the Stage 1 process, it seems likely more higher quality applications would have been received;
- Given the level of coaching applicants required, the iterative nature of individual applications frequently took time to resolve leading to both resource constraints for both parties and making for tight timelines.
- No models proposed specific mechanisms to pilot approaches to managing capital (income or expenditure);

- There were only a limited number of proposals to directly manage revenues, either in terms of actively developing new revenue streams or collection of revenues from tenants;
- The timescales set out in the initial criteria were achievable for applicants at Stage 1 but proved too short for quality business plans to be worked up at Stage 2. This stage was therefore extended by 12 weeks at their request.
- The capacity of community organisations, especially those of smaller scale, to pull together proposals was clearly a limiting factor at Stage 1 and possibly more so at Stage 2. The requirements of the business plans, alongside the effort made by applicants to ensure they designed their applications robustly, required a level of detail that led to two organisations (the Tay & Earn Trust and Orkney Islands Council) procuring third party consultant support for their applications.

4. Assessment stages

There were two separate assessment stages following each of the application windows. The initial Stage 1 assessment focused primarily on 'red flags', in other words exploring whether applications could not progress further for obvious reasons.

Key learnings from assessment of Stage 1 were:

- The status of applicant organisations was a key reason many applications did not progress, mainly due to their ability to demonstrate their status as legally eligible to contract with;
- It emerged through the process that applicant organisations' ability to demonstrate community support was directly related to their status, in particular whether they were 'representative of and controlled by' the relevant community of geography or interest;
- Two applications failed to proceed past Stage 1 because they related to sea fisheries, which do not form part of the Scottish Crown Estate and was therefore outside the scope of the Pilots;
- The primary reason for Stage 1 applications not proceeding to Stage 2 was because their aims could be more simply achieved through existing mechanisms (such as leases);
- Advice from Crown Estate Scotland asset teams was essential at this stage to understand the context, risks and any other relevant information about applications. This took the form of workshops, direct meetings and discussions, and reviews of documents. This all took time to arrange, prepare for and deliver. This was a time of significant change in Crown Estate Scotland with other projects also requiring asset teams' time;
- Interaction with Stage 1 applicants was relatively light touch, meaning potential for ineligible applications to be shaped into more viable ones may have been missed on occasion. Whilst this is not likely to be the case for the majority of proposals, one example in Portgordon has subsequently been actively worked up with the community into a 'de facto' local management Pilot - see box below for further details;
- Some applications appeared to be seeking control of the Estate so as to limit activity on foreshore and / or seabed, something that would be challenging to demonstrate complies with statutory duties of a manager and was therefore seen as ineligible;
- In general, decisions not to proceed with those projects beyond Stage 1 appear to have been borne out as correct. However, the application from Portgordon Community Harbour Group is now proceeding as a local management project in all but name, possibly indicating that with further support and development it may have been appropriate to bring their application through the local Pilot process should it have been possible within the timescales and resource constraints.

The Stage 2 assessment process involved significantly more in-depth analysis of applicants' business plans, drawing on advice from Crown Estate Scotland solicitors, finance, in-house mapping staff, asset management teams and taking input from both senior management and members of the Board. Summaries of the Stage 2 applications are available on the Crown Estate Scotland website[1]. Five Stage 2 applications were received by the extended deadline, including a combined application from Comhairle nan Eilean Siar (the Comhairle) and Urras Oighreachd Ghabhsainn (UOG). **Key learnings from Stage 2 assessment were:**

- Separate applications from the Comhairle and UOG involved geographical overlap with each other, which was addressed by requiring applicants to agree a mutually acceptable way forward before completing application assessments, resulting in both applications being combined into one;
- There was significant requirement for input from a wide range of knowledge and skills across teams, especially for larger area applications such as entire Island Authority seabed areas out to 12nm;
- A thorough legal review of each application was carried out to ensure no 'red flags' from a *vires* perspective were identified;
- Throughout the Stage 2 assessment, crossover or possible confusion between the functions of a manager of property rights comprising the Scottish Crown Estate, and the functions of applicant organisations as regulators was a common theme. A degree of liaison and coaching was attempted at this stage to address this, but timescales and resource constraints meant that it was not possible to fully resolve the issue before taking a view on applications. Ultimately this was a factor that led to 'interim' preferred projects being agreed at the end of Stage 2 for three of the four applications.
- It was not always possible to clearly calculate and take into account the financial value of management costs of proposals, these being hard to predict in some cases and having potential knock-on implications for Crown Estate Scotland staff resource;
- Where management fees were being charged by organisations liable for VAT, these costs will incur VAT to Crown Estate Scotland;
- As the pilots are being implemented under the 1961 Crown Estate Act, and because they are pilots to test new approaches to management, assessment of project costs compared with financial value they might generate was not carried out in the same way as future delegation proposals might. For example, where projects costs exceed revenue generated by the assets in question, it was still possible to justify proceeding with the pilot on the basis of the wider value and learnings it will generate, whereas a purely cost-benefit appraisal may have determined that it was not possible to justify;
- In no cases did the applicant organisation seek to collaborate with or provide in house professional property management capability, potentially illustrating the lack of understanding of the day to day functions of a manager in terms of setting in place legal and commercial terms for tenants of the Estate. This may also have represented a missed opportunity to pilot a new model of collaborative management on the Estate;
- Most applicants sought control of or input to decision making on the Estate rather than taking on actual property management functions such as rent collection, records management, Health & Safety compliance, negotiation of commercial terms or instruction of

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[1]
https://www.crownestatescotland.com/bundles/app/downloads/5d0200cf196be_Pilot%20Scheme%20post%20Stage%202%20Summaries.pdf

solicitors. Where such control was sought there was limited recognition that control of decisions brings with it the need to manage or assume a degree of liability – this is explored further below in relation to delegated authority; and

- Three of the four projects could not be confirmed as 'preferred projects' at the completion of Stage 2 assessment, requiring further due diligence and input from both Crown Estate Scotland and the applicants to resolve outstanding issues.

5. Project implementation and contractual development phase

Shetland Islands Council's project was confirmed as a preferred project in July 2019. The remaining three were confirmed as provisional preferred projects at the end of July 2019 with a list of specific conditional clarifications for each to address before they could be confirmed as preferred projects. It took several months to resolve these outstanding clarifications before Heads of Terms (HoTs) drafting could begin based on final agreed applications. It was also necessary for Crown Estate Scotland to stagger development of the projects for resource management purposes, having agreed to proceed with more projects than anticipated.

HoTs were issued to SIC in October 2019. HoTs were issued to Forth DSFB in November 2019. HoTs were issued to OIC January 2020 and to CnES/ UOG in February 2020. Each project progressed at different rates, with SIC going 'on hold' pending their completion of the Sullom Voe Masterplan, and Forth DSFB progressing as planned, and CnES/ UOG and OIC experiencing some delays for a variety of reasons including change of personnel, workload prioritisation, logistics (several round table workshops were required to develop final proposals and resolve interim clarifications). As of November 2021: Forth DSFB is operational and OIC in setup phase; CnES/ UOG are at agreed HoTs with a draft implementation agreement in place; and SIC is at draft HoTs stage having restarted discussions in the summer of 2021.

Key learnings from the implementation agreement discussion stage include:

- **Delegation of functions by Crown Estate Scotland whilst retaining all liabilities and remaining accountable to Scottish Ministers** requires a scheme of delegation with associated checks and balances that can appear not to deliver fully against the concept of enhancing local involvement in managing the Estate;
- **Delegating functions across large areas and many sectors**, e.g. to Local Authorities, represents a potentially bureaucratic and administratively burdensome mechanism where regulatory approaches to the same sectors are either already in place or available to the same organisations. It may be that full transfer of functions avoids this, although this has not been tested;
- **Decision making points are a key factor in shaping the delegation model**. Many applicants sought to decide whether or not applications for new Lease Option Agreements (LOA) should be in scope. Further dialogue and coaching led to realisation that insufficient information may be available at that early point in project lifecycles to make such decisions based on criteria (such as those applied to planning or other regulatory processes). Conversely, taking such decisions at the point of entering a Lease may be prejudiced by having already entered a LOA (which is a commitment by the manager to enter a Lease with a tenant, subject to them meeting agreed conditions in the LOA). An approach to dealing with this is to introduce the concept of requiring LOA holders to consult locally and secure community input prior to exercising their rights under any LOA. In practice this is also likely to take place as part of the existing regulatory regimes, whether through Town & Country Planning (which includes finfish farming) or through Marine Licensing;

