

Agenda
Twenty-Third Meeting
Crown Estate Scotland Board
By Video Conference Call
25 November 2020
8.30am – 1.00pm

- | | | |
|--|---|--|
| 08:30 | 1. Standing Items
1.1 Welcome and Declarations of Interest
1.2 Approval of Minutes of Meetings held 30 September 2020
1.3 Matters Arising and Action Trackers
+ 1.4 Papers considered out of meeting
+ 1.5 Stakeholder meetings | Attached
Attached
BD(2020)23.1
BD(2020)23.2 |
| 09:00 | 2. Board Committees
* 2.1 Audit & Risk Committee
2.2 People Committee
2.3 People Committee – terms of reference
2.4 Investment Committee | Attached
Attached
BD(2020)23.3
Attached |
| 09:30 | 3. Management Reports
3.1 Chief Executive's Report
3.2 Performance Dashboard
3.3 Finance Report
3.4 Managing Agent Retender | BD(2020)23.4
BD(2020)23.5
BD(2020)23.6
BD(2020)23.7 |
| 10:30 – Break – fifteen minutes | | |
| 10:45 | 4. Decisions and Discussion
4.1 Asset Financial Analysis
4.2 Value Analysis | BD(2020)23.8
BD(2020)23.9 |
| 12:15 | 4.3 Capital Release from Farms | BD(2020)23.10 |
| 12:30 | 4.4 Glenlivet Sporting Lease | BD(2020)23.11 |
| 12:55 | 5. Any Other Business

6. Date of Next Meeting
24 February 2020 – North Ayrshire (tbc) | |

*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	Twenty-Third Board Meeting	BD(2020)23
Meeting date	25 November 2020	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Minutes for the meeting of the Board of Crown Estate Scotland held by video conference call on Wednesday, 25 November 2020		

Present:

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

In attendance:

Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Alastair Milloy	Director of Finance & Business Services
Colin Palmer	Director of Marine
Andrew Wells	Director of Property
Helen Howden	Governance Manager (minutes)
Martha Walsh	Shadowing Observer

By invitation:

Anna Morgan	Financial Controller (for Minute item 3.3)
Annie Breaden	Head of Policy (for Minute items 4.1 and 4.2)
Andy Riley	Commercial Manager (for Minute items 4.1 and 4.2)

1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting and advised that apologies had been received in advance from Liz Leonard.

Members were thanked for having intimated in advance the items which they would like to raise points or ask questions on and were asked to signal to the Chair during the meeting if there were other contributions they wished to make. Liz Leonard had sent comments and questions on the papers to the Chair and these would be raised on her behalf during the meeting.

1.2 Declarations of Interest

Michael Foxley advised the Board that he had declared an interest as a member of Mallaig Harbour Authority in an item which had been subject to discussion at the Investment Committee meeting on 10 November 2020.

The Chair advised that, as a board member of Highlands & Islands Enterprise (HIE), she had an interest in the discussion of the opportunity at Nigg. To avoid any conflict of interest she did not participate in discussions at HIE in relation to this matter.

1.3 Approval of Minutes of Meeting held on 30 September 2020

The Minutes of the meeting held on 30 September 2020 were **approved**.

1.4 Matters Arising and Action Tracker

Noted that:

- (a) Michael Foxley considered that the organisation had a key role to play in the network of Regional Economic Partnerships and that this should be borne in mind by the Executive Team when considering the communications and engagement strategy. The Chief Executive explained that Crown Estate Scotland has engagement with a number of Partnerships in relation to specific projects and would work to increase its profile however would not seek to become involved in the governance of the Partnerships.
- (b) Jean Lindsay requested clarification of what was meant by “graduate in aquaculture” in minute item 4.4(e) as this role had not been approved as part of the workforce plan. The Chief Executive advised that at the time of the last meeting this role had been proposed but it had been concluded that there was not sufficient case for this which was why it had not come through in the workforce plan.
- (c) the Board had requested an in-depth session on the Value Project (action 20/3) and would be having a discussion on value analysis later in the meeting. The Chair asked members if they would also like to have a hands-on training session on the tools being used by asset managers. Members asked to defer answering this until after the discussion later in the meeting.

Secretary’s note: at the end of the meeting members confirmed that they did not require a hands-on training session and that action 20/3 could be closed.

- (d) the Chair and the Governance Manager had discussed adjusting the Board dates in late 2021 to allow more effective quarterly reporting to the Board (action 22/4). The Governance Manager would be contacting members in relation to this.
- (e) key stakeholders had been asked to comment on the draft climate change plan as part of its development. The climate change plan would not be published until after the Scottish Government published its plan to allow the Crown Estate Scotland plan to be checked for alignment. The draft would be circulated to members for comment by the end of November and thereafter the Chair, Robert Mackenzie and Alister Steele would approve the plan on behalf of the Board (action 22/7).

- (f) the Director of Corporate Operations would circulate the final draft of the communications and engagement strategy to members by the end of November to allow for any final comments to be made before the Chair and Chief Executive approved it (action 22/8).

1.5 Papers considered out of meeting (paper BD(2020)23.1)

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

1.6 Stakeholder meetings (paper BD(2020)23.2)

Noted that:

- (a) the Director of Corporate Operations had met with Cath Denholm of the Equality and Human Rights Commission in September and had discussed actions that Crown Estate Scotland might consider taking in relation to equality, diversity, and inclusion.
- (b) the Director of Property had taken a lead in facilitating bringing together a group of relevant bodies to discuss encouraging tenants to diversify into forestry, to set up a demonstration project and to identify and unlock barriers to forestry activity. The Cabinet Secretary for Rural Economy had attended a meeting of this group on 30 October 2020. The group, which had met three times, would be making recommendations to the Scottish Government and were working on the creation of a model forestry partnership agreement.
- (c) Liz Leonard had asked if the Executive Team could circulate to the Board any relevant briefing notes or other useful information generated as part of their meetings with stakeholders.
- (d) the Chief Executive and the Directors of Marine and Property had hosted a meeting on 24 November in relation to ports and harbours with other public sector bodies, including Marine Scotland, HIE, Scottish Enterprise and South of Scotland Enterprise to bring these bodies together to identify actions which could be taken in support of the Scottish Government's Blue Economy action plan. This was an important time for these bodies to meet and demonstrated Crown Estate Scotland's growing leadership in this area.
- (e) the Chief Executive was scheduled to meet with the Chief Executive of The Crown Estate on 26 November 2020.

2. Board Committees

2.1 Audit & Risk Committee – 27 October 2020

Noted that:

- (a) the Committee had held a positive meeting during which it had looked in detail at the reforecast and at the finance report, an updated version of which would be considered by the Board later in the meeting. The financial position remained strong despite the

external challenges and the Committee had received appropriate assurance about the management's monitoring of the position.

- (b) the Committee continued to monitor expenditure on enabler role projects undertaken with Marine Scotland. Flexibility had been retained in the budget to allow projects which would support Covid-19 or green recovery however it was starting to look less likely that these projects would come forward during the current financial year.
- (c) a review of delegated authority had been considered with a request having been received from the Executive Team to make some changes to the internal delegation assigned to named individuals within the organisation as well as a change to the process for signing contracts. The Committee had asked for some changes to be made to the paper presented to them and for the request to be circulated to the Board for approval.

Secretary's note: the paper (BD(2020)OOM13) was sent to the Board by email on 23 November 2020

- (d) the Committee had also reviewed figures in relation to claims waived and written off to date and, given the low value of these, were comfortable with the process. The Committee had requested a flow diagram which showed the process for writing off debts and identified the segregation of duties in the process. It had been identified by some members that the process allowed for the potential that the Chief Executive could ask permission from Scottish Ministers to write off a debt in excess of £150k without requiring Board approval to do so.
- (e) after being told that five write offs totalling £1,274.46 had been made Andrew Macdonald questioned why there was a need for the business to have authority to write off £150k without any intervention on the part of the Board, the level of authority being considerably in excess of what had, to date, been required. There was concern amongst other Board members about this. The Chair asked for specific comments on the out of meeting paper to be made by email for the Board to review.
- (f) regular financial reporting to the Committee and to the Board included information on debtors and these would be flagged before there was any decision to write them off.
- (g) the paper had been received by the Committee as the Board had asked it to review the operation of the internal delegated authority levels after six months. It would continue to be part of the regular reporting until the Committee advised the Board that it was no longer required.
- (h) the Committee also received the final external audit report for the period to 31 March 2020. Grant Thornton's appointment had been extended by the Auditor General for Scotland for a further year and so they would carry out the audits for the years ending 31 March 2021 and 31 March 2022. A lessons learned session would be held with the finance team before the next audit round started. The Committee viewed that the relationship with Grant Thornton was working well and the extension to their contract would allow that to be capitalised.
- (i) the lead contact for the internal audit contract had retired in September however the new lead was part of the original team and the Committee retained their confidence in the internal auditors.

- (j) the Committee had received an internal audit report on the tender process for the managing agent contracts and had received assurance on the process which had been followed. They had also received three internal audit report on governance. The Committee Chair specifically drew members attention to the benchmarking graphs in the Board Pack Quality Assessment (paper ARC(2020)14.10). The Committee had found those interesting, identifying what was being done well and where improvements could be made.
- (k) following the observation of the July Board meeting, the Chair had held a discussion with the internal auditor about the overlap in financial reporting between the Committee and the Board. Although there was this overlap it was appropriate that all Board members had the opportunity to receive the full finance paper on a quarterly basis and to raise questions on it. The Board could take a degree of assurance that the Committee would already have been through the report in some detail.
- (l) as the H&S dashboard reported on a significant near miss the Committee asked the Director of Property to provide them with further information. The Committee had received an initial report on H&S liability in lease agreements and had approved the commissioning of further work on this from Anderson Strathern.
- (m) an updated risk register had been approved, which saw three risks removed. The Committee had held a discussion on the emerging risks which had been identified by the Executive Team over the preceding three months.
- (n) Liz Leonard had asked if there was an update on the unknown sickness and absence figures which the Committee had queried. The Director of Corporate Operations confirmed that she had been in discussion with the H&S Consultant about these figures and would be sending clarification to the Committee shortly.

Agreed that:

- (a) the Board would continue their discussion on the delegated authority issue which was the subject of the out of meeting paper by email.

Action: Board (23/1)

2.2 People Committee – 28 October 2020

Noted that:

- (a) the Committee had reviewed and commented on the workforce planning proposals prior to those being issued to the Board for approval out of meeting. Reporting would be reviewed by the Director of Corporate Operations to provide assurance to the Committee that progress was being tracked.
- (b) the Committee had been updated on progress to modernise and update staff contracts. The Senior HR Manager had been working on this and on comprehensive staff communications outlining the rationale for the changes. PCS were aware that this work was happening and there would be formal engagement with them once the new draft contract had been approved by the Executive Team and the Board.

