

Agenda
Seventh Meeting
Crown Estate Scotland (Interim Management) Board
30 May 2018
9.00am – 2.30pm

- 1. Standing Items**
 - 1.1 Welcome
 - 1.2 Declarations of Interest
 - 1.3 Approval of Minutes of Meeting held on 28 March 2018 Attached
 - 1.4 Matters Arising and Action Trackers Attached
 - + 1.5 Stakeholder Meetings BD(2018)7.1
- 2. Health & Safety**
 - 2.1 Health & Safety Report BD(2018)7.2
- 3. Governance**
 - ** 3.1 Crown Estate Scotland Bill – update Verbal
 - 3.2 Scheme of Delegation BD(2018)7.3
- 4. Management Reports**
 - * 4.1 Finance Report to 31 March 2018 BD(2018)7.4
 - * 4.2 Business Performance BD(2018)7.5
- 5. Business Management**
 - * 5.1 Staff Survey Verbal
 - * 5.2 Pay and Reward Review BD(2018)7.6
 - * 5.3 Managing Agents BD(2018)7.7
 - * 5.4 Investment Paper BD(2018)7.8
- 6. Strategy and Planning**
 - ** 6.1 Pilots Scheme Consultation Feedback BD(2018)7.9
 - ** 6.2 Board Priorities 2018/19 Verbal
- 7. Annual Reporting**
 - ** 7.1 Annual Report – update on content and structure BD(2018)7.10
 - ** 7.2 Annual Report from Audit & Risk Committee BD(2018)7.11
 - + 7.3 Public Interest Reporting – Annual Reports BD(2018)7.12
 - * 7.4 Update on Board Appraisals Verbal
- 8. Committee Reports**
 - * 8.1 Audit & Risk Committee Minutes (3 May 2018) Attached
- 9. Any Other Business**
- 10. Dates of Next Meetings**

21/22 August 2018; 2/3 October 2018; 27 November 2018

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

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

+ This item is for noting

Minutes for	Seventh Board Meeting	BD(2018)07
Meeting date	30 May 2018	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Minutes for the meeting of the Board of Crown Estate Scotland (Interim Management) held at Stornoway on Wednesday, 30 May 2018 at 9am		

Present:

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

In attendance:

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

1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting and invited reflections on the meetings the previous day with West Harris Trust at Talla na Mara and with The North Harris Trust in Tarbert. The Board agreed that the visits had been informative and had provided a useful insight into the work of community trusts which may be interested in management of Scottish Crown Estate assets.

1.2 Declarations of Interest

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

1.3 Approval of Minutes of Meeting held on 28 March 2018

Noted that:

- (a) in relation to Minute item 7.2, it was important that the Board had the opportunity to discuss the future of the rural estate and an action should be added to record this.

Agreed that:

- (a) with that change made, the Minutes were approved.

1.4 Action Tracker and Matters Arising

The Board received an updated Action Tracker showing the status, as at 1 May 2018, of the actions agreed at previous Board meetings.

Noted that:

- (a) Crown Estate Scotland will clarify with the Scottish Government any procurement provisions in the Scottish Public Finance Manual where a variance may be required for Crown Estate Scotland. This clarification is of immediate importance in relation to the auditor's commentary in the Crown Estate Scotland end of year accounts. A further note, laying out the position of Crown Estate Scotland and their understanding of the position, should be prepared and sent to the sponsor directorate.

Action: SH/LH (7/1)

- (b) an existing member of staff had been appointed as Pilots Manager and would commence this role in at the start of July. The action relating to this (action 5/6) was now closed.
- (c) a discussion on resourcing the management of health and safety had taken place between the Chief Executive and the Head of Property. It is recognised that there is a significant cultural aspect to this as all staff and agents have a vital role in health and safety management. The leadership team will be working with staff and agents to strengthen the focus on health and safety. We will extend the use of the external health and safety consultant to support this. (action 6/7).
- (d) the briefing paper on the Fishings (action 6/8) had been sent to the sponsor Directorate and a response from the Cabinet Secretary is awaited. An update would be provided to the Board once a response had been received.

Action: AW (7/2)

- (e) outline negotiations in relation to the potential sale of the Fishings (action 6/8) could not move forward until the view of Scottish Ministers had been received. In relation to community interests it was noted that this was the interest of angling associations, the members of which were not necessarily local to the area.
- (f) the Board had approved the award of the legal services contract following the circulation of a paper electronically on 11 April 2018. (action 6/12).
- (g) a meeting had been held with Marine Scotland in relation to large scale seaweed harvesting to discuss possible application processes and that Marine Scotland were going to consider this further.
- (h) the Board wanted to consider whether meetings should be held in public and that this should form part of the corporate governance review due to be brought to the Board in August.

Action: HH (7/3)

1.5 Stakeholder Meetings (paper BD(2018)7.1)

Noted that:

- (a) the Chair had held meetings in Shetland with Shetland Islands Council and with Lerwick Port Authority during which the pilot management project had been discussed, providing useful feedback.
- (b) the Chair had met with the Corra Foundation and would prepare a note for the Board on this.

Action: AB (7/4)

- (c) the Chair and Chief Executive had met with the Cabinet Secretary for Environment, Climate Change and Land Reform and it was hoped that she would be available to be involved in the launch of the pilot management project in late June.

2. Health & Safety

2.1 Health & Safety Report (BD(2018)7.2)

Noted that:

- (a) the central Health & Safety Committee had met on 2 May with the meeting being attended by Mr Macdonald.
- (b) the external consultants had been instructed to conduct a review of Health & Safety practices around the organisation to assess how embedded within the culture of the organisation the health & safety policies and practices are and to identify any gaps.
- (c) one incident at the Bell's Brae office during which the behaviour of a visitor caused alarm to the staff at reception had led to a review of security.
- (d) during a visit to Glenlivet two concerns had been identified. These did not involve work being directly carried out by Crown Estate Scotland. Action was taken to raise the issues with those responsible. The position had also been flagged to the managing agents by the Head of Property and evidenced assurance will be sought on the management of health and safety through lease agreements.

3. Governance

3.1 Crown Estate Scotland Bill - Update

Noted that:

- (a) the Environment, Climate Change and Land Reform Committee of the Scottish Parliament had published their Stage 1 Report on the Scottish Crown Estate Bill on 29 May. The evidence taken by the Committee was broadly supportive of the Bill. Different stakeholder groups had distinct views on further devolution of the management of the

Crown Assets in Scotland, reinforcing the value of a case-by-case approach. The Report identified several areas for the Scottish Government to consider further, including a restriction on the sale of the seabed, the introduction of financial flexibility in the way in which assets are managed, and a rewording of the requirement to operate in a way which contributes to sustainable development.

- (b) the Parliamentary Committee had also recommended that consideration be given to how to keep Crown Estate Scotland staff informed and involved in planning and decision-making. A representative of the sponsor Directorate would be attending the next all-staff meeting to give an update on the Parliamentary process. The Bill was a standing item for discussion at team meetings.
- (c) some initial discussions had taken place with the sponsor Directorate to discuss what additional financial flexibility might benefit the management of the assets and further meetings would be held to take this forward. An initial note of what might be beneficial had been prepared and the Head of Finance and Commercial would circulate that to the Board and comments on the draft would be welcomed.

Action: LH (7/5)

3.2 Scheme of Delegation (paper BD(2018)7.3)

Noted that:

- (a) this had been substantially redrafted and had been simplified in order to make it clearer who had delegated authority and to what level. The levels of delegation, which were set out in the Framework Document, had not been amended. The Scheme of Delegation required to be agreed with the sponsor Directorate and their comments on the drafting had not yet been received.
- (b) the Board were also requested to give authority to the Chief Executive, the Head of Finance and Commercial and the Head of Property to sign all documents on behalf of Crown Estate Scotland (Interim Management) in accordance with the resolution set out in the paper.

Agreed that:

- (a) with some minor amendments, the Board were content with the redrafted Scheme of Delegation.
- (b) the Board resolved to authorise the Chief Executive, the Head of Finance and Commercial and the Head of Property as signatories on behalf of Crown Estate Scotland (Interim Management).

4. Management Reports

4.1 Finance Report to 28 February 2018 (paper BD(2018)7.4)

Noted that:

- (a) the Head of Finance and Commercial tabled a paper giving an update to the Board on the projected outturn for the year to 31 March 2018. At the end of the third quarter the forecast outturn was set at £6.7m however this had now been revised to £8.7m.
- (b) there had been a substantial change in aquaculture income with an additional £1m production related rental receipt. Rental is based on production and the information is received from tenants in February each year. No production information is provided to Crown Estate Scotland during the year to allow any adjustment of the forecast receipt. Work was on-going to encourage tenants to share information during the year and to look at the lease terms to introduce a contractual obligation to provide quarterly information to improve budgeting and forecasting.
- (c) the Board questioned the rationale for the provision permitting payment of aquaculture in arrears given that most finfish leases were now held by a few large companies, and given the favourable performance of the sector.
- (d) the auditors were aware of the difficulties faced in parts of the business around forecasting as the Head of Finance had been upfront about this and it was possible that a comment on forecasting would be included in the auditors' letter to management.
- (e) the net capital position at 28 February was significantly ahead of budget. Some capital expenditure had been delayed into 2018/19. Expenditure had not been deliberately held back and would be managed during the financial year.
- (f) the draft portfolio valuations had been circulated electronically to the Board. Meetings were being held with the valuers and the asset managers to challenge and test the assumptions made.
- (g) the internal audit plan for 2018/19 was close to being finalised.
- (h) the external auditors had started their initial work and would be onsite for 3 weeks in June with a team of four. The timescale for production of the audited accounts was extremely tight in order to meet the deadline of 1 August.

4.2 Business Performance (paper BD(2018)7.5)

Noted that:

- (a) the paper presented a new format of dashboard report and all comments on the format from the Board would be welcomed. Along with the dashboard was a detailed report, incorporating a RAG status, for the completion of the targets in the 2018/19 Business Plan.

- (b) key activities and deals were not captured in this report and consideration should be given to the introduction of Chief Executive's report to the Board which would allow this information to be provided.
- (c) trend information would start to be captured and reported on over time.
- (d) the second-floor office space at George Street, Edinburgh, remained vacant. The advice from the letting agents remained to hold nerve and not take any steps, such as discounting the rental or sub-dividing the space, which would devalue the asset and the brand.

Agreed that:

- (a) a report from the Chief Executive be provided to the Board in future meetings as a standing item.

Action: SH (Action 7/6)

5. Business Management

5.1 Staff Survey

Noted that:

- (a) the staff survey had aimed to establish baselines to allow future monitoring of key aspects of staff engagement and well-being. It was an essential tool in ensuring delivery of the Corporate and Business Plans. The results of the survey would allow the Executive team to identify where action could be taken to address any issues and improve performance.
- (b) staff had been consulted on the questions and they would be asked to help frame the resulting action plan.
- (c) the survey had a 95% response rate and all staff, including those on maternity leave, had been given the opportunity to respond.
- (d) as a workplace, 66% of staff said they were satisfied with their job and 72% with Crown Estate Scotland as an employer. Staff were committed to promoting health & safety; felt physically safe at work; liked their colleagues and were aware of the core values and corporate policies.
- (e) the survey showed that more was needed to improve understanding of the Bill; the visibility of the Board to staff; and to provide opportunities for career advancement. Work required to be done to improve effective working with the sponsor Directorate and to ensure that everyone understands how the Executive Committee works, leading change, demonstrating corporate values.
- (f) there was some concern expressed through the survey about job security and 36% of staff indicated that they did not expect to be with the organisation in two years' time. Pay and reward was a concern, there were improvements to be made in communications and in making sure staff were aware of HR policies and processes.

- (g) it had been identified that there was a need for training of line managers to address the inconsistency in management across the organisation. The Executive team recognised that it was important to ensure fairness and equality of treatment across the organisation and would work to address this
- (h) despite good working relationships there was still an expression of “silo mentality” across the business which the Executive Committee would work to try to break down.

Agreed that:

- (a) the degree of uncertainty expressed in the survey was not particularly surprising given the huge organisational change and that clarity and certainty on the future would assist in responding to some of the issues raised.
- (b) feedback would be provided to the Board following the all staff meeting on 1 June, at which the survey and future actions would be discussed.

Action: EB (Action 7/7)

- (c) although immediate comparators had not yet been identified further research should be undertaken to benchmark Crown Estate Scotland against other organisations.

Action: EB (Action 7/8)

- (d) the Board wanted to assist in any way they could and staff should be made aware of this. A session for staff to meet the Board will be arranged during the November Board meeting.

Action: HH (Action 7/9)

5.2 Pay and Reward Review (paper BD(2018)7.6)

Noted that:

- (a) the paper outlined a proposed interim approach to staff remuneration and reward in 2018/19 and the proposed core reward principles to be adopted whilst reviewing pay and reward to achieve alignment with the Scottish Government Pay Policy.
- (b) following the signing of the recognition agreement with PCS, a pay claim for 2018/19 had been received. This was consistent with other claims made by the union to the Scottish Government.
- (c) the organisation had 20% union membership but the rest of the staff had not been consulted on whether PCS should be recognised and the concept of pay bargaining was not thought to be widely understood.
- (d) the proposed approach to the pay award for 2018/19 was to implement a cost of living award in line with the provisions of the Scottish Governments’ Pay Policy.

- (e) regarding the operation of a bonus scheme, this is a contractual position for staff apart from recent recruits. A review of the bonus payments would be included in the wider review of pay and conditions. The Chief Executive would come back to the Board in August with a proposal for the 2018/19 bonus scheme. Provision had been made in the 2018/19 budget for a bonus payment.
- (f) the strategic review of pay and conditions is an important issue for staff and will require staff time and input. The review will seek to align Crown Estate Scotland as far as possible with Scottish Government Pay Policy for Scottish public bodies. This implies the introduction of grading and pay bands and a move away from non-consolidated payments.
- (g) the next steps will involve engaging with staff and the PCS to form a pay and conditions proposal. This will then be put to the Board, cleared with the Scottish Government to allow negotiation with the PCS. The aim was to implement the new policy at the start of the 2019/20 financial year.
- (h) an external consultancy would be used to assist in the review work.

Agreed that:

- (a) the Board supported the proposed approach to the 2018/19 pay award and noted the intention to bring a paper back to Board in August on a 2018/19 bonus scheme. The Board supported the proposed approach to the strategic review of pay and reward as set out in the paper.

Action: SH (Action 7/10)

5.3 Managing Agents (paper BD(2018)7.7)

Noted that:

- (a) this paper responded to a desire by the Board to understand how Crown Estate Scotland managed the accountability of the managing agents. The paper set out the KPIs and service standards which each agent was required to meet and the range of reporting mechanisms which were in operation.
- (b) the relationship between staff and the agents was close with almost daily contact and regular formal reporting. The relationship was still evolving as the agents had previously had a greater degree of delegated authority under the predecessor organisation.
- (c) the Board remained concerned that the management of health and safety by the agents be strengthened and that an open culture of learning and information sharing be promoted towards strengthening health and safety culture and managing health and safety risks.
- (d) the tenant survey had identified potential issues with responsiveness of the managing agents to tenant requests. The Board wanted assurance that the managing agents were responsive to requests. The agents were aware of the cultural values of the organisation and were working on ensuring these were presented to tenants. The Tenants Service

Charter would be introduced as part of the work stream in the current Business Plan, which would apply to the managing agents.

Agreed that:

- (a) the Head of Property would provide further information to the Board on the way in which the agents reported to the organisation on health and safety issues, and provide evidenced assurance of health and safety management and culture.

Action: AW (Action 7/12)

5.4 Investment Paper (paper BD(2018)7.8)

Noted that:

- (a) the draft Investment Strategy set a target for a £10m capital fund to be created by 2020, to provide a platform to meet capital liabilities and to provide the means to invest. This was an important driver for the business and given the financial performance in 2017/18 and decisions taken on disposals, the Investment Committee wanted to review the assumptions made on disposals and investments over the next two years to deliver the capital fund.
- (b) the cashflow from 2018/19 and 2019/20 had been re-based, with the opening balance updated from budget to actual and discretionary expenditure removed along with all disposals which did not yet have approval. In terms of certain capital income and expenditure, the figures suggest a degree of capital depletion. However, several significant but uncertain capital receipts could change this position.
- (c) a key consideration is the requirement for ongoing capital investment in the rural estate. This investment, mainly in farming infrastructure does not yield revenue or capital increase. The condition survey of the rural estate would be received later in the year and will identify what further investment is needed. It may also flag maintenance requirements that are the responsibility of tenants.
- (d) the Chief Executive had prepared a draft project initiation document for a portfolio analysis of the Scottish Crown Estate. This will draw together evidence on the wider contribution of the Scottish Crown Estate: economic, social and environmental as well as contribution to public finances. The work will take some 18 months to complete but will provide an evidence-base for future investment decisions.

Agreed that:

- (a) the disposals which have been identified for the current financial year should proceed as planned however significant subjects in the longer-term pipeline should await reappraisal of the investment strategy.
- (b) the Investment Committee will be asked to review the investment objectives and cashflow for 2018/19 and 2019/20.

Action: SH/AW/LH (7/13)

6. Strategy and Planning

6.1 Pilots Scheme Consultation Feedback (paper BD(2018)7.9)

Noted that:

- (a) thirteen responses had been received to the consultation document, although not all respondents had commented on the full document. Generally, responses were positive about the scheme.
- (b) in general, the respondents would like more time for the application process and it was therefore proposed to extend stage one to eight weeks. Stage two would remain at twelve weeks given the need to establish pilots to inform future decisions by Scottish Ministers.
- (c) comments were made emphasising the importance of transparency around the decision-making process and it was proposed that the Crown Estate Scotland Stakeholder Advisory Group be invited to act as advisors and assist in decision-making.

Agreed that:

- (a) the Head of Corporate Operations should look again at the wording around the scope of the scheme, particularly to avoid discouraging any near shore wind projects.
Action: EB (7/14)
- (b) their potential role will be discussed with the Stakeholder Advisory Group, including management of any conflicts of interest.
Action: EB (7/15)
- (c) the launch of the scheme should be publicised as widely as possible and the process adjusted to make it more flexible to allow receipt of late proposals.
Action: EB (7/16)

6.2 Board Priorities 2018/19

Noted that:

- (a) the Board were asked to identify the main priorities for the coming year in order to deliver the strategic goals of the organisation to allow the Executive team to shape commitments and capacity. In agreeing what were priorities, agreement had also to be reached on which items that would need to be deferred.

Agreed that:

- (a) the immediate Board priorities were the pay and reward structure; the portfolio analysis identifying the extent of Crown Estate Scotland's wider contribution; and the future role and vision for Crown Estate Scotland. A list of the essential projects which must be undertaken and the timescales should be prepared and time allowed during the visit to Wick for the Board to discuss this issue in detail.

Action: SH (7/17)

7. Annual Reporting

7.1 Annual Report – update on content and structure (paper BD(2018)06.10)

Noted that:

- (a) a template for the annual report and accounts had been prepared by the internal auditors.
- (b) the wording on page 6 in relation to pay policy should be amended to reflect the current position.

Agreed that:

- (a) the annual report needs to refer to the establishment of the Board; the achievements of the first year of operation; and include more visuals to increase accessibility to the report.

Action: EB (7/18)

- (b) whilst the Chair is on annual leave, the Chief Executive will approve the final draft of the Performance Report and Accountability Report and the Chair of the Audit & Risk Committee will approve the final draft of the Accountability Statement. The full report will be approved by the Audit & Risk Committee, on behalf of the Board, before submission to the sponsor Directorate on or before 1 August 2018

Action: SH (7/19)

7.2 Annual Report from Audit & Risk Committee (paper BD(2018)7.11)

Noted that:

- (a) the purpose of the report was to provide assurance from the Committee to the Board and Accountable Officer on control and risk within the organisation. The report was shorter than would be the case in future years as this was the first year of the organisation.
- (b) over the year the internal and external auditors had been appointed and the Committee had started to receive input from them. Work had focused on risk and risk management and more work would be done in relation to this. The Committee had conducted a self-assessment of their work and that would be used to create an action list for work for the Committee over the coming year.