- **The process is lengthy**, with most time being spent clarifying intentions of applicants and explaining the role and duties of Estate managers;
- **Seeking to define operational procedures and parameters at this stage is virtually impossible**, with too many variables and unknowns to pin down in written agreements and in most cases the projects involving recruitment of dedicated staff resource to deliver the project. Setup phases with key milestones before becoming operational have therefore been introduced to all agreements to address this;
- **Understanding – most time spent has been on coaching partners towards greater knowledge and understanding of how to manage the Scottish Crown Estate**. When not evaluating applications or drafting agreement terms we have spent most time coaching, advising and explaining what managers of the Estate have a duty to do, and our own interpretation of this and key related aspects (such as competition / monopoly in practice) based on years working under previous legislation and emerging experience of the Scottish Crown Estate Act 2019. It is apparent that many or even most prospective delegates and / or transferees did not fully understand the practicalities of being a manager of the Estate, with perhaps the greatest insight being shown by Forth DSFB;
- **Alignment of purpose – confusion between managing Estate property rights and regulating development on foreshore and seabed continued to be present during implementation agreement discussions**. All seabed-related Pilot projects were initially proposed on a premise of making decisions as to what goes where, akin more to regulatory decisions such as those taken under Town & Country Planning, Works Licensing and/ or Marine Licensing, which in practice is not a function of managing the Estate other than avoiding conflicts with existing rights. We have therefore spent significant effort and time resolving and crystallising the difference between a Pilot project design that takes such decisions versus decisions as to which entity ('who') should or should not receive seabed property rights from a manager of the Estate, and to some extent the conditions associated with those rights;
- **Resourcing/ partner capacity – the time and effort required to support applicant aspirations and to service related discussions including contracts required to implement local Pilot projects is significant**. This includes:
    - High level management – setting broad directions and maintaining positive relationships through meetings and briefings;
    - Coaching and empowered negotiation of terms – supportive discussions at appropriate operational levels that work through areas of uncertainty and/ or disagreement having worked up the essential terms on which implementation of project proposals can proceed;
    - Logistics – pre Covid-19 there was significant effort and time spent on supporting and working to practical logistics, particularly where this related to island-based projects. The two basic aspects of this were time spent actively working on drafting agreements and working through processes, plus generally longer periods of 'lulls' where availability of key staff dictated meeting events that had lead times of months rather than weeks;
    - Each project has undergone periods of relative inactivity due to partner resource constraints, most recently related directly to Covid-19 (furlough and/ or staff redeployment). Within Crown Estate Scotland this included having to stagger the resolution of 'interim issues' before confirming preferred project status due to the number and complexity of projects proceeding, and within applicants this included redeployment of staff to other matters either related to the projects or unrelated, as well as staff changes;
    - Legal fees paid by Crown Estate Scotland during this stage reflect the novelty of the agreements and represent additional cost to the public purse.

- **Complexity of delegation – delegating functions whilst maintaining accountability of Crown Estate Scotland to Scottish Ministers creates complexity**. Where we are not delegating functions in a conventional procurement manner to carry out work on our behalf, such as to a managing agent or to a solicitor, the practicalities of empowering third parties to deliver aspects associated with management of the Estate whilst maintaining our own accountability to Scottish Ministers, including that of our CEO as Accountable Officer, are hard to define. Applicants were all keen to take decisions about what does or does not receive permission to go ahead on the Estate, but they were not taking on full liability or accountability for such. We have started to explore legal constructs such as shared service model concepts (for example several local authorities delivering different parts of a service on behalf of each other) but the applicants are generally keen to 'walk before they run' and therefore to keep Crown Estate Scotland involved in the process;
- **Novelty – each Pilot project contains certain aspects that are new** such as:
  - Direct involvement of community organisations in decisions on leasing (CnES/UOG;
  - Direct alignment with marine planning (OIC);
  - Allowing a third party to carry out a leasing round on our behalf (SIC);
  - Designing a leasing round that covers multiple asset classes (SIC); and
  - Contracting with a statutory District Salmon Fishery Board and relying on their complex statutory arrangements to manage conflicts of interest (FDSFB).
- **There are different implications of delegated management for different sectors** making use of the SCE. The Criteria and Guidance set out the scope of the Pilots as including all elements of the SCE with certain exclusions. Clarification was requested by applicants as to whether all offshore wind was to be excluded. Consideration by Crown Estate Scotland Executive Team confirmed that for this Pilot scheme all offshore wind, including small scale near shore wind, was scoped out on the basis that fragmentation and/ or lack of clarity around roles and responsibilities had the potential to adversely impact sector development. No other sectors were subject to this additional consideration.

6. Operational phase

Pilots have not entered their full operational phases at this point. Two pilots are in their setup phases. It is clear that a period of pre-operational transition is essential to ensure tenants on the Estate receive a clear handover and are kept informed of progress. A Monitoring & Evaluation framework that was developed taking account of Crown Estate Scotland's Value Project has been developed to help understand the impact of the projects both on performance of Crown Estate Scotland in managing the Estate, and for each individual project.

7. Applicant feedback

Feedback was requested from those applicants that reached Stage 2 in the process and a table of responses is provided in Annex 3. Of the 20 comments received, ten indicated areas for improvement, seven were positive and three neutral. Feedback areas related to three broad themes: The role of Estate manager; the process; and engagement by Crown Estate Scotland with stakeholders and communities. The key points can be summarised as:

- Generally **welcoming the opportunity for increased direct engagement with Crown Estate Scotland**, including the opportunity to gain better and more detailed understanding of the role of 'manager';
- Ensuring that the **scope of delegations is made clearer up front**, including how they relate to the manager role;

- Finding ways of **making the overall process quicker**, whilst recognising that as Pilots we are charting new territory;
- Making **funding available to support development** of detailed business plans once 'pre-qualification' (Stage 1) has been concluded.

One learning that it is possible to surmise from this feedback is that asking applicants to define their own local management models within the parameters set out in the criteria and guidance document may have led to a greater degree of uncertainty around what is required of a manager, although at the time the 2019 Act was not in place so this was not possible to anticipate. This could be addressed through a more prescriptive set of criteria for local managers in the future.

8. Conclusions and key learnings

The approach taken by Crown Estate Scotland has been broadly successful. We have two projects in operational/ setup phase, and one expected to be in operation soon.

It took 24 months to get from the very start of the application process to agreed Heads of Terms for three projects (the fourth being on hold in line with the applicant's timescales). It took approximately 12 months to conclude the first implementation agreement from the point of confirming 'preferred project status'. The process was supported by 0.8 FTE directly contracted or employed for over three years.

There are clear learnings that can be taken from the process so far that may be useful for future delegations by Crown Estate Scotland, and for setting out legislation that will underpin other delegations and transfers. These can be summarised as follows:

- Published application criteria and guidance against which delegation proposals can be appraised is useful, with the Local Asset Management Pilots Scheme - Criteria and Guidance[2] providing a suitable template;
- The process of defining criteria, developing and assessing applications, and most importantly implementing contractual arrangements for agreed projects, takes a long time;
- The distinction between 'delegating' and 'transferring' management of the Scottish Crown Estate represents a fundamental difference between the pilots and the long term aspirations stated in some of the applications, and is likely to require further explanation to ensure prospective managers choose the approach best suited to them;
- Appetite for local community Pilots appears to reduce when the duty of managers to pass all net revenue surpluses (profits) generated on the Scottish Crown Estate to government into the Consolidated Fund is understood more clearly;
- No applications sought to take control of how capital is deployed but focused either or both on revenue and decisions relating to leasing – the distinction between management of capital and revenue is a fundamental one to be taken into account in future delegations or transfers;
- Local control of, or input to decision making on the Scottish Crown Estate was a key driver of applications instead of taking on property management functions such as rent collection and negotiation of commercial terms;
- There was limited understanding that control of decisions relating to the Scottish Crown Estate requires the management or acceptance of certain liabilities;

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[2] https://www.crownestatescotland.com/bundles/app/downloads/5c52bdb73c142_Pilots%20-%20Criteria%20and%20Process%20-%20FINAL.pdf

- Models proposed relating to seabed decisions create operational challenges to ensure additional administrative processes do not lead to greater burdens on existing or prospective tenants, particularly where the sector is already regulated at local levels;
- Similarly, models of local management often present potential for conflicts of interest to arise, with existing organisational governance such as local authorities or development trusts offering potential mechanisms to address this;
- Levels of understanding within communities, partners organisations and individuals what the role of a 'manager' of the Scottish Crown Estate involves in practical terms are relatively low;
- Resource is required to coach applicants towards better understanding of what managing the Estate means in order to assist with their local management model; and
- All projects will require a 'transition' or pre-operational setup phase before they become fully operational.

The learnings set out in the paper above arguably mask underlying themes behind the overall 'journey' this process has entailed. In particular, the risk profile to Crown Estate Scotland as an organisation tasked with managing the Estate has changed as the project has progressed. Initially, key risks were focused on our ability to deliver, implications for staff in terms of resource and culture change, and on ensuring a robust assessment of third-party applicants that would stand up to scrutiny. At this stage these risks have been shared with Pilot project organisations to some degree. They increasingly relate to how we collectively ensure management of the Estate delivers sustainable development locally and across Scotland, and how to mitigate any potential adverse impacts in terms of reputation of the partner organisations and impacts on tenants of the Estate from any administrative changes arising within each specific project.

Overall, the process and resource dedicated to collaboration has increased the depth and understanding of Crown Estate Scotland's role in managing the Scottish Crown Estate, consistently improving relationships with applicant organisations.