- (c) a discussion on diversity had formed part of the meeting and the Director of Corporate Operations had outlined participation in a diversity and inclusion “health check” being trialled by Glasgow Caledonian University which would be used to provide guidance on where resource should be targeted.
- (d) the Chief Executive had shared the change management grid being used by the Executive Team to monitor the potential impact of various projects being undertaken in the organisation.
- (e) an update on the move to the new office had been given to the Committee and further information on this was in the Chief Executive’s report to the Board (paper BD(2020)23.4). Staff had been asked whether they might want to use the new office in January or February and the indications were that staff would, either for practical purposes or from a well-being perspective, like the office to be available. The Executive Team had committed to the office being available, in line with the relevant Covid-19 guidance, once the fit-out had finished in January and into February. The position would be re-assessed in January to see whether the Covid-19 rent suspension provisions would be invoked for March 2021.
- (f) in response to a query from Richard Morris, the Director of Corporate Operations explained that there was not currently a consistent process in Crown Estate Scotland to collect feedback on training delivered. L&D was being reviewed and formal evaluation would be brought into that. The next meeting of the People Committee in January 2021 would be asked to provide further input on evaluation of performance.

Agreed that:

- (a) the Board were content to delegate approval of the parameters of the new staff contract to the Chair in advance of negotiations with PCS. A meeting of the People Committee would be arranged in early December to take the Committee through the contract once it had Executive Team approval and before it was issued formally to PCS.

Action: HH (23/2)

2.3 People Committee – terms of reference (paper BD(2020)23.3)

Noted that:

- (a) the terms of reference for the People Committee provided for a review by the Board in November 2020. The Committee was due to be stood down in March 2021 however the Chair and the Director of Corporate Operations felt that there was still value to the organisation in extending the life of the Committee. No other changes to the terms of reference were being proposed.

Agreed that:

- (a) the People Committee should continue in operation until 31 March 2022.

2.4 Investment Committee – 10 November 2020

Noted that:

- (a) the Committee had had a full agenda and had discussed the asset financial analysis being presented to the Board later in the meeting as well as the item on capital release from farms.
- (b) the key decision for the Committee was whether the Mallaig project should move forward to having a full business case. The project would be challenging in relation to capital valuation but would have significant wider value and the Committee agreed that a maximum of £27k should be committed to the preparation of the full business case.
- (c) the report on Built Development had highlighted good progress with the projects forming part of that portfolio.
- (d) the Committee had received an update on the withdrawal from the Glenlivet Observatory project and the communication of Crown Estate Scotland's decision to stakeholders.
- (e) a project manager for the Montrose site had been appointed and would take up post in February 2021. Angus Council continued to be supportive of the aspirations for the site and were working with Crown Estate Scotland in relation to the location of a temporary drone port on the site.
- (f) an interim report on the rural condition survey had been considered. Completion of works within the three-year project period was still anticipated and there would be an increase in expenditure this year to meet that target. It should however be noted that any change in managing agents might impact delivery of the project.
- (g) there had been slippage in the project timescale for the Capital Challenge funds as internal capacity was stretched as result of other major projects. Targeted stakeholder engagement had been undertaken along with an open call through the Crown Estate Scotland website for comments. The intention was for recommendations to be made to the Investment Committee and then the Board in February 2021.
- (h) a lengthy discussion on Nigg had taken place with a focus on risk, structure, timings, due diligence and the role to be taken by Crown Estate Scotland in a potential project. A discussion with the Board would be held at an appropriate point in December. Board members also highlighted risks with the project and advised the Director of Marine that when putting a proposal to them they would want to understand the size of the market and how much business would be placed at Nigg.
- (i) although there were concerns about aspects of the project there was no other facility to manufacture large scale towers for offshore wind in the UK and this was the kind of supply chain project which was being sought and encouraged in Scotland. The Director of Marine was in regular contact with HIE who had offered to share their due diligence on a no-reliance basis.

3. Business Management

3.1 Chief Executive's Report (paper BD(2020)23.4)

Noted that:

- (a) that Jean Lindsay wanted further assurance on IT vulnerability management. The Director of Finance and Business Services would provide further information following the meeting.

Action: AM (23/3)

- (b) removal of diseased larch was being undertaken where Statutory Plant Health Notice had been served. The removal was mostly in the south west where the larch was more susceptible to the disease.

- (c) the staff survey had been completed and a draft report had been provided to the Executive Team for review. The survey showed that job and employer satisfaction had increased since the last survey although there were some areas which required attention. The report would be circulated to the Board and PCS and summary results would be presented to staff before Christmas. Jean Lindsay requested that the free text comments from the survey be included in the report to Board.

Action: EB (23/4)

- (d) communication to the sustainable communities fund applicants who had been unsuccessful at the expression of interest stage would be made by Foundation Scotland. They had extensive experience in managing applications and tried to signpost to other sources of funding as well as giving feedback. The Director of Corporate Operations confirmed that she would present a report to the Board on the learnings from the first round of applications to the fund in due course.

Action: EB (23/5)

3.2 Performance Dashboard (paper BD(2020)23.5)

Noted that:

- (a) the impacts of Covid-19 were starting to be reflected in the dashboard with some business plan actions proving hard to progress during the pandemic.
- (b) the Chair asked for an update and assurance on completion of the feasibility study on the establishment of a District Salmon Fishery Board in Irvine and Clyde districts (business plan action 31). The Director of Property advised that this two-year project was being undertaken by Savills with funding awarded by the Scottish Government. It was recognised that establishing Boards in these areas would be a challenge as there was not thought to be a huge appetite for them however the study would report on that. Completion of the report would not be impacted by any change in appointment resulting from the re-tender of the managing agent contracts.
- (c) there were 48 vacant properties on the Estate, including 46 on the rural estate. The properties were a mix of residential properties awaiting a decision on whether these

would be sold or refurbished (either energy efficiency or ordinary refurbishment) prior to being relet; vacant salmon fishings which are not attracting interest and the regular annual programme of grazing renewals. The salmon fishings were going to be advertised on the FishPal website as part of a change in marketing tactics. The other two vacant properties referred to in the dashboard were in George Street, Edinburgh although one had been let after the end of the reporting period. Jean Lindsay requested that the Board be given a summary of the final position once a decision had been made on how to proceed with them.

Action: AW (23/6)

- (d) the dashboard reported only on permanent and fixed term staff contracts. Jean Lindsay requested that the dashboard to be updated with information on the number of agency staff or consultants (i.e. IR35 off-payroll). It was confirmed that there were currently no agency staff or IR35 consultants within the organisation.

Action: EB (23/7)

The Financial Controller was welcomed to the meeting.

3.3 Finance Report (paper BD(2020)23.6)

Noted that:

- (a) the report covered the period to 31 October 2020 and showed that overall the revenue account showed a net profit £800k greater than forecast. Turnover is currently as reforecast, although rural repairs are running behind and the urban rentals whilst showing above forecast do not yet fully reflect the Covid-19 rent variation agreed with one retail tenant.
- (b) direct expenditure is lower than forecast both due to delays in expenditure being incurred and to lower professional fees than anticipated in E&I. Indirect expenditure was also lower than forecast, the variance being due to lower than budgeted corporate cost; the assignment of irrecoverable VAT costs across the business; an underspend in HR and Corporate Affairs and lower than anticipated enabling costs. The underspend in HR and Corporate Affairs was due to timing and the expenditure would catch up in the remainder of the financial year. The enabling costs had been retained to support green recovery projects but as had been noted earlier no such projects had yet come through.
- (c) capital receipts were also lower than forecast, settlement of the sale of Corncockle Quarry had been delayed by a month. There was also now some concern about the MeyGen investment income following notification from the tenant that there were significant operational difficulties. At a minimum it was expected that Crown Estate Scotland would be asked to defer rent collection however the impact could be greater than that and the Director of Marine would keep the Board updated as more information comes through.
- (d) an independent valuation of the MeyGen investment would be obtained for inclusion in the accounts and to inform any decision to further write down the valuation.
- (e) capital expenditure in the rural and coastal estates was lower than budgeted, the works on the rural estate were expected to catch up by the end of the financial year although

the works in the coastal budget, which related mainly to voluntary registration continue to be delayed.

- (f) a payment of £3m was still due to be made to the Scottish Government from the last financial year and would be made in December. The intention was to pay £4m for this financial year to the Scottish Government during Q4, with a payment of £2m in January and a further £2m in March. This was however still under discussion with the finance team in Scottish Government. Payments made by the Government to the local authorities were made a year in arrears, so the allocations made in July this year related to net revenue generated in 2018-19.
- (g) Michael Foxley reminded the Board that the headlines in relation to the distribution of this revenue were inevitably linked to Crown Estate Scotland. In communications it should be clear what was being done directly by Crown Estate Scotland, such as by way of the Community Capacity Grants, and what is being distributed by local authorities.

Agreed that:

- (a) the Director of Corporate Operations should ascertain from the sponsor team when we might get sight of the report from local authorities to Scottish Government on how the distribution of net revenues had been used.

Action: EB (23/8)

The Financial Controller was thanked for her contribution, which members agreed was clear and well presented, and she left the meeting.

3.4 Managing Agent Retender (paper BD(2020)23.7)

Noted that:

- (a) the paper set out the tender process which had included input from staff across the business and, at key points, from Robert Mackenzie. There had also been an internal audit of the ITT. The internal audit report, which had seen evidence of a lot of good practice, had been reviewed by the Audit & Risk Committee who were satisfied that management had taken account of the recommendations in the report before finalising the ITT.
- (b) there had been two separate evaluation panels – one for quality / technical and one for commercial. Membership of the panels was kept distinct and the two did not meet until the final consensus meeting. The outcome of that meeting and the evaluations was set out in the paper to the Board.
- (c) Robert Mackenzie confirmed that he had attended some of the evaluation discussions which had been robust, challenging, and thorough.
- (d) if the recommendations were accepted then there would be a significant diversification of the operational managers of activity across the Estate, with six separate areas of activity rather than the current three and with an additional two agents. A separate report would be prepared for the Board in relation to the transition arrangements and risk mitigation.

- (e) the ITT had asked bidders to the coastal lot to provide innovative suggestions on how to deliver the required management of community and mooring association agreements. The preferred contractor had chosen to retain the use of coastal engagement officers within their bid although the activities would be redefined with a focus on management of agreements and a greater degree of strategic engagement with communities being undertaken directly by Crown Estate Scotland staff.
- (f) although it was not a matter within the control of Crown Estate Scotland, management understood the potential scale of any staff transfers under TUPE and there were no concerns in relation to that.

Agreed that:

- (a) the Board supported the recommendations on appointment and thanked the team involved in the re-tendering process.

The Board adjourned for a break for fifteen minutes.

4. Decisions and Discussion

The Head of Policy and the Commercial Manager joined the meeting.

4.1 Asset Financial Analysis (paper BD(2020)23.8)

The Commercial Manager gave a short presentation to the Board.