7.3 Public Interest Reporting – Annual Reports (paper BD(2018)7.12)

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

7.4 Update on Board Appraisals

Noted that:

- (a) the Chair had conducted appraisals with all Board members. A skills matrix had been prepared and completed and the Board had held a self-assessment discussion. These would be collated into a report to be submitted by the Chair to the Scottish Government.

8. Committee Reports

8.1 Audit & Risk Committee

Noted that:

- (a) the Committee was continuing to work on risk and the framing of a risk appetite policy.
- (b) input had been given to the initial draft internal audit plan and the Committee would start to receive reports from the internal auditors later in the year.

9. Any Other Business

There was no other business for the Board to consider and the Chair, after thanking the Executive team for their input, closed the meeting.

Amanda Bryan
Chair, Crown Estate Scotland (Interim Management)

Date

Board Forward Plan 2018 - 19

29/30 May Western Isles (possibly South Uist or Harris)	21/22 August Wick (combined with trip to BOWL)	2/3 October Glenlivet/Fochabers	27 November Edinburgh	29 January 2019 Edinburgh	26/27 March tbc
Annual Reports and Assurance		Strategy Meeting		Strategy Meeting	
Chair & CEO Update	Chair & CEO Update	Chair & CEO Update	Chair & CEO Update	Chair & CEO Update	Chair & CEO Update
Quarter 4 Performance Reporting <ul style="list-style-type: none"> • Health & Safety • Finance • Business Performance 	Quarter 1 Performance Reporting <ul style="list-style-type: none"> • Health & Safety • Finance • Business Performance 	Corporate Plan Update	Quarter 2 Performance Reporting <ul style="list-style-type: none"> • Health & Safety • Finance • Business Performance 	Business Plan 2018/19	Quarter 3 Performance Reporting <ul style="list-style-type: none"> • Health & Safety • Finance Business Performance
Draft Annual Report and Accounts	Annual Effectiveness Review	Budgets for 2019/20	Property decisions	Annual Report	Business Plan 2019/20
Annual Report from Audit & Risk Committee	Review of Board membership	Business Planning for 2019/20	People Strategy*		
Assurance Reports <ul style="list-style-type: none"> • FOISA/EIR/DP • Complaints 	Property decisions	Our Contribution - report			
	Annual Review of Governance & Corporate Arrangements	Offshore Wind Leasing			Insurance review
	Property decisions				Property decisions
	Risk – session on risk appetite				

Committee Minutes: Audit & Risk	Committee Minutes: Audit & Risk Investment		Committee Minutes: Audit & Risk Investment		Committee Minutes: Audit & Risk Investment
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* will potentially have to move to later in year. Timing will depend on recruitment of new HR Manager

Crown Estate Scotland (Interim Management) Action Tracker – 2017

Updated as at 1 March 2018 (updates from previous Board meetings shown in revision marking and closed actions have been hidden)

Actions from the first meeting of the Board

No.	Action	Responsibility	Timescale	Status
1/17	The Audit and Risk Committee to review the Risk Management Policy and make recommendations to the Board on developing the Risk Management Policy and agreeing Crown Estate Scotland's risk appetite.	Audit and Risk Committee	<p>30 January 2018</p> <p>May Board Meeting</p> <p>August Board meeting</p>	<p>On Agenda for 30 August 2017. Action closed</p> <p>Agreed at the Third Board that this action would remain open until the Audit and Risk Committee made recommendations to the Board.</p> <p>During meeting on 16 October, the Audit & Risk Committee agreed that the Board should be asked to consider risk appetite at Board meeting on 30 January 2018</p> <p>Continued to allow the Audit & Risk Committee to further consider this at their meeting on 8 February 2018</p> <p>Audit & Risk Committee considered this. A draft risk appetite is being prepared for review by the Committee on 3 May 2018 and will thereafter be brought to the Board.</p> <p>May 2018 - Considered by Audit & Risk Committee on 3 May 2018. Will be brought to the August Board meeting.</p>

Actions from the second meeting of the Board

All actions from the second meeting are now closed.

Actions from the Third Board meeting

No.	Action	Responsibility	Timescale	Status
Governance				
3/20	Chair to raise the position with regard to the derogation from the Financial Memorandum with the sponsor unit during her next meeting with them.	AB	14 September 2017	<p>The sponsor Directorate have confirmed that this will require to be recorded in writing.</p> <p>Action on-going.</p> <p>Discussions have been held with Marine Scotland and are continuing.</p>

Actions from the fourth meeting of the Board

All actions from fourth meeting are now closed.

Crown Estate Scotland (Interim Management) Action Tracker – 2018

Updated as at 1 March 2018

Actions from the fifth meeting of the Board (30 January 2018)

No.	Action	Responsibility	Timescale	Status
Business Management				
5/2	When the property (Auchenhalrig) was ready to be offered to the market for sale appropriate communications would be issued in relation to other opportunities for tenancies, including those for new entrants, on Crown Estate Scotland farms	EB/AW	Before the property offered for sale	Property not yet ready to be offered for sale.
Strategy and Planning				
Pilot Scheme Criteria and Process				
5/6	Chief Executive to consider the resource requirements of the project and come back to the Board at a later date on this.	RQ		Pilots Manager appointed. The need for additional capacity will be assessed when applications for pilot schemes are received.

Actions from the sixth meeting of the Board (28 March 2018)

No.	Action	Responsibility	Timescale	Status
Action Tacker and Matters Arising				
6/1	Head of Corporate Operations to circulate the report on stakeholder and tenant research to the Board	EB		Report sent to Board. Action closed.
6/2	Draft discussion timeline prepared in relation to large scale seaweed harvesting to be circulated to Board	HH		Draft document circulated. Action closed.
6/3	Annual work plan for Investment Committee to be prepared	HH	8 May 2018 (date of next Investment Committee meeting)	Draft work plan still to be prepared.
Finance Report				
6/4	An additional payment to be made to Scottish Government before 31 March.	LH	31 March 2018	Additional payment sent. Action closed.
Health & Safety Report				
6/5	Trend information to be included in future reports	AW	August Board (date at which next quarterly report will be available)	On-going
6/6	When compliance work was taking time to complete due to lack of contractor availability then consideration should be given to alternative means of addressing completion of the works	AW	As required	Will be actioned as required. Action closed.
6/7	The incoming Chief Executive should review the internal resourcing of health & safety management	SH		Meeting arranged between the Chief Executive and Head of Property to discuss internal capacity. Action Closed.

Business Management				
6/8	(Fishings) Negotiations to proceed, subject to the Cabinet Secretary for Environment, Climate Change and Land Reform being fully briefed on the proposal and that steps should be taken to optimize the value received; to address the reputational issues; and to protect community interests. The Chair should review the briefing before it was sent to the sponsor unit.	AW		Briefing sent to sponsor Directorate. Action closed.
6/9	(Office premises) The property should, subject to the completion of satisfactory due diligence, be acquired as an investment property at no more than the price (excluding transaction costs) set out in the paper.	AW/LH		Briefing paper sent to sponsor Directorate. Transaction requires to be approved by Scottish Government due to provisions of the SPFM.
Offshore Wind Leasing				
6/10	Time to be arranged for the Board to discuss the development of the offer with the Senior Manager E&I before final proposals signed off.	HH	Before October 2018	A session has been tentatively arranged for 21 August in Wick. Once finalised this action will be closed.
Investment Committee				
6/11	Board required more granular information on asset classes and performance as they prepared for the enactment of the Scottish Crown Estate Bill and to optimise the estate for the future. Further discussions would take	LH/AW	Before next Investment Committee meeting (tbc – early August)	On-going.

	place to identify how this information would be presented.			
Any Other Business				
6/12	Legal Services – the Board agreed to consider a paper on the award of the legal services contract to be circulated electronically	LH		Paper circulated and approved. Action closed.
6/13	Insurance – noted that insurance was being renewed and that a paper with information on this would be submitted to the next Audit & Risk Committee meeting	LH	3 May 2018	Paper submitted. Action closed.

Board	Seventh Board Meeting	BD(2018)07
Meeting date	30 May 2018	
Paper title	Stakeholder Meetings BD(2018)07.01	
Security classification	Unclassified	
Presented by	Amanda Bryan/Simon Hodge	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note this Paper	
The committee secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair and the Chief Executive have held since the Sixth Board meeting on 28 March 2018.

Meetings held

2. The Chair and Chief Executive jointly:
 - visited the Glenlivet Estate on 13 April 2018
 - Programme Director, Our Islands Our Future on 17 May 2018
 - Cabinet Secretary for the Environment, Climate Change and Land Reform on 22 May 2018.
3. The Chair attended or met with:
 - OECD Rural Development Conference on 9 April 2018 (as a speaker)
 - Portree and Braes Community Trust; Loch Dunvegan Mooring Association; and Bidwells Marine Officer on 12 April 2018
 - Chief Executive, Deputy Chief Executive and Chair of Lerwick Port Authority on 25 April 2018
 - Chief Executive and Chair Development Committee and five others, Shetland Islands Council on 25 April 2019
 - Marine Scotland (sponsor Directorate) on 2 May 2018
 - visited 39 George Street with letting agents, Cushman & Wakefield, on 3 May 2018 (Robert Mackenzie and Andrew Macdonald also attended)
 - Parliamentary reception for Ulva, sponsored by Michael Russell on 1 May 2018

- Richard Whatman, Corra Foundation on 17 May 2018
- Aquaculture UK and Aquaculture Awards on 23 and 24 May 2018.

4. The Chief Executive attended:

- meeting with the sponsor Directorate on 18 April 2018
- the Environment & Economy Leader's Group on 25 April 2018.

Meetings Planned (to end June 2018)

5. The Chair and Chief Executive will jointly:

- meet Chief Executive and Council Leader, Comhairle nan Eilean Siar on 31 May 2018
- meet Stornoway Port Authority on 31 May 2018.

6. The Chief Executive has the following planned:

- Induction with Marine Scotland on 13 June 2018 (Executive Committee also attending)
- Attendance at the Environment & Economy Leader's Group on 19 June 2018
- Working Group meeting on integration of National Planning Framework and Land Use Strategy on 19 June 2018
- Speaker at SeaScotland 2018 on 20 June 2018
- NDPB Chief Executive Forum on 27 June 2018
- Meeting with RSPB on 28 June 2018.

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Health & Safety Report BD(2018)7.2	
Security classification	Unclassified	
Presented by	Andrew Wells	
Author	Andrew Wells	
Annexes		
Recommendation	The Board is invited to note the content of this Report	
The board secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Report is to update the Board on health & safety management activities since 1 April 2018.

Update

2. Central H&S Committee met on 2 May. Andrew McDonald attended. The meeting considered a full agenda which included a review of operational management relating to the central risk register, policies and procedures/risk assessments, incident / accident reporting, operational management updates, COSHH Management, property/asset management, asbestos, electrical safety, voids, domestic water supplies, forestry / tree safety, health and wellbeing, occupational health, training, health & safety audit and adverse weather conditions notifications. Full minutes of the meeting will be made available to staff when these are approved.
3. The scope of the forthcoming health & safety audit/'health check' has been agreed with Greens of Haddington. This will involve full health & safety 'sense check' of the organisation following the first year of operation highlighting where Crown Estate Scotland can improve in complying with current health & safety legislation and guidance. The review will include all our written documentation/recording/monitoring/risk assessment systems, a review of operational practices with business managers (for all business sectors including HR), and a review of the work of our managing agents against contractual terms and the new policies and procedures. The 'audit' will also include some spot checks to ensure compliance with health & safety requirements on the Rural properties and to identify any gaps or any improvements that might be made. The scope includes a review of management and interviews with staff at Bells Brae, Glenlivet Estate Office, Fochabers maintenance depot and including operational management undertaken by Savills, Bidwells and Wardell Armstrong. The final report will be split into different sections so that the relevant parts can be disseminated the various parties for action.

4. Since 1 April one incident has been reported regarding a potentially mentally unstable person entering the Bells Brae reception and causing anxiety/stress to reception staff. No harm or injury resulted but the incident raised questions regarding security at Bells Brae which is being followed up.

Following a visit to Glenlivet by Crown Estate Scotland staff and the Chair in early May, questions were raised regarding two issues:

5. The health & safety management of public access to the Wigwam construction site adjacent to the Crown Estate Scotland office, which had inadequate signage and controls in place to meet CDM requirements. This raised questions regarding Crown Estate Scotland monitoring of health & safety management undertaken by tenants. The legal liability for health & safety management of this site is transferred to the occupier under the terms of the lease which is normal practice for all agreements. Crown Estate Scotland staff and managing agents will remind tenants of their obligations if and when any health & safety concerns are identified and in this case the tenant was notified and subsequently complied with requirements within a few days of the notification.
6. A visit to the mountain bike trails at Glenlivet where forest operations (timber removal) adjacent to the bike trails was in progress, prompted a review of the risk assessment and controls in place to ensure public safety during the tree felling and harvesting works. This has been a very complex and challenging operation involving significant collaborative effort between Euroforest, all Crown Estate Scotland staff and the contractors, exacerbated by severe winter weather which has significantly delayed operations. The site been carefully managed by the local Crown Estate Scotland staff and a wide range of controls put in place in detailed consultation with the health & safety advisor. A review of these controls was undertaken following the visit and they were found to be judged appropriate by our health & safety adviser in terms of reducing risk to an acceptable level. There have been no reports of any issues or any incidents reported during the operations. The harvesting operations are now well advanced with most of timber having been removed further reducing any residual public risk.

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Scheme of Delegation BD(2018)7.3	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	Annex A: Draft Scheme of Delegation	
Recommendation	The Board is invited to comment on the Draft Scheme of Delegation at Annex A and to pass the resolution set out in the paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Under the Framework Document, Crown Estate Scotland requires to establish and agree with the sponsor Directorate a comprehensive system of internal delegated authorities.
2. The Board considered a previous version of the Scheme of Delegation in June 2017 however this was not agreed with the sponsor Directorate and a redraft has been prepared which is intended to be simpler and easier to read than the original version. This has not yet been agreed with the sponsor Directorate. Once we have the agreement of the sponsor Directorate the Scheme of Delegation will be notified to all staff in accordance with the provisions of the Framework Document.

Discussion

3. The draft Scheme of Delegation sets out that the Board will authorise the Chief Executive, the Head of Finance & Commercial and the Head of Property to sign all documentation required for the running of the business. Currently only the Head of Finance & Commercial and the Head of Property have authority to sign documentation and the Board is requested to extend that authorisation to the Chief Executive.

4. The Board is invited to resolve as follows:

“THAT, with effect from 1 June 2018, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.”.

Crown Estate Scotland Scheme of Delegation

Introduction

Crown Estate Scotland (Interim Management) ("Crown Estate Scotland") is a public corporation tasked with managing the Crown Estate in Scotland, returning revenue profit to the Scottish Government. Ownership of the Estate lies with the Monarch and management responsibility, which sits with Scottish Ministers, has been delegated to Crown Estate Scotland.

Crown Estate Scotland is led by a board, which currently consists of a Chair and six other members. Board members are appointed by Scottish Ministers.

This Scheme sets out matters which are reserved for determination by the Board of Crown Estate Scotland (Interim Management) ("Crown Estate Scotland"). All powers which have not been reserved to the Board or specifically delegated in this Scheme will be exercised by the Accountable Officer or his nominees.

The Board remains responsible for the exercise of all the functions of Crown Estate Scotland and may at any time determine any matter within the competence of Crown Estate Scotland either at the Board's initiative or on recommendation of an officer to whom the matter is delegated.

Provisions on delegation

All delegated powers will be exercised in accordance with the relevant policies approved by the Board or the Executive Committee (as appropriate).

Reservations to the Board

The following matters are reserved for determination by the Board:

- approval of the Corporate Plan;
- approval of the annual Budget;
- approval of strategic governance policies;
- approval of the Scheme of Delegation;
- approval of Annual Accounts and Annual Reports;
- approval of internal audit;
- approval of conditions of service affecting all employees of Crown Estate Scotland; and
- approval of specific matters referred to in the attached Schedule.

Revocation and Variation

The matters reserved to the Board and delegated to officers of Crown Estate Scotland are detailed above and in the Schedule.

This Scheme of Delegation may be varied or revoked by the Board.

Schedule

	Matter	Authority	Source of Authority and Notes
1.	Appointments		
1.1	Board	Scottish Ministers	s.5 The Crown Estate Scotland (Interim Management) Order 2017
1.2	Chief Executive	Board with approval of Scottish Ministers	s.9 The Crown Estate Scotland (Interim Management) Order 2017
1.3	Accountable Officer	Principal Accountable Officer for the Scottish Administration	Framework Document
1.4	All other employees	Chief Executive	
2.	Personnel Matters		
2.1	Staff Management	Chief Executive	Framework Document
3.	Financial Matters		
3.1	Budget	Scottish Ministers	Approved as part of the Corporate Plan
3.2	Approval of expenditure not previously approved in the Corporate Plan and which falls outwith the specific delegations in the Framework Document	Sponsor Directorate	Framework Document
3.3	Any expenditure which is or might be considered novel, contentious or repercussive or which could have significant future cost implications	Sponsor Directorate	Framework Document Scottish Public Finance Manual (SPFM) (for the definition of novel and contentious)

3.4	Accounting policies	Board Scottish Ministers	Crown Estate Act 1961 The Crown Estate Scotland (Interim Management) Order 2017 SPFM Framework Document Ministerial Direction dated 1 May 2018
3.5	Approval of issuing credit cards to members of staff and credit limit to be applied (within the delegated authority set out in the Framework Document)	Head of Finance & Commercial	This Scheme of Delegation Framework Document
3.6	Capital Transactions		
	• above £2m	Scottish Ministers	Framework Document Must first have approval of Board and Executive Committee
	• £500k and above	Board	Framework Document All capital transactions over £2m must go to the Scottish Ministers for approval.
	• £250k and above	Executive Committee	This Scheme of Delegation All capital transactions over £500k must go to the Board for approval.
	• £100k - £250k	Chief Executive	This Scheme of Delegation
	• £0k - £100k	Head of Finance & Commercial Head of Property Head of Corporate Operations	This Scheme of Delegation

	<ul style="list-style-type: none"> £0k – 75k 	The Chief Executive may delegate authority to specific individuals within Crown Estate Scotland for their specific business areas only.	A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff.
	<ul style="list-style-type: none"> £0k – 30K 	The Chief Executive may delegate authority to the appointed managing agents.	<p>A list of delegated authority levels will be maintained by the Head of Property & Commercial] and available to all staff and the relevant managing agent.</p> <p>The managing agents will require to follow agreed processes for the approval of expenditure and payment of invoices.</p>
3.7	Revenue Expenditure (to the extent not approved in the Corporate Plan or current Business Plan)		
	<ul style="list-style-type: none"> £500k and above 	Board and then Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> £250k and above 	Executive Committee	<p>Framework Document</p> <p>This Scheme of Delegation</p> <p>Revenue expenditure above £500k (not approved in the Corporate Plan or current Business Plan) must go to the Board and then the Scottish Ministers for approval</p>
	<ul style="list-style-type: none"> £100k - £250k 	Chief Executive	This Scheme of Delegation
	<ul style="list-style-type: none"> £0k - £100k 	Head of Finance & Commercial Head of Property Head of Corporate Operations	This Scheme of Delegation
	<ul style="list-style-type: none"> £0k - £75 	The Chief Executive may delegate authority to specific individuals within Crown Estate Scotland for their specific business areas only.	A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff.