Annex 1: Final Local Asset Management Pilots Application Criteria and Process

Local Asset Management Pilots Scheme – Criteria and Process

Giving more communities more opportunities to manage land and property

Contents

Local Pilots Scheme contact and support

Tom Mallows will take up the role of Local Pilots Manager from 4 July 2018. Tom has been with Crown Estate Scotland (and The Crown Estate) for more than nine years, and previously worked in public and private sector roles focused on environment, energy, communities and engagement. He will be supporting the implementation of the scheme and working with project applicants. Contact Tom at pilots@crownestatescotland.com or call 0131 260 6070.

1. Foreword

This Local Pilots Scheme offers communities an opportunity to take on management of Scottish Crown Estate land and property. We want more organisations to have more opportunity to get more involved in

Crown Estate Scotland land and property. This could include developing projects in areas of offshore, seabed or parts of the rural estates.

It's a really exciting development which will empower communities and give them a real say over how local areas are used. We want applicants to bring forward ideas as to how, by managing Crown Estate Scotland assets, they can improve the economic, social and environmental well-being of their local area. And the scheme is open to organisations ranging from small community development trusts to local authorities.

The Scottish Parliament is currently considering new legislation that will determine how the assets that make up the Scottish Crown Estate are managed in the future. These pilot schemes will help test different approaches and inform how aspects of this legislation may be best implemented.

There are many communities around Scotland with the imagination, skills and commitment to develop projects suited to the land and property managed by Crown Estate Scotland.

Successful applicants may receive appropriate remuneration, which will cover their expenses, and can, with agreement from Crown Estate Scotland, reinvest capital raised within the project. The balance of the revenue will be paid to Crown Estate Scotland so that we, in turn, can pay it to the Scottish Government. Projects must also maintain and enhance the capital value of the estate and we want to be sure that the interests of existing tenants and users of the estate are protected.

Whatever the project, our staff will work with applicants, helping them to develop their plans. Our team offers wide commercial and technical expertise and have worked with communities such as Lochmaddy, Gigha and Tobermory to help create marine leisure facilities. These, in turn, have given a real boost to local economies.

We see these pilot projects as an opportunity for real collaboration – not just between ourselves and the applicant – but also involving other interest groups who can contribute to the project's success and potentially widen the benefits.

I would encourage groups and organisations to consider this opportunity and look forward to working with communities across Scotland.

Amanda Bryan
Chair
Crown Estate Scotland (Interim Management)

2.   About Crown Estate Scotland

Crown Estate Scotland is a public corporation bound by the Crown Estate Act 1961. We are tasked with managing assets that stretch the length and breadth of Scotland, including agricultural and forestry

land, most of the seabed, just under half of the foreshore and some commercial property. A map can be found here.

Through working with others, we aim to innovate with land and property to create prosperity for Scotland and its communities.

We are a net contributing body. All our revenue profit goes to Scottish Government for public spending. For 2017-18, this profit is forecast to be £5.9m.

Our 2017-20 corporate plan and 2018-19 business plan details our priorities and objectives, and our Framework Document sets out our functions, duties and powers.

Legislative framework

We have a statutory duty under the Crown Estate Act 1961 to generate a revenue profit and enhance the value of the land and property that we manage. We must do this in a way that ensures good management as well as securing best consideration and best value.

In practice, this means obtaining market value (for leases, sales and other transactions) while contributing to Scotland's economic, social and environmental well-being and prosperity. Working with tenants and partners and ensuring environmental and financial sustainability is central to our approach and our values.[1]

The pilot projects must align with Crown Estate Scotland's legal obligations. More information on relevant legislation can be found here.

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[1] New primary legislation, the Scottish Crown Estate Bill, was introduced to the Scottish Parliament on 24 January 2018. One of the purposes of the Bill is to establish provisions to allow Scottish Ministers to transfer or delegate management of Crown Estate Scotland assets. The Pilots Scheme is separate from the Parliamentary process, although the outcomes of the Scheme may help to inform the implementation of the future legislation.

What we do

Detail on our current programme of work is in our corporate plan. Our current business model is based on an in-house team of approximately 40 FTEs. This includes asset and development managers, and staff providing expertise in Geographic Information Systems, finance, governance, communications and policy.

In addition, we outsource activities to managing agents who provide specialist expertise, property management services and local support in rural and coastal communities.

Our strategic objectives, which align closely with the Scottish Government's economic strategy and National Performance Framework, are to:

· Contribute to Scotland's economic, social and environmental wellbeing;

· Maintain and enhance the value of assets and the return obtained from them;

· Develop local decision making and success, with a particular focus on communities and coastal local authorities;

· Build confidence and trust in the organisation;

· Develop and deploy our people's expertise to deliver success.

3. Local Asset Management PilotsScheme

The Crown Estate Scotland three-year corporate plan sets out our commitment to test different methods of managing assets in order to:

· Empower communities and give local people more say in decisions that impact the land, coastline and sea near where they live or work; and

· Contribute to Scotland's overall economic, social and environmental well-being.

We understand that potentially small changes in how Crown Estate Scotland assets are managed could have a transformational effect at a local level. The Pilots Scheme hopes to discover new approaches to decision-making and to explore ways of creating greater community benefit and contribute to sustainable development in Scotland, by managing the estate differently.

We are aware that one size will not fit all. Some applicants may wish to take on full delegated management with all the duties, obligations and administration that entails, whilst others will prefer enhanced local decision-making without taking on the burden of full management.

Each project will be subject to an assessment which is relevant to the scale of the proposal. There is no set limit to the number of projects under the Pilots Scheme. However, in practical terms, the Pilots Scheme as a whole needs to be manageable, and not significantly undermine delivery of the corporate plan.

We will assist applicants to understand the implications of their proposals by being available, where practical, to discuss and provide relevant information.

The Pilots Scheme is piloting approaches to management of the assets. Crown Estate Scotland will continue to buy, develop, lease and sell parts of the Scottish Crown Estate.

All existing statutory licensing and planning processes, including public consultation etc. remain applicable to Pilots Scheme projects.

As liability remains with Crown Estate Scotland, transactions under the Pilots Scheme e.g. leases and sales, will need to be authorised.

4.   Aimandoutcomes

TheaimofthePilotsSchemeistoachieveasetofpilotprojectswhich willtestnewor innovativeapproachestoassetmanagementwhich will help deliver sustainable development in Scotland. Crown Estate Scotlandwelcomesproposalsoffering managementatdifferentscales, invaryinggeographicallocationsandutilisingarangeof assets.

Projects which aim to enhance economic, social, environmental and well-being outcomes will be welcome. This could include projects that aim to reduce carbon emissions or mitigate climate change, promote inclusive economic growth, or aid local decision-making, for example. Projects which use active management to avoid degradation will also be considered.

We are aware that projects will take some time to create measurable outcomes, some may be time limited whilst others are ongoing. The duration of projects should be relevant to the proposal and the management approach.

Crown Estate Scotland will review the Pilots Scheme process in 2020 and a 'lessons learned' document will be produced (this is not the planned end of the Pilots Scheme or the individual projects).

Innovation in this context means changing or implementing a management approach to benefit Scotland's triple bottom line of economic, social and environmental improvement.

5.   Keyconsiderations

Applicants should consider the following context while developing their proposals:

- Crown Estate Scotland assets are a national resource. They are not owned by Crown Estate Scotland however we have a statutory duty to manage them on behalf of Scottish Ministers in a way that maintains and enhances their value and the return obtained from them;
- Projects should align with the 2017-20 Crown Estate Scotland corporate plan.

We work to the National Standards for Community Engagement and it is important that all proposed pilot projects evidence stakeholder and community support for the project and the proposed management approach. This can be evidenced in ways relevant to your project type and scale for example by survey, minutes of meetings or other supporting materials such as letters of support.

Crucially, applicants should ensure that there are no significant additional burdens or impacts as a result of their project on Crown Estate Scotland's tenants or other users of the assets, both inside and outside the pilot project area. This could include, for example, issues around damaging commercial confidence or creating unfair advantage, conflicts of interest or increased administrative burdens.

Crown Estate Scotland does not have duties under the Community Empowerment (Scotland) Act 2015, although we wish to work within the spirit of this and other appropriate legislation including the Land Reform (Scotland) Act 2003.

Managers can negotiate an appropriate fee for their services.

Income derived from the assets will be submitted to Crown Estate Scotland.

Revenue profit is paid to the Scottish Government.

Capital raised within the project can be reinvested.

The aim of the Pilots Scheme is to test a range of management approaches – this includes a mix of assets involved, the scale, location and the extent of both community involvement and empowerment.

6.   Managing capital and revenue

The assets, and the income derived from the pilot projects, will remain the responsibility of Crown Estate Scotland. It is possible for managers of pilot projects to negotiate a fee, appropriate to their costs, for their management activities. The sale of assets within the pilot area is also possible. In this case all proceeds would need to be reinvested in the Scottish Crown Estate.