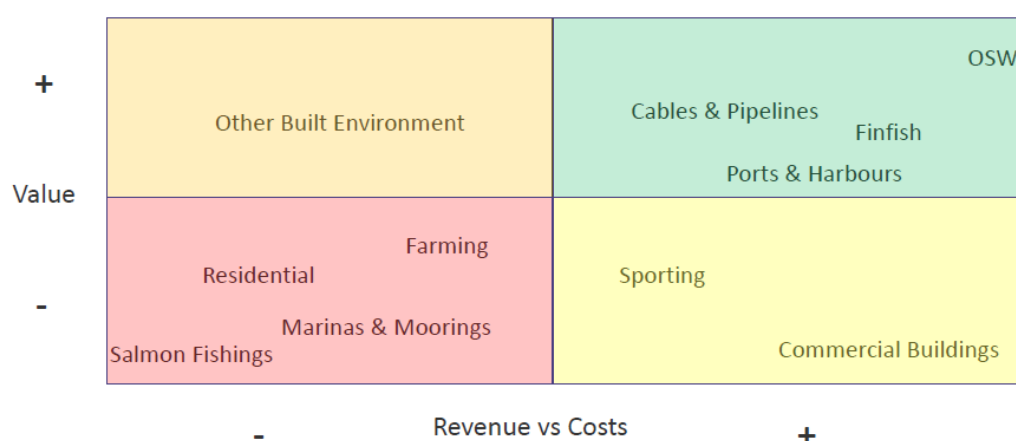
Noted that:

- (a) the asset financial analysis and value analysis were the culmination of two years of work on two different strands of activity which were now ready to be brought together. The first strand involved a fundamental re-classification of asset use classes and the allocation of overheads across the business to different assets and activity. Costs to be assigned to the asset manager role were identified and then those costs were distributed across the assets. Expenditure could then be matched to income by asset use class.
- (b) the second strand was the value project, a key output of which was how to present varied evidence and analysis in a manner that allowed for comparisons to be made. The Scottish Crown Estate Act 2019 ("2019 Act") defined the ways the organisation was required to look at wider value.
- (c) the Board were not being asked to take decisions on these matters during the meeting but to start the discussion on the future shape of the portfolio which would continue over the coming months, the time horizon for implementation being into the next corporate plan cycle.
- (d) the financial analysis was backward looking and based on information as at 31 March 2020. The current year's performance and that of future years was uncertain with the impact of Covid-19 and Brexit not yet fully quantified. The analysis did however provide the context for future decision making in relation to the composition of the asset portfolio.

- (e) the headlines on financial performance were that the portfolio had grown by 15% per annum on average since 2017, showing a healthy overall financial performance, an increase in real return (both in capital value and revenue return). Overall, the portfolio was solid and, with the diversification of assets, relatively low risk. Within that there were significant differences between asset classes and the scale and margin of what was achieved and the cost of managing them. Some assets were a net cost and that should be looked at.
- (f) three asset classes – offshore wind (OSW), marine cables & pipelines, and finfish – generate three-quarters of revenue and had been consistent performers with significant and stable revenues. It was possible that finfish was now at a peak with the sector being particularly sensitive to the impacts of Covid-19 restrictions and a hard Brexit. The rents received from the sector were turnover based and fluctuations in the market affect the returns achieved.

Secretary's note: the presentation to the Board contained the following diagram

Revenue and Value



- (g) the lower right-hand quadrant of the table above contained the asset classes whose valuation has been falling over the last several years. This required to be factored into the options appraisals that were underway, for example for the property at George Street and Rhu marina. The income from sporting assets (hunting, shooting and fishing activity in the rural estates) was mostly based on bags or catches which, for a variety of reasons, had been falling over the past few years.
- (h) the lower left-hand quadrant of the table grouped together some asset classes that required to be considered carefully because of both declining value and overall net revenue cost. Release of capital from farms would be separately considered by the Board later in the meeting. The residential property consisted of older properties that were expensive to service with a known requirement to make improvements in order to meet the required standards to continue to let them. Marinas and moorings were likewise expensive to manage, costing more to collect the rent than the amounts received. Alternative management models, perhaps with a focus on community management,

would require to be considered. Management costs for salmon fishing rights exceeded revenue and again a different management model for these should be considered.

- (i) as a result of the analysis there were six recommendations for the Board to consider – to support the sectoral growth of marine activity; to review the management models of some asset classes; look for capital realisation from farms; increase focus on forestry, both traditional and carbon markets; capital realisation from built environment; and investment, not just in what the assets have done historically, but what investments should be made now to achieve the aims of the corporate plan.
- (j) the 2019 Act set out that the organisation was required to “maintain and seek to enhance” the value of the Scottish Crown Estate assets and clarification was requested as to whether this was financial. Maintenance and enhancement of value in the legislation was financial however the 2019 Act also requires a contribution to sustainability. It is not specified whether this applies to individual assets or to the whole Estate however it had been concluded in the Investment Strategy that each investment should meeting a minimum internal rate of return.
- (k) at the time the organisation was established there was insufficient financial information available for the Board to set a target for portfolio performance. To ascertain whether the 15% per annum average growth reflected good management on the part of Crown Estate Scotland it required to be looked at to see if growth would have happened in any event or whether the organisation’s management had made a difference.
- (l) there were some restrictions to the way in which Crown Estate Scotland could influence the value of the estate, which was often a reflection of the success of tenants, of market performance and of the costs of management. There were external benchmarks for some assets classes, for example, the performance of other rural estates, however for a number of others there was no comparator other than The Crown Estate.
- (m) Jean Lindsay proposed that for the future performance target should be set by the Board, along with appropriate benchmarking, in line with where the Board wanted to see the value of the Estate reaching in the future.
- (n) virtually all of the growth in valuation of the Estate since 2017 had been in offshore wind, if that was removed then the valuation had remained static. Every asset class should be looked at individually, on its own merits and that the Board required to be satisfied with what each asset use class is delivering for the whole of Scotland.

4.2 Value Analysis

The Head of Policy gave a short presentation to the Board.

Noted that:

- (a) a draft asset profile had been prepared for each asset use class, providing a snapshot in time of current performance and an indication of future potential. Included in the profiles were a performance graph, which had been prepared with feedback from asset managers and a calibration exercise looking across all profiles showed the contribution of the asset class as currently managed and potential value of the assets themselves. The scope for Crown Estate Scotland to influence performance varied across both the assets

and the different roles the organisation undertook. Influence was also affected by the activity and roles of wider stakeholders, such as regulators. Reaching wider value potential might mean a reduced financial benefit and may require the organisation and tenants to change their approach to managing and using assets.

- (b) also in the profiles was a table showing the significance of contribution delivered by Crown Estate Scotland in each of its four roles. For many less significant asset use classes, these were low but as the actions relate to the current Corporate Plan this was to be expected and would move over time as the organisation increased what was being delivered to meet the Corporate Plan targets.
- (c) the profiles showed contributions by asset type based on feedback from internal and external attendees at a series of workshops in late 2019. The connections between asset classes and external factors was also shown in the profiles, demonstrating the complexity of the estate.
- (d) the draft profiles would continue to be reviewed internally and refined, for example to explain clearly what was meant by each of the four Crown Estate Scotland roles. The intention had always been to publish these publicly however the timing and communication around the profiles still required to be finalised. Profiles would be updated on an annual basis to incorporate new financial results, providing a clearer view of the journey of management and performance over time.
- (e) the value evidence could support strategic thinking about potential wider value and how that could be delivered, and whether Crown Estate Scotland was best placed to secure these benefits (instead of or alongside regulation and government policy).
- (f) members had been asked by the Chair to identify which asset classes they would like to focus on and they would then provide any detailed comments on the draft profiles for those asset classes to the Head of Policy after the meeting.
- (g) the Head of Policy and Commercial Manager had not yet held detailed discussions in relation to the output of the two projects and their next task was to drill down into the detail of the asset use classes which are most of interest to the Board and to explore those in more detail to inform future decision-making. In addition, work is underway to build these outputs into investment decision processes.
- (h) three broad positions were identified for the organisation to take in relation to asset management: holding steady; investing to grow; and divesting to reinvest. The decisions on which position to adopt for each asset use class will balance financial contribution and the ability to deliver wider benefit. This will include identification of whether Crown Estate Scotland is the best organisation to undertake the relevant activity. There also required to be a recognition that there would be a political perspective on the positions adopted.
- (i) the Board recognised that the financial analysis included current investment on legacy issues, particularly in relation to the rural estate as a result of the condition survey. Caution should be exercised in looking at the short-term data for these assets to inform long-term decisions as financial performance figures will be different once the investment had been completed.

- (j) the assets could be broadly split into seabed assets and terrestrial land assets. Crown Estate Scotland effectively has a monopoly position in relation to the management of the seabed assets which will influence the decisions taken. There is a fundamental distinction in how Crown Estate Scotland can respond to these two different types of asset. The 2019 Act restricted the sale of seabed however the decision could be made to sell terrestrial land. Reshaping the management of some of the marine asset use classes could reduce costs. For terrestrial land assets there was scope to reshape management but also to release and reinvest.
- (k) if terrestrial land is sold then an investment requires to be made in another asset and the decision should include consideration of where Crown Estate Scotland can best add value through reinvestment. Andrew Macdonald cautioned against making decisions to invest in sectors which did not match the skill sets available in the organisation.
- (l) the Board had been aware that there were asset classes which did not perform well but the development of the Value Analysis now allowed an assessment of the wider contribution to inform decision-making. If there were ways in which Crown Estate Scotland could influence the addition of wider value then there might be reasons why assets which under-performed financially were retained as part of the Estate.
- (m) the priorities of the Administration provide an important context for decisions on value delivery.

Secretary's note: at this point the Chair invited members and the Executive Team to provide some initial comment on specific questions. She advised members that a programme of Board engagement and involvement would be put in place to assist in developing the thinking on the use of this evidence base and that there would be a more expansive session on each of these areas at future Boards meeting, hopefully with members helping to lead and facilitate the discussion.

The comments are noted below:

Land Use: (i) how do we see our future position with Farming and Forestry Assets and (ii) what type of value delivery is our priority?

- recognise that we don't generate any significant financial return from our farming assets at present; recognise the potential growth which could arise from forestry. Could this be delivered in different ways? Should we focus on the environmental benefits from re-wilding or on the financial return from commercial scale forestry.
- Crown Estate Scotland should encourage exemplar activity – working in partnership with tenant farmers on forestry and woodland creation – to contribute towards the Scottish Government's forestry targets.
- what differentiates us from other landowners? By being exemplary in how we act as landlord and how we work with tenants to deliver wider benefits.
- need to think about innovation. How do we ensure that by using forestry or farming that we are helping the sector to innovate for the benefit of Scotland?
- at same time we need to think about resilience of sector, including in relation to Brexit impacts.
- in due course a view will be required on the level of farming assets to be held or whether we should withdraw from the sector entirely. We could become an exemplar, but at what scale and cost?

- is there a purely financial case for retaining rural land – capital performance of rural land over long period is generally upwards. Revenue is obviously more challenging. What levers do we have in generating wider value – principally the selection of tenants, which under current tenure terms is highly constrained.

Aquaculture: (i) How do we view the sustainability of aquaculture and (ii) what type of value delivery is our priority?