	<ul style="list-style-type: none"> £0k - £30K 	The Chief Executive may delegate authority to the appointed managing agents.	<p>A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff and the relevant managing agent.</p> <p>The managing agents will require to follow agreed processes for the approval of expenditure and payment of invoices.</p>
3.8	Single tender contracts		
	<ul style="list-style-type: none"> above £50k 	Board and then the Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> up to £50k 	Head of Finance & Commercial	This Scheme of Delegation
3.9	Claims waived or abandoned		
	<ul style="list-style-type: none"> above £5k 	Board and then the Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> up to £5k 	Head of Finance & Commercial Head of Property	This Scheme of Delegation
3.10	Write-off of bad debt or impairments		
	<ul style="list-style-type: none"> above £5k 	Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> up to £5k 	Asset Manager and Finance	This Scheme of Delegation In accordance with Debt Write Off Processes (one for in house and one for managing agents)
3.11	Special payments		
	<ul style="list-style-type: none"> above £1k 	Scottish Ministers	Framework Document SPFM (for definition)
	<ul style="list-style-type: none"> up to £1k 	Chief Executive or Executive Committee	This Scheme of Delegation

3.12	Payroll		
	<ul style="list-style-type: none"> amount varies monthly 		Operation of the payroll instruction and authorisation process is assigned to specific signatories, each with specified authority levels. No one signatory has all authority levels.
4.	Signing Authority		
4.1	Execution of all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland	Chief Executive Head of Finance and Commercial Head of Property	Board Resolution Requirements of Writing (Scotland) Act 1995 (as amended)

Version and Document Control Tables:

Version Control			
Version	Author	Date	Changes
0.1	Helen Howden	11.05.2018	First draft
0.2	Helen Howden	16.05.2018	Comments from LH incorporated

Document Control	
Document Title and Version Number: Scheme of Delegation v.01	
Author: Helen Howden	Document Status: Draft
Date Approved:	Approved by: [Sponsor Directorate/Board]
Effective Date:	Review Date: [to be reviewed annually]

Board	Seventh Board Meeting	BD(2018)07
Meeting date	3 May 2018	
Paper title	Finance Report BD(2018)7.4	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Summary Revenue Performance Annex B: Summary Capital Performance Annex C: Balance Sheet Annex D: Combined Cashflow	
Recommendation	The Board is invited to note and comment on this report and the Annexes and to receive a verbal update during the meeting from the Head of Finance & Commercial	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Revenue performance for the 11 months to 28 February 2018

Attached at Annex A is the summary revenue performance.

Headlines:-

- **Actual turnover was £14.7m against a target of £13.5m** – this is a significant movement in results (since the last report) and arises almost entirely from the production related rental income from Aquaculture which is ascertained and billed in arrears. Production numbers from tenants are received and finalised in February each year. The production returns for 2017 show a significant increase in production and that - coupled with the implementation of the rent review - has given rise to additional income over and above that provided in the recent forecast exercise, of £1m. This is an area that management will investigate to identify what can be done to improve budgeting and forecasting. Other key factors making up the variance are as reported previously being additional rental income from delayed farm sales and unbudgeted income (Rural +£0.1m), additional income from rent reviews and rental income earlier than expected (E&I +£0.2m), reduction in timber sales (Rural - £0.1m), reduction in turnover rent (Coastal - £0.1m).

- **An underspend in direct expenditure (actual of £2.8m against a budget of £3.5m)** – in the main arising due to the timing of repairs and other direct costs and outlays (for example some sectoral research and support work happens later in the year). Of the current underspend, taking into account the output from the forecast exercise, it is considered that there is an actual underspend of approximately £0.2m. This relates to fees for Managing Agents and other non-property costs which will not be incurred, due to activities being carried out in-house and stringent procurement, performance and cost management.
- **Indirect expenditure of £2.7m, budgeted £3.0m** - indirect staff costs are just over £0.2m more than anticipated due to higher employer pension contributions and the consequence of unbudgeted shared parental leave. Offsetting this is a saving on overheads (£0.5m), lower standalone/outsourced costs than originally envisaged and a delay in planned expenditure.
- **Net profit (before transfers to capital) of £9.3m against a budget of £6.9m.** Of this £2.4m variance it is considered that **£1.7m** is secured as an improvement on budgeted net profit for the period to date.

Capital Account to 28 February 2018

Attached for information at Annex B is the summary capital performance and analysis.

Headlines:-

- **Capital receipts for the period of £7.8m, budgeted at £10.1m** – the variance, in the main, reflecting a delay in 3 rural sales at Applegirth (£2.9m in total) and Fochabers (£0.4m), partially offset by additional income in the Energy division (£0.6m).
- **Capital expenditure of £2.4m, compared to £6.6m budgeted** – the key component of the underspend arising from the delay in completing a farm property surrender at Whitehill (£2m). In addition the proposed capital works at Rhu Marina (£0.9m) will not take place until 18/19 at the earliest and are the subject (and dependent on the outcome) of detailed feasibility and funding investigations. It is also noted that a substantial number of small items of expenditure had still to be incurred as projected in the budget. Managing Agents are under instruction to ensure that lease capex obligations are appropriately met. Anticipated costs in E&I (fees and project costs) and Corporate (office reorganisation) have not been incurred (saving £0.4m).
- **In summary, the capital net position is significantly ahead of budget** - net capital **divestment** of £5.4m for 11 months to February 2018, budgeted net **divestment** (for the same period) of £3.5m.

Balance Sheet

The balance sheet as at 28 February is presented, along with the balance sheet at 1 April for comparative purposes (Annex C). Trade debtors' balance is significantly increased due to the recent billing of Aquaculture finfish rental (in arrears) for the calendar year 2017– this is invoiced at the start of the year and paid quarterly in arrears. In the same vein, accrued income includes 2 months of Aquaculture income due in respect of the current financial year but to be invoiced and receivable in the 2019 calendar year.

The increase in capital and reserves comprises the net gain/loss on sale of assets (net gain of £1.1m), net distributable profit (£4.8m after distribution of £3m (as at 28 February) to Scottish Government) and the net movement between capital and revenue (£1.2m for capitalised salaries, mines moiety and the agreed 9% transfer).

Outturn Forecast

The Committee are reminded that an exercise was carried out in December requiring the various divisions of the business to submit details of forecast outturns for the current financial year.

The summary is included again here as an aide memoire.

Forecast numbers are included on the schedules included in Annex A.

The following are highlighted as key factors in the variances from the original budget:-

- **Rural** - savings in Managing Agents and professional fees, stewardship and consultancy (£0.1m) offset by additional property repairs (£0.1m)
- **E&I** – savings in Managing Agents and professional fees (£0.1m) and additional rental income (£0.1m)
- **Aquaculture** – additional income as the finfish rent review kicks in Q4 and underspends on consultancy work (£0.3m)
- **Coastal** – reduction in turnover rent, based on tenant's business results (£0.1m) offset by savings in Managing Agents fees – (£0.1m)
- **Overheads** – overspend on employee costs arising from the higher than expected employer pension costs and the consequence of unbudgeted shared parental leave (£0.2m). Substantial savings on outsourced costs for IT, outsourced health & safety, travel and conference and exhibition costs all contribute to an anticipated underspend on admin costs (£0.4m). Areas of overspend to note are governance (including legal fees) and payroll/HR admin (£0.1m). It should also be noted that a provision has been made for irrecoverable VAT. This varies from quarter to quarter based on the transactional activity and an annual adjustment is required. It is likely that the full provision will not be required resulting in a release to revenue account at the year end.

Transfers from revenue to capital (after taking account of depreciation and mines moiety) are forecast to be £1.5m against a budget of £1.7m.

At this point the resultant forecast outturn for net profit (distributable to SG) was expected to be £6.7m (CES budget of £5.8m).

Cash and Cashflow

The balances on the Crown Estate Scotland bank accounts at 26 April 2018 were:-

- Revenue accounts - £2.9m
- Capital account - £11.0m
- **Total £13.9m**

Significant cash movements to note since the previous report to the Committee are:-

- Crown Estate Scotland made a final, unscheduled, profit distribution of £0.5m to the Scottish Consolidated Fund on 29 March 2018. This was in addition to the £4m scheduled payments made through the financial year
- Savills requested capital drawdowns totalling £0.5m for assorted items of capital expenditure
- Proceeds were received from the sales of Dinwoodie Farm and Bridgemuir Farm, together circa. £3.2m
- Overage and clawback sums were received arising from Rural and Energy transactions totalling £1.1m
- The receipt of the funds for the statutory transfer and mines moiety for 17/18, approx. £1.3m
- Payment of capitalised salaries £0.3m

Revenue receipts continue to be scrutinised, apportioned (per the terms of the transfer scheme legislation) and sums due to The Crown Estate paid over.

A Combined Cashflow (giving actuals to April 2018 and projected figures thereafter) is attached at Annex D for information. It should be noted that there were significant transactions, particularly on the capital account, the timings of which were driven by sellers' requirements and therefore the cash balance at the year end is substantial. Wherever possible transactions are managed to ensure budgets are met and cashflow timed. At the present time sales have been achieved early and there has been the benefit of unbudgeted overage income. For operational reasons some capital expenditure has been deferred to 2018/19, the largest of which being payment for the surrender of Upper Dalhousie Farm at Whitehill (£1m).

Return of net revenue to the Consolidated Fund

Following the most recent payment of £0.5m the total returned to Scottish Government for 2017/18 was £4.5m. The difference between this figure and the final actual net distributable profit for the 2017/18 year will be provided for in the annual accounts and paid over in 2018/19 as revenue cashflow allows.

Banking

The necessary amendments to the bank mandate for the change in Chief Executive have been made.

Taxation Matters

The provision of additional information required by HMRC (in support of each and every Option to Tax for the relevant properties following the transfer to Crown Estate Scotland) is ongoing. This is a substantial amount of complex work and the information is being provided on a phased basis by a multi-disciplinary working group and collaboration across the business.

Board paper



Financial overview

The bank accounts and cashflow remain healthy and revenue performance significantly ahead of target. Capital performance is managed to ensure that obligations are met and cashflow maintained.

Recommendation

The Board is invited to note and comment on the report and its Annexes and to receive a verbal update during the meeting from the Head of Finance & Commercial.

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Business Performance BD(2018)7.5	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Esther Black	
Author	Esther Black	
Annexes	Annex A: Summary Dashboard Annex B: Business Plan 2018-19 Tracker	
Recommendation	The Board is invited to note the content of the dashboard at Annex A and the tracker at Annex B.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Discussion

1. The Board is invited to note the dashboard at Annex A summarising performance and activity during 2017-18 and the content of Annex B which tracks performance against the Business Plan 2018-19. The dashboard will be updated quarterly with the summary of performance for the first quarter of 2018-19 being submitted to the Board at its meeting on 22 August 2018. The tracker will also be updated quarterly with the amber and red items from the tracker included in the dashboard.

BOARD DASHBOARD

May 2018



**Crown Estate
Scotland**
Oighreachd a' Chrùin Alba

Business plan - reporting by exception: 2017-18

NO	ACTION	MEASURE	RAG STATUS	NOTES
7	Ensure that staff are fully engaged; retain and enhance expertise	Unplanned turnover rate no more than 10%	●	Unplanned turnover totalled 13%
13	Long-term investment strategy devised	Investment strategy approved by Board; started to implement	●	Draft currently in place pending Strategic Environmental Assessment (expected December 2018)
14	Ensure that appropriate processes are in place to capture data and financials, apportioned by local authority, to be able to provide information to Scottish Government as required	Provision of financial information to enable Scottish Government to apportion net revenue by local authority	●	Processes in place; timescale for providing information changed (in consultation with SG); on track for completion late 2018/19
23	Optimise net rentals from property in George St, Edinburgh	Remaining vacant office let at market value	●	Work ongoing to secure tenant

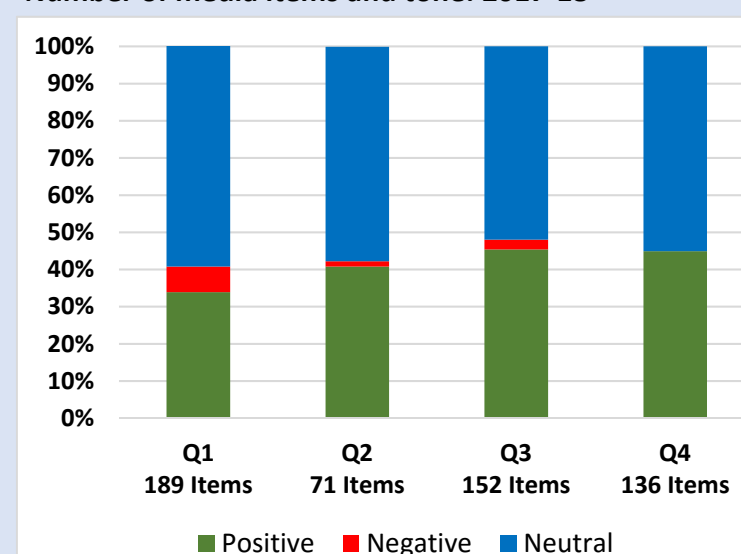
Financials: 2017-18

	YTD ACTUAL (£m)	YTD BUDGET (£m)
Total turnover	14.7	13.5
Net profit	7.8	5.4
Capital receipts	7.8	10.1
Capital expenditure	2.4	6.7

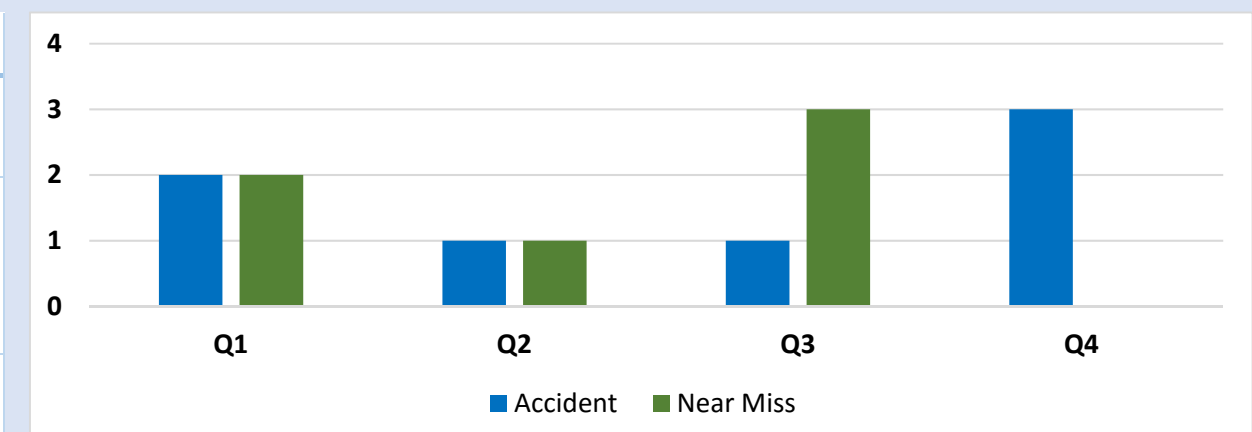
HR Stats: 2017-18

	Q1	Q2	Q3	Q4
Unplanned turnover (cumulative YTD)	2%	2%	7%	13%
Sickness days (cumulative YTD)	59	125	140	160
Leavers (including planned leavers)	2	1	2	4
New starts	3	3	2	3

Number of media items and tone: 2017-18



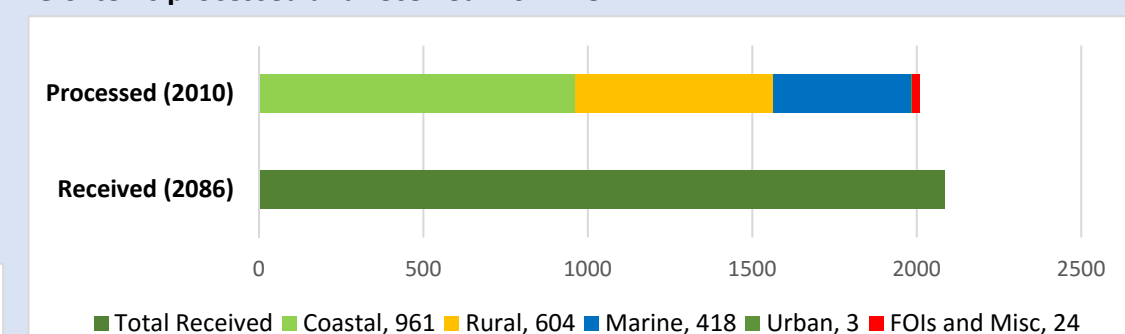
H&S accidents & near misses: 2017-18



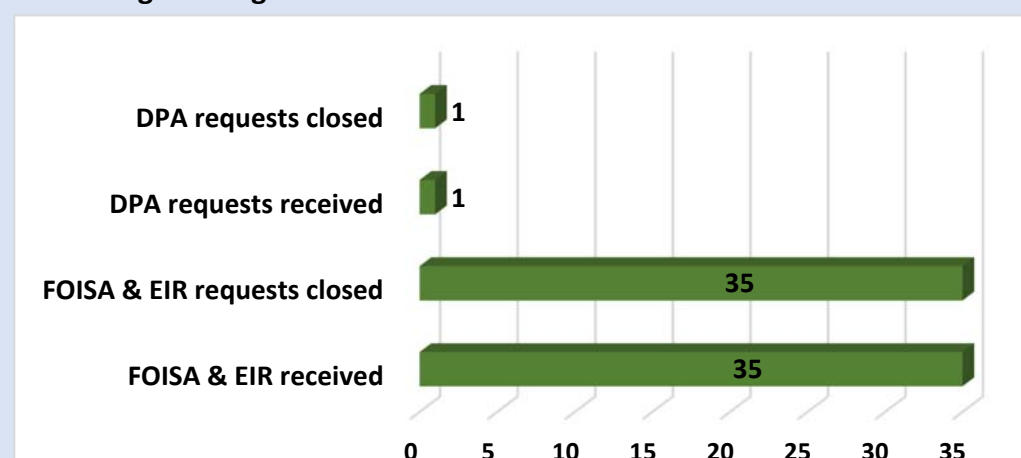
Assets (to be completed Q1 2018-19 onwards)

	RURAL	COASTAL	MARINE (E&I; Aqua)	URBAN
Sales (value)				
No of properties				
No of properties vacant				
New contracts / leases (approx. revenue pa)				
Contract / lease events				
Debt				
Arrears				

GIS items processed and received: 2017-18



Knowledge management: 2017-18



Underway & Upcoming Procurement Activity: May 2018

	VALUE	STATUS
New Leasing – Commercial Consultancy	£40,000 (estimate)	Underway
Pay & Reward Consultancy	TBC	Summer 2018
Tenant, stakeholder & staff research	£20,000 pa (estimate)	Summer 2018

Annex B

2018-19 business plan – progress tracker

Corporate

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
1	Manage budget and implement investment strategy to raise capital for reinvestment; deliver revenue profit (paid to Scottish Government to benefit public finances), and capital growth	£3.3m net capital funds raised in 2018/19 £7.3m revenue profit achieved Scheduled revenue payments to Scottish Government made, portfolio valuation shows capital growth	01/04/18	10			LH/SH
2	Develop a tool to better understand, measure and monitor our social, economic and environmental impacts & value to inform future planning and investment decisions. Share with SMEs and other bodies, to drive inclusive and sustainable economic benefit.	Methodology or methodologies established by September 2018 Metrics confirmed and first full year of measurement complete with results included in annual report (published summer 2019) Publish methodology or process on our website	01/04/18	25			AW
3	Use results from research to drive excellence / best practice in tenant service,	Improvement plan based on 2017-18 tenant research in place summer 2018 (to include more	01/04/18	25			EB/AW

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
	and undertake an independent evaluation of the managing agent model (following Scottish Land Commission's wider review of managing agents in Scotland, due to conclude Spring 2018)	bespoke and targeted tenant communications) Rolling programme of tenant research continued Managing agent model evaluation completed					
4	Embed engagement charter throughout the business ensuring best practice in line with National Standards for Community Engagement.	Key local coastal authorities' / partners' satisfaction levels above 70% Complete a minimum of three case studies evidencing community engagement shaping projects by March 2019.	01/05/18	10			EB
5	Enable pilots of local asset management by implementing a robust and transparent process.	Criteria / guidance consulted on, finalised, published and proactively promoted Applications assessed according to timescales agreed following consultation.	01/04/18	15			AW
6	Transparent reporting in place with production of our first audited financial statements.	Annual report laid in Parliament	01/04/18	10			LH