The assets

Crown Estate Scotland manages the following assets:

· 37,000 hectares of rural land with agricultural tenancies, residential and commercial properties and forestry on four rural estates (Glenlivet, Fochabers, Applegirth and Whitehill)

· Rights to fish wild salmon and sea trout in river and coastal areas

· Rights to naturally-occurring gold and silver across most of Scotland (Mines Royal)

· Just under half the foreshore around Scotland including 5,800 moorings and some ports and harbours

· Leasing of virtually all seabed out to 12 nautical miles covering some 750 fish farming sites and agreements with cable & pipeline operators

· The rights to offshore renewable energy and gas and carbon dioxide storage out to 200 nautical miles

· Retail and office premises at 39-41 George Street Edinburgh.
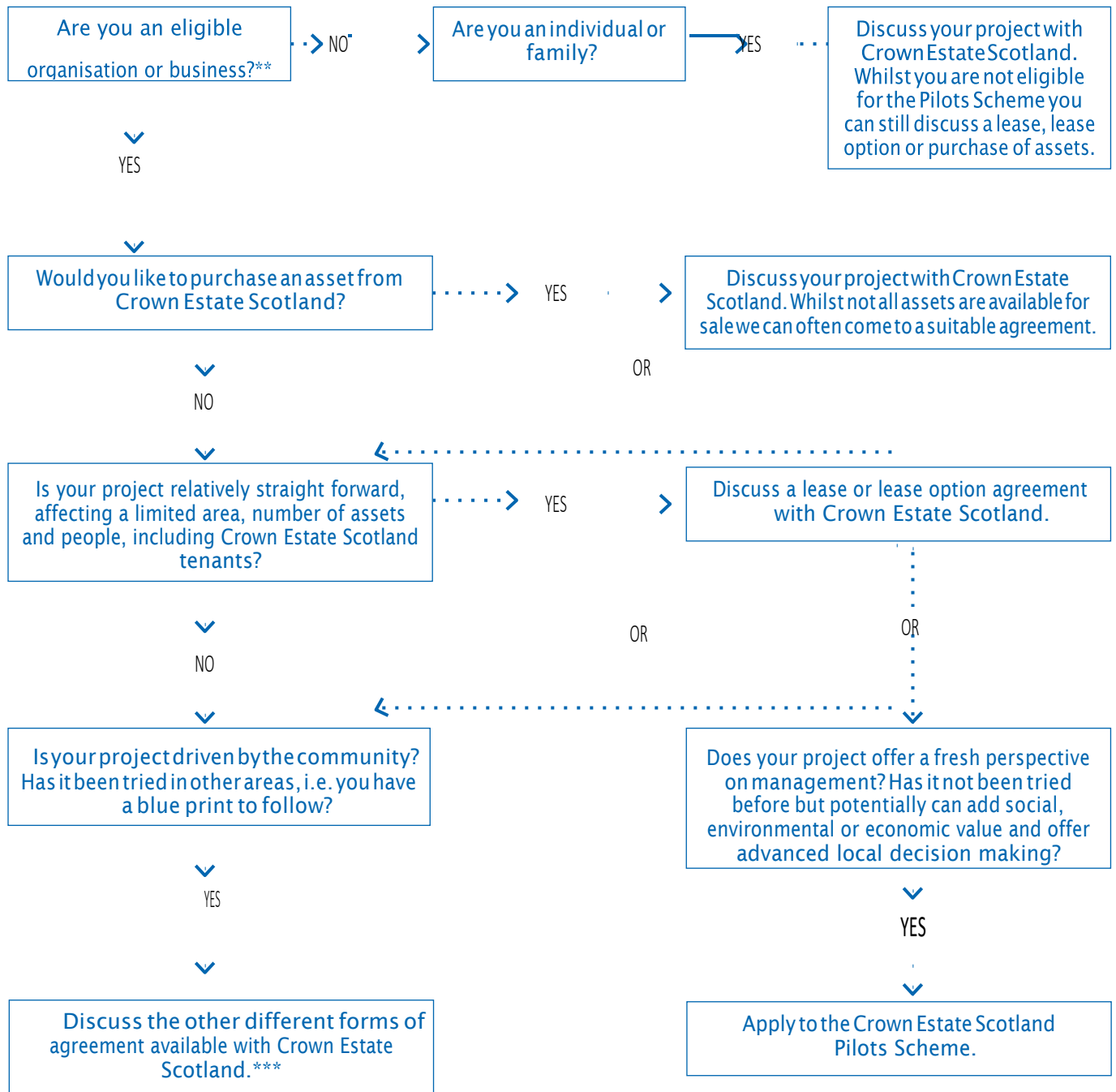
> Capital proceeds raised by a pilot project can be reinvested in the assets which make up the pilot project. They can also be used to purchase new assets. As per the Crown Estate Act 1961 all assets will remain the property of the Crown.

Within this range of assets, the following are not considered to be part of the Pilots Scheme (this has been decided following consultation with the Scottish Government, tenants and stakeholders):

· Mines Royal, gold and silver and other mineral reserves

· Rights to offshore wind energy and gas and carbon dioxide storage out to 200 nautical miles (however, small-scale near-shore marine renewable energy projects *are* included in the Pilots Scheme[2])

· Urban assets including retail and office premises

· Leases covering nationally important infrastructure such as communication cables and pipelines.

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2   As with other pilot projects, marine renewable energy proposals will be subject to statutory regulatory processes and will be considered in light of other Crown Estate Scotland leasing.

7. Choosing A Management Approach*

| Are you an eligible organisation or business?** | ··> NO· | Are you an individual or family? | YES ··· | Discuss your project with Crown Estate Scotland. Whilst you are not eligible for the Pilots Scheme you can still discuss a lease, lease option or purchase of assets. |

YES

| Would you like to purchase an asset from Crown Estate Scotland? | ····> YES | Discuss your project with Crown Estate Scotland. Whilst not all assets are available for sale we can often come to a suitable agreement. |

NO

OR

| Is your project relatively straight forward, affecting a limited area, number of assets and people, including Crown Estate Scotland tenants? | ····> YES | Discuss a lease or lease option agreement with Crown Estate Scotland. |

NO

OR

OR

| Is your project driven by the community? Has it been tried in other areas, i.e. you have a blue print to follow? | | Does your project offer a fresh perspective on management? Has it not been tried before but potentially can add social, environmental or economic value and offer advanced local decision making? |

YES

YES

| Discuss the other different forms of agreement available with Crown Estate Scotland.*** | Apply to the Crown Estate Scotland Pilots Scheme. |

*See Annex A for examples.

**See Section 10 for details of eligible organisations.

***There are other types of agreement that are suitable for smaller, community-focussed projects. Some come with a package of support.

8. Scheme application process

Stage One

Applications are invited based on the Stage One criteria. wIn order to reduce the burden on applicants we have included a suggested word count. Although there is no penalty for additional text, you are encouraged to keep as close to the suggested limit as possible. Please use web links to additional information where relevant.

Crown Estate Scotland staff will ensure Stage One applications are eligible and, as much as can be defined, viable, seeking clarification where necessary.

The Crown Estate Scotland Board and the Scottish Government's Stakeholder Advisory group on the Crown Estate will be given an opportunity to review projects prior to proceeding to Stage Two. Feedback will be collated and given to the project proposers to assist with development of Stage Two applications.

The Pilots Scheme aims to identify a group of projects which demonstrate a range of management approaches, at a variety of scales and locations across Scotland.

Stage Two

At this stage a summary of projects that progress to Stage Two will be posted on the Crown Estate Scotland website.

Successful applicants are requested to submit a business plan based on their Stage One application. Business plans should not be overly complex, and applicants are encouraged to address the questions as clearly and simply as possible. The business plan should relate to relevant regional and local plans and strategies as well as the Crown Estate Scotland Corporate Plan. A list of useful, free, resources can be found at the end of this document to assist.

Crown Estate Scotland staff will assess Stage Two applications, taking advice as necessary, particularly regarding any novel, contentious or innovative proposals and on the proposed community benefit and community engagement techniques. We expect projects to have gathered local feedback to strengthen their application, from Crown Estate Scotland tenants and other users of the assets who may be impacted by, or keen to be involved with, the project.

A report will be prepared on each application which will include a record of any clarifications sought and answers provided.

Staff will make recommendations to the Crown Estate Scotland Board who will then decide which projects should receive preferred project status under the Pilots Scheme. This allows time for due diligence (see below) to be carried out before Scottish Government endorsement is sought and projects can proceed.

Crown Estate Scotland welcomes early discussions with interested organisations and community representatives.

NB: In 2020 Crown Estate Scotland will review the Pilots Scheme process including looking at lessons learned and the impact of the process on the organisation. Individuals projects will be reviewed at regular intervals as per their agreed business plan.

Due diligence

Due diligence will be proportionate to the scale of the project. Crown Estate Scotland staff will work closely with the applicant to carry out due diligence beginning at Stage One, with appropriate checks, and continuing during Stage Two where applicants may be asked for additional information relating to financial management systems, data management systems etc.