- the root and branch review on aquaculture would report to the Board in February and would identify options.
- the Scottish Salmon Producers Organisation has recently produced a sustainability charter setting out quite radical and significant commitments. This is an example of another agency helping to advance what Crown Estate Scotland would be seeking to do.
- going to have a continuing role – in relation to existing fish farms and to guide ambitions for expansion.
- Covid-19 and Brexit are major current challenges facing the sector.
- what is the trade-off between the financial income and conditions on the sustainability and acceptability of the sector, especially considering the sector makes a disproportionate contribution to the net revenues distributed to local authorities and used for coastal public good projects?

Coastal: (i) what is the way forward for net cost coastal assets and (ii) how do we see our role shaping up as a ports and harbours investor?

- the Corporate Plan identified ports & harbours as a key activity and exploration is underway to identify how to invest in order to meet the commitment, particularly in relation to energy ports.
- investment to the islands, for example in relation to Scapa Flow should be given early consideration.
- the costs of servicing marina and moorings agreements has already been recognised as an issue requiring the consideration of alternate management models and a better understanding of whether the wider value delivery justifies the net cost. Not at liberty to sell the seabed so how then do we minimise the cost while maximising the benefit.
- marinas and moorings generate interest from politicians and any change to management would have to be handled carefully. The sponsor team have commissioned a consultant in relation to transfers and delegations and are talking about testing demand. This might result in a shift in focus to transfer of management.

Residential: (i) what is the way forward for our current rural residential assets and (ii) what might our role be in new housing development and what type of value delivery is our priority?

- our current holding of 73 rural cottages are costly and make a limited wider value contribution. Disposal is dependent on securing vacant possession or tenant desire to purchase.
- scattered locations make a portfolio sale difficult.
- how should we identify and evaluate future opportunities to invest in new housing. How will we determine our value delivery focus for housing – should it be focused on affordable housing, and/or high environmental and greenspace standards?
- sites on the existing estate are a good starting point.

- coastal regeneration could involve a residential element. This would be beyond the development potential on the existing estate which is currently being assessed.

Secretary's note: the Chair then invited the Chief Executive to pick out some key points.

- members were thanked for their contributions and in giving in pointers for future work to be undertaken by the team.
- the Chair had set out the three broad positions (hold steady, invest and grow, and divest to invest) and the organisation could look at each asset use class from these positions.
- the distinction brought out during the discussion on seabed and terrestrial land use should be related back to the Scottish Government's Strategic Management Plan for the Scottish Crown Estate which looked for the release of capital from terrestrial assets for investment in coastal and marine.
- consideration should be given to whether there are asset classes which are steady state, which we will do little additional management activity and whether there are asset classes where we will be active in and get things to happen which otherwise wouldn't.
- as part of this process we need to be in a position to identify if we are the right body to add value, if we are the only body that can, or the best body to undertake the activity.
- what is our role in leading practice, in being an exemplar and an innovator? This implies a higher degree of risk and of potentially altering the balance between financial return and the fulfilment of the wider value role.
- as discussed, we need to bring in the political perspective. As a public body undertaking high profile activity there will be a need and opportunity for political engagement, and this may shape how the organisation can move forward.

The Head of Policy and the Commercial Manager were thanked for their presentations and contributions and they left the meeting.

4.3 Capital Release from Farms (paper BD(2020)23.9)

Closed Business - Confidential

Noted that:

- (a) the paper had been discussed at the Investment Committee meeting on 10 November who had supported the recommended approach. The paper followed on from previous discussions at Board and at the Investment Committee in relation to farming assets and related to the capital target set out in the Corporate Plan. A decision from Board on how to proceed was required in order to start moving forward, incorporating the targets into budgets to meet the target set.
- (b) the recommendation was to work with tenants on a geographic basis to invite proposals but also to work with tenants across the Estate to offer opportunities for land use change, particularly forestry, which could unlock wider diversification potential. Tenants could benefit from the forestry as an alternative route to land being taken in-hand by Crown Estate Scotland.
- (c) a direct offer to tenants would be made, seeking expressions of interest to either purchase the tenancy, surrender it, sell jointly or to enter into a forestry partnership. Crown Estate Scotland would then make the decision on which to proceed with. There were legislative constraints which would require to be followed.

- (d) the recommendation was to focus on Applegirth and on Auchindoun as pilot area to test the response from tenants. The Investment Committee had concluded that the whole of Applegirth should be included in the pilot area asking the management to be more ambitious in the offer. The offer to enter into forestry partnerships would be made across all estates.
- (e) this offer would attract wide interest and timing would need to be carefully considered in order to respect the pre-election period for the elections to the Scottish Parliament in 2021.

Agreed that:

- (a) the Board were supportive of the recommendations to make the offer to tenants to facilitate the release of capital from the farms and to seek to increase forestry activity across the Estate.
- (b) the offer should not be made until May 2021 to avoid the pre-election period. The Board acknowledged that this would impact on the ability to deliver the capital release within the current Corporate Plan period and that an earlier launch of the offer did not guarantee successful delivery with that period.

Action: AW (23/9)

4.4 Glenlivet Sporting Lease (paper BD(2020)23.11)

Closed Business - Confidential

Noted that:

- (a) this was a significant asset in its own right and formed an integral part of the strategic decisions to be taken in relation to the Glenlivet Estate. The Board had previously agreed that farm sales should be suspended until the decision on the future of the sporting lease had been made.
- (b) the Board were being asked for a decision on whether the lease should be retendered, with mitigation provisions, and if it was to be retendered should this be an offer to the sitting tenant or to the open market. An analysis of the options was set out in the paper.
- (c) as well as sustainable land management and mammal control issues, the facilitation of local employment as part of the lease also required to be considered. The current lease supported the employment of six full-time gamekeepers as well as seasonal staff.
- (d) one option was to renew the lease to the sitting tenant who has expressed an interest. This would require to be subject to open market testing but because of the benefit of delivering local employment would be worth consideration.
- (e) re-letting would allow the provisions of the lease to be updated and for new management conditions, relating to land use and interaction with stakeholders, to be incorporated. There were mitigation provisions in the current lease however these would be reviewed to ensure that best practice provisions and observance of codes of

practice were included. An additional requirement might be that the tenant would participate in the partnerships in the area in relation to sustainable moorland management.

- (f) an end to commercial sporting activity could also be considered however there were implications on how the moorland and deer on the Estate were managed in the future, and on local employment impacts.
- (g) this minute item is being treated as closed business and exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002.
- (h) this minute item is being treated as closed business and exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002.

Agreed that:

- (a) this minute item is being treated as closed business and exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002.

5. Any Other Business

There was no other business for the Board to consider.

6. Date of Next meeting

24 February 2021 (location to be confirmed)

Amanda Bryan
Chair, Crown Estate Scotland

Date

Board	Twenty-Third Meeting	BD(2020)23
Meeting date	25 November 2020	
Paper title	Papers Considered Out of Meeting BD(2020)23.1	
Security classification	Unclassified	
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note the content of this paper	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

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

Decisions

2. BD(2020)OOM11 – Workforce Planning

A paper requesting Board approval for changes to the workforce, including additional posts, was sent out of meeting, by email, on 2 November 2020. The proposals, which phase 2 of the workforce planning exercise and focused mainly on the Energy & Infrastructure team, finance and administration, had been reviewed by the People Committee on 28 October. The Committee had been supportive of the proposals.

The Board confirmed approval of the proposals, with a member commenting that it was appropriate to see additional resource being created to support delivery of the Corporate Plan targets in relation to offshore wind.

The Chair advised the Board that the posts which had “development” in the title would have their salaries capitalised. The Board had previously asked for information on which posts had capitalised salaries. The Chief Executive had explained to the People Committee that a review was being carried out of these posts and that information would be provided to the Board as part of the budget planning process.



3. BD(2020)OOM12 – Board PAYE

On 11 November 2020 the Board received a paper, sent by email, on proposals to change the arrangements for the administration and payment of future Board expenses and of the submission of a voluntary disclosure on historic Board expenses to HMRC.

Members were supportive of the approach outlined in the paper and of the voluntary disclosure being made to HMRC however it was noted that the provisions as applied by HMRC would have tax and cashflow implications for individuals, particularly those travelling from the islands or from remote communities. The Board also expressed concern that these provisions added a barrier for potential new Board members, potentially restricting the number and diversity of applicants for the roles. The Chair advised that she had raised this issue with Scottish Government.

Board	Twenty-Third Meeting	BD(2020)23
Meeting date	25 November 2020	
Paper title	Stakeholder Meetings BD(2020)23.2	
Security classification	Unclassified	
Presented by	Amanda Bryan / Simon Hodge	
Author	Carol Potter	
Annexes	None	
Recommendation	The Board is invited to note the content of this paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair, the Chief Executive and members of the Executive Team have held during the period from 19 July 2020 to 14 November 2020.

Meetings and Events attended

2. The Chair and Chief Executive both attended or met:
 - Chair and Chief Executive of Highlands and Islands Council (HIE) on 8 October 2020.
 - Innes Community Council, also attended by Andy Wells, on 11 August 2020.
 - Richard Lochhead, MSP, and representatives of Portgordon community, on 9 October 2020.
 - Convention of the Highlands and Islands, on 26 October 2020.
3. The Chair attended or met:
 - Leader of Orkney Islands Council, 13 August 2020.
 - Leader of Shetland Islands Council, 17 August 2020
 - Chair and Policy Director, Community Land Scotland, also attended by Tom Mallows, 3 September 2020.
 - Virtual Aquaculture Awards 2020 Announcement 16 September 2020 (can be viewed at <https://www.youtube.com/watch?v=Qqhp-ox686A&feature=youtu.be>).
 - Ian Bruce, Public Appointments Manager, Ethical Standards Commissioner re Diversity in Board Governance on 2 October 2020.
 - Director of Marine Scotland, Annabel Turpie, 7 October 2020.