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
7	Progress voluntary Land Registration Completion of assets in line with Scottish Government targets.	First phase of registration completed (in line with available budget and staffing) covering 25% of rural and coastal assets	01/04/18	10			SW
8	Raise awareness about the business to increase transparency through a dedicated campaign including developing wider range of bespoke, targeted communications in response to tenant and stakeholder research.	Website users up 10% (on 2017-18 figures) Twitter followers up 40% E-newsletter subscribers up 25% Tenant and stakeholder research shows minimum 80% awareness of Crown Estate Scotland's role / remit.	01/04/18	10			EB
9	Further development of public portal (online asset map) plus additional published data providing access to spatial and other data relating to asset agreements.	Scoping completed and delivery plan agreed covering: <ul style="list-style-type: none"> • key asset data • data standards • options for efficient analysis & delivery • capitalise IXP functionality • resource requirements for future budgets and operational plans consideration Additional downloadable data e.g. aquaculture published	01/06/18	0			HK

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
10	Creation of Open Data Publications plan	Scoping complete to inform subsequent delivery plan / implementation covering <ul style="list-style-type: none"> • data inventory • data management • data quality • data standards • GDPR (General Data Protection Regulation) compliance • Open Government Licence • publication of information access to information 	01/04/18	5			HK
11	Strengthen our culture and engage with employees to deliver our vision, goals and strategic objectives, and ensure our values underpin all that we do and how we do it.	Programme of activity delivered resulting in 70% good-strong levels of employee engagement including awareness of their role in delivering our strategic objectives and corporate plan (as shown in staff survey) 80% aware of key proposals in the Crown Estate Bill Max 10% unplanned turnover	01/04/18	5			SH/EB/ FH
12	Enhance staff expertise to meet evolving business needs, including	People Strategy in place	01/04/18	5			FH

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
	development and roll-out of staff code & handbook of policies.	CPD (continuing professional development) plans completed for all staff Staff code & handbook of policies in place and staff survey shows 80% good-strong level of understanding					
13	Compliance with new General Data Protection Regulations.	Policy and procedures in place Staff training delivered Staff survey shows majority of relevant staff have good-strong level of understanding	01/04/18	20		DP Officer appointed. Data information asset register prepared. Privacy notices; policies developed / updated and in place 24/05/18. Training to follow. Project Plan for full compliance will be developed and training needs for all staff assessed.	HH

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
14	Support 2018 Year of the Young Person.	Forestry training scheme/s delivered; volunteering opportunities for young people at Glenlivet Estate; opportunities for staff volunteering with young people and children	01/04/18	15			EB/AW

Marine (Energy & Infrastructure; Aquaculture)

Energy & Infrastructure

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
15	Investigate potential for leasing seabed for local energy systems project covering energy generation, storage and consumption (working with Scottish Enterprise, HIE (Highlands & Islands Enterprise) etc).	Clear, transparent and robust leasing process in place to ensure access to seabed.	01/04/18	15			SW

16	Support CCS ambitions in Scotland, in line with Scottish Government's Energy Strategy's 2050 Vision, by investigating potential value and / or benefits that the sector may deliver.	At least one study completed and launched.	01/04/18	5		Scope agreed	TM
17	Support floating offshore wind through <ul style="list-style-type: none"> Study to evidence potential macro-economic benefits for UK; sharing of findings through workshops Co-ordinating a UK-wide Floating Wind Steering Group (Crown Estate Scotland, The Crown Estate, RenewableUK, Scottish Renewables) to build industry-wide approach	Floating Offshore Wind Energy Route Map developed setting out clear vision and helping to identify development opportunities and large-scale deployment New leasing (see no 19 below) New / emerging UK government policy takes account of floating wind opportunity in Scotland	01/04/18	25			SW
18	Investigate the opportunity for further offshore wind leasing to enable new projects operating from mid-2020s, with associated job creation and carbon reductions. Work with Scottish Government as well as wider stakeholders including UK Government to ensure clarity and certainty on a UK-wide basis for overseas investors.	Leasing process launched, evidencing stakeholder input and support, with the process clearly aligned with Marine Scotland / Scottish Government planning and policy to help de-risk development and attract developer interest Developer applications submitted (or in advanced stage of preparation,	01/04/18	5		Discussion Document published May 2018	JR

		depending on final leasing round timescales)					
19	Manage our £10m investment in MeyGen	Contractual obligations delivered, project becomes fully operational, and capital return started.	01/04/18	10		Construction stage complete; operations commencing	JR
20	Refine approach to awarding rights for offshore energy and infrastructure projects to optimise benefits for stakeholders & communities.	<p>Implement measures identified during 2017-18 joint review with Offshore Renewables Programme Board. These are likely to include</p> <ul style="list-style-type: none"> • providing documentation and materials that help suppliers, developers and enterprise agencies to stay up-to-date with developments in supply chain • providing certainty and clarity regarding pipeline of projects • structuring agreements to allow time for supply chain development 	01/04/18	25		Incorporated in leasing Discussion Document to test stakeholder views of the approach	JR

21	Identify and scope at least one opportunity for collaborative cables feasibility study / project designed to unlock value from Crown Estate Scotland assets; seek funding	Work up at least one project concept (options include i) Regulatory aspects of telecoms cables cohabiting with regulated electricity cables ii) North Sea telecoms development opportunity iii) community-focussed telecoms cables study)	01/04/18	5		One scope drafted for N Sea telecoms, submitted to OGA	TM
22	Provide ad-hoc seabed rights to meet offshore CO2 storage, cables and pipelines sector requirements; negotiate and complete licensing / leasing for offshore infrastructure in response to individual project developments and sectoral feedback, drawing on specialist sector-specific external advice as appropriate.	Initiate update of standard terms for pipelines agreements, with stakeholder input, to achieve transparency and provide certainty (update completed 2019/20)	01/04/18	15		Leasing is ongoing over year Update to standard terms initiated Q1	TM

Aquaculture

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner

23	Follow up seaweed and finfish waste anaerobic digestion biogas trials to inform participation in proposed BlueSeas project.	Confirmation of BlueSeas project with finfish industry partner.	01/04/18	100		BlueSeas bid submitted to BBSRC (in April) and ourselves and Marine Harvest (MH) are confirmed industry partners. AD trial underway. Await bid outcomes.	AA
24	Build on findings of shellfish critical mass investigation to increase active cultivation.	Develop at least one identified loch-based shellfish cultivation business plan.	01/04/18	25		Project drafted and Marine Scotland confirmed participation with co-funding	AA
25	Develop a community information pack for shellfish farming in collaboration with Association of Scottish Shellfish Growers.	Publish and promote information pack.	01/10/18	0		Not started	AA
26	Pursue further opportunities for aquaculture Special Purpose Vehicles (SPVs), with community bodies as a joint leaseholder with operators.	SPV lease agreements with community signatories in place, giving local interests a direct stake in leases and a degree of control that ensures they cannot be passed to a different operator without their approval. This will signal a positive operator-community relationship.	01/04/18	40		Leasing principles in place. Awaiting finalisation of first agreement – SPV documents with parties' lawyers	AA

Rural

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
27	Manage lease expiries across the rural estate, surrenders and restructures to deliver wider benefits including supporting new entrants into farming, developing business progression for existing tenants and releasing units for potential sale where appropriate.	Complete scheduled re-lettings; complete approx. 30 renewals for river salmon angling; facilitate at least one new entrant through a lease restructuring; facilitate surrenders as opportunities arise to release tenancies for restructuring / sale / tenant business progression.	01/04/18	15		Close to finalising HoT for surrender Upper Dalhousie farm. Dell farm reletting underway.	AW/FS
28	Realise capital through targeted sales of different types of rural assets Complete capital investment programme on agricultural & residential units to support business development and diversification.	Realise £8.7m in capital (as part of the £9.4m detailed in section 3) Completion of budgeted capital investment of £2.3m	01/04/18	20		Farm sale & 1 development sale concluded April. Aiming to launch Auchenthalrig Farm end May	AW/FS
29	Facilitate business planning for agricultural tenants.	Programme of events / business planning activities delivered; strategic advice and guidance provided to tenants.	01/04/18				AW
30	Forestry restocking at Glenlivet (Cairn Muldonich)	All works complete by May 2018	01/04/18	100		Complete	NP

	Investigate potential new planting site, including preliminary survey work to assess ground and species suitability; develop outline planting proposal	Site identified, site survey complete, planting proposal finalised		5		Site identification ongoing	
31	Trial Natural Capital Protocol with tenants and partners at Glenlivet and Fochabers estates	Phase 1 of trial reviewed, results shared, Phase 2 under development with partners (SNH & SEPA), with funding secured for further work to address key recommendations from Phase 1.	01/04/18	30			AW/CC
32	Implement Biodiversity Action Plans for rural estates working with tenants, wildlife & recreation and community groups/agencies to promote enjoyment of and better understand the natural environment. Manage / monitor network of SSSIs and other designated biodiversity sites	A minimum of five new biodiversity management projects underway including action on invasive species, new woodland establishment and peatland restoration.	01/04/18	10			AW
33	Implement Tomintoul and Glenlivet Landscape Partnership Project (delivery phase), working with Tomintoul & Glenlivet Development Trust.	Secure majority of £550,000 grant from HLF Invest £50,000 from Crown Estate Scotland Implementation kept on time and on budget Majority of work on Blairfindy Castle Project completed.	01/04/18	15			AW

Coastal

No	Action	Measure	Start Date	% Complete	Status (Dark green-complete; light green - on track; amber- at risk/delayed; red-target will not be reached)	Comment (if applicable)	Owner
34	Build strategic partnership to deliver improvements to infrastructure at Rhu Marina	Establish funding partnerships with key stakeholders Progress funding applications as appropriate Deliver works as funds and other constraints allow	01/04/18	20			AW/PB
35	Implement any agreed changes to moorings management following 2017-18 fee review and survey of tenants	Plan (reflecting changes agreed in 2017-18 review) in place by June 2018 and implemented by March 2019.	01/04/18	20		Report completed, to be peer reviewed by DV.	AW/PB
36	Active engagement by agents to identify and pursue new initiatives with and for coastal communities.	Agent's engagement plan implemented with aim of maintaining high levels of coastal tenant satisfaction (6.9 on a 10-point scale in 2017-18); success measured in next coastal survey, due 2019-20 Maintain or increase numbers of moorings associations and individual licensed moorings.	01/04/18	80		Continuous and ongoing	AW/PB
37	Facilitate at least one asset sale or new lease opportunity to a community group, working with a wide	Sale / lease completed.	01/04/18	50		Glendale Trust and Tobermory Harbour	AW/PB

	range of organisations with an interest in the marine environment.					Association at Stage 2 of Scottish land Fund.	
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Urban

No	Action	Measure	Start Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
38	Manage lease breaks and expiries at George St to reduce any void periods and maximise rental income.	Secure rental income of at least £300,000 per annum on office space.	01/04/18	0		Short extension of lease term 1 st floor completed. HoT under consideration by prospective new tenant. Instructed swift options proposal for bike storage	FS/LH
39	Identify and complete suitable acquisition to grow urban portfolio, in line with draft investment strategy	Acquisition complete delivering revenue increase	01/04/18	20			LH

Board	Seventh Board Meeting	BD(2018)07
Meeting date	30 May 2018	
Paper title	Pay and Reward Review BD(2018)7.6	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Fiona Haywood	
Annexes	Annex A – Crown Estate Scotland Reward Principles and assessment of current alignment	
Recommendation	The Board is invited to: <ul style="list-style-type: none">• Note the context and background information in the paper.• Support the proposed approach to 2018/19 cost of living pay awards.• Note the intention to come back to Board with proposals for 2018/19 bonus scheme.• Provide advice on the proposed strategic review of pay and reward.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

Our people are at the heart of our business, and we aim to reward our staff through all aspects of work including pay, benefits and working environment. Crown Estate Scotland, specifically the Chief Executive, is responsible for determining pay and conditions for staff that are appropriate to our business needs (section 6, p14, Framework Document).

Our approach to Pay and Reward is a major part of rewarding and retaining our people. It is therefore important that we operate a pay and benefits system that is appropriate for business need, and rewards staff fairly for their performance whilst also providing value for money.

In March 2018 the Board considered papers relating to our Bonus position for 2017/18 and a high level overview of the proposed review of Pay and Reward over the coming year.

This paper adds to this discussion by outlining:

- 1) the proposed interim approach to staff remuneration for annual Pay Review in 2018/19; and

- 2) the proposed core reward principles to our longer term reward approach to ensure we continue to attract and retain talent while aligning to wider Scottish Government Pay Policy where appropriate.

2018/2019 Pay Award

1. Historical Approach

2017/18 Pay Award

Staff within Crown Estate Scotland have historically received an annual pay increase to support with changes to cost of living. A 1% pay increase was paid in September 2017 (effective from 1 July 2017) in order to provide a cost of living increase in line with Scottish Government Pay policy of 1% increase to all employees.

2017/18 Bonus

In March 2018 Board approved payment of a Bonus to all eligible staff if our relevant financial targets are met for the financial year.

As per paper BD(2018)06.10 our requirement to pay bonus to staff arises from the employment law principles which protects an individual's terms and conditions following a transfer of employment. In addition, there was a business case which was presented as part of the paper.

Bonus approval for 2017/18 has now been communicated to staff and will be paid when these targets have been confirmed as met through our financial processes.

2. Proposed approach for 2018/2019

Scottish Government Pay Policy 2018/19

The Framework Document requires our staff pay award to be 'in line with the provisions of the Scottish Government's Public Sector Pay Policy for Staff Pay Remits'. However, the sponsor team recognise that we are not currently in a contractual position to meet the full requirements of the Pay Policy because our pay and reward structures are so different from that of other SG bodies. For example, we have no pay grades, no progression arrangements and bonuses form part of contractual terms and conditions. In this light, Crown Estate Scotland is not currently listed as one of the 44 public bodies subject to the Scottish Government Pay Policy.

A convergence process is required, which is outlined in the second part of this paper. In the meantime, we will identify which aspects of the Pay Policy we can adopt. The key features of the 2018/19 Pay Policy are:

- lifting the pay cap by providing a guaranteed **minimum increase of 3 per cent** for public sector workers who earn £36,500 or less;
- a limit of **up to 2 per cent** on the increase in baseline paybill for those earning above £36,500 and below £80,000;
- limiting the maximum pay increase for **those earning £80,000 or more to £1,600**;
- extending flexibilities for employers to use up to 1 per cent of paybill savings on baseline salaries:

- for non-consolidated payments amounting to no more than 1 per cent of salary, but only for employees already on the maximum of their pay range (who no longer benefit from progression) or on spot rates; and
- to consider affordable and sustainable changes to their existing pay and grading structures where there is clear evidence of equality issues.

PCS Pay Claim for 2018/19

On 1 April 2018 we entered into a recognition agreement with the PCS union. This agreement provides for PCS to enter into collective bargaining on behalf of all staff in relation to their pay and terms and conditions of employment.

PCS submitted their Pay claim on behalf of staff in April 2018. The key elements of this claim are:

- A minimum increase in basic pay of 6.5% with a cash underpin of £1500 and a 6.5% increase in all fixed cash allowances. Pay awards should not be related to any performance management system. This should be payable from 1 April in line with our agreement with the Scottish Government that all employers move the pay review date in April 2018;
- Payment of a Living Wage of £10 per hour (£19,314 pa) from 1 April 2018 and to be extended to all Government contracts. All employers in the Scottish Government main bargaining unit should as a minimum attain Living Wage Accredited Status;
- Payment of progression and shorter journey times;
- Confirmation of continuation of the No Compulsory Redundancy Guarantee;
- 35 Hours Working Week (net) and 30 Days Leave on Entry;
- Pay coherence across the Scottish Sector;
- Equality as central feature of pay determination with regular Equal Pay Audits;
- All service related benefits are available to all staff within 5 years or less Flexible Benefits currently payable to be consolidated into salary and pensionable;
- 8% pay differential gap to be closed and this should be payable to those affected from 1 April 2017 when everyone was enrolled in civil service pension schemes;
- Flexi time/travelling time/overtime to be adopted in line with civil service terms and conditions in Scottish Government.

This pay claim is extensive and predominantly reflects the pay claim submitted to the Scottish Government. Many elements go beyond the Scottish Government Pay Policy and hence are not aspects we can agree to in the 2018/19 negotiation.

Interestingly and helpfully, the PCS pay claim is configured around the Scottish Government pay and conditions package, which will be helpful when it comes to the strategic review of pay and reward.

The Board should note that the implications of this collective bargaining agreement are not widely understood or accepted by staff and that we are not aware of any staff consultation prior to the signing of the agreement. An all-staff meeting session is planned for 1 June to explore this further towards securing a firm and agreed basis for collective bargaining.

3. Affordability and financial considerations

We have considered the affordability of adopting the Scottish Government Pay Policy. Details of the financial considerations are shown below.

Cost of living increases have historically been implemented from 1 July in a financial year. The below table therefore shows the cost of implementing this in July 2018 (with increased salary costs for 9 months) and also the full year impact which would be incurred if we agree to backdate salary increases to 1 April 2018.

The predicted costs of **implementing the Pay Policy 2018/19** on the basis of the guidance provided by Scottish Government to date are:

	Total	Capitalised	Net revenue cost
Full year cost	45,000	(8,000)	37,000
9 month cost	33,750	(6,000)	27,750
Additional cost of implementing one quarter earlier (i.e. effective from 1 April 2018 in line with PCS claim)	11,250	(2,000)	9,250
Provision in 18/19 budget for inflationary uplift	39,000	(7,000)	32,000

4. Bonus 2018/19

The Board will be aware that bonus arrangements have formed the core of pay policy for staff for many years. Many staff see this as a critical part of their pay and reward structure and it forms an important motivator, especially for staff with income generating roles. Uncertainties about future pay and reward, along with uncertainties on the future role of Crown Estate Staff have led many to express concerns in the staff survey, providing signals of concern in relation to staff retention.

In March 2018 Board approved payment of a bonus to staff for the 2017/18 financial year. Advice from our external legal advisers was that this bonus should have a similar structure to the preceding bonus in The Crown Estate and that the bonus pot should be of a similar amount. The opportunity was taken to establish a consistent bonus structure across the different teams.

We have now sought further legal advice on any requirement to pay bonus for 2018/19. The core requirement to operate a bonus scheme remains, as this is a contractual provision which cannot be changed unless agreed through negotiation with the staff side. However, now that we have had a full year of operation, advice is that we can consider our approach to bonuses in relation to the performance and quantum of Crown Estate Scotland rather than of the predecessor body, The Crown Estate.

As a separate exercise, we will come back to the Board with our proposed approach to 2018/19 bonuses. We will make proposals on how to determine an appropriate spend on bonuses in relation to the size and performance of Crown Estate Scotland. We will also propose further development of an equitable bonus structure across the whole staff group.

We have made financial provision for 2018/19 bonuses.

5. Recommended Pay Award 2018/19

We therefore recommend the following pay award for 2018/19 which is in line with Scottish Government Pay Policy as outlined in Section 3.

- 3 per cent for public sector workers who earn £36,500 (gross) or less;
- 2 per cent for those earning above £36,500 (gross) and below £80,000 (gross);
- limiting the maximum pay increase for those earning £80,000 (gross) or no more to £1,600;

In addition, we recommend that a bonus scheme be continued for 2018/19 in line with contractual requirements. We propose to come back to the Board with specific proposals.

It is recommended that the aspects of the PCS pay claim which do not relate to baseline pay should be considered as part of the wider review of Pay and Reward which will be undertaken in 2018.

Strategic review of Pay and Reward

The Pay and Reward paper presented to Board in March 2018 (BD(2018)06.09) outlined the key steps and timeframes to carry out a review of pay and reward. It was noted in that paper that there is an expectation that Crown Estate Scotland reviews the existing pay, reward and benefits which have transferred from The Crown Estate with a view to benchmarking and aligning with Scottish Government pay policy and processes where possible, whilst being mindful of the commercial nature of our business and type of expertise required in roles. Our future reward structure must be aligned to our business and staff requirements and support our team while recognising success in the organisation.