Crown Estate Scotland will aim to ensure this process does not create undue delay, however there is no set time limit for this process and it may continue after your project has achieved 'preferred project' status.

9.   Pilots Scheme timetable

1. 20 JUNE – 16 AUGUST 2018 (8 WEEKS) – STAGE ONE APPLICATION PROCESS OPEN

Guidance for Stage One and Stage Two published. Crown Estate Scotland welcomes discussions with project applicants.

∨

2. 17 AUGUST – 27 SEPTEMBER 2018 (8 WEEKS) – STAGE ONE ASSESSMENT

Stage One applications assessed for eligibility. All eligible, and potentially viable, projects referred to the Crown Estate Scotland Board and discussed with the Scottish Government's Stakeholder Advisory group on the Crown Estate.*

∨

3. 15 OCTOBER – 12 MARCH 2019 (26 WEEKS – Extended further to applicant feedback) – STAGE TWO APPLICATION PROCESS OPEN

Viable projects progress to Stage Two and a summary of these projects will be published on the Crown Estate Scotland website. This will help applicants develop projects that are innovative and distinctive.

Using the guidance, applicants are encouraged to show how they meet the criteria by submitting a business plan for their project.

∨

4. 12 MARCH – 22 MAY (15 WEEKS) – STAGE TWO ASSESSMENT

Assessment of projects is undertaken by Crown Estate Scotland and recommendations are presented to Crown Estate Scotland Board at the end of March. Approved proposals receive 'preferred project status' prior to completion of due diligence.** Final approval is given by Scottish Ministers and pilot projects begin activities.

*The Scottish Government's Stakeholder Advisory group on the Crown Estate (or a subgroup of it's members) will be provided with summary information on Stage 1 applications. No confidential information will be shared. The group is an advisory body and not a decision-making group. This step has been introduced to supplement applicants' ongoing consultation with their respective communities and stakeholders. Group members will be asked to declare any potential conflict/s of interest.

**Crown Estate Scotland is keen to ensure the Pilots Scheme is open to as many projects as possible. If you have concerns about meeting this timetable, please discuss this with us as early as possible.

10.   StageOneapplicationguidance

Introduction

At Stage One, we hope to receive a wide range of proposals. We encourage innovative management approaches which are underpinned by community and stakeholder support and which have the potential to offer improved economic, social, environmental and well-being outcomes.

We are aware that the Pilots Scheme may impact the way Crown Estate Scotland functions and we are prepared to consider adapting procedures and in-house practices proportionately to facilitate the smooth running of the scheme. This will, however, need to be assessed against impacts on the delivery of our corporate plan and the requirements of our legislative framework.

Applicants are reminded that the ability to purchase and lease assets is available outside the Pilots Scheme, and Crown Estate Scotland continue to welcome approaches to purchase or lease. Funding may be available to assist you under the Scottish Land Fund or through the Heritage Lottery Fund.

The following seven questions form the basis of your Stage One application and they aim to help Crown Estate Scotland find out more about the project proposal. Details of how we will score your project are included in Annex E.

A Stage One application form is available at www.crownestatescotland.com/the-assets/local-management.

Your proposal should clearly demonstrate how you intend to meet the statutory requirement to maintain and enhance the value and return from the Crown Estate in Scotland.

Question 1: Please tell us about the type of organisation applying to manage the asset.

Crown Estate Scotland is open to a wide range of bodies applying under the Pilots Scheme. We simply need to ensure that an organisation is legally able to take on the responsibilities requested. The organisational set up should be appropriate to the proposal.

The following list of organisation types is a guide only and not an exhaustive list, nor a guarantee of eligibility:

· Community Development Trust
· Company Limited by Guarantee
· Scottish Charitable Incorporated Organisation
· Charity
· Community Benefit Society or Charitable Community Benefit Society
· Community Interest Company
· Local Authority or other public body

Private or family applications are not eligible for the Pilots Scheme. Membership organisations should be made up of members of the relevant communities and should be wholly controlled by them.

NB: If you are working towards becoming one of the organisations above (or similar) but have not yet become formally set up you are still welcome to apply as long as you aim to be set up by Stage Two of the application process. Similarly, if your project relies on a grant which is not yet secured, but may be by Stage Two, you are welcome to apply. Please make this clear in your application.

At this stage you should include an appropriate financial statement. This could be a set of your most recent accounts or other documentation which shows evidence of the financial health of your organisation.

Key contacts for your application, including a summary of their relevant experience or their CV, should also be included (see the Stage One application form). If you do not intend to undertake financial transactions under the Pilots Scheme, e.g. you are proposing local decision-making only and all transactions are to be retained by Crown Estate Scotland, please note this here.

Question 2: What is the nature of your proposal?

Please give a brief outline of the type of management approach, the Scottish Crown Estate assets to be involved and the scale of the project.

Your answer should cover:

· What you plan to do and what prevents it from happening at the moment
· How your project fits with the aims of the Pilots Scheme
· What you hope to achieve
· How you plan to do it, including your decision-making structure

Please provide a map of the project area as a reference – please discuss your project with Crown Estate Scotland so they can provide information to assist you with this. Please also include an indicative timescale for the project, assuming a start of April 2019 (date for planning purposes only). Projects can be of any duration. Please include relevant milestones, if possible.

Suggested word limit: 800 words

Question 3: How does the project maintain and enhance the value of the Estate and the return from it, and support sustainable development in Scotland?

At the core of the Crown Estate Act 1961 is the statutory duty placed on the organisation to maintain and enhance the value of the Crown Estate and the return obtained from it, but with due regard to the requirements of good management. Under the Pilots Scheme we have an opportunity to see how Crown Estate Scotland assets can further contribute to Scotland's triple bottom line of financial, social and environmental development.

In your application, please indicate how you think you will meet this statutory duty, including telling us about:

· What potential costs / savings may occur as a result of your project
· Identify any increase / reduction in the regulatory burden for any sector

At this stage of the application process, it is sufficient to give a brief description of these issues. If you are asked to continue to Stage Two you will be given the opportunity to give a more detailed response.

Suggested word limit: 800 word

Question 4: Is the proposal in the public interest?

Crown Estate Scotland must ensure that the resources it manages contribute to the sustainable development of Scotland and that the assets are used economically, efficiently and effectively to deliver value for money for Scotland as a whole.

Please tell us how your proposal is in alignment with relevant local and national plans and strategies, for example, the Crown Estate Scotland Corporate Plan, National Planning Framework 3, the National Performance Framework and Scotland's National Marine Plan.

In this section please detail what social, economic and environmental benefit(s) will be derived from your project, where and by whom.

In drafting your proposal, please also outline if other options have been considered to give the same outcomes e.g. if more local control of the marine asset is required has a Marine Planning Partnership been considered as a mechanism?

Suggested word limit: 800 words

Question 5: How has the community (including tenants) been engaged in the development of the proposal?

To ensure the best possible outcomes, Crown Estate Scotland are very keen to ensure that proposals have the support of the relevant local communities and stakeholders including tenants and other users of the estate.

The community can be defined as appropriate to your application, for example by geography or by their interest. If it is a community of interest we are particularly keen to know how you have also engaged, or plan to engage, with the local geographical community in your project area as well as the community of interest. The community can include local interest groups such as mooring associations, community development trusts, Inshore Fisheries Groups or elected representatives such as community councils or other appropriate groups or individuals.

In your Stage One application we ask that you begin by identifying the community you expect to be most impacted by your application. Please supply supporting evidence that your proposal has been developed in consultation or partnership with that community in line with the National Standards (see below) and that the community is supportive of your proposal.

In testing the efficacy of your community engagement, we will be using the National Standards for Community Engagement as our benchmark. These are Inclusion, Support, Planning, Working Together, Methods, Communication and Impact.

Should you progress to Stage Two of the application process you will be asked for more detail about this engagement and for further evidence of community support.

Suggested word limit: 800 words

Evidence of community support may be difficult to fully compile in the time available. We are able to accept a range of types of evidence including letters of support and existing information which shows community support for the general approach being proposed but which may not be directly related to your application.

Question 6: How have any conflicts of interest and impact on tenants been addressed?

If you intend to take over management of Crown Estate Scotland assets and become the landlord's representative, conflicts of interest may arise. These may include situations where the proposer would become both:

· Operator and regulator;

· Landlord and rental valuer;

· Landlord and tenant; or

· Landlord for a direct competitor.

Please use the interactive map on our website to identify any tenants in, or adjacent to, your project area and provide a list of potential conflicts of interest, or other potential impacts, and suggest ways these can be mitigated. The information on this map is limited due to issues of commercial confidentiality and data protection. If you require more information about tenants and lease agreements in your proposal area, please get in contact as soon as possible.

In this section you should also list other users of the potential Pilots Scheme area and address any possible conflicts with your proposal. This could include local angling interests, commercial fishing, tourism interests or other community ventures etc.

At Stage One it is sufficient to create a relatively simple list of conflicts of interest, tenant interactions and suggested mitigations. You will be invited to provide more detail if your application progresses to Stage Two.