- Meeting with Public Appointments Scotland re new Board appointments, on 30 October 2020.
4. The Chief Executive attended or met with:
- EELG CEO strategic group call, re Programme for Government, on 7 August 2020.
 - EELG CEO strategic group calls, on 21 August and 4 September 2020.
 - Director of Marine Scotland, Annabel Turpie, on 28 September 2020.
 - NDBP Forum, on 1 October 2020.
 - Robert Carr - Anderson Strathearn, on 8 October 2020
 - Oil & Gas Authority Chief Exec meeting re: energy transition and synergies, also attended by Colin Palmer, on 21 October 2020.
 - Orkney Harbour Authority / Orkney Island Council meetings re: Scapa Flow, also attended by Colin Palmer, on 29 October 2020.
 - HIE senior team update meeting, also attended by Colin Palmer and Andy Wells, on 6 November 2020.
 - SSPO – Chief Exec introduction and update on their Sustainability Charter, also attended by Colin Palmer, Alex Adrian and Anneli Hill, on 4 November 2020.
 - Outer Hebrides Energy Hub – meeting with council representatives, also attended by Colin Palmer, on 12 November 2020.
5. The Director of Corporate Operations attended or met with:
- Marc Strathie, Scotland IS, on 23 July 2020.
 - Caroline Broderick, The Economist, on 24 July 2020.
 - Mairi Gougeon MSP re Montrose Zero Four, also attended by Andy Wells, on 20 August 2020.
 - Michael O'Sullivan (roundtable webinar), on 20 August 2020.
 - Nick Sharpe, Scottish Renewables, on 21 August 2020.
 - Julie McLachlan, Karen Yeomans, North Ayrshire Council, also attended by Tom Mallows, on 27 August 2020.
 - Nim Kumar, Marine Scotland, on 8 September 2020.
 - Jennifer Shaw, Firecrest Films, on 10 September 2020.
 - Alan Thornburrow, Georgia Watson, Business in the Community Scotland, on 11 September 2020.
 - Katherine Trebeck, Building Scotland's Wellbeing (SCVO event), on 15 September 2020.
 - Tanveer Parnez, BEMIS, on 16 September 2020.
 - Cath Denholm, Equality and Human Rights Commission, on 16 September 2020.
 - SCDI Policy Committee, on 17 September 2020.
 - SG EELG - Climate Week 2020 - Future Working Models, on 17 September 2020.
 - Business in the Community Scotland Advisory Board Meeting, on 24 September 2020.
 - Louise MacDonnell, DTAS, on 24 September 2020.
 - Andy Payne, The Crown Estate, on 29 September 2020.
 - Fiaz Khan, CEMVO, on 1 October 2020.
 - D&I conference, Gen Analytics, on 1 October 2020.
 - David McGuire, Glasgow Caledonian University, on 2 October 2020.



- Georgia Watson, Business in the Community, on 3 October 2020.
- Ian Bruce, Ethical Standards Commissioner, 7 October 2020.

6. The Director of Marine attended or met with:

- TCE Offshore Wind Strategic Enabling Actions - senior stakeholder meeting, on 22 July 2020.
- Orkney Islands Council, on 29 July 2020.
- Inch Cape Project Director – introductory meeting, on 4 August 2020.
- MS Deputy Director Marine Planning and Policy – monthly catchup, on 14 August 2020.
- Blue Economy Catch up (MS, SE, HIE, CES), also attended by Sian Wilson and Colin Maciver, on 17 August 2020.
- Meeting between OGA and Crown Estate Scotland to discuss CCS, also attended by Sian Wilson and Andy Riley, on 19 August 2020.
- Meeting with General Manager of G+ (Offshore wind H&S industry group), on 19 August 2020.
- Attended (online): Scotland's 2030 ambitions for clean hydrogen, on 27 August 2020.
- Offshore Renewable Energy Catapult Floating offshore wind discussion, also attended by Colin Maciver, on 28 August 2020.
- Attended (online) day 1 Scottish Renewables Conference, on 1 September 2020.
- TCE Offshore Wind Evidence and Change Programme Inaugural Meeting, on 7 September 2020.
- Global Energy Group meeting regarding development, also attended by Andy Wells and Colin Maciver, on 1 October 2020.
- CES/Acorn Project Workshop – CCS, also attended by John Robertson, Sian Wilson, Colin Maciver and Andy Riley, on 6 October 2020.
- Presented slides at Floating Offshore Wind Energy Conference (RUK / SRF), on 7 October 2020.
- Scottish Enterprise / SG - Blue Economy Action Plan update, on 7 October 2020.
- Call with Paul Atkinson, par equity, on 20 October 2020.
- Monthly meeting BEIS Director Clean Power Strategy & Deployment, on 23 October 2020.
- Aquaterra (Orkney energy consultancy) regarding Scapa Flow 'mega hub', also attended by Sian Wilson and Colin Maciver, on 26 October 2020.
- SG Deputy Director, Energy Industries Division – monthly call, on 30 October 2020.

7. The Director of Property attended or met with:

- Ian Packwood, Marine Scotland, re seabed sales, also attended by Paul Bancks, on 5 August 2020.
- Scott Hogan Knight Frank re Montrose, also attended by Andy Riley, on 12 August 2020.
- Sail Scotland re Boat Based Tourism Challenge Funds, also attended by Paul Bancks, on 12 August 2020.
- Forth Ports re Dredging Agreement, also attended by Christopher Cassels, on 18 August 2020.
- Grant Moir re Observatory Project, also attended by Christopher Cassels and Simon Ovenden, on 21 August 2020.
- Cairngorms Nature Strategy Group - business meeting, on 27 August 2020.
- Karen Yeomans North Ayrshire Council, also attended by Tom Mallows, on 27 August 2020.
- Montrose Port Authority, also attended by Paul Bancks and Andy Riley, on 16 September 2020.



- Vivien Smith, Angus Council re Montrose, on 23 September 2020.
- Cairngorms Green Recovery Fund Panel, on 28 September 2020.
- Karen Yeomans, North Ayrshire Council, also attended by Tom Mallows, on 30 September 2020.
- QLTR, VOA and Marine Scotland re Loch Ness land / Hydro Electric scheme, on 1 October 2020.
- Nim Kumar SG re Loch Ness - Hydro Electric scheme, on 2 October 2020.
- HIE Area Managers – online catch up/discussion, also attended by Tom Mallows, on 2 October 2020.
- Crown Estate Scotland Tenant Farmers Group meeting, also attended by Christopher Cassels and Fiona Simpson, on 7 October 2020.
- Gemma Cooper, Head of Policy NFUS, on 8 October 2020.
- Fergus Ewing MSP, Scottish Land Commission, Forestry & Land Scotland, Scottish Land & Estates, Woodland Trust, STFA and other partners re Farm Tenants and Forestry, on 30 October 2020.



Board	Twenty-Third Meeting	BD(2020)23
Meeting date	25 November 2020	
Paper title	People Committee Terms of Reference BD(2020)23.3	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Helen Howden	
Annexes	Annex A: Terms of Reference	
Recommendation	The Board is invited to review the Terms of Reference at Annex A and approve the recommendation to extend the life of the Committee to the end of FY2021/22.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The People Committee was established by the Board at the end of 2019 to provide support and guidance to facilitate the delivery of the people related objectives of the Corporate Plan.
2. The Committee has held three meetings during 2020 and has provided the Chief Executive and Director of Corporate Operations with guidance and advice on a number of matters including the preparation of the People Strategy and the completion of the workforce planning exercise.
3. The terms of reference for the Committee provide that the Board will review them in November 2020 and that it is anticipated the Committee will be stood down on 31 March 2021.

Discussion

4. The Board is invited to consider extending the lifespan of the Committee to the end of FY2021/22 in order to continue to provide support and guidance to the Board and Executive Team as the organisation moves into a new office in Edinburgh and completes other people related activity, including new staff contracts.
5. No other changes to the terms of reference are proposed however the Board is invited to consider the terms of reference in their entirety.

Terms of Reference – People Committee

Introduction

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

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

Purpose

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

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

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

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

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

Membership

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

Meetings

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

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

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

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

Duration

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

December 2019 (approved by the Board on 25 March 2020)

Board	Twenty-Third Board Meeting	BD(2020)23
Meeting date	25 November 2020	
Paper title	Chief Executive's Report BD(2020)23.4	
Security classification	Unrestricted	
Presented by	Simon Hodge	
Author	Renée Lefrançois	
Annexes	n/a	
Recommendation	The Board is invited to note this Report	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

1. Overview

As COVID-19 is now mainstreamed into Crown Estate Scotland operations, the Chief Executive update will now include an update on COVID-19 impacts.

The period has seen a growing focus on seeking investment opportunities, including potentially major port developments. Internally, there has been substantial input and progress on managing agent retendering, IT migration and preparations for the office move. Intensive work has been involved in the preparation of new financial and value analyses presented at this meeting.

I am pleased to record that the third Crown Estate Scotland Annual Report and Accounts was laid in Parliament on 10 November 2020. Copies have also been provided to the Royal Households.

2. Meetings/engagement

A separate list of the engagement and meetings has been submitted to the Board (BD(2020)23.2).

3. Health & Safety and Wellbeing

To address COVID-19 fatigue, the Wellbeing Matters programme is offering signposts to support and provides a forum for staff to support each other. On-line resilience training has been provided to staff.

An incident took place on the Glenlivet Estate at Fodderletter Farm, when a digger hit an underground cable. No injury was sustained or damage to equipment as a result. An investigation had been conducted by the Health & Safety Consultant with recommended actions. This will be considered by the Audit and Risk Committee.

A number of the Health and Safety policies are currently under review and are being updated to reflect various changes in the business and to provide further clarification of roles and responsibilities in relation to certain risks, in response to incidents that have arisen during the year.

RSM are currently undertaking an internal audit to review the existing policies for clarity and adequacy, with a particular focus on driving, safety at work, working from home and outside. They will look at how compliance with the policy is managed throughout the organisation, including how staff and Managing Agents understand and undertake their responsibilities; that workplace inspections are undertaken on a regular basis and lessons learned taken forward and that desk Self Assessments have been completed by all workers (who are now working remotely) and issues raised have been addressed.

The audit will also cover the remit of the Central Health and Safety Committee by reviewing its terms of reference, attendance by officers and the reporting of issues and the role of in providing oversight, scrutiny and support over the Health & Safety process via the Audit & Risk Committee.

4. Risk Management

The risk register has been updated to incorporate some of the recommendations from the internal auditors, including adding a RAG rating against actions, amending risk definitions and consistent language is used, these changes have been approved by Audit & Risk Committee.

The risk register is reviewed on a monthly basis during Executive Team meetings. Three risks have been removed from the register (risk 2 – finance – lack of skills and capacity leads to failure of financial management and accounting; risk 9 – failure to meet governance and regulatory requirements results in legal challenge or special measures; risk 13 – reputation – launch and completion of ScotWind). The Executive Team have identified three potential emerging risks: COVID-19 fatigue, staff capacity, and the ScotWind application process.

5. COVID – 19 Impacts

Financial: COVID-19 impacts are now fully integrated into the budget reforecast, quarterly reporting and capital tracking for regular consideration by Audit & Risk Committee, Investment Committee and Board. The 2021/22 budget will be prepared in, and will reflect, the COVID-19 environment. A schedule for payments of net profits has been agreed with the Scottish Government, and a revenue cash floor of £3m has been set within the business.

The COVID-19 rent policy has been reviewed by the Executive Team. Broadly, the policy is to resume all rental payments, but to further defer rent reviews for those sectors previously identified.

Sustainability: We continue to monitor COVID-19 impacts on tenant sectors. Resumption of rural tourism has given some tenant businesses a boost, but the marine tourism sector remains significantly depressed. A rent arrangement has been agreed to retain the George Street retail tenant and pre-Christmas trading will be an important barometer of future prospects. Aquaculture turnover is likely to be significantly reduced this year, which will reflect in 2021/22 income given deferred payment terms. Several offshore windfarm projects have been delayed by COVID-19, but optimism remains good.

Legal: There are no current legal issues consequential on COVID-19. Lease signing for Quartermile was subject to some delay but is now concluded, including the 'COVID-19 clause'.