The Board should be in no doubt that deep and fundamental change will be required to pay and conditions to bring Crown Estate Scotland into line with Scottish Government pay policy. This may be difficult to negotiate and unpopular with some staff. The key components of a revised approach are:

- Adoption of a grading and pay band structure, allowing the possibility of progression.
- A move away from bonuses and other non-consolidated payments.

6. Crown Estate Scotland Core Reward Components

We would suggest seven core components to future reward arrangements. The proposed draft principles below will be discussed and negotiated with staff as part of the review.

Consultation - We are required to and will negotiate and agree with the staff side any changes to contractual terms and conditions. We will carry out meaningful consultation on any proposed changes to non-contractual measures.

Grading - We will implement and manage a fair and transparent grading and pay banding structure which incorporates equality-proofed job evaluation of roles within the organisation to pay bands.

Progression - Our Pay structure will include the possibility of progression through pay bands for staff.

Cost of living - We will align with Scottish Government Pay Policy, this includes awarding a cost of living increase to staff where applicable.

Performance Management - We will operate a robust performance management system. We will seek to move away from bonuses and non-consolidated payments as standard, but will seek ways to recognise team as well as individual behaviours and performance.

Employer of choice - We will review and monitor our working practices and conditions including working hours, holidays and flexible working in order to ensure these are consistently applied, support our business requirements, align with Scottish Government policy where appropriate, and aiming to retain our reputation as an employer of choice.

Pension - We will provide staff with access to the Civil Service Pension scheme as part of their overall reward package.

7. Current v.s. Future State

Implementing these principles will represent a change in working practices, pay and conditions for staff. Annex A outlines the perceived disparity between current pay and conditions and the proposed core reward principles.

Annex A also highlights where aligning with these core principles will result in changes to both contractual and implied terms and conditions of employment. These changes will be managed through the informed input of a reward consultancy and negotiation and meaningful consultation with staff.

8. Legal implications

We will engage with our employment lawyers throughout the duration of the review to ensure that we are guided through any contractual and legal implications associated with changes to contractual and non-contractual terms and conditions.

9. Risk

There are considerable risks associated with implementing new pay and reward structures within the organisation.

These include the risk of employment relation issues within the organisation, and subsequent employment tribunals and/or high staff turnover if the review is not managed appropriately.

If the future pay and reward structure which is implemented is not appropriate then it may also impact on our ability to attract and retain staff in a competitive job market.

These risks will be mitigated through engaging with expert reward consultancies and external legal advisers throughout the review in addition to a consultative approach throughout.

Equally there are risks in not instituting a Pay and Reward review in that there may be inconsistencies across the business; a lack of transparency; and a risk that our approach is not aligned with our strategic objectives.

This risk will be mitigated through the implementation of an appropriate and transparent pay and grading structure across the organisation. This includes mitigation of potential equal pay claims through the implementation of an equality proofed pay structure.

The results of the March 2018 staff survey indicate that, on one hand there are concerns that movement to align with public sector pay policy, particularly when combined with removal of bonus, will negatively impact morale and retention. There are also comments about the need for a pay structure that is clear and transparent.

This will be a substantial piece of work. It will be a major concern to staff and draw on staff time, motivation and energy. There is a significant risk that this will impact on delivery programmes and on other new initiatives. We will be working closely with the Board to ensure the work is properly resourced, that other priorities are adjusted appropriately and that the work is carefully planned, consulted on and implemented over an appropriate timescale.

10. People considerations

The proposed approach to pay for 2018/19 represents an improvement on pay award for staff last year following removal of the 1% pay cap. In addition, payment of bonus to staff in 2018/19 highlights that we are respecting staff rights following the transfer. It will also help support Crown Estate Scotland's engagement and negotiations for a review of longer term pay and conditions.

As outlined in the paper to Board in March, staff within Crown Estate Scotland have had a sustained period of uncertainty and changes to working practices in the lead up to the transfer in 2017, changes resulting from the transfer, and subsequent draft legislation. This review of pay and reward must therefore be handled sensitively in order to ensure we continue to attract and retain highly skilled and engaged staff.

11. Reputational / PR implications

The 2018/19 pay award (as per section 5 above) represents a continued convergence with Scottish Government Pay Policy which in turn is aligned to our commitments under the Framework Agreement.

The longer-term core reward principles in section 7 of this paper will result in a transparent and equality proofed pay structure. Providing that the review is implemented correctly and with regard to the risks outlined above, this should mitigate reputational risk of any future equal pay claims.

If poorly handled, we could see a loss of invaluable expertise from the organisation and an erosion of the bedrock of our ability to contribute and add value to the Scottish Crown Estate.

12. Next Steps

We have revised the timeline presented in the March Board paper BD(2018)06.09 and, depending on negotiations with staff and PCS, concluding the pay and reward review in March 2019 is still achievable.

Following Board approval on the proposed pay award to staff for 2018/19 and the core reward principles outlined in this paper we will take the following steps:

- Discussion of Pay Award for 2018/19 with PCS;
- Syndication with Sponsor Team;
- Wider discussion and communication with staff to cover both the pay award for 2018/19 and the wider review of Pay and Reward;
- Future paper to Board with our proposed approach to 2018/19 bonuses.

Board paper

Annex A - Crown Estate Scotland Reward Principles and assessment of current alignment

Reward Principle	Current Position	Proposed Future Position	Aligned?
Consultation We are required to and will negotiate and agree with the staff side any changes to contractual terms and conditions. We will carry out meaningful consultation on any proposed changes to non-contractual measures	We have a collective agreement in place with PCS which covers staff pay and conditions. Approx. 20% of staff are members of PCS.	We will consult with staff through our recognised union and communicate through staff meetings to ensure an open and transparent review of pay and conditions.	Yes We have a recognised trade union who have been appointed to support collective bargaining.
Grading We will implement and manage a fair and transparent grading and pay banding structure which incorporates equality-proofed job evaluation of roles within the organisation to pay bands	Staff are appointed on individual spot salaries, which are determined by a number of factors.	A transparent and equality proofed pay scale will be developed which meets our business requirements. Roles will be job evaluated against this pay scale to determine pay and conditions. Crown Estate Scotland will need to consider the approach for staff whose current pay and conditions are out-with the pay scales.	No. A review of pay and reward will allow us to move to this position.
Progression Our Pay structure will include the possibility of progression through pay bands for staff	Staff do not progress through pay scales and salaries are subject to an annual discretionary review. As employees of The Crown Estate, pay increases would vary depending on a number of factors. Under Crown Estate Scotland, the 2017/18 annual review awarded was 1%, in line with Scottish Government Public Sector Pay policy, by which we are bound.	Staff will progress through pay bands, newly appointed staff will generally start at the bottom of their pay band and progress based on agreed terms. Crown Estate Scotland will need to consider how staff will progress through banding ie. If it will be linked to performance or automatic.	No. An adoption of the proposed pay structure will enable this.

Board paper

Cost of living We will align with Scottish Government Pay Policy, this includes awarding a cost of living increase to staff where applicable.	In 2017 we applied a 1% cost of living increase in line with Scottish Government Pay Policy	We will apply a cost of living increase to all roles within Crown Estate Scotland within clearly defined and transparent guidelines.	Yes We are in line with Scottish Government Policy.
Performance Management We will operate a robust performance management system. We will seek to move away from bonuses and non-consolidated payments as standard, but will seek ways to recognise team performance as much as individual performance.	Staff carry out Scorecard Reviews to set objectives and determine their overall annual performance level. Historically, this process has influenced the level of Bonus level awarded.	A reviewed performance management process which is aligned to our future reward structure and supports future business requirements.	No. Our current performance management framework should be reviewed to support future reward practices.
Employer of choice We will review and monitor our working practices and conditions including working hours, holidays and flexible working in order to ensure these are consistently applied, support our business requirements, align with Scottish Government policy where appropriate, and aiming to retain our reputation as an employer of choice.	Working practices vary across the organisation as a result of inherited T&Cs and historical arrangements. Flexi time was available to some members of staff in The Crown Estate but this benefit was 'bought out' from the relevant staff members.	Consistently applied conditions and working practices which support business requirements and align with Scottish Government policy where appropriate.	No A review of terms and conditions will result in harmonisation of working practices and processes which support staff and managers to apply these consistently.
Pension We will review our reward offering and provide staff with access to the Civil Service Pension scheme as part of their overall reward package.	All eligible staff are automatically enrolled into the Civil Service Pension Scheme when they join Crown Estate Scotland.	To continue to provide access to the Civil Service Pension Scheme for eligible staff.	Yes

Board	Seventh Board Meeting	BD(2018)07
Meeting date	30 May 2018	
Paper title	Managing Agents BD(2018)7.7	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Authors	Andrew Wells, Fiona Simpson, Paul Bancks	
Annexes	None	
Recommendation	The Board is invited to note the content of this paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. A paper setting out the arrangements and structure of the out-sourced property management functions undertaken by managing agents was presented to the Board at the November 2017 meeting. It was agreed then that additional supplementary detail could be provided to the Board to give assurance that the business was properly managing the performance of the agents.
2. This paper provides this detail and specifically relates to the measures in place to ensure managing agents' accountability and how they report to Crown Estate Scotland.

Discussion

3. Managing Agents (MA) are fully accountable to Crown Estate Scotland. Their contracts set out what services they are to provide and how they are to be delivered and reported.
4. Clear arrangements for communication, reporting and escalation are in place. Communication occurs both formally (written reports, regular meetings and calls) and informally (ad-hoc calls and e-mails). In practical terms, there is communication happening daily.
5. Formal service delivery standards are set out in the MA appointment schedules. Individual appointments set out reporting requirements which are broadly consistent but also tailored to the requirements of the portfolio under management and the number and nature of dealings and work undertaken.

Property (Rural/Urban) Appointments – Savills and Wardell Armstrong

6. The Savills Deed of Appointment granted in 2017 (expires 31 March 2020) covers Rural and Salmon Fishing Estates and contains a total of nine schedules of which eight cover service requirements. These include: Key performance indicators (see Table 1); reporting and meeting requirements; fee rates; service level agreement for Minerals & Mines Royal rent accounting.
7. The Savills Deed of appointment for Urban (George Street) was novated at transfer and runs 7 August 2015 – 6 August 2020.
8. The Wardell Armstrong Deed of appointment for Minerals & Mines Royal work was granted in 2017 (1 January 2017 to 31 March 2020) and is in the same general format as Savills rural with schedules related to the specific activities undertaken. Wardell Armstrong do not carry out rent accounting or rental billing. This is hosted by Savills.

Accountability

9. Service standards are set out in the Appointments for each of the MA teams working on the Crown Estate Scotland Rural, Minerals & Urban Portfolios. For example:

Table 1

Activity	Service level
Sales and Purchase <ul style="list-style-type: none"> • Support for purchases and sales • Physical readiness • Property management • Accounting • System update 	<ul style="list-style-type: none"> • Market within 4 weeks of agreement to sell/buy • Timeframes to be set for each transaction • Final transfer accounts within 1 month of date • System update within 5 working days
Insurance <ul style="list-style-type: none"> • Insurance claims • Tenant Insurances 	<ul style="list-style-type: none"> • Report incident/claim within 24 hours • Annual check that necessary insurance in place
Capital Projects <ul style="list-style-type: none"> • Project plan 	<ul style="list-style-type: none"> • Instructions issued within 2 weeks of approval
Enquiries & Applications	Acknowledge within 48 hours respond within 2 weeks
Leasing Management <ul style="list-style-type: none"> • Pre-leasing credit checks • Accounting • System update 	<ul style="list-style-type: none"> • Timely relay of lease/occupier information • Completion statements within 2 working days • 3 working days of data receipt/legal agreement

Recoverable costs <ul style="list-style-type: none"> • Recoverable costs budget • Recoverable costs apportionment 	<ul style="list-style-type: none"> • Part of annual budget process • Raise/send demands promptly, chase regularly
Supplier Management <ul style="list-style-type: none"> • Manage suppliers • Purchase ordering 	<ul style="list-style-type: none"> • Report any issues arising • PO to be completed for all fixed sum expenditure
Repairs and Inspections <ul style="list-style-type: none"> • All properties • Fabric condition surveys • Other surveys (eg electrical) • Head lease properties • Statutory inspections • Planned preventative maintenance 	<ul style="list-style-type: none"> • Inspect annually, advise Asset Manager • Every 5 years (or sooner if required) • Every 5 years (or sooner if required) • Every 3 years/every year in final 3 years of lease • 100% compliance with appropriate legislation • Provide annual PPM schedule, report progress
Health & Safety <ul style="list-style-type: none"> • Contractors & suppliers 	<ul style="list-style-type: none"> • Operate performance management programme
Rent Management <ul style="list-style-type: none"> • Raise demands • Rent receipts • Reporting • System update • Rent arrears 	<ul style="list-style-type: none"> • Quarterly – 4 weeks prior; Monthly – 1 week prior • Unallocated cash cleared within 30 days • Per Schedule part 7 • 3 working days for all data • In line with agreed standards
Budget <ul style="list-style-type: none"> • Revenue/capital budgets 	<ul style="list-style-type: none"> • Annually – drafted August, finalised September

Regular formal meetings

10. These are held monthly for Rural Estates covering: monthly report categories (see 22 & 23 below for list); capital transactions and cashflow timings; health & safety; key cases for discussion.
11. These are held quarterly for Minerals & Mines Royal with Wardell Armstrong – reduced frequency related to the smaller number of transactions in this portfolio and very limited expenditure i.e. agent and legal fees and their recovery.
12. Quarterly meetings for Salmon Fishing Estate management are held with Savills – the reduced frequency related to the nature of this area of management. Meetings covers the regular rolling programme of annual lease renewals assessment of revised rental figures, policy and strategy matters.
13. Bi-annual budget setting and review meetings – separate meetings with each firm.

14. Bi-annual performance reviews – separate meetings with each Senior lead.
15. The Head of Property also has regular (at least quarterly), catch-up meetings or calls with the senior managing agent to review progress and address issues that may arise.

Governance

16. Including lettings, renewals, rent reviews, sales and contractor works. Our Rural approval process involves MA's submitting case sheets with full details, rationale and recommendation for activities and expenditure to back up Decision Record Sheets.
17. The Rural Asset Manager's internal assessment involves interrogation, challenge and scrutiny of all aspects to ensure the proposal is delivering best value, is efficient, fits in with policy and estate strategy. It must also take account of wider socio-economic, environmental and strategic development aims of the business. It should be in line with business plan and budget.
18. Fees are specifically considered to ensure they are in line with appointment and the approach represents value for money. Recovery of costs is dealt with by MA where agreed as part of transaction in line with our policies in the differing business areas.
19. Under delegated authority in place MA have authority on matters up to £30k. This allows for smaller day to day management matters on the revenue side to be handled as required such as payment of rates, landlord registration renewals. However, since 1 April 2017 there has been effectively no delegated authority for the Rural MA as we required to monitor cost and income very closely in our first year of business. All capital income and expenditure proposals have been received for approval. All new lettings and renewals have also been subject to authorisation.
20. During 2017/18 a total of 131 Case sheets & Decision Record Sheets were assessed for transactions and 59 for works to buildings, infrastructure. These numbers exclude repeated assessments if additional information is requested and provided to back up recommendations.
21. Informal regular contact by telephone and email happens daily to discuss handling of ongoing management matters and transactions, updates on arrears management and other ad hoc matters as they arise.
22. Fees are submitted by MA on monthly schedules and are subject to further review and challenge prior to requisitioning of purchase orders and then again when invoices are received.

Reporting

23. Monthly report pack for asset management of Rural, Salmon Fishing Estates & Urban includes the following schedules with commentary against each entry as to actions the MA is undertaking or as status update.
24. These schedules are reviewed at each monthly management meeting and appropriate actions agreed for agents to undertake.
 - Arrears summary and progress against targets;

- Arrears in detail showing all debtors with a summary against each of actions and progress in debt recovery;
- Rent Reviews – due dates up to 6 months in advance
- Lease Expiries - due dates up to 6 months in advance with comments updates on progress;
- Vacant/Void – comments on actions to re-let or categorisations and comments if held for development or unlettable for other valid reasons;
- Property & tenancy report – lists all properties and leases in charge on the Yardi Savills system – with tenant and rent and lease term information;
- Property damage – notification & update of any storm flood or fire damage. As a tracker and for our own Insurance purposes;
- Unallocated cash and credits.
- Revenue & Capital Accruals

Minerals - Wardell Armstrong

- Arrears - Rent, royalty and recoverable fees – line by line for each lease with columns detailing sums due, period covered property lease and tenant name period outstanding comments on chasing activity.

Urban – Savills

- Arrears - Rent, and recoverable fees – line by line for each lease with columns detailing sums due period covered property lease and tenant name period outstanding comments on chasing activity.
- Service charge budget is reviewed & agreed annually and also at quarterly forecast stages.

Financial reporting

- Financial protocols from appointment - Schedule Part 7

Information	Description
Financial	<ul style="list-style-type: none"> • Month end details of all transactions for import to accounting system • Rental smoothing for non-monthly rents • Invoices paid • Bank statements and reconciliations • Payment runs • Projected cash flows (revenue and capital) • Construction industry scheme (CIS) information • VAT reports • Aged debtors/creditors • Trial balance
Property management	<ul style="list-style-type: none"> • Summary of any lease and other significant property activities, acquisitions, disposals, reposessions, revenue sales

Tenant views

25. Crown Estate Scotland Tenant survey - the agricultural tenants indicated overall satisfaction for level of service by Managing Agents of 5.8. A detailed breakdown of these is:

- Clarity and openness 5.7
- Understanding your needs 5.7
- Communication 5.8
- Responsiveness 5.3
- Efficiency 6.5
- Professionalism 6.5

The sample size was sufficient to give a data accuracy of (+/-) 9%.

26. Residential tenant questionnaires on repair works undertaken and on leasing process are issued to residential tenants after each event for return direct to CES. Despite a fairly low response rate the majority of questionnaire returned 'good' to 'very good' in terms of satisfaction level.

27. Site and Estate visits to tenants by the internal team enables feedback to be obtained on MA activities and to view assets on the ground to enable full discussion of appropriate way forward in context. As required any points requiring action are relayed to MA with a discussion as to how matters may be improved, as appropriate.

Property (Coastal) Appointment – Bidwells

Background

28. Crown Estate Scotland's 'coastal' portfolio comprises all Crown foreshore and seabed in Scotland out to the 12nm limit.
29. The management of the 'coastal' portfolio was subject to a full re-tender exercise in 2013, the result of which was the appointment of Bidwells to manage the whole portfolio. Previously the management was split geographically between Bidwells (West Coast & Northern Isles) and Bell Ingram (East Coast).
30. Bidwells have been involved in the management of Crown foreshore and seabed in Scotland for 15+ years and have unparalleled expertise, knowledge and experience.
31. The management of the coastal portfolio is significantly and materially different to the management of the rural and urban portfolios.

Scope and Appointment

32. Bidwells are responsible for managing all foreshore and seabed agreements for Crown Estate Scotland with the exception of the following: renewable energy; commercial dredging; petrochemical installations; international cables and pipelines; artificial reefs. Aquaculture is not specifically excluded from Bidwells' Deed of Appointment but this is currently managed in-house.

33. Bidwells have delegated authority for the majority (by number) of agreement types, subject to certain exclusions. Any agreements not covered by their delegated authority can only be signed by Crown Estate Scotland's Head of Property (or equivalent).
34. The coastal portfolio is characterised by a high number of low value dealings i.e. circa 2,300 agreements, 1,345 individual tenants and 85% of annual rents less than £1,000 per annum.
35. In addition to managing all the coastal portfolio, Bidwells provide a rent accounting service to other Crown Estate Scotland marine portfolios, either by system hosting or direct invoicing.