Suggested word limit: 800 words

Question 7: Evaluation and reporting

Your proposal at this stage should outline how your project could be measured and when milestones should be expected to be achieved. Your outcomes can be based on financial, social or environmental targets and measures.

Please indicate the baseline against which your targets can be measured. The baseline and targets do not need to be too detailed or specific, however, you will be asked for more detail should your application progress to Stage Two. Targets should include an indicative timescale and be realistic.

Applicants should note that projects which excel in, for example, achieving community or environmental benefit, will not be marked down if they do not also excel in achieving financial returns. As long as they do not create disproportionate burden, and impact on delivery of the Crown Estate Scotland corporate plan, they will still be considered for the Pilots Scheme.

When considering how to measure non-financial outcomes, you may find it helpful to refer to the natural capital work done by Crown Estate Scotland and The Crown Estate or the strategy for measuring Marine Protected Areas impacts by the Scottish Government. Highlands & Islands Enterprise use a set of social impact measurement indicators which may also be useful.

Suggested word limit: 800 words

Appeal process

As per Crown Estate Scotland Framework Document, any work undertaken which is 'novel or contentious' requires approval from Scottish Ministers. With this in mind, any appeal against a decision made by the Crown Estate Scotland Board regarding the Pilots Scheme will be managed by the Scottish Government.

Should a proposer or other third party wish to appeal the decision at Stage One or Two in the first instance the reasons for refusal will be discussed between the proposer and Crown Estate Scotland.

If you are not satisfied with the outcome of your discussions, and you would like to ask Scottish Ministers to review the decision, this request should be made in writing to David Mallon – David.Mallon@gov.scot, Marine Scotland, Area 1B South, Victoria Quay, Edinburgh, EH6 6QQ within four weeks of notification of Stage One outcomes and within eight weeks of the notification of Stage Two outcomes, with evidence supporting why you consider the decision to be incorrect.

11. Stage Two application

Congratulations for being accepted to Stage Two of the Crown Estate Scotland Pilots Scheme application process. We would now ask you to submit a detailed business plan appropriate to the scale of your project. If you have questions about developing a business plan, please contact us.

Business plans should not be overly complex, and applicants are encouraged to address the questions as clearly and simply as possible. Proposals are likely to be varied in their scope and approach and so not all questions or guidance will be relevant to your proposal.

There are a range of resources freely available which may be of help to you. Some of these are listed in Annex C, Annex E also gives details of how your project will be assessed. If you had professional assistance to complete Stage Two please indicate this in your business plan.

At this stage a summary of all projects will be posted on the Crown Estate Scotland website. This is to facilitate engagement with wider users of the Scottish Crown Estate and to help applicants develop distinctive and innovative proposals.

Introduction

In assessing your Stage Two application, we will consider your project in the context of our strategic objectives and how it contributes to our key performance indicators (as detailed in our Corporate Plan and Business Plan). We will also be weighing the applications so that, for example, a project which scores highly on innovation or community engagement has the potential to go ahead despite lower scores on value for money.

> You may find 'Green Book 5' and associated guidance helpful for structuring your business plan.

Scoring is weighted to encourage good engagement (see matrix in Annex E). This is to ensure the best possible projects progress, that all local users of the Crown Estate in Scotland have been taken into account, and that unintended consequences have been identified and ironed out as early as possible.

If appropriate to the scale of your project, Crown Estate Scotland will also use the characteristics of 'Best Value', which public service organisations are required to demonstrate, as a guiding structure for our decision making for the Stage Two applications. Guidance is available on the Scottish Government website. Best Value can be demonstrated through:

- Commitment and Leadership
- Sound Governance at a Strategic and Operational Level
- Accountability
- Sound Management of Resources
- Responsiveness and Consultation
- Use of Review and Options Appraisal
- A Contribution to Sustainable Development
- Equal Opportunities Arrangements
- Joint Working

We have included the Best Value characteristics most closely aligned with the relevant questions to assist you.

StageTwo Guidance

Please use the following section headings and guidance as the basis for your business plan. Business plans should be proportionate to the scale of the project you are proposing. We are aware that one size does not fit all and so we do not expect all guidance to be appropriate to all projects. Details of how your project will be assessed by Crown Estate Scotland are included in Annex E.

Section 1 – Project Context

In the introductory section of your business plan, please give as much contextual detail as possible about your pilot project including:

· What is the nature of the pilot you wish to test? Give details of what you want to achieve by running the pilot project.

· What is the management approach that you wish to use, how does it differ from the current approach and how does it help to overcome existing barriers to achieving your aims?

· What asset(s) are covered by the proposal?

· What geographical scale are you proposing to work at? Please include a map of your project area.

· What is the financial scale of the proposal? Please include an estimated budget including anticipated management fees including a justification for the charges. Please also tell us about any funding requirements for your project and include details of your fundraising strategy. See also section 7.

· What is the anticipated timescale of the project? Please include key milestones. If your project has an end point, please tell us how this will be managed. If it is to be ongoing please tell us how it will be sustained in the future. Include the anticipated timeframe, from sign off by Scottish Ministers to full functioning of the project.

· Who are the key people who will be managing the project and what skills do they bring to the task?

· Clearly define the parties involved in your proposal and how they relate to one another. This should include relevant management structure(s), organisational and legal status (please tell us if this has changed in any way since your Stage One application).

Section 2 – Duty to enhance value and return (Sound Management of Resources)

The statutory remit of Crown Estate Scotland includes a duty to ensure 'good management' as well as securing best consideration and value. We aim to meet our duty in order to contribute to Scotland's financial, social and environmental well-being and prosperity. Working with tenants, communities and other partners and ensuring environmental and financial sustainability is central to our approach and our values.

Building on what you told us in your Stage One application, your business plan should address the following aspects, as appropriate to your project.

· How does the proposal meet the statutory duty to maintain and enhance the value and return from the Scottish Crown Estate?

· Evidence of need – tell us how you have identified the need for this project.

· Achieving best consideration. Building on what you told us at Stage One please detail:

  − How your project supports the Crown Estate Scotland strategic objectives and key performance indicators;

  − Any potential costs/savings that may occur as a result of your project;

  − Any increase/reduction in the regulatory burden for any sector due to your project;

  − Any known increase/reduction in revenue due to the pilot project;

  − How your project demonstrates a cost-effective way of managing the asset.

Section 3 – National Oversight

(A Contribution to Sustainable Development)

Crown Estate Scotland is a public corporation tasked with managing the Crown Estate in Scotland on behalf of Scottish Ministers and returning profit to the Scottish Government – the assets it manages are a national resource. In your business plan please show how your project demonstrates good management of the national resource. For example:

· Being a responsible and reasonable landlord.

· Bringing a suitable level of strategic oversight at an appropriate scale e.g. local/regional/sector wide etc.

· Understanding, and delivery, of strategic relevant legislation and strategies. For example:

  – How does the proposal contribute to the sustainable development of Scotland and the local area?[3]

  – How does the proposal support the Community Empowerment (Scotland) Act 2015 and Land Reform (Scotland) 2003 Act?

  – Further details of relevant legislation can be found on our website.

· Subsidiarity – can you demonstrate that decisions are to be made at the most appropriate devolved level?

Section 4 – Governance (Sound Governance at a Strategic and Operational Level, Commitment and Leadership)

Crown Estate Scotland has approximately 38 FTE staff based at our office in Edinburgh and on the Glenlivet and Fochabers Estates in Moray. We also outsource activities to managing agents to provide specialist expertise, property management services and local support in rural and coastal communities.

The Chair of the Board and the Board members of Crown Estate Scotland are accountable to Scottish Ministers. The Chair aims to ensure that Crown Estate Scotland's policies and actions support the purpose and national outcomes of Scottish Ministers and that Crown Estate Scotland affairs are conducted with probity. The Chair shares the corporate responsibilities with the Board.

Your business plan should show how you will handle confidential information. For example, if named people will have access to confidential files please tell us their names, job titles etc.

In your business plan, please outline how you will aim to meet the governance requirements proportionate to your project. In order to demonstrate that you have the appropriate skills to manage the asset and/or will you be able to recruit suitable expertise please tell us:

· How decisions are taken.

· The number of staff, board members or trustees currently involved, or required, and their desired skills.

· Who are the key decision makers and what are their skills?

Please also include information about any public or stakeholder consultation processes or communication tools that you use or plan to use e.g. websites, newsletters, meetings etc.

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[3] You may find it useful to refer to strategic documents such as the Scotland Performs indicators, the National Performance Framework, the Scottish Government's Economic Strategy or Scotland's Goals.

Section 5 – Financial Management (Accountability)

We require evidence of your organisation's financial standing and to understand your financial plan for the project. In your business plan, please address the following areas clearly and as appropriate to the scale of your project.

· The financial strength of your organisation.

· Availability of suitable resources to assist in our due diligence.

· How you will handle different types of data, particularly sensitive information including:

   − Geographical Information Systems data

   − Financial information

   − Client/tenant asset information

   − Commercial information

· How income, expenditure and liabilities associated with the assets will be managed and how this is justified.

· Please outline costs associated with the set-up of the project and how you propose to fund these.