Risk: The COVID-19 situation has been incorporated across the Crown Estate Scotland risk register, which was reviewed and agreed by Audit and Risk Committee on 27 October.

People: Home working continues. The Scottish Government has now introduced a regional tier system which must be factored into any travel risk assessment. Staff availability is good, albeit with occasional additional care requirements where children are required to isolate. We are actively countering 'COVID-19 fatigue' through our wellbeing programme and through on-line engagement. We have decided not to evoke the COVID-19 clause on the new office for January and February to allow limited use of office space, appropriate interaction between staff and to enable staff to become familiar with the new premises – we believe this is important for staff wellbeing, including for new starts.

Reputation: Staff have worked hard to sustain business plan delivery and to proactively engage with stakeholders despite not being able to meet face to face. We have advanced an exciting range of Enabler projects. Crown Estate Scotland reputation continues to strengthen, and media metrics are particularly strong. We are increasingly being sought out by other bodies and are having to become selective in accepting requests for involvement. We are investing senior time and effort in resolving difficult cases including in relation to Portgordon, North Harris and Spey flooding.

6. Finance

Annual Report and Accounts were laid in Parliament 10 November 2020, with publication on our website 11 November 2020. Work is beginning on the 2021/22 budget cycle.

7. IT

The server migration project is making good progress with the GIS remote servers now live. Notice has been given to all staff that the Bells Brae network will be shut down on 30 November 2020 to allow for the final servers to be decommissioned.

Vulnerability Management has now been deployed to all laptops and Azure Servers with 524 of 725 vulnerabilities addressed. Tickets have been logged for many of the remaining vulnerabilities which are being worked through, but new ones are being added all the time. A GAP analysis on CIS benchmarks shows that there is still further work to be done to strengthen application security controls on Crown Estate Scotland laptops; work under way to address this. Testing is currently under way to determine if any controls cause operational problems and should be excluded from the initial deployment.

We have now placed the orders for Propman and Grosvenor systems and are currently creating a project plan for the deployment with the deadline of 31 March 2021 which is viewed as tight but achievable.

8. People

Kate Bellew has joined the Policy team and Gemma Reynolds has joined the HR team.

Workforce planning proposals, as approved by Board, were communicated to staff at an all-staff meeting on 12 November 2020.

Diversity and inclusion 'health check' by Glasgow Caledonian University, covering leadership, culture and policies, is being carried out in late November. The resulting report - indicating where we are strong and where we can improve - will be discussed with People Committee.

The staff survey has now closed and the report is expected in November. This covers a range of topics and provides metrics against our corporate plan KPIs on staff satisfaction and employee engagement. Results will be shared with staff, PCS and People Committee in the first instance.

Engagement has started with the new PCS full time officer; the third to be allocated to Crown Estate Scotland in the last year.

9. Sustainable Communities Fund

Community Capacity grants – 125 eligible expressions of interest were received. These are now being shortlisted and around 10 will be invited to submit full applications. There is a total of £150k available, with individual grants of between £10k and £50k to be awarded. Successful projects will be notified in early April 2021.

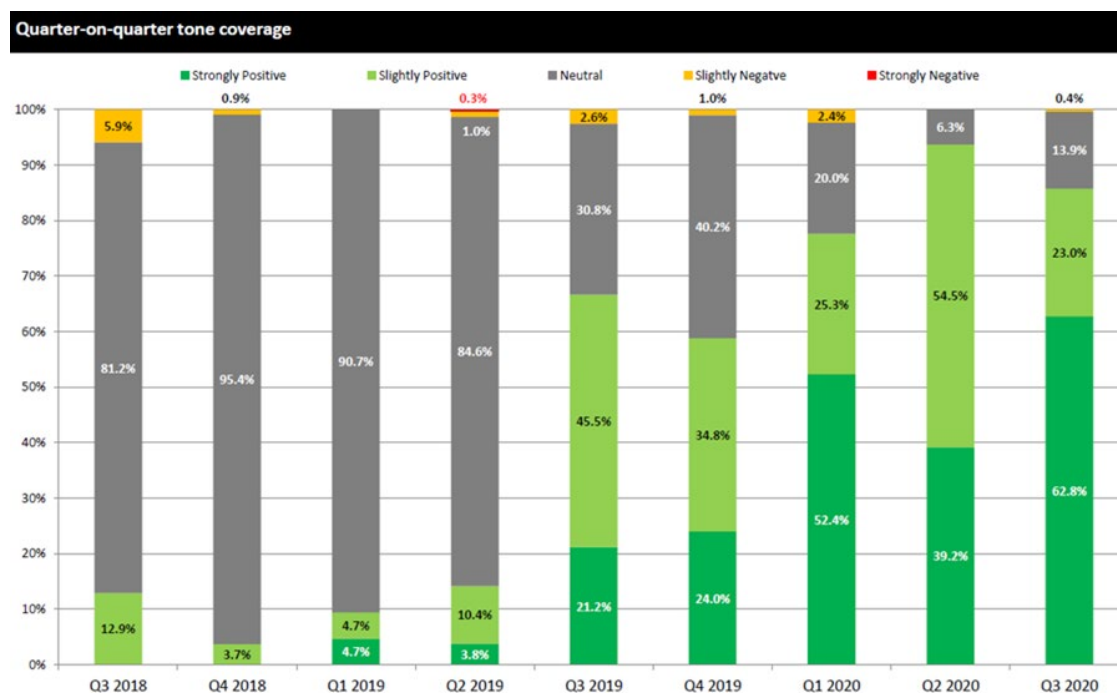
Environment grants – 30 applications received from a range of tenants (coastal, rural, aquaculture and offshore energy). There is a total of £100k available, with individual grants of between £5k and £20k to be awarded. Successful projects will be notified in January / February 2021.

10. Corporate Affairs

A draft communications and engagement strategy will be shared with Board in November.

Our annual survey of MSPs on awareness, favourability and advocacy is expected to report by Christmas.

Recent media work has covered annual report publication, ScotWind, and the Forth DSFB pilot project. This summary of media metrics highlights progress over the last two years:



11. Climate Change Action Plan

The Policy team continue to liaise with Scottish Government on this. The draft is being reviewed by Executive Team in November and will be progressed in line with the signoff process agreed by the Director of Corporate Operations and the Chair. We can only publish ours once Scottish Government has published theirs (Scottish Government officials have indicated this is now likely to be December). Work is ongoing to establish Scottish Government's final approach to carbon offsetting.

12. Blue Economy Action Plan

In light of the incorporation of a 'Blue Economy Action Plan' in the Programme for Government, Crown Estate Scotland is now attending a regular monthly meeting organised by Scottish Government along with Enterprise Agencies to support development of the Plan. We are also engaging with other Government departments regarding Ports & Harbours development as a driver for the Blue Economy, with a senior level meeting scheduled for 24 November 2020.

13. Energy and infrastructure

The Sectoral Marine Plan was adopted by Scottish Government on 28 October 2020. On 4 November Crown Estate Scotland released an update confirming that we will publish our post adoption addendum for ScotWind on 15 January which will confirm the final arrangements for submitting applications including details of the final Supply Chain Development Statement. The closing date for applications to ScotWind Leasing will be 31 March 2021.

There has been a particular focus on energy related ports & harbour investment opportunities, including the Chief Executive and Director of Marine having meetings with Orkney (29 October) and Western Isles (12 November) Councils regarding their plans – these and other opportunities were discussed with Investment Committee 10 November.

In light of the significant team engagement occurring between Crown Estate Scotland and Oil and Gas Authority (OGA) in relation to areas such as Carbon Capture and Storage (CCS) and electrification of offshore wind, the OGA and Crown Estate Scotland's Chief Executives held a positive meeting in October acknowledging the interaction between organisations and alignment in objectives. Engagement between both organisations will continue to be important moving forward as we address challenges for new development such as CCS (and progressing projects such as Acorn).

One of the MeyGen turbines Crown Estate Scotland has an interest in has a significant issue requiring rectification with the other two turbines anticipated to require more minor works. It is anticipated that MeyGen will require to delay payments to Crown Estate Scotland to cover the minor works and get the two turbines generating again. The third turbine will be unavailable for considerably longer than that and we are awaiting receipt of a remedial plan from MeyGen.

14. Aquaculture

The team are preparing for annual shellfish invoicing which is undertaken on the calendar year. In light of the impact of COVID-19 we have engaged with the Chief Executive of the Association of Scottish Shellfish Growers in developing the scopes of shellfish projects for strategic growth in

Scotland focusing on the shellfish and seaweed cultivation opportunity on the East Coast and Firth of Clyde, and a study of alternative shellfish market opportunities. These are currently out for tender.

The Crown Estate Scotland Chief Executive, Director of Marine and the Aquaculture team met Scottish Salmon Producers Organisation (SSPO) representatives including new Chief Executive on 4 November ahead of the launch of the Sectors Sustainability Charter. Quarter 3 reports from the industry are highlighting earnings before interest and tax as being significantly down on the same period last year. The impacts of COVID-19 and Brexit will continue to be a major consideration of the root & branch review which will be discussed at Board in February 2021.

15. Property

The evaluation of the retender of the Managing Agent contracts is close to completion and is the subject of a separate paper (BD(2020)23.7). The process has been very thorough and has involved input from a wide range of staff.

Work is progressing on the Rural Condition Survey programme with a range of contracts currently out to tender/in the process of tender evaluation. While the programme has been delayed for various reasons there is confidence that a large proportion of the planned works for 2020/21 will be completed by year end. An update paper was presented to the Investment Committee on 10 November 2020.

The re-letting of Uppercleugh Farm at Applegirth has been completed with over 60 applications. The selection process followed Crown Estate Scotland policy and included a third-party evaluator along with managing agent and Crown Estate Scotland staff. The selected tenant is a genuine new entrant, which has been widely welcomed.

The harvesting of the diseased larch under the Statutory Plant Health Notices is now underway at Applegirth. Two contracts have been awarded for deer fencing for 3 restock sites at Glenlivet and tenders are currently out for the tree planting.

The sale of Corncockle Quarry at Applegirth has been completed. This has removed a liability from the estate.

The Forth DSFB Pilot has now been signed and a media statement released.

Work is progressing on the stakeholder consultation process for the three capital Challenge Funds and a paper will be submitted out of committee to the Investment Committee.

We have new tenants signed up in reference to Heads of Terms for 3rd Floor George Street letting, when current occupants lease expires in December. The 2nd Floor re-letting has been concluded. The George Street options appraisal tenders have been received and are under consideration.

The options appraisal for the development land at Ordiquish has been completed and will be presented at the Built Development Board in November.

Engagement with key stakeholders at Portgordon Harbour has been continuing towards agreeing a Memorandum of Understanding for the transfer of harbour ownership to the Portgordon Community Harbour Group, along with a package of support measures. Interim works regarding signage to manage Health & Safety have been instructed and this is being kept under review.