Accountability

36. Schedule 9 (3) of the Deed of Appointment details the minimal service levels expected in execution of the services.

Regular formal meetings

37. Monthly meetings are held between Bidwells' core team in Perth and Crown Estate Scotland's Property (Coastal) Team in Edinburgh. The standing agenda items are as follows: Actions from previous meeting; revenue and capital budget position; arrears; sales ledger; key cases; outstanding rent reviews; lease expiries; legal issues; business plan/strategy; health and safety; compliance; AOB. Inevitably numerous other issues are discussed as a matter of course.
38. Bi-annual meetings are held with the full Bidwells team and Crown Estate Scotland's Property (Coastal) team. The Head of Property also has regular (at least quarterly), catch-up meetings or calls with the senior managing agent to review progress and address issues that may arise.
39. Aside from structured meetings there is daily contact between the Bidwells team, Anderson Strathern and Crown Estate Scotland staff at all levels on transactional matters, including internal Finance and GIS staff. Hence the performance of the Bidwells team is constantly monitored.

Reporting

40. In line with Part 3 (2) of the Deed of Appointment Bidwells provide, as a minimum, monthly reports detailing the following:
 - Completed agreements and reviews;
 - Arrears summary and progress against targets;
 - Arrears in detail showing all debtors with a summary against each of actions and progress in debt recovery;
 - Significant arrears (>£5,000) with a summary against each of actions and progress in debt recovery;
 - Referrals to solicitor for legal action;
 - Visits carried out with a summary for the purpose and outcome(s);
 - Upcoming and ongoing rent reviews;
 - Lease expiries.
41. Other ad hoc reports are provided as and when requested.

42. Bidwells were subject to a full audit by The Crown Estate's internal audit team in 2014 and again in the run-up to 31st March 2017, no significant issues were reported.

Finance

43. There is very little expenditure managed by Bidwells, and any that is required is approved internally at the appropriate delegated authority level.
44. In the absence of direct access to financial reporting information, Crown Estate Scotland's Property (Coastal) team relies on financial information being provided by Bidwells and the Crown Estate Scotland Finance team.
45. All accounting functions related to rent collection, allocation, banking etc. are managed by the Crown Estate Scotland Finance Team.

Tenant Feedback

46. The 2018 independent tenant survey resulted in the following mean scores for the Bidwells team:

- Professionalism 7.4
- Communication 7.0
- Clarity and Openness 7.0
- Efficiency 6.9
- Responsiveness 6.9
- Overall Tenant Service 6.9
- Understanding your needs 6.7

The sample size was sufficient to give a data accuracy of (+/-) 4%.

47. Bidwells visit statistics show an average of 21 visits per month, the long-term statistics show that 42% of visits are to Argyll & Bute, reflecting the high number of agreements and tenants in that region.

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Pilots scheme consultation – feedback and final process BD(2018)7.9	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Sarah Brown	
Annexes	Annex A: Consultation report Annex B: Proposed Final Pilots Scheme Criteria & Process including a new section, Annex E covering assessment and scoring	
Recommendation	This Board is invited to (a) note the feedback and action taken in the Consultation report at Annex A and (b) approve the final guidance in Annex B	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This paper follows an earlier paper to the Board BD(2018)05.05 and presentation by Sarah Brown at the meeting held on 31 January 2018.
2. Annex A provides a summary of consultation responses and themes. Annex B provides the proposed changes to the scheme guidance with key changes tracked. The proposed final guidance will be passed to Scottish Government for comment.
3. Ahead of launch in June 2018, the final document will be designed and branded. The local management section of the Crown Estate Scotland website is currently being expanded to accommodate more information.

Financial

4. The financial implications of implementing the pilots scheme will be appraised on an individual pilot basis and budgeted and monitored as far it is practicable.

Annex A

Pilots scheme criteria and process - consultation report

1. Responses received

- Argyll and Bute Council
- Clyde Fishermen's Association
- Comhairle Nan Eilean Siar
- Community Land Scotland
- COSLA
- Development Trusts Association Scotland
- Flora and Fauna International
- Forth District Salmon and Fisheries Board
- Highland Council
- Orkney Islands Council
- Tomintoul & Glenlivet Development Trust
- Scottish Fishermen's Federation
- Shetland Islands Council

2. Emergent Themes and Proposed responses

In general respondents wanted a more flexible, less bureaucratic process. There was little significant disagreement about the Pilot Scheme or the process apart from the first stage assessment and the need for transparency in weighting.

Not all consultation responses agreed, or suggested a way forward with the aspects listed.

Timing for applications

- Generally considered to be too short, although COSLA suggested that they could be shorter.
- Proposed response: Amend to Stage 1 to 8 weeks and Stage 2 remains at 12 weeks.

Transparency of decision making

- Many responses have highlighted the need for transparency although majority are generally happy with the Board making decisions.
- Proposed response: Have included the Stakeholder Advisory Group in an advisory capacity to assist decision making. Have added that summary of Stage Two projects will be published – this will help applicants shape their proposals to be distinctive / different / innovative.

Process

- Several noted that they feel it is unfair to turn down viable applications at Stage 1.
- Proposed response: All valid applications now to progress to Stage 2 (see assessment criteria in Annex E). Stage 1 applications can be filtered including those better suited to lease etc. Business plans in Stage 2 will give more information about impact including on the Corporate Plan.

Weighting

- This has generally been welcomed and respondents are keen to see how this will be done.
- Proposed response: Assessment process (for Stage 1) and scoring & weighting (for Stage 2) allow for manoeuvrability in the face of wide ranging projects. Please see Annex E of the Revised Criteria and Process.

Local Authorities

- Consistently stated that multiple applications from different local authorities should not be prevented from progressing.
- Proposed response: Text altered to make it clear that similar projects should be closely scrutinized, however projects from the same type of organisation, which display different management approaches, will be welcomed. Publication of summary of Stage 2 proposals will help applicants shape distinctive proposals that have a range of approaches.

Measuring Outcomes

- More detail consistently requested on how outcomes will be measured, particularly for less tangible social and environmental well-being aspects.
- Proposed response: Have included references to work done by The Crown Estate and Crown Estate Scotland on natural capital, Marine Protected Areas and Community Benefit assessment by the Scottish Government, as well as HIE's social impact measurement indicators.

Definitions

- Feedback requested on 'novel and contentious' and 'innovative'.
- Proposed response: Better references now included in the text.

Funding

- Several requests for a funding stream to support communities in the development of their applications.
- Proposed response: A list of supporting organisations and resources has been included.

Project Aims

- Respondents expressed a desire to run projects which ensured there was no degradation or avoided loss of assets, as well as projects which enhanced assets.
- Proposed response: Further references to sustainable management and sustainable development/triple bottom line allow for wider interpretation. Emphasis on 'maintain' and enhance the estate in Scotland. Added line on welcoming proposals relating to prevention of degradation of assets.

Community Engagement

- A number of respondents requested wider users were included.
- Proposed response: references to wider users and examples now included in the text.

Community Benefit

- Respondents were unclear about remuneration.
- Proposed response: text amended to make this clearer and guidance provided linking to resources to assist. Early engagement welcomed.

3. Requested changes we do not recommend

Assets

- Requests to exclude 'indigenous fishing areas' (CFA), include rights to offshore wind to 12nm (CnES), small scale wind energy projects (OIC), ALL seabed (SIC) and exclude salmon and trout rights (SFF).
- Proposed response: Emphasis placed on the engagement process with Scottish Government and other representatives including tenants, which led to decision on assets to be excluded.

Community Support

- OIC requested to be judged as an elected, representative body and therefore fully representative of their communities. Others requested clarification about community support and how this should be measured.
- Proposed response: We are confident that the document as it stands gives sufficient guidance on how applicants can demonstrate community support and the importance of adhering to the National Standards for Community Engagement.

Out of scope

- FFI requested information about what criteria Ministers would use to decide on disposal of the seabed.
- Respondents (COSLA, Forth District Salmon Fisheries Board, OIC, SIC) requested the criteria or process by which the Scottish Government would decide any appeal.

Asset Management
Pilot Scheme –
Criteria and Process

Revised (post consultation) draft

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Pilots Scheme contact and support

Tom Mallows will take up the role of Pilots Manager from 4 July 2018. Tom has been with Crown Estate Scotland (and The Crown Estate) for more than nine years. He will be supporting the implementation of the scheme and working with project applicants. Contact Tom (from 4 July) at tom.mallows@crownestatescotland.com or call 0131 260 6070. Until then please email Sarah Brown at sarah@c2w.org.uk

1. Foreword

This Asset Management Pilot Scheme offers communities an opportunity to take on management of Crown Estate Scotland land and property. This could include developing opportunities in areas of foreshore, 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.

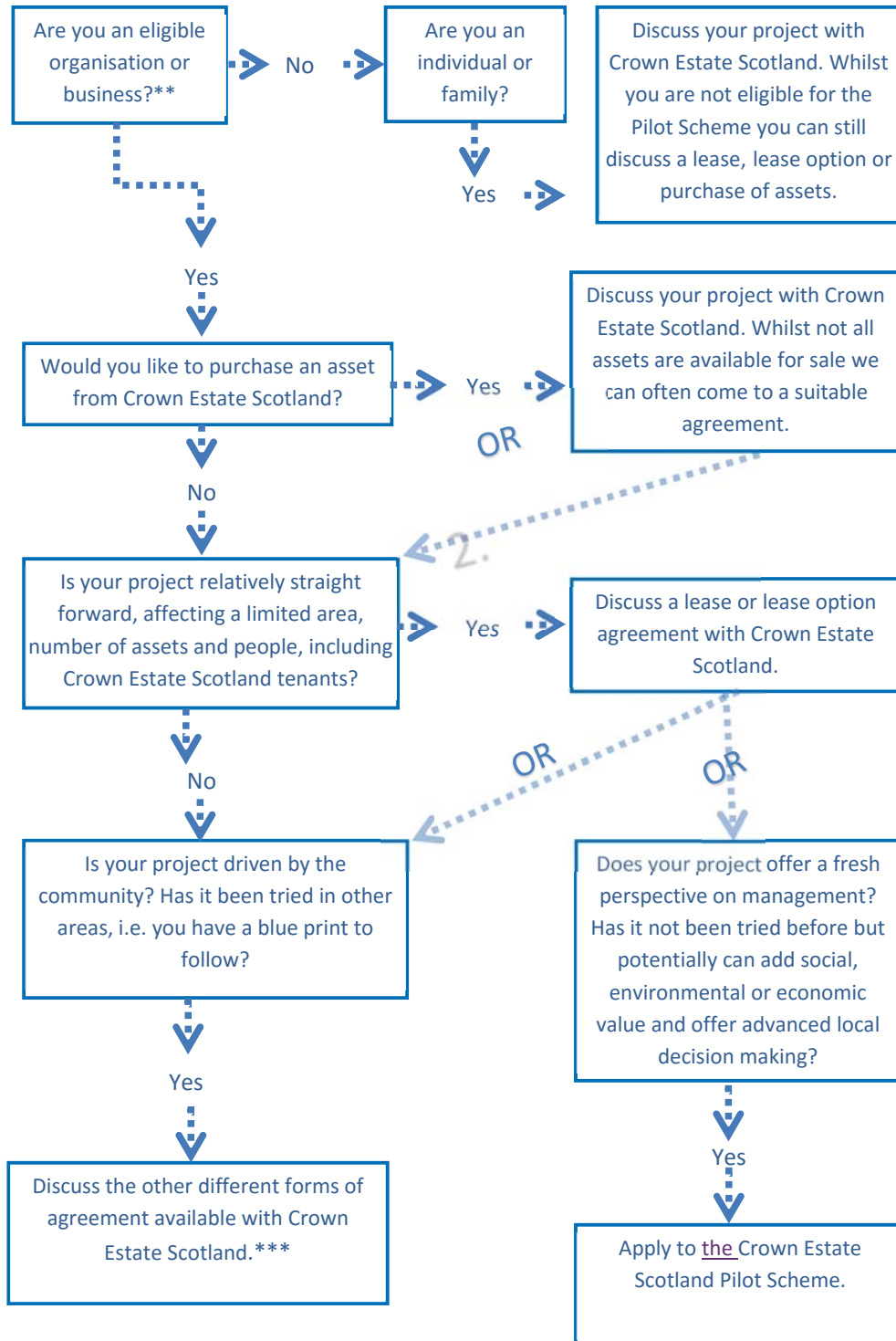
We see these pilot projects as an opportunity for real collaboration – not just between ourselves and the applicant – but also involving other interest groups who can contribute to the project's success and potentially widen the benefits.

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

2. Choosing A Management Approach*



*See page 26 for case studies **See page 14 for more details of eligible organisations.

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

3. Pilot Scheme Timetable

1) 21st June – 16th August 2018 (6-8 weeks) – Stage One Application Process Open
Guidance for Stage One and Stage Two published.
Crown Estate Scotland welcomes discussions with project applicants.

2) 17th August – 27th September 2018 – Stage One Assessment (8 weeks)
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 Crown Estate Scotland stakeholder advisory group.*

3) 15th October – 14th January 2019-2018 (132 weeks) – Stage Two Application Process Open
Viable projects progress to Stage Two. A summary of projects will be published on the Crown Estate Scotland website. This will help applicants develop their projects that are innovative and distinctive.
Using the guidance, applicants are encouraged to show how they meet the criteria by

4) 14th Spring-January - 25th March (10 weeks) 2019 – Stage Two Assessment
Assessment of projects is undertaken within Crown Estate Scotland and recommendations for projects 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 given by Scottish Ministers and pilot projects begin activities.

* In order to assist with community and wider user engagement, the Scottish Government's Crown Estate Scotland stakeholder advisory group will be provided with maps and outline descriptions of potential pilot projects. No confidential information will be shared. The group is an advisory body and not a decision-making group.

** Crown Estate Scotland is keen to ensure the Pilot 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.

4. Pilot Scheme application process

Stage One

Applications are invited based on the Stage One criteria.

~~We have suggested a word count in order to minimise the burden on applicants.~~ In 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.

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

Crown Estate Scotland staff will ensure Stage One applications are eligible and, as much as can be defined, viable, seeking clarification where necessary. ~~Projects which meet the criteria will then be further evaluated and a set of projects will be invited to Stage Two which best test new approaches to management across a range of assets, locations and scales.~~

The Crown Estate Scotland Board and the Scottish Governments' Crown Estate Scotland stakeholder advisory group will review projects prior to proceeding to Stage Two. Feedback from both groups will be collated and given to the project proposers to assist with development of Stage Two applications. At this stage a summary of projects that progress to Stage Two will be posted on the Crown Estate Scotland website.

Stage Two

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.

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

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 Pilot Scheme. This allows time for due diligence (see below) to be carried out before Scottish Government endorsement is sought and projects can proceed.

NB: In 2020 Crown Estate Scotland will review the Pilot 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.

5. 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](#).

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.

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 management of Crown Estate Scotland assets. The Pilot Scheme is separate from the Parliamentary process, although the outcomes of the Scheme may help to inform the implementation of the future legislation.](#)

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.

6. Asset Management Pilot Scheme

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

The Pilot Scheme is piloting approaches to management, rather than ownership of the assets. Crown Estate Scotland will continue to buy, develop, lease and sell parts of the [Scottish Crown Estate](#).

We understand that potentially small changes in how Crown Estate Scotland assets are managed could have a transformational effect at a local level. The Pilot 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.

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

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.

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

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 Pilot Scheme. However, in practical terms, the Pilot 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.

7. Aim and outcomes

The aim of the Pilot Scheme is to achieve a set of pilot projects which will test new or innovative approaches to asset management which will help deliver sustainable development in Scotland. Crown Estate Scotland welcomes proposals offering management at different scales, in varying geographical locations and utilising a range of 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 Pilot Scheme process in 2020 and a 'lessons learned' document will be produced (this is not the planned end of the Pilot 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.

Key Considerations

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 Pilot 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.

8. Managing capital and revenue

The assets, and the income derived from them, 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 Scottish Crown Estate.

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.

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.

Within this range of assets, the following are not considered to be part of the Pilot 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 (this does not exclude wave and tidal energy projects from the Pilot Scheme)
- Urban assets including retail and office premises
- Leases covering nationally important infrastructure such as communication cables and pipelines.

9. Stage One application

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 Pilot 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. However, this will 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 Pilot 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.](#)

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 Pilot Scheme. We simply need to ensure that an organisation is legally able to take on the responsibilities requested. [The organisation set up should be appropriate to the proposal.](#)

There is potential for remuneration to be paid to the manager of the asset, this will need to be appropriately assessed and agreed.

The following list 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 Pilot 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, and key contacts for your application, including a summary of their relevant experience or their CV (see the Stage One application form on page 30). [If you do not intend to undertake financial transactions under the Pilot 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. ~~Please also include a statement of what you hope to achieve with the project and what the existing barriers to achieving these outcomes are.~~

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 Pilot Scheme ~~and assists with the delivery of relevant local, regional and national priorities~~
- 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 Pilot 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 ~~how you plan to secure best consideration and best value in your dealings with the asset, and:~~

- 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 words

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 and 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 and in line with the National Standards (see below) and that the community is supportive of your proposal.

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.

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 be asked to 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

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 Pilot 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 and 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 Pilot 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 Pilot 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 2-4 weeks of the end of Stage One and within 8 weeks of the notification of Stage Two outcomes, with evidence supporting why you consider the decision to be incorrect.

10. Stage Two application

Congratulations for being accepted to Stage Two of the Crown Estate Scotland Pilot 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 foremost consider it in the context of ~~our statutory duty to maintain and enhance the capital value and maximise the revenue income from the Crown Estate in Scotland.~~ We will also ensure that the pilot projects fit ~~with~~ our strategic objectives and contribute to our key performance indicators (as detailed in our [Corporate Plan](#) and [Business Plan](#)). We will also be weighing the applications so ~~that a useful set of projects are selected. This means~~ that a project which scores highly on innovation or community engagement has the potential to go ahead despite lower scores on value for money, for example.

[As you can see from the matrix \(see Annex E\) the scoring is weighted to encourage good engagement. 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.](#)

[You may find 'Green Book 5' and associated guidance helpful for structuring your business plan.](#)

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.

Stage Two - 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. ~~In practice, this means obtaining market value (for leases, sales and other transactions) while~~ 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 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 revenue 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?²
- 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.

Section 5 - Financial Management (Accountability)

² 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.

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, 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 procedures 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 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.³

Community/social benefit or 'common good' can be measured in several ways and we do not wish to be prescriptive about how you demonstrate the benefit to communities of your project. 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.

³ [Under the Pilot 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.](#)

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 16 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 Pilot 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.

Annex A – Examples of existing management options

An application to the Pilot 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.

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, as it secured its lease for a new 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.

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.

Local Management Agreement

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.

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.

Annex B - Stage One application form



**Crown Estate
Scotland**
Oighreachd a' Chrùin Alba

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?

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

What type of organisation are you?	
Give any reference or registration numbers you have e.g. <ul style="list-style-type: none"> • 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.

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 your 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.

<http://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. See <http://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. <https://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. <http://www.justenterprise.org/>
- The Scottish Council for Voluntary Organisations offers a range of support services for relevant organisations including those just getting established. <https://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. <https://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. <https://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. <https://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., <https://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 <http://lwa.gov.au/products/pn30299>
- Moore, P et al (2011) Natural Resource Governance Trainers' Manual IUCN RECOFTC SNV <http://www.recoftc.org/site/resources/Natural-Resource-Governance-Trainers-Manual.php>
- SAGUN Program Tool 3: Participatory Governance Assessment <http://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 Pilot 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%

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Annual Report	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Esther Black	
Author	Esther Black	
Annexes	Annex A – 2017/18 annual report template	
Recommendation	The Board is invited to note the template of the 2017/18 Annual Report and to approve the proposed sign off process in section 3.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Annex A outlines the proposed annual report structure for our 2017/18 annual report and accounts. It is broken down into three key sections – Performance Report, Accountability Report and Financial Statement.
2. The template has been developed by our external auditors working with the Head of Finance & Commercial. It is designed to meet the requirements of public sector annual reports and to ensure that each of the three sections provides a fair, balanced and understandable analysis.