· Please outline your experience of VAT and Construction Industry Scheme (CIS) accounting and administration, particularly in relation to land and property, and how this has been factored into your business plan.

· Without jeopardising any commercial confidences, please outline how you plan to set your rental rate structures for any tenants within your pilot project boundary. For example, how will you establish best consideration?

· If relevant, have concerns about monopoly or State Aid issues been identified and addressed?

· If relevant, can you show how issues regarding management across statutory or geographical boundaries have been addressed?

· Please include copies of relevant organisational procedure e.g. environmental, data protection (including details of how you comply with GDPR), Health and Safety etc. as an appendix.

Section 6 – Community Engagement (Responsiveness and Consultation, Equal Opportunities Arrangements)

We would like to know more about how you plan to undertake community, and wider user, engagement in your pilot project area. All project proposals should demonstrate that:

· The community, either of geography or interest, has been identified;

· The community was involved with identifying the need for the project and that it will be able to actively contribute throughout the lifetime of the project;

· Community views, and views of other stakeholders and users of the Crown Estate in Scotland, including those of Crown Estate Scotland tenants, have been listened to and feedback given;

· There is evidence of contribution to community empowerment throughout the project, for example through local decision making;

· You have identified mechanisms for alerting affected individuals/communities or tenants about relevant developments.

In testing the efficacy of community engagement, we will be using the National Standards for Community Engagement as our benchmark. Please make clear in your business plan, as appropriate to the scale and aims of your project, how you meet and address each of these standards, including supporting people with protected characteristics to be engaged with the project.

Section 7 – Community Benefit (Joint Working)

One of the core goals of Crown Estate Scotland is to build social capital in communities through strong networks and partnerships. In your business plan, please include details of how your project will help Crown Estate Scotland to deliver against this goal. Particularly, please tell us what you see as being the benefit of the proposal to the local community – this should include information about how the need was identified and how you will assess if the pilot has been successful in achieving the sought-after level of benefit.[4]

Community/social benefit or 'common good' can be measured in several ways and we do not wish to be prescriptive about how you demonstrate your project's benefit to communities. Helpful advice can be found at the Social Value UK and the Social Audit websites where both social auditing and return on investment are discussed in more detail. The Scottish Government have also done extensive work on community benefit clauses in agreements. Highlands & Islands Enterprise use a set of social impact measurement indicators which may also be useful.

In this section of your plan, please also provide evidence, as appropriate to the scale of your project, of how your proposal supports or contributes to the Scottish Government's National Outcomes.

Section 8 – Risk Management (Use of Review and Options Appraisal)

The Framework Document between the Scottish Government and Crown Estate Scotland discusses risk in some detail and applicants are requested to make themselves familiar with this document and the implications for their project.

At this stage, building on what you told us in your Stage One application, applicants should tell us why their project is a good fit for the Pilots Scheme. Include a section within your business plan which covers the following aspects in as much detail as possible:

- Have you investigated other ways of overcoming identified barriers and achieving the same outcomes e.g. lease, minute of agreement, licence, purchase etc.?

- What are the liabilities and risks associated with the proposal? Please create a risk register and suggest mitigations. Risks identified should include potential impacts on existing tenants and other wider users. Early engagement with those potentially impacted is recommended.

Section 9 – Evaluation and Review

Building on your Stage One application, please tell us how you think your project should be reported and evaluated. Evaluation should build on an identified baseline and can be based on financial, social or environmental outcomes.

At this stage, you should be as specific as you can about key performance indicators and milestones which you think are appropriate for your project and the timescales for achieving them.

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[4] Under the Pilots Scheme managers of Crown Estate Scotland assets may receive remuneration. This can be negotiated but should be an appropriate level of fee for the services provided. This should be included in your budget in Section 1.

Annex A – Examples of existing management options

An application to the Pilots Scheme may be the right approach for your project, however Crown Estate Scotland has a number of other options to offer which may prove to be a better fit for your project and should be considered before you apply. If you are in doubt about the right approach, please contact us and we will be happy to discuss the options with you in confidence.

1. Occupation Agreements

There are a number of different legal occupation agreements that Crown Estate Scotland can provide, these can be individually tailored to suit each individual set of circumstances. The most common types are Leases, Licences and Minutes of Agreement. Lease Option Agreements are also useful tools for developers in particular, whether on land or in the sea. A Lease Option Agreement (LOA) will register the developer's exclusive interest in the area in question for the stated duration of the agreement (24 months for an aquaculture development, for example), this will then either be taken on to a full Lease Agreement or the LOA will expire, and the area will become available to other interested parties.

Example

Crown Estate Scotland (and previously The Crown Estate) was able to support Scottish company Nova Innovation, a leading tidal energy company, in securing a lease for a new tidal energy array off the island of Yell in Shetland. Nova, with a strong Scottish supply chain, deployed its first M100 tidal turbine over the winter of 2015-16 and first power generation was reported in March 2016.

2. Mooring Association Agreements

A Mooring Association Agreement is one of our more common occupation agreement types. The formation of a Mooring Association provides increased local management for leisure boat owners. Once established, Associations are given a seabed agreement by Crown Estate Scotland, enabling them to manage their members' moorings within a specific area including setting their own fees. There are currently more than 120 mooring associations functioning in Scotland and three Community Marine Officers who facilitate their management and set up. For more information click here.

Examples

Clyde Moorings Committee undertakes to administer applications for leisure craft moorings across the Peelports Harbour Authority area which encompasses the majority of the Firth of Clyde. The Committee was established in 1981 and includes key stakeholders such as Peelports, Bidwells (as agents to Crown Estate Scotland), the Queen's Harbour Master, RYA, Clyde Yacht Clubs Association, Clyde Fishermen's Association, British Marine and Marine Scotland. The Committee meets regularly to review applications for moorings and discuss other relevant issues.

Dunstaffnage Bay Mooring Owners Association in Argyll has been managing the moorings in their area for many years and was intensively engaged in representing mooring owners' interests as the Dunstaffnage marina developed. With positive input from the local Community Marine Officer, a strategic rearrangement of the moorings was possible which allowed for the expansion of the marina whilst preserving the interests of the mooring holders.

3. Local Management Agreements

Other forms of option agreements are designed to provide opportunities for organisations to manage certain areas of seabed and foreshore to provide local economic, social or environmental benefits. These are sometimes called 'local management agreements'.

These types of option agreements are suitable for smaller, community-focussed projects, and can come with a package of support including project management and legal advice, help in securing funding and, when appropriate, direct investment on a commercial basis.

Local management agreements have been or are in use by the Thomas Telford Corpach Marina Group (part of Caol Regeneration Company Ltd), Harris Development Limited, Isle of Gigha Heritage Trust, Tobermory Harbour Association and Comman Na Mara, Lochmaddy, North Uist.

Examples

Harris Development Limited was one of the very first projects granted a Local Management Agreement by The Crown Estate in Scotland, the predecessor of Crown Estate Scotland. The local management agreement allowed the local community to plan the development of, and fundraise for, a large-scale project, the Harris Marina Hub. The Hub was recently awarded £300,000 from the Coastal Communities Fund completing the £1.35 million funding package required for completion. The Hub is expected to bring significant economic benefits to the area through the development of marine tourism.

Tobermory Harbour Association was granted a local management agreement in 2014 which enabled them to manage the asset on behalf of the Isle of Mull community. Building on many years of partnership work by the team of Crown Estate Scotland and the staff and volunteers in Tobermory, they have now applied for and been granted statutory powers under the Tobermory Harbour Empowerment Order 2017. The new Harbour Authority will be a community-run and community-driven organisation. The Harbour Empowerment Order brings security to the next phase of plans to create a welcoming and safe hub port at Tobermory.

4. Sale

Crown Estate Scotland buys and sells property as part of its normal business activities. If community groups or other bodies or individuals wish to purchase Scottish Crown Estate assets this can be discussed, although this would be subject to various factors including an agreement to sell, the sale value and consideration of any existing agreements that might be in place. So, although Crown Estate Scotland is not subject to the Community Empowerment Act, we still seek opportunities to align with the legislation and welcome approaches from organisations that wish to purchase assets.

For agricultural land, our interim farm sales framework can be downloaded here.

Examples

In 2016 the sale of a site in Rosewell, Midlothian, was agreed. This enabled the development of 290 homes, as part of a broader regeneration programme, which includes community facilities that are being developed on a site Crown Estate Scotland gifted to the local development trust in 2014.

The Carloway Estate Trust on the Isle of Lewis completed a community land buyout, the first of its kind for Crown Estate Scotland. At the same time, they were also able to transfer the adjacent foreshore, enabling the Trust to take an integrated approach to the management of the Estate.

AnnexB–StageOneapplicationform

A word version of this form can be found at
www.crownestatescotland.com/the-assets/local-management.

CONTACT DETAILS	
What is the name of your organisation or group?	
What is the name of your project?	
What is the main or registered address for your organisation/group?	
Phone Number	
Email Address	
Website	
Who is the main point of contact for your application?	
Title	
Forename(s)	
Surname(s)	
Does the senior or main contact have any communication needs?	