Board	Twenty-Third Meeting	BD(2020)23
Meeting date	29 July 2020	
Paper title	Q2 2020-21 Performance Management Dashboard BD(2020)23.5	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Esther Black / Renée Lefrançois	
Annexes	Annex A: Performance Management Dashboard (Q2 2020-21)	
Recommendation	The Board is invited to comment on the Q2 Performance Management Dashboard (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. In November 2019 the Board discussed and agreed our Management Information (MI) Framework. This sets out what is reported, to whom, when, and how.
2. The Board approved an approach to reporting on our 2020-23 KPIs during its meeting on 29 July 2020. As noted at that meeting, the dashboard at Annex A includes April 2020 as the baseline figure for KPI 1.

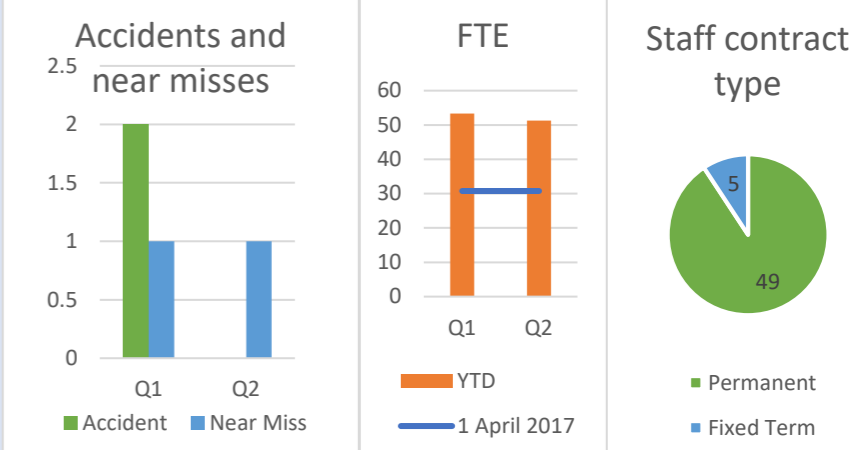
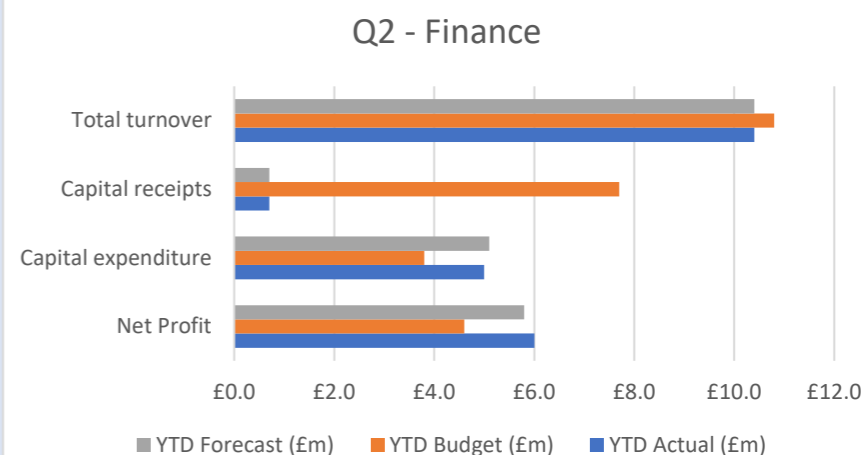
BOARD DASHBOARD

Q2 2020-21

2020-21 Business Plan (43 Green out of 58 total) – significant ambers and reds detailed below

No	Action	Measure	RAG Status	Notes
10	Review coastal business processes to identify opportunities to streamline administration related to the large number of low value agreements	Review complete and agreed changes initiated	Yellow	Under consideration but subject to the outcome of MA Retender, Pilot Projects, the LMV policy, and Property Management System project.
14	Review and identify improvements to IT and communication processes to ensure high quality service, acting on feedback from tenant surveys	Review complete and improvements identified; communication strategy in place (covering all of Crown Estate Scotland activity, including tenant communications)	Yellow	Some aspects are being addressed through the MA retendering process & new performance measures relating to tenant communications in the next contracts. Comms and engagement strategy to be completed end Nov. Widened use of MS Teams helping improve overall comms.
15	Complete review of charging policy in relation to coastal infrastructure and facilities	Policy and process finalised and published	Yellow	Drafting terms of reference for review underway, to reflect new LMV policy/guidance
19	Consult local community on future strategic built development around Rosewell on the Whitehill estate.	Consultation complete	Yellow	COVID-19 has delayed progress for public consultation at Whitehill but this is currently under review
24	Promote sustainable and diverse agricultural businesses through <ul style="list-style-type: none"> Supporting take-up and development of Integrated Land Management Plans by farm tenants through knowledge exchange events Developing at least one demonstration project with tenants to support business development and diversification Promoting Scottish Government's Scottish Land Matching Initiative to farm tenants through a knowledge exchange event Embedding natural capital approach to farm business planning	At least one event delivered with associated wider communication At least one demonstration project developed At least one event delivered Two knowledge exchange workshops delivered	Yellow	3 ILMP's taken up using SRUC service. SRUC recommend trying again in January once Brexit trade discussions become clearer and advice will be needed. Covid restrictions have impacted on being able to hold on farm events. Possible on farm event late March at Applegirth with Moredun Discussion with I Davidson on a webinar land matching service. Planning Natural Capital webinar discussing findings of the studies undertaken by consultants with tenants
29	Complete phase 2 of the Glenmullach Peatland restoration project at Glenlivet	Phase 2 complete	Yellow	No grant funding or support available from Peatland ACTION. Seeking alternative options to progress the project's long-term deliverable outcomes
31	Explore establishing District Salmon Fishery Board in Irvine and Clyde districts	Feasibility study complete	Yellow	Following up with Savills
33	Identify investment opportunities for renewables across four rural estates	Feasibility study complete	Yellow	Reviewing previous reports and brief for further work
35	Support innovation through co-investing with tenants / partners	At least one project identified and supported	Yellow	Feasibility study under consideration for a co-operative dairy project at Applegirth. Meeting with tenants planned in November. Other ideas may come forward through Innovation Challenge Fund. COVID-19 and other work has impacted opportunities for progressing this objective
40	Implement local management pilots with island authorities and other partners.	Agreements in place and pilot projects in startup and / or operational phase	Yellow	Forth DSFB concluded Nov 2020. CnES/ UOG and OIC are expected to conclude agreements by December 2020 and this is in line with feedback from each partner on their desired timescales so this target will be met in practice. SIC remain in holding position at their request until they complete master-planning.

Top media stories by volume and reach	Volume	Reach
Offshore Wind Ports study	24	30,953,477
ScotWind	78	22,543,448
Funding for coastal communities	74	7,866,692



KPI	Q2 figures
1. Offshore renewables in seabed agreements	8.79 GW April 2020 Baseline – 8.79 GW
2. Production capacity in new finfish agreements	3,300 tonnes April 2020 Baseline – N/A
3. Total capital committed	£4m
4. Capital committed to place-based projects	£3.8m
5. Capital committed to blue economy	£3.9m
6. No of projects promoting sustainable natural resource use	14
8. Net revenue profit	£6m

	Rural	Coastal	E&I	Aqua	Urban	Non-Rental
Aged debt >30 days	£202,000	£322,000	£4,000	£3,000	£197,000	£141,000

	Rural	Coastal	E&I	Aqua	Urban
No. of dealings/agreements	19	28	0	0	0
No. of properties vacant	46	N/A			2

Procurement Activity

Awarded (YTD)	Highlights (Quarter)
11	<ul style="list-style-type: none"> Greater use of quick quotes for non-regulated procurement Introduced use of ESPD module on PCS for all regulated and OJEU procurement Launch of external procurement webpage Launch of Internal Contract Register

FOI Highlights & Trends:

- Total 15 requests
- 1 review & 1 late response – (both as a result of internal delay sending requests to appropriate person)

Crown Estate Scotland Dashboard - explanatory notes

Q2 2020-21

Business Plan – reporting by exception

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

Total of 43 green out of 58 actions. Total of 8 actions which are ambers are primarily impacted by COVID-19 restrictions.

KPI

KPI in Corporate Plan	Definition	Corporate Plan 2023 target	Notes
1. Offshore renewables in seabed agreements	GW capacity defined in options and leases	No specific target	Capacity may be consented or unconsented. Given long lead-times, options included as a leading-edge indicator. Asset use classes: Offshore Wind; Wave & Tidal
2. Production capacity in new finfish agreements	Consented capacity in new leases, including renewals	No specific target	Consented capacity only. This will exclude most options but avoids counting capacity that will not gain consent. Asset use class: Finfish Farming
3. Total capital committed	All capital committed in 2020-23 through approved final business cases and case sheets	£70m	Excludes feasibility and business case development costs.
4. Capital committed to place-based projects	Capital committed in 2020-23 through approved final business cases and case sheets for buildings & places	£27m, indicative	This relates to the objective: Invest in buildings and help create great places. Assets: Built Environment.
5. Capital committed to blue economy	Capital committed in 2020-23 through approved final business cases and case sheets for blue economy	£26m, indicative	This relates to the objective: Support the sustainable expansion of Scotland's blue economy, focusing on marine and coastal development

			Assets: Mainly Marine and Coastal, but also including projects in Built Environment with direct links to the blue economy.
6. No of projects promoting sustainable natural resource use	Approved Investor or Enabler projects promoting sustainable natural resource use	£3m capital, indicative	<p>This relates to the objective: Promote new sustainable ways of using natural resources to produce energy, food and other products.</p> <p>Capital or revenue projects associated with the following assets and asset use classes: Rural Land, Other Seabed, Seaweed, Shellfish Farming, Finfish Farming.</p> <p>Project may also be counted under KPI 7 if encouraging community involvement.</p>
8. Net revenue profit	Total net revenue in audited accounts	£24m revenue provided to SG	n/a

Financials

Total turnover	Total revenue income
Capital receipts	Receipts into the capital account
Capital expenditure	<p>Expenditure from the capital account including surrender payments</p> <p>Q1 figures includes the Montrose purchase.</p>
Net Profit	Net profit distributable to Scottish Government

HR Stats

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

Assets

Number of new dealings/agreements	<p>Rural figures include Rural Estates and Mines Royal & Minerals</p> <p>Aquaculture: 7 Lease Option Agreements and one Early Entry Consent</p>
No. of properties vacant	Rural & Urban figures include only truly vacant land which could be let; does not include salmon fishing.
Aged Debt	Debtors overdue by >30 days

	Non-rental debtors' debts overdue by >30 days
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Stakeholder / reputation

Top Media Stories	By volume and reach – including the top 3 (ordered by reach)
FOISA	Highlights and trends found in requests for information, as responded to under the Freedom of Information (Scotland) Act 2002 and Environmental Information (Scotland) Regulation 2004

Procurement

Total award	Total contract award in the year to date
Highlights	Key activities for the reporting quarter.