Discussion

3. The Performance Report of the annex has been expanded to give additional detail on content. It takes into account the discussion at Board meeting on 31 January 2018 during which members provided feedback on the content and tone of the report. This included:
 - Reflecting the strengths of the organisation as outlined in the tenant and stakeholder research conducted in 2017/18
 - Delivery against corporate plan and 2017/18 business plan
 - Wider benefits
 - Themes of collaboration and innovation (including pilots and closer working with Island authorities))
 - Work to become fully embedded in Team Scotland
 - Focus on continuity of delivery (as per our Framework Document)
 - Efficiencies that we have realised.

4. Process and sign off

The report must be sent to the sponsor Directorate by 1 August 2018 and the final report will be laid in the Scottish Parliament.

It is proposed that the Chief Executive signs off on the Performance Report and Accountability Report with the Chair of the Audit & Risk Committee signing off on the Financial Statement.

The report in its entirety should be signed off by ARC, on behalf of the Board, before submission to our sponsor team on 1 August 2018.

Timetable

When	What	Notes
End May	Board approve outline; external auditors and sponsor team then review	
Late June	Draft to CE and Chair or ARC	Chair on leave from 27 June to 8 August
Early July	Draft to sponsor team	
End July	Sign off by ARC	
1 Aug	Goes to sponsor team	Thereafter the report will be submitted to Audit Scotland and Scottish Ministers, then final report laid in Parliament

5. Proposed tone and messages are as follows:**Tone and style**

- Clear, relevant narrative reporting
- Plain English
- Consistency in use of terminology; minimal jargon
- Care will be taken to ensure that the report is not overly complex or verbose as this compromises transparency.

Key messages

Crown Estate Scotland:

- Uses expertise and assets for the benefit of Scotland and its communities
- Contributes to the Scottish economy (generating income for the public purse and helping businesses in key sectors to succeed)
- Is open and transparent
- Works innovatively and collaboratively (working with others to support emerging sectors, continually improve, find new and better ways of managing assets etc)

- Manages natural capital sustainably.

6. Key achievements to be covered in report include:

- Successful first-year, with revenue returns surpassing target
- Tenant & stakeholder research indicates a broad level of support and a recognition of professionalism and expertise
- Established three-year plan and embedded / consolidated new working practices, processes, systems, policies – now preparing for further legislative change
- Design of new offshore wind leasing process to encourage next generation of projects Scotland's waters
- Study into potential economic benefits of floating wind (to feed into sector route map)
- Rural estates investment programme (plus electrical and asbestos works)
- Trialled Natural Capital Protocol on land-based businesses and estate
- Developed interactions plan for wild / farmed fish, committing funding for pilot over three years
- Completed [study](#) into the economic challenges and potential of 'loch-wide' approach for shellfish growers.
- Worked with communities e.g. Tobermory, Harris, to progress coastal projects
- Pilots scheme – engagement, design and consultation.

Financial

7. Compiling the report itself involves staff time and some external support on design.

Sustainability

8. We propose a short print run only e.g. 50 copies to enable key stakeholders to receive a hard copy.

Legal implications

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

Risk

10. n/a

People considerations

11. n/a

Reputational / PR implications

12. Providing a clear, accessible and engaging annual report is an important element of transparency.
13. Report launch PR to be considered in due course.

Annex 1 – annual report and accounts template

Crown Estate Scotland (Interim Management)

Annual Report and Accounts 2017/18

Presented to the Scottish Parliament in pursuance of Section 19 of the Public Finance and Accountability (Scotland) Act 2000.

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

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1. Performance Report

Overview

The purpose of this section is to provide an overview of CES (IM), its purpose and activities. This section also includes information on key risks and issues for the organisation as well as a high-level summary of performance in 2017/18.

Must contain:

1. A short summary explaining the purpose of the overview section;
2. A statement from the Chief Executive providing his perspective on the performance of CES over the period; (possibly to include infographic on key achievements)
3. A statement of the purpose of the activities of the organisations, including a brief description of the business model and environment, organisation structure, objectives and strategies;
 - Purpose as defined in Framework Document and 1961 Act; brief description of what this looks like in practice - tenant service etc and link to wider benefits
 - Overview of vision values, goals, strategic objectives and summary of areas of key progress in delivering those objectives
 - Org structure – brief description with governance structure diagram (link to Governance section for more detail);
 - Business model – assets / key sectors, estate-in-land, managing agents, engagement (driving sector and tenant success), revenue / capital split, capital obligations, notable restrictions e.g. no borrowing from banks etc.
 - Forward-look for 2018/19 – Bill, change management
4. The key issues and risks that could affect the entity in delivering its objectives
 - operating environment by asset type (policies, stakeholders etc); high-level stakeholder map / diagram (note informal accountability). Note upcoming changes / shifts / trends
 - key risks (strategic and operational – link to performance analysis section 2) – potential impacts; mitigation
 - key opportunities to create value
5. A performance summary
 - 2017-18 business plan – overview of key targets and activities; note missed targets and explanatory text
 - Progress towards Corporate Plan (link to next section)
 - Additional achievements above and beyond the business plan

Performance Analysis

The purpose of this section is to provide a detailed analysis of the development and performance of the organisation in 2017/18.

Must contain:

1. Information on how the entity measures performance i.e. what the entity sees as its key performance measures and how it checks performance against those measures;
 - Revenue and other public benefits / goods
 - Progress in delivery of strategic objectives – breakdown into KP measures (discuss with SH / AB)
 - Research – staff, tenants, stakeholder (inc other users of the assets), MSP, local authorities. Include testimonials
2. A narrative to explain the link between KPIs, risk and uncertainty. A more detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts;
 - 2017-18 business plan objectives and assessment of delivery (evidence). Include requirements of new entity – corporate policies, compliance, H&S, governance etc
 - Key Corporate Plan KPIs (to be discussed with SH / AB)
 - Overview of risk management policy inc risk appetite statement
 - Overview of financial performance inc analysis of valuation and factors driving changes
 - Explanation of revenue – key factors driving change (albeit no baseline, compare to 2016/17 as appropriate)
 - Value for money - summary of efficiency measures – procurement etc
 - Forward-look (mention GDPR)
3. Non-financial information including social matters, respect for human rights, anti-corruption and anti-bribery matters;
 - Staff – our expertise (human & knowledge capital), staff survey (high-level e.g. job satisfaction and employer satisfaction), union / employee relations, Fair Work – five dimensions; gender breakdown (link to Staff Report section). Living Wage accreditation
 - H&S
 - ESG screening / Red Flag checks on some new tenants
 - Public access – FOI etc
 - Anti-bribery, complaints handling etc
4. Information on environmental matters, including the impact of the entity's business on the environment
 - Good management – sustainability – responsible business
 - Operations – Bells Brae and Glenlivet inc work in progress
 - Renewables, shellfish, natural capital, Our Contribution, stewardship projects, volunteering
 - Summary of relevant legislation etc – Climate Change Duty, litter plans, Environment Act 2005 (SEAs etc)
5. Sustainability reporting requirements;

Amanda Bryan

Chair

Simon Hodge

Chief Executive and Accountable Officer

Crown Estate Scotland (Interim Management)

Date:

2. Accountability Report

Corporate Governance Report

The purpose of this section is to explain the composition and organisation of CES (IM)'s governance structures and how they support the achievement of our objectives.

Members Report

Must include or cross reference to elsewhere in annual report:

- Composition of the board. Disclosure of the composition of the board (including advisory and non-executive members) having authority or responsibility for directing or controlling the major activities of the entity during the year. This means those who influence the decisions of the entity as a whole rather than the decisions of individual sections with the reporting entity;
- Register of interests. Details of company directorships, other appointments and significant interests held by members of the board which may conflict with their management responsibilities. Where a Register of Interests is available online, a web link may be provided instead of a detailed disclosure in the annual report;
- Personal data related incidents. Information on personal data related incidents where these have been formally reported to the Information Commissioner's Office (ICO)

Statement of Accounting Officer's Responsibilities

Must include:

- Confirmation that as far as he or she is aware, there is no relevant audit information of which the entity's auditors are unaware
- Confirmation that the Accounting Officer has taken all the steps that he or she ought to have taken to make himself or herself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.
- Confirmation that the annual report and accounts as a whole is fair, balanced and understandable
- Confirmation that he or she takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

Simon Hodge

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

Date:

Remuneration and Staff Report

The purpose of this section is to provide information on the remuneration and pension arrangements of CES (IM)'s Board members. It also provides information on staff numbers and related costs for the year.

Remuneration Policy

The remuneration policy governing our management and employees is set by the Board. Scottish Ministers are responsible for approving CES (IM)'s remuneration in line with the Scottish Government's Pay Policy.

Service Contracts

Our employees are crown servants. CES (IM) does not have a separate remuneration committee; however the terms and conditions of the Chief Executive and Accountable Officer are subject to a separate approval exercise. The remuneration elements of which are subject to Scottish Government approval at the outset and annually, in line with the Scottish Government's Public Sector Pay Policy for Senior Appointments.

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

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

	Fees	Benefits in Kind (to nearest £100)	Total
	£'000	£	£'000
Amanda Bryan (Non-executive member, Chair)	x	x	x
Dr Michael Foxley (Non-executive member)	x	x	x
Andrew MacDonald (Non-executive member)	x	x	x
Robert Mackenzie (Non-executive member)	x	x	x
Richard Morris (Non-executive member)	x	x	x
Hugh Raven (Non-executive member)	x	x	x
Alister Steele MBE (Non-executive member)	x	x	x

With the exception of the Chair, who was appointed from 1 April 2017, all non-executive members were appointed from 1 May 2017. Board members did not receive any bonuses or performance related pay.

Remuneration and pension benefits of the Chief Executive

Ronnie Quinn left office with effect from 30 March 2017. Simon Hodge was appointed as Chief Executive and Accountable Officer effective from 11 April 2018, therefore no remuneration or pension benefits are disclosed for the 2017/18 financial year.

	Salary	Benefits in Kind (to nearest £100)	Pension Benefits*	Total
	£'000	£	£'000	£'000
Ronnie Quinn (Chief Executive to 30 March 2018)	x	x	x	x

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

Ronnie Quinn did not receive any bonuses or performance related pay.

	Accrued pension at age 60 as at 31.03.18	Real increase/(decre ase) in pension at age 60	Lump sum at age 60 as at 31.03.18	Real increase/(decre ase) in lump sum at age 60	CETV at 31.03.17	CETV at 31.03.18	Real increase/(decre ase) in CETV as funded by employer
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ronnie Quinn (Chief Executive to 30 March 2018)	x	x	x	x	x	x	x

Salary

Salary* includes gross salary; overtime; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by CES (IM) and thus recorded in these accounts.

Bonuses

Bonuses are based on performance levels attained and are made as part of the CES (IM) appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. Staff are eligible for a discretionary bonus which is payable following the end of the financial year. The bonuses relating to 2017/18 (£X) have been included as an accrual in the financial statements.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were £X benefits in kind paid during the year in relation to X.

Cash Equivalent Transfer Value (CETV)

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

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

Civil Service Pensions

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

During the year ended 31 March 2018, employers' contributions of £X were payable to PCSPS at one of four rates in the range X% to X% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions typically every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires, not the benefits paid during this period to existing pensioners.

Fair Pay Disclosure (subject to audit opinion)

	2017/18
Band of highest paid employee's total remuneration £'000	x
Remuneration range £'000	x
Median total remuneration of all employees £	x
Ratio	x

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

Staff Report

As at 31 March 2018 there were X staff in post excluding seven non-executive members. The 2017/18 employee split by grade and gender is detailed below for the total number of persons employed, and by the average number of full time equivalent persons employed.

Staff Numbers and Gender Composition

	Permanent Staff				Agency Staff			
	Head Count		FTE		Head Count		FTE	
	Male	Female	Male	Female	Male	Female	Male	Female
Non-Executive Members	x	x	x	x	x	x	x	x
Executive Members	x	x	x	x	x	x	x	x
Senior Management	x	x	x	x	x	x	x	x
Other Employees			x	x			x	x

Permanent staff includes staff employed on fixed term contracts. CES (IM) had costs associated with agency staff in relation to X.

Staff Costs (*subject to audit opinion*)

	2017/18
	£'000
Wages and salaries	x
Social security costs	x
Other pension costs	x
Total costs	x

Sickness Absence Data

Our level of sickness absence for 2017/18 is x average working days lost (AWDL) as at the end of March 2018.

Voluntary Severance Costs (*subject to audit opinion*)

No exit packages have been agreed or awarded in 2017/18.

Staff Policies

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

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

Our equality and diversity policy states our commitment to:

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

Simon Hodge

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

Date:

Parliamentary Accountability and Audit Report

The following sections have been audited by CES (IM)'s external auditors and are subject to audit opinion.

Regularity of Expenditure

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

Losses and Special Payments

Other than trade debts written off during the year, as reported on page x on these financial statements, CES (IM) did not incur designated losses or make any other special payments during the 2017/18 financial year.

Fees and Charges

Specific to CES (IM) see guidance from FReM below: entities should provide an analysis of fees and charges income where material. The analysis should include the following information for each service:

- i. the financial objective (s) and performance against the financial objective(s);*
- ii. the full cost and unit costs charged in year;*
- iii. the total income received in year;*

Remote Contingent Liabilities

CES (IM) does not have any contingent liabilities as at 31 March 2018.

Simon Hodge

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

Independent Auditors Report

DRAFT

Statements of comprehensive income

Revenue account

	Note	Year ended 31 March 2018 £m
Revenue	6	x
Costs	7	x
Operating surplus		x
Depreciation of tangible fixed assets	18	x
Net operating profit before capital transfer agreements and Statutory transfers		x
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreement	10	x
Statutory Transfers	13	x
Net consolidated revenue account profit		x
Statement of comprehensive income of the revenue account		
Net revenue account profit - distributable to the Consolidated Fund		x
Total comprehensive revenue account profit		x

Capital account

	Note	Year ended 31 March 2018 £m
Revenue	6	x
Charge from revenue for salary costs	9	x
Net revaluation gains on investment property (including profits on disposal)	11	x
Share of revaluation gains in other property investments	11	x
Capital profit before capital transfer agreements and Statutory Transfers		x
Recovery of capital expenditure under the Crown Estate Act 1961 and by capital transfer agreement	10	x
Statutory Transfers	13	x
Net capital account profit		x
Statement of comprehensive income of the capital account		
Net capital account profit		x
Items that will not be reclassified subsequently to the capital account:		
(Deficit)/surplus on revaluation of owner occupied properties	11	x
Total comprehensive capital account profit		x

Statement of financial position

As at 31 March 2018

	Note	31 March 2018 £m
Assets		
Non-current assets		
Investment properties	15	x
Property plant and equipment:		
Owner occupied property	16	x
Plant and equipment	18	x
Receivables due after one year	19	x
Total non-current assets		x
Current Assets		
Inventory		x
Trade and other receivables	20	x
Cash and cash equivalents	21	x
Total current assets		x
Total assets		x
Liabilities		
Current Liabilities		
Payables - amounts falling due within one year	22	x
Total current liabilities		x
Payables - amounts falling due after more than one year	22	x
Total liabilities		x
Net assets		x
Capital and reserves		
Revenue reserve available for distribution to the Consolidated Fund		x
Capital reserve		x
Revaluation reserve		x
Total capital and reserves		x

Simon Hodge

Chief Executive and Accountable Officer
[DATE]

Cash Flow Statement

For the year ended 31 March 2018

	Note	31 March 2018 £m
Cash generated from operating activities		x
Operating surplus – consolidated revenue account		x
Increase/decrease in employee benefits		x
(Increase)/decrease in receivables		x
Increase/(decrease) in payables		x
(Increase)/decrease in provisions		x
Interest payable		x
Notional charges		x
Depreciation and impairment		x
Net cash flow from operating activities		x
Cash flows from investing activities		
Acquisition of investment property		x
Capital expenditure on investment properties		x
Proceeds from disposal of investment properties		x
Other capital receipts		x
Proceeds from disposal of plant and equipment		x
Purchase of plant and equipment and other investments		x
Net cash flow from investing activities		x
Cash flows from financing activities		x
Net cash flow from financing activities		x
Net increase in cash and cash equivalents before Consolidated Fund payment		
Consolidated Fund payment		x
Increase in cash in the year after Consolidated Fund payment		x
Cash and cash equivalents at start of the period		x
Cash and cash equivalents at end of the period	21	x

Statement of changes in taxpayers' equity

For the year ended 31 March 2018

	Revenue account	Capital account		Total
	Revenue reserve available for distribution in the Consolidated Fund	Capital reserve	Revaluation reserve	
	£m	£m	£m	£m
As at 1 April 2017	x	x	x	x
Net profit for the period	x	x	x	x
Other comprehensive income	x	x	x	x
Revaluation deficit of owner occupied properties	x	x	x	x
Total comprehensive profit for the year ended 31 March 2018	x	x	x	x
Payments to the Consolidated Fund - paid in year	x	x	x	x
Payments to the Consolidated Fund - payable	x	x	x	x
As at 31 March 2018	x	x	x	x

Notes to the financial statements

1. Basis of preparation

These financial statements have been prepared on a going concern and an accruals basis under the historic cost convention, modified to include investment properties, owner occupied properties and other investments at fair value. They are prepared in accordance with the Crown Estate Scotland Order 2017, section 2(5) of the Crown Estate Act 1961 and with the directions made thereunder by HM Treasury. The directions from HM Treasury require that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and therefore in compliance with Article 4 of the EU IAS Regulation, except where these conflict with the Crown Estate Act 1961. The accounts will, so far as appropriate, comply with the SPFM and the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000. The particular policies adopted by CES (IM) are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts are prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in *International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors*.

Impact of the Crown Estate Act 1961 on the financial statements

CES (IM) is a body corporate regulated by Statute and domiciled in the United Kingdom. The provisions of the Crown Estate Act 1961 and the Crown Estates Scotland Order 2017, specify certain distinctions between capital and revenue reflecting the Report of the Committee on Crown Lands before the Act was passed, to the effect that CES (IM) resembles a trust, in which the revenue beneficiary is the Scottish Government Consolidated Fund and the capital is held for Her Majesty and Her Successors. Section 2(4) of the Act requires capital and revenue to be distinguished in the accounts and for provision to be made for recovering capital expenditure from revenue where appropriate and the accounts are prepared on that basis. The section then specifies that:

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

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

Treasury agreements

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

Changes in accounting policies in year

The financial statements are prepared in accordance with IFRS and Interpretations in force at the reporting date. No new standards have been adopted during the year.

2. Significant accounting policies

2a. Properties

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

Fair value measurement of investment property

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

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

Investment properties

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

Any surplus or deficit arising on revaluing investment properties is recognised in the consolidated capital account.

Investment properties under development

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

Owner occupied properties

Any surplus or deficit arising on the revaluation of properties occupied by CES (IM) is taken to revaluation reserve unless any loss in the period exceeds any cumulative gains previously recognised in the revaluation reserve. In this case the amount by which the loss in the period exceeds the net cumulative gain

previously recognised is taken to the consolidated capital account. These properties include a Countryside Rangers' centre on the Glenlivet estate and a work store on the Fochabers estate.

Disposals

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

Non-current property assets held for sale

Properties held with the intention of disposal at the balance sheet date are shown in the balance sheet within current assets.

2c. Leases

CES (IM) as lessor – operating leases

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

CES (IM) as lessee – finance leases

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

2d. Other property, plant and equipment

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

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

Useful lives and estimated residual values are reviewed annually.

2e. Revenue

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

Rental income

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

Royalties

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

Other income

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

2f. Taxation

CES (IM) is not subject to corporation, income or capital gains tax. The revenue profit is paid to the Consolidated Fund and will be used for the benefit of the taxpayer.

2g Banking

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

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

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

3. Significant judgements, key assumptions and estimates

3a. Trade receivables

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

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

3b. Unsettled rent reviews

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

3c. Operating leases

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

3d. Property valuations

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

4. Changes in accounting policies not yet adopted

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

The following two standards are not expected to have a material impact on the financial statements:

- IFRS 15 Revenue from contracts with customers – effective for the financial year 2018/19.
- IFRS 9 Financial Instruments – effective from the financial year ending 2018/19

IFRS 16 - Leases is effective from the financial year ending 2019/20. The project impact of this is expected to be material. A quantitative impact disclosure will be presented as part of the 2018/19 financial statements.