Pleasetellusaboutthetypeoforganisationapplyingtomanagetheasset.

WHAT TYPE OF ORGANISATION ARE YOU?	
Give any reference or registration numbers you have e.g. · Office of the Scottish Charity Regulator · Companies House · Other reference or registration numbers. Please give details:	
When was your organisation set up? Give the date when your organisation adopted its current legal status.	Date
What is your VAT status? If you are VAT registered, what is your VAT registration number?	
How many people are on the board or committee that runs your organisation?	

Please tell us about your finances

Tick one option and fill in the amounts from your accounts or projection.

☐ Information from the latest accounts approved by your organisation

☐ 12-month projection because you've been running less than 15 months. This should give your expected income and expenditure for the 12 months from the date your organisation was set up.

ACCOUNTING YEAR ENDING	Date
Total income for the year	£
Total expenditure for the year	£
Surplus or deficit at the year-end	£
Total savings or reserves at the year-end	£

Please send a copy of your accounts with your application.

Please tell us about your project proposal

More information about each question is included in the guidance. We ask that you do not go substantially over the suggested word count (though there is no formal penalty if you do).

Question 2: What is the nature of your proposal?

Suggested limit: 800 words

Question 3: How does the project maintain and enhance the value of the Estate and the return from it and support the sustainable development of Scotland??

Suggested limit: 800 words

Question 4: Is the proposal in the public interest?

Suggested limit: 800 words

Question 5: How has the community (including tenants) been engaged in the development of the proposal?

Suggested limit: 800 words

Question 6: How have conflicts of interest and impact on tenants been addressed?

No word limit

Question 7: Evaluation and reporting. Please tell us how you plan to evaluate and report your project to Crown Estate Scotland?

Suggested limit: 800 words

Annex C – Stage Two checklist

When submitting you Stage Two business plan please use this checklist to ensure you have included all relevant information:

· Answers to questions 1-9 including a budget for your project.

· Names and details of relevant contacts including those who will have access to confidential information.

· A map of your project area including assets targeted by the proposal.

· A risk register including mitigations.

· Copies of relevant documentation e.g.

  − Data Protection Policy (including GDPR)

  − Health and Safety Policy

  − Environmental Policy

  − Any other relevant documents such as copies of relevant insurance etc.

NB

Freedom of Information Act – Crown Estate Scotland adheres to the Freedom of Information (Scotland) Act 2002. For more information please see our website. www.crownestatescotland.com/freedom-of-information

Annex D – Useful resources

In addition to the links within this document you may find the following links useful. Many of the organisations listed below offer free or low-cost training advice and support to community organisations.

- The Community Ownership Support Service has a range of relevant publications including advice about fundraising and developing the business case for your project. www.dtascommunityownership.org.uk/resources

- Local Energy Scotland also have a range of relevant case studies and advice including about setting goals for your project. www.localenergy.scot/resources

- Just Enterprise is designed to help Social Enterprises and budding social entrepreneurs achieve their trading ambitions. They offer advice and range a range of useful workshops and training events. www.justenterprise.org

- The Scottish Council for Voluntary Organisations offers a range of support services for relevant organisations including those just getting established. www.scvo.org.uk

- Delivering learning and development programmes for people and organisations enabling social change, Social Enterprise offers training focusing on leadership, enterprise and personal development. www.socialenterprise.academy/scot

- The Office of the Scottish Charity Regulator (OSCR) offers a range of useful guides and advice about how to become, and what it means to be, a charity in Scotland. www.oscr.org.uk/becoming-a-charity

- Big Lottery Fund's Community Assets grants, Grants from £10,000 to £1 million to create strong and resilient communities through assets. www.biglotteryfund.org.uk/funding/programmes/community-assets

- Foundation Scotland's Community Benefit Funds. The Foundation is involved in distributing approximately £3M each year in community benefit funds. www.foundationscotland.org.uk/grants-and-funding-for-organisations/grant-programmes/community-benefit-funds

- Lockwood, M et al (2009) Governance Principles for Natural Resource Management Land & Water www.lwa.gov.au/products/pn30299

- •Moore, P et al (2011) Natural Resource Governance Trainers' Manual IUCN RECOFTC SNV www.recoftc.org/site/resources/Natural-Resource-Governance-Trainer-s-Manual.php

- SAGUN Program Tool 3: Participatory Governance Assessment www.careclimatechange.org/tools

Annex E – Assessment and scoring

Stage One

QUESTION	TEST*
1. Please tell us about the type of organisation applying to manage the asset.	The organisation set up is appropriate to the project being proposed, including being robust and accountable.
2. What is the nature of your proposal?	The application fits with the aims of the pilot scheme. The proposer(s) have included a map, timescale and an outline of their decision-making structures.
3. How does the project maintain and enhance the value of the Estate and the return from it and support the sustainable development of Scotland?	The application clearly demonstrates an approach which maintains or enhances the value of the Scottish Crown Estate. Potential costs, savings and changes to regulatory burden have been outlined.
4. Is the proposal in the public interest?	The application shows potential to deliver against relevant local, regional and national priorities. The project delivers sustainable development for Scotland and does not significantly compromise delivery of the Corporate Plan. Evidence provided that other options have been considered.
5. How has the community (including tenants) been engaged in the development of the proposal?	The community impacted by, and who stand to benefit from, the application has been identified. Evidence of their involvement, and support, has been provided and it is in line with the National Standards for Community Engagement.
6. How have any conflicts of interest and impact on tenants been addressed?	Tenants, and wider users, of the project area have been identified, conflicts of interest noted, and mitigations suggested.
7. Evaluation and reporting	Appropriate, measurable, outcomes with tangible social, financial and/or environmental benefits have been identified.

*This is a guide only – full details are given in the body of the text.

Stage Two

Throughout the Stage Two application, Crown Estate Scotland will be looking for evidence of innovation and distinctiveness as well as assessing the cumulative impact of the Pilots Scheme projects on the Corporate Plan.

QUESTION	WEIGHTING
Section 1 – Project Context	5%
Section 2 – Duty to enhance value and return (Sound Management of Resources)	15%
Section 3 – National Oversight (A Contribution to Sustainable Development)	10%
Section 4 – Governance (Sound Governance at a Strategic and Operational Level, Commitment and Leadership)	15%
Section 5 – Financial Management (Accountability)	15%
Section 6 – Community Engagement (Responsiveness and Consultation, Equal Opportunities Arrangements)	20%
Section 7 – Community Benefit (Joint Working)	20%
Total Score	100%

Annex 2: Organisations Significantly Involved with Development of the Pilot Scheme Process

- Crown Estate Scotland
- Comhairle nan Eilean Siar
- Shetland Island Council
- Community Land Scotland
- Convention of Scottish Local Authorities (COSLA)
- Development Trusts Association Scotland
- Community Ownership Support Service
- Flora and Fauna International
- Forest Enterprise Scotland
- Lerwick Port Authority
- Marine Scotland
- North Atlantic Fisheries College
- Orkney Island Council
- Aberdeenshire Council
- Angus Council
- Argyll and Bute Council
- Ayrshire Joint Roads Team
- Cairngorm National Park
- Edinburgh City Council
- Highland Council
- Innes Community Council
- Midlothian Council
- Moray Council
- North Ayrshire Council
- Perth and Kinross Council
- Scottish Land Fund

Annex 3: Stage 2 applicant feedback

Feedback area	Notes
Manager role	Increased understanding of managing the Estate
Engagement	Welcome possibility of greater involvement through Pilot
Engagement	Useful to explore ideas as to how community involvement might work
Engagement	Not clear that Crown Estate Scotland understands community ambitions
Engagement	Engagement tends to be limited to 'light touch' to suit Crown Estate Scotland rather than 'expansive' as required by communities
Process	The process has taken a long time
Engagement	Application stages not enough information meant it felt like a 'guessing game' as to what was required
Process	Welcomed more flexible approach, recognising the balance against knowing precisely what is required in applications
Process	Application stages 1 and 2 both felt very high level 'pre-qualifications', more strategy/ policy focused, leaves organisation frustrated at lack of clarity
Manager role	Workshops with Crown Estate Scotland were 'breakthrough' in understanding what mechanics of managing the Estate involved
Engagement	Developed partnership working between organisations
Manager role	Greater powers of delegation than available under Pilot were sought, specifically to make decisions on leasing
Process	Greater clarity on details of scheme from outset including extent of delegated authority
Process	Process has taken longer than ideal but recognise novel area that needs to be thought through
Process	Stage 2 was costly to meet requirements
Process	Expectation of success in reaching stage 2 high, so more rigorous stage 1 might help
Engagement	Financial support from Crown Estate Scotland to complete Stage 2 would have been helpful
Engagement	Applicant organisations welcomed opportunity for better engagement with Crown Estate Scotland and to explore local community management and receipt of revenues
Process	More time for completing applications, less/ clearer timescales for assessment outcomes
Engagement	Clarity and feedback on the process for future reference would be welcome