Board	Twenty-Third Meeting	BD(2020)23
Meeting date	25 November 2020	
Paper title	Value Analysis BD(2020)23.9	
Security classification	Unclassified	
Presented by	Annie Breden and Simon Hodge	
Author	Annie Breden	
Annexes	Annex A – Asset Profiles (available in VirtualBoardroom)	
Recommendation	The Board is invited to provide feedback on project progress and initial findings from the asset profiles.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The Scottish Crown Estate Act 2019 (the 2019 Act) and the 2020-23 Corporate Plan set out a strategic direction requiring that Crown Estate Scotland furthers sustainable development in Scotland.
2. To achieve this, social, economic, environmental, regeneration and climate change criteria need to be embedded in decision making alongside financial considerations so that decision making considers and enables the delivery of wider value. The Value Project provides a framework and a set of resources to ensure wider value is considered in decision making in a transparent, systematic and consistent way across the organisation.
3. In May 2020, paper BD(2020)20.3 updated Board on progress with the Value Project and presented an initial version of the outputs. Specifically, draft asset profiles for Offshore Wind, Farming, Forestry, and Housing were provided together with examples of outputs from the Decision Tool.
4. This paper provides a further update on progress with the Value Project and presents the draft Asset Profiles. The findings from the asset profiles are discussed in relation to headlines from the recent financial analysis that has been undertaken of the asset use classes. Finally, the contribution of Crown Estate Scotland in delivering wider value is considered in the context of the findings of the asset profiles and our four roles as set out in the Corporate Plan.

Discussion

Asset Profiles

5. Significant work has been undertaken to prepare draft profiles for 20 of the 21 asset use classes. These are provided at Annex A. No profile has been prepared for Other Built Environment given the limited number of assets in this asset use class and the diversity of these assets. Numbers of tenants for rural and built environment assets have not been included at this stage but will be incorporated in subsequent updates. Key points to note regarding the asset profiles are as follows:
- The asset and financial information presented is aligned with the financial analysis which has recently been undertaken.
 - The performance graphs on page 2 show the contribution of the asset class as currently managed (orange lines) and the potential contribution of the asset class (blue lines).
 - The table showing “the significance of benefits delivered via our four roles” on page 3 presents an assessment of the significance to Scotland of what Crown Estate Scotland is contributing – this brings in the scale and prominence of our activity.
 - The profiles reflect a qualitative assessment of the types of wider value being generated by the assets and through Crown Estate Scotland’s four roles. This is based on our staff’s expert knowledge of the assets and our activities, with some input from external experts through the Value Workshops held in December 2019.
 - An initial calibration exercise has been undertaken to ensure a consistent approach has been taken across the asset use classes.
 - Further checking of input data to ensure consistency across financial and GIS data will be undertaken, together with additional refinement and calibration of the asset profiles following feedback from Board. It is important that all of the information presented is robust so that it stands up to any external scrutiny.

Decision Tool

6. The Decision Tool was described in the May 2020 board paper. The purpose of the tool is to inform investment decisions by providing a systematic and transparent basis for understanding the wider value that will be generated by potential investments.
7. The tool was fully developed over Summer 2020 and a scoring scale developed, aligned with the assessment key for the performance graphs i.e. 1-7 as referred to on page 2 of the profiles.
8. Although originally designed as a stand-alone tool, it has now been integrated into the Full Business Case proforma. Each question from the decision tool has been incorporated into the proforma, with drop down menus for the scores and a column to provide notes and justification for the score. This has streamlined the process and means that scores and comments from the decision tool don’t need to be transferred from the Decision Tool to the proforma; they are just entered once in the proforma. As a result, the process is much more user friendly.

9. More concise versions of the decision tool will be developed and incorporated into the small business case proforma.

Financial Analysis

10. The Asset Financial Analysis paper notes that together offshore wind, finfish farming and marine cables & pipelines contribute 75% of Crown Estate Scotland net revenue. Generally, these asset use classes also make a significant contribution to wider value delivery, for example in relation to jobs, infrastructure, climate change and sustainable food production.
11. Specifically, the value analysis for these three classes has indicated the following:
 - Offshore wind – the assets are delivering high value in relation to environment and climate change. There is potential to deliver more particularly in relation to economy, social and regeneration. Crown Estate Scotland currently makes a significant contribution particularly in terms of economy and environment.
 - Finfish farming – the assets are delivering moderate wider value at present, most significantly in relation to local and national economic benefits, and skills. Potential for increased wider value is highest in relation to community participation and environment – natural resources, biodiversity and pollution prevention. Crown Estate Scotland currently makes a significant contribution in our enabler role but there is scope to increase the contribution we deliver through our asset manager role, particularly in terms of social and climate change.
 - Marine cables & pipelines – there is high potential for the assets to deliver more national economic benefits. Generally, the assets are delivering moderate wider value but can deliver more for environment, climate change and regeneration. The significance of our contribution is generally low rising to moderate in relation to our asset manager and enabler roles for climate change and regeneration.
12. Ports & harbours and Other seabed asset use classes - Crown Estate Scotland is actively exploring investment opportunities in ports and harbours to stimulate new economic activity, including potential associated with the ScotWind leasing round. This approach is supported by the high potential indicated in the economic performance graphs. For Marinas & Moorings, there is some potential for the assets to deliver more but our role is limited to asset management.
13. Forestry assets perform well financially, and the value analysis indicates potential for the assets to deliver more particularly in terms of economic, environmental and climate change benefits. At present, the significance of our contribution is low and is restricted to our role as an asset manager. As such, this is an asset use class where there is significant scope for the assets to deliver increased wider value and for Crown Estate Scotland to increase the significance of our activity e.g. through the tenant forestry work being led by Andy Wells (although our overall footprint is likely to remain small given the modest percentage of agricultural tenanted land that we manage).

14. Farming assets have declined in value and generated a negative yield, when ongoing capital investment is taken into account. The assets are assessed as of moderate significance to Scotland for value contribution, with potential for increased value particularly in terms of economy and environment, and to a lesser extent climate change. Crown Estate Scotland makes a low/moderate contribution through our four roles, more than in a number of other asset use classes.
15. Minerals & Mines Royal have made significant financial valuation gains. In terms of wider value, the assets generally deliver low wider value with limited potential to deliver more. The significance of our role is assessed as inactive/low.
16. Salmon fishing rights have been assessed as making a low, predominantly local, value contribution. There is potential for the assets to deliver more in relation to environment but limited potential across the other value categories. Our contribution is varied across the four roles – inactive/low for investor and co-ordinator, rising to medium for asset manager and enabler in terms of environment and climate change adaptation.
17. For built environment, there is significant potential to deliver wider value both through the assets and our role. Development property in particular offers high potential across economy, social, environment and regeneration. At present, our contribution is generally inactive / low but this is due to our limited activity in relation to this asset profile at present.

Corporate Plan Objectives

18. The asset profiles assess the significance of benefits delivered through our four roles for each asset use class. For many of the asset use classes, these roles are shown as not applicable or assessed as inactive/low. With the exception of the asset manager role, and to some extent the enabler role although noting that the enabler role is focussed on a narrow range of asset use classes, these roles essentially reflect a new way of operating for the organisation, in line with our wider remit as set out in the 2019 Act. Therefore it is not surprising that our wider contribution currently appears to be rather limited. As the 2020-23 Corporate Plan period progresses, it is anticipated that the delivery of many of the Plan's actions will demonstrate increased significance of wider benefits delivered through our four roles. Some key actions that will contribute to this are listed below:
 - Help Scotland attract offshore wind inward investment and realise socio-economic benefits
 - Invest
 - Strengthen economic feasibility of shellfish opportunities
 - Improve co-existence between tenants to help promote higher standards and improve collaboration and potential business success
 - Work in partnership to identify opportunities for investment to grow revenue and capital value, deliver benefits to coastal communities and support the blue economy
 - Support local regeneration and sustainability, particularly in coastal areas, by rolling out the Sustainable Communities Fund

- Support, promote and facilitate more diverse, sustainable and financially viable agricultural businesses through farm restructures, ongoing investment and by working with tenants to enable business planning in response to changes in policy/economics
 - Promote sustainable use of natural resources and position Crown Estate Scotland as a leader in natural capital management with a focus on biodiversity, soil and water health, carbon and environmental/ecosystem resilience.
19. Annual updating of the profiles will allow us to monitor if and how the different types of value that we generate and the significance of the contribution made by our management is changing. Value evidence generated through assessment of investment proposals and monitoring of the annual business plan will be used to inform the updates to the asset profiles. Case studies to illustrate how our management of the assets is benefitting Scotland can be included in our annual reports, website and future Corporate Plans.

Opportunity

20. The value evidence indicates that there is the opportunity for our assets to deliver increased wider value and that the organisation can shape the scale and scope of wider value through our decision making. Some examples are provided below. Note that more detailed analysis would be required on a case by case basis to understand the opportunity associated with individual assets and how the delivery of wider value would impact on financial return:
- Forestry – the assets could deliver increased environmental, climate change and social value through new planting regimes which deliver more in terms of biodiversity, carbon sequestration and recreational use.
 - Development – we could strive to deliver significant wider value, particularly in terms of social, environmental and climate change benefits, through the development of affordable, ultra-sustainable housing incorporating design principles such as 20-minute neighbourhoods.
 - Farming – there is scope to incorporate more rigorous environmental requirements in new leases, focus on attracting new entrants and / or demonstrate leadership and best practice in low carbon farming which is resilient to climate change.
 - Finfish – use all available levers to ensure the industry is as sustainable and accountable as possible, maximising local social and economic benefits and delivering best practice in terms of environmental management.

Financial

21. There are limited costs associated with the ongoing work. Currently, external costs are limited to graphic design support.

Sustainability

22. Delivering on sustainable development is a statutory requirement. Demonstrating our commitment to sustainability and how this is factored into decision making is central to the project.

Legal implications

23. Embedding value considerations into our decision making will help us meet our statutory duties relating to revenue, Estate value, and sustainable development.

Risk

24. The project is the central component for the organisation to demonstrate how different types of value are considered in decision making and may be subject to scrutiny. Ensuring that the resources are appropriately used and documented in decision making will be essential so that we are able to report on how wider value has influenced our decision making.
25. It is recommended that for the first set of profiles, these are published on our website as “Drafts” with comments sought from stakeholders. By seeking feedback and taking that into account for future updates, we will be acknowledging that the views of our tenants and stakeholders are important. Our tenants have detailed expert knowledge of their assets and we must be sensitive to how we represent their assets.

People considerations

26. Asset profiles will be updated on an annual basis once the financial results for the previous financial year are available. This will be managed by the policy team.

Reputational / PR implications

27. Engagement with external stakeholders to understand how other organisations are identifying and assessing the generation of different types of value has indicated that while this is an area of focus for many organisations, there are no fully developed approaches as yet.
28. It is therefore expected that there will be significant interest in the outputs from the project. Sharing our approach and learnings with other organisations is expected to have positive reputational impacts as it will demonstrate openness and transparency as well as leadership on the topic.
29. As noted above, there may be scrutiny of the asset profiles by external stakeholders particularly for asset use classes such as offshore wind, aquaculture and minerals & mines royal. A guidance note will be developed to support the asset profiles which provides more information about the methods used etc. Before the profiles are published on our website, we will review to ensure we are confident in the data presented and the overall messaging.