5. Segmental Analysis

Business segmental analysis

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

Revenue Account		Year ended 31 March 2018					
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Rent and royalties	6	x	x	x	x	x	x
Produce	6	x	x	x	x	x	x
Other income	6	x	x	x	x	x	x
Revenue		x	x	x	x	x	x
Direct costs:							
Management fees and costs	7	x	x	x	x	x	x
Repairs and maintenance	7	x	x	x	x	x	x
Other direct expenditure	7	x	x	x	x	x	x
Total direct costs		x	x	x	x	x	x
Gross surplus/(deficit)		x	x	x	x	x	x
Indirect costs:							
Administrative expenses	8	x	x	x	x	x	x
Total indirect costs		x	x	x	x	x	x
Operating surplus/(deficit)		x	x	x	x	x	x
Depreciation of tangible fixed assets	18	x	x	x	x	x	x
Net operating profit/(loss) before capital transfer agreements and Statutory transfers		x	x	x	x	x	x
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	10	x	x	x	x	x	x
Statutory transfers	13						
Distribution to Scottish Government Consolidated Fund		x	x	x	x	x	x
Net revenue account profit		x	x	x	x	x	x

Capital Account

		Year ended 31 March 2018					
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Income from sale or leases	6	x	x	x	x	x	x
Charge from revenue account for salary costs	9	x	x	x	x	x	x
Net revaluation gains on Investment property (including profits on disposal)	11	x	x	x	x	x	x
Share of revaluation gains in other property investments	11	x	x	x	x	x	x
Capital profit before capital transfer agreements and Statutory Transfers		x	x	x	x	x	x
Recovery of capital expenditure under the Crown Estate Act 1961 and Crown Estate Scotland (Interim Management) Order 2017	10	x	x	x	x	x	x
Statutory transfers	13	x	x	x	x	x	x
Net capital account profit		x	x	x	x	x	x

Consolidated Statement of Financial Position

		Year ended 31 March 2018					
	Note	Rural £m	Coastal £m	Marine £m	Urban £m	Corporate £m	Total £m
Non-current assets:							
Investment properties	15	x	x	x	x	x	x
Owner occupied property	16	x	x	x	x	x	x
Plant and equipment	18	x	x	x	x	x	x
Receivables due after one year	19	x	x	x	x	x	x
Total non-current assets		x	x	x	x	x	x
Unallocated current assets							x
Unallocated liabilities							x
Net assets							x
Capital expenditure		x	x	x	x		x

6. Revenue

	Year ended 31 March 2018 £
Revenue account	
Rent and royalties	x
Produce	x
Other income	x
Total revenue reflected in the revenue account	x
Capital account revenue	x
Income from sale of leases	x

7. Costs

	Year ended 31 March 2018 £m
Management fees and costs	x
Repairs and maintenance	x
Other direct expenditure	x
Administrative expenses (see note 8)	x
Total costs reflected in revenue account	x

8. Administrative Expenses

	Year ended 31 March 2018 £m
Members remuneration	x
Management and administration expenses	x
Auditors' remuneration	x
	x

Auditors' remuneration is split between internal audit of £x, and external audit of £x.
Auditor's remuneration does not include fees for non-audit services of £x.

9. Staff Costs

	Year ended 31 March 2018 £m
Wage and salaries	x
Social security costs	x
Pension costs - defined benefit scheme	x
Total staff costs	x
Less staff costs charged to capital account	x
Staff costs reflected in the revenue account	x

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

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

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

	Year ended 31 March 2018 £m
Reflected in the capital account:	
Surplus on revaluation of investment properties	x
Adjustment for gross up for deferred rent movement	x
Gain on disposal of investment properties	x
Net revaluation gains on investment property (including profits on disposal)	x
Total reflected in the capital account	x
Reflected in the statement of comprehensive income of the capital account:	
(Deficit)/surplus on revaluation of owner occupied property	x
Total	x

12. Financial Instruments

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

	Year ended 31 March 2018 £m
Financial assets	
Long term receivables (note 19)	x
Trade receivables (note 20)	x
Accrued income (note 20)	x
Cash and Cash Equivalents (note 21)	x
Other financial assets (note 19 and 20)	x
	x

	Year ended 31 March 2018 £m
Financial liabilities	
Long term payables (note 22)	x
Trade payables (note 22)	x
Rents received in advance (note 22)	x
Accrued expenditure (note 22)	x
Obligations under finance leases (note 22)	x
Other payables (note 22)	x
	x

Liquidity risk

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

Fair values

Assets and liabilities are carried at fair value in the balance sheet. All investment properties are classified as Level 3 within the value hierarchy as defined within IFRS 13 (see note 17).

13. Statutory Transfers

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

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

14. Scottish Government Consolidated Fund Payment

In accordance with section 1 of the Civil List Act 1952, the payment of hereditary revenues from Scottish assets is to be paid into the Scottish Government Consolidated Fund. In 2017/18, £4.5million was paid to the Scottish Government prior to the year end and a further £x is included within payables and will be paid in 2018/19.

15. Investment Properties

	Rural	Coastal	Marine	Urban	Corporate	Total
Portfolio	£m	£m	£m	£m	£m	£m
Opening fair value	x	x	x	x	x	x
Less: deferred income from lease premiums received	x	x	x	x	x	x
Add back: Assets held for sale	x	x	x	x	x	x
At opening valuation	x	x	x	x	x	x
Acquisitions	x	x	x	x	x	x
Capital expenditure	x	x	x	x	x	x
Capital receipts	x	x	x	x	x	x
Transfers to other categories	x	x	x	x	x	x
Disposals	x	x	x	x	x	x
Revaluation	x	x	x	x	x	x
At closing valuation (before lease incentives)	x	x	x	x	x	x
Deferred income from lease premiums received	x	x	x	x	x	x
Closing fair value	x	x	x	x	x	x
Reconciliation to valuation	x	x	x	x	x	x
At closing valuation (before lease incentives)	x	x	x	x	x	x
Add lease incentives	x	x	x	x	x	x
At valuation	x	x	x	x	x	x

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

The value of freehold investment properties at 31 March 2018 was £x. The value of long leasehold properties at 31 March 2018 was £x. Investment properties identified by the Board as held for sale of £x at 31 March 2018 are re-classified as current assets in the balance sheet.

Commitments relating to investment property

Has the entity disclosed contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements?

The property portfolio was valued on 31 March 2018 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with RICS and those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. More information about the fair value measurement is set out in note 17.

16. Owner occupied property

	Year ended 31 March 2018 £m
Opening fair value	x
Capital expenditure	x
Revaluation	x
Closing fair value	x

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

The property was valued on 31 March 2018 by independent accredited external valuers with a recognised relevant professional qualification and with recent experience in the locations and categories of the investment property being valued. The valuation methods used are in accordance with those recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS 13. Information about the fair value measurement of owner occupied properties is set out in note 17.

17. Fair value measurement of properties

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

Valuation process

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

Fair value hierarchy

The following table shows an analysis of the fair values of investment property recognised in the consolidated balance sheet. All are considered as Level 3 in the fair value hierarchy.

Class of property	Fair value 31 March 2018 £m	Predominant valuation technique	Key unobservable Inputs	Range	Principal value
Rural and Coastal portfolio:					
Agricultural	x				
Coastal	x				
Forestry	x				
Aquaculture	x				
Minerals	x				
	x				
Marine portfolio:					
x	x				
x	x				
	x				
Urban portfolio:					
x	x				
x	x				
	x				
Corporate portfolio:					
Owner Occupied Property	x				
x	x				
x	x				
	x				
Total all portfolios at valuation	x				

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

Investment Method

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

Discounted cash flow (DCF)

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

Comparable method

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

Specific valuation considerations have been applied to the following classes of property:

Wind farms

Each Round 1 and Round 2 wind farm has been valued individually using an 'all risk' yield applied to the minimum and budgeted rents, or the actual output, subject to an end allowance where appropriate. As a cross check, a discounted cash flow of projected revenue streams has been undertaken with appropriate discount rates for differing levels of status in the development programme. Round 3 has been valued on a portfolio basis.

Strategic land

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

Properties being redeveloped

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

Rural and residential properties

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

Owner occupied commercial property

This has been valued using the Investment Method assuming an appropriate period to let the property at a market rent.

Sensitivity analysis

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

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

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

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

18. Plant and equipment

	Plant and machinery £m	Office equipment £m	Computer equipment £m	Fixtures & Fittings £m	Motor vehicles £m	Total £m
Cost at 1 April 2017	x	x	x	x	x	x
Additions	x	x	x	x	x	x
Disposals	x	x	x	x	x	x
Cost at 31 March 2018	x	x	x	x	x	x
Depreciation at 1 April 2017	x	x	x	x	x	x
Charge	x	x	x	x	x	x
Disposals	x	x	x	x	x	x
Total depreciation at 31 March 2018	x	x	x	x	x	x
Net book value at 1 April 2017	x	x	x	x	x	x
Net book value at 31 March 2018	x	x	x	x	x	x

19. Receivables due after one year

	Year ended 31 March 2018 £m
Other financial assets	x
Other receivables	x

X

20. Trade and other receivables

	Year ended 31 March 2018 £m
Trade receivables	x
Other financial assets	x
Other receivables	x
Prepayments	x
Accrued Income	x
	x

Trade and other receivables are shown after deducting the provision for bad and doubtful debts of £x. The trade receivable impairment reflects the application of CES (IM)'s judgment in respect of bad and doubtful receivables.

The Board considers that the carrying amount of the trade and other receivables approximates to their fair value.
Trade and other receivables outside their payment terms not yet provided are:

	Year ended 31 March 2018 £m
Within credit terms	
Past due date but not impaired:	
0-1 month	x
More than 2 months	x
	x
Impairment of receivables	
Other expenditure includes the movement on the provision for Impairment of receivables as follows:	
Provision at the beginning of the year	x
Income written back/(off) during the year	x
Increase/(decrease) in the provision for the year	x
Provision at the end of the year	x

21. Cash and Cash Equivalents

	Year ended 31 March 2018 £m
Balance as at 1 April 2017	x
Net change in cash and cash equivalents	x
Balance as at 31 March 2018	x
The following balances at 31 March 2018 were held within:	
Revenue account	x
Capital account	x
Balance as at 31 March 2018	x

22. Payables

	Year ended 31 March 2018 £m
Amounts falling due within one year:	
Trade payables	x
Rents received in advance	x
VAT and other taxes	x
Other payables	x
Consolidated Fund	x
Accruals and deferred Income	x
Obligations under finance leases	x
	x
Amounts falling due after more than one year	
Obligations under finance leases	x
	x

23. Leasing

Operating leases with tenants

CES (IM) leases out all of its investment properties under operating leases for average lease terms of x years to expiry. The future aggregate minimum rentals, excluding contingent rents receivable under non-cancellable leases are as follows:

	Year ended 31 March 2018 £m
Less than one year	x
Between two and five years	x
More than five years	x
	x

Contingent rents receivable were £x at 31 March 2018.

Obligations under finance leases

Finance lease liabilities are payable as follows:

	Year ended 31 March 2018		
	Minimum lease payments	Future finance charges	Present value of lease obligations
	£m	£m	£m
Less than one year	x	x	x
Between two and five years	x	x	x
More than five years	x	x	x
	x	x	x

The amount recognised as an expense in the year in respect of contingent rentals is £x

24. Capital Commitments

As applicable

25. Contingent Liabilities

As applicable

26. Related Party Transactions

As applicable

27. Third party deposits

At 31 March 2018 CES (IM) held £x of tenant deposits on behalf of third parties.

28. Events after the Reporting Period

As applicable

DRAFT

Crown Estate Scotland (Interim Management)

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability Scotland Act 2000, hereby give the following direction:

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

Signed by the authority of the Scottish Ministers



Dated 1st May 2018

Board	Seventh Board Meeting	BD(2018)7
Meeting date	30 May 2018	
Paper title	Annual Report from Audit & Risk Committee BD(2018)7.11	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Robert Mackenzie, Chair of Audit & Risk Committee	
Author	Helen Howden	
Annexes	Annex A: Annual Report to Board and Accountable Officer from Audit & Risk Committee	
Recommendation	The Board is invited to note and comment on the Report at Annex A.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The terms of reference for the Audit & Risk Committee specify that it is to provide an annual report to the Board and Accountable Officer summarising conclusions from the work it has done during the year.
2. The annual report is attached as Annex A. As the first accounts have not yet been prepared and no internal audits carried out, the report is limited in scope. Future reports will contain more information and provide greater assurance to the Board and Accountable Officer on the matters which are within the remit of the Committee.

AUDIT & RISK COMMITTEE ANNUAL REPORT

2017-2018

Committee Members: Robert Mackenzie (Chair)
Andrew Macdonald
Richard Morris

Other Attendees: Lynne Higgins, Head of Finance & Commercial
Helen Howden, Governance Manager (Minutes)

Paul Banks, Asset Manager (in relation to items on Risk)
Yvette Bishop, Finance Manager (meeting on 8 February 2018)
Andy Reilly, Commercial Manager (meeting on 8 February 2018)

Joanne Brown, Grant Thornton (from February 2018)
Helen Berry, Scott-Moncrieff (from February 2018)
Claire Stevenson, Scott-Moncrieff (from February 2018)

Meetings held: 30 August 2017
16 October 2017
8 February 2018

The Work of the Committee during the year

1. The terms of reference for the Committee were considered at the first meeting on 30 August 2017.
2. The Committee approved a work plan for the period to 29 October 2019. The programme of work is linked to the audit cycle and this year included oversight of financial matters, risk and fraud. The Committee will review the annual accounts as part of the work plan for 2018-19.
3. The Committee advises the Board on strategic processes for the management of risk and the setting of risk appetite. During this year the Committee has reviewed the process, the strategic risk register and has identified a process for establishing risk appetite.
4. The Committee received financial reports from the Head of Finance and Commercial and reviewed the draft capital and revenue budgets for 2018-19. The Committee received information on the banking arrangements for the organisation.
5. The Committee also reviewed a proposed method of attribution of gross revenue received by Crown Estate Scotland to each Scottish local authority area and made a recommendation to the Board that the methodology should be put to the Scottish Government, who would make the decision on apportionment and distribution.
6. During the year the Committee received notification from Audit Scotland that Grant Thornton

had been appointed as the external auditor for Crown Estate Scotland. The external auditor attended the meeting of the Committee on 8 February 2018 and provided members with information on how they would conduct the year end audit.

7. The internal audit service was procured with guidance from the Committee and Scott-Moncrieff were appointed for an initial period of one year. The internal auditor attended the Committee meeting on 8 February 2018 and thereafter met with the Board Chair, the Chair of the Audit & Risk and Investment Committees and senior members of staff. A draft internal audit plan has been prepared and is being reviewed by the Executive Committee with input from the Committee.
8. An approach to procurement and a procurement strategy for Crown Estate Scotland was considered by the Committee and a recommendation made to the Board that the approach and strategy should be adopted.

The Committee would ask the Board to note the continued positive attitude of the senior management team in their approach to the work of the Committee throughout the year.

May 2018

Annex A**Public Interest Reporting****Annual Report 2017-18****Background**

The **Freedom of Information (Scotland) Act 2002** ("FOISA") came into force on 1 January 2005. It provides a statutory right of access to recorded information held by Scottish public bodies, including Crown Estate Scotland, and incorporates the Environmental Information (Scotland) Regulations 2004 ("EIRs").

The **Data Protection Act 1998** provides individuals with a right to get a copy of information held about them by an organisation by making a subject access request.

Report

This report covers the period from 1 April 2017 to 31 March 2018 and summarises the requests for information received under FOISA and EIRs during this period. This report also covers subject access requests received under the Data Protection Act.

As this is the first year of operation for Crown Estate Scotland there is no comparator information available. Future reports will include this information.

Statistical Summary**FOISA and EIRs**

	2017-18
Requests for information received	35
Requests for information responded to	35
Percentage of requests responded to within 20 working days	97%*
Average response time (working days)	9
Number of reviews carried out	2
Number of cases appealed to the Scottish Information Commissioner	1
Decisions issued by the Scottish Information Commissioner	1

**1 response delayed by 2 working days due to staff illness*

Subject Access Requests

	2017-18
Subject Access Requests received	1
Subject Access Requests responded to	1
Percentage of requests responded to within 40 calendar days	100%
Average response time (calendar days)	35
Number of reviews carried out	0
Number of cases appealed to the Information Commissioner's Office	0
Decisions issued by the Information Commissioner's Office	0

Operation of the Legislation within Crown Estate Scotland

We do not include “business as usual” requests in these statistics. These are simple requests for information which are responded to promptly and directly with the requested information by the member of staff who receives the request.

All other information requests are handled by the Business Information Co-ordinator.

Requests from media sources (for example, journalists) are managed by the Head of Corporate Operations.

Type of Information Requested

Requests received included those seeking:

- information on land ownership, including foreshore and fishing rights;
- details of “high earning Quango employees”;
- details of paternity leave offered to employees;
- information in relation to the impact of the Carillion insolvency; and
- information on the cost of signage changes on Crown Estate land in Scotland and who met that cost.

Six of the requests were from the same requester and related to the same subject matter (ownership of foreshore and salmon fishing rights). This requester lodged an appeal with the Scottish Information Commissioner in relation to a decision by Crown Estate Scotland not to send information which had already been sent to him on more than one occasion. The requester also contacted his local MSP and representatives of Crown Estate Scotland met with her.

Appeals

Following a request for information under FOISA or EIRs, an applicant has the right to request a review of Crown Estate Scotland’s handling of their request if they are dissatisfied with the response received or if they feel that the organisation has not complied with their legal obligations. An applicant has up to 40 working days following receipt of a response in which to submit their request for a review.

We received two such requests for review in the period covered by this report. The reviews, which were both from the same requester, upheld the original decisions.

Cases appealed to the Scottish Information Commissioner and Decision Notices Issued

In the event that a public authority fails to respond to a request or if the requester is not satisfied with the outcome of a review, there is a further right for an applicant to appeal to the Scottish Information Commissioner. An applicant has up to 6 months following the outcome of a review in which to apply to the Commissioner. Following a Decision by the Commissioner, an applicant who is still dissatisfied has a further right of review to the Court of Session, but on a point of law only.

Board paper



In 2017-18, one appeal was made to the Commissioner to review a decision made by Crown Estate Scotland and was investigated. The Decision Notice ([051/2018](#)) was issued by the Commissioner on 9 April 2018 and found in favour of Crown Estate Scotland.

Training

Training for staff in relation to FOISA and EIRs was delivered by the Business Information Co-ordinator during 2017-18. Training will be offered as part of the induction process for new employees and refresher training will be available on request.

April 2018

Annex B

Complaints Handling Procedure Annual Report 2017-18

Background

1. The Public Services Reform (Scotland) Act 2010 gave the Scottish Public Services Ombudsman (SPSO) responsibilities and powers, specifically, to oversee the development of model Complaints Handling Procedures (CHPs) for each sector including Scottish Government. The main aims of the model CHP are early resolution of a complaint as close to the point of contact as possible and making best use of lessons learned from complaints.
2. As a public body, Crown Estate Scotland is required to adopt the two-stage model CHP and this was launched to staff during a training session in early January 2018. Details of the procedure can be found here on our website here: <http://crownestatescotland.com/complaints-and-whistleblowing>

Recording and Reporting

3. It is a requirement of the SPSO's model CHP that organisations record all complaints and that reports detailing key performance information are submitted to the Executive Team and annually to the Board. SPSO Guidance indicates that such reports are expected to contain:
 - performance statistics detailing: complaints volumes, types and key performance information, e.g. on the time taken and the stage at which complaints were resolved;
 - the trends and outcomes of complaints and the actions taken in response including examples to demonstrate how complaints have helped improve services.

Complaints

4. In the period since the adoption of the CHP there have been no recorded complaints.
5. We will offer further training to staff and look to raise awareness of the CHP within Crown Estate Scotland during 2018-19 in order to ensure that if complaints are received they are responded to in accordance with the procedure and that we can improve the services we deliver.

April 2018