

AGENDA

**Agenda for the First Meeting of the Board of Crown Estate Scotland (Interim Management)
to be held on 13 June 2017, at 9.00 am – 1.00 pm at 6 Bells Brae, Edinburgh, EH4 3BJ**

- 1. Standing Items**
Welcome and apologies
Declarations of Interest
- 2. Governance Decision Papers**
Framework Document (Board Paper 1.1)
Scheme of Delegation (Board Paper 1.2)
Arrangements for Meetings of the Board, including Approval of Urgent Items (Paper 1.3)
Board Members Code of Conduct (Board Paper 1.4)
Expenses Policy (Board Paper 1.5)
Noting Bank Mandates (Board Paper 1.6)
- 3. CES Business Plan**
Ratification by Board (Board Paper 1.7)
- 4. Health & Safety Policy**
Decision (Board Paper 1.8)
- 5. Report on Financial Performance**
Information (Board Paper 1.9)
- 6. Committees and Risk Management**
Discussion on establishment of (i) Audit and Risk Committee and (ii) Investment Committee (Board Paper 1.10)
Next steps to developing Risk Management Policy and Risk Profile (Board Paper 1.11)
- 7. Strategy Paper on Potential Rural Asset Disposals**
Report from Andy Wells (Board Paper 1.12)
- 8. Decision Paper: Proposed Sale (Board Paper 1.13)**
- 9. SG Update on Consultation on the Long Term Management of the Crown Estate in Scotland**
- 10. AOB**
Forward Programme of Board Meetings (Board Paper 1.14)
- 11. Close of business**

Minutes of the Board Meeting of Crown Estate Scotland (Interim Management) (“Crown Estate Scotland”) held on Tuesday 13 June 2017 at Bells Brae, Edinburgh

Present: Amanda Bryan - Chair

Dr Michael Foxley

Andrew MacDonald

Robert Mackenzie

Richard Morris

Alister Steele MBE

Apologies: Hugh Raven

In attendance: Ronnie Quinn (Chief Executive)

Andy Wells (Head of Property)

Lynne Higgins (Head of Finance & Commercial)

Esther Black (Head of Corporate Operations)

Ashley MacIntyre (Interim Governance Manager)

Action Tracker

No.	Action	Responsibility	Timescale
Framework Document			
1/1	This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002		
1/2	This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002		
Scheme of Delegation			
1/3	This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002		
1/4	This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002		
Arrangements for Meetings of the Board			
1/5	A revised draft of Arrangements for Meetings of the Board to be circulated to the board by email for approval.	AM	w/c 3 July 2017
Board Members Code of Conduct			

1/6	The Interim Governance Manager to liaise with the sponsor Directorate to formally adopt the Board Members Code of Conduct.	AM	w/c 3 July 2017
Business Plan			
1/7	The Board to further discuss the Business Plan at the corporate strategy session.	EB	14 June 2017
1/8	The revised business plan, including the Scottish Government's comments, to be recirculated to the Board for approval.	EB	w/c 26 June 2017
1/9	A paper on the current information available from the tenant and customer satisfaction surveys, together with potential gaps in this information or where additional information may be required, to be submitted to the Board at the July meeting.	EB	w/c 10 July 2017 (in advance of board meeting on 19 July)
Health and Safety Policy			
1/10	An email to be sent to the Board inviting comments on the health and safety framework in advance of the July board meeting, including requests for health and safety information to be reported to the Board. The health and safety framework to be discussed at the next board meeting in July.	AW	w/c 10 July 2017 (in advance of board meeting on 19 July)
1/11	A paper on the managing agents' responsibilities, including in relation to health and safety, to be submitted to the board at the next board meeting in July.	AW	w/c 10 July 2017 (in advance of board meeting on 19 July)
Finance Report			
1/12	This 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		
1/13	This 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		
1/14	This 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		
Audit and Risk Committee and Investment Committee			
1/15	Revised terms of reference for each of the audit and risk committee and the investment committee to be circulated to the Board.	AM	w/c 3 July 2017
1/16	The terms of reference for each committee to be reviewed at the first meeting of each committee.	Audit and Risk Committee Investment Committee	TBC – dates of committee meetings to be agreed at board meeting on 19 July 2017
Risk Management Policy and Risk Profile			
1/17	The audit and risk committee to review the Risk Management Policy and make recommendations to the Board on developing the Risk Management Policy and agreeing Crown Estate Scotland's risk appetite.	Audit and Risk Committee	TBC – dates of committee meetings to be agreed at board meeting on 19 July 2017
Strategy Paper on Potential Rural Asset Disposals			
1/18	The revised framework to be circulated to the Board.	AW	w/c 10 July 2017
1/19	The Board should consider further the implications of the Community Empowerment Act.	Chair	To consider separate board session
1/20	Once finalised the framework document to be published on Crown Estate Scotland's website.	AW	TBC – once finalised
Decision Paper: Proposed Sale			
1/21	This 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		
Forward Programme of Board Meetings			
1/22	An email to be sent to the Board to agree dates for 2017/2018 board and committee meetings. Board members to advise of dates they are not available by the end of June. Dates for board and committee meetings to be agreed at the July board meeting.	EB	Dates agreed by 19 July 2017

1. Welcome and Apologies

The Chair welcomed everyone to the first board meeting of Crown Estate Scotland.

Apologies for absence had been received from Hugh Raven.

2. Declarations of Interest

There were no declarations of interest with regard to the agenda items.

Governance Decision Papers

3. Framework Document

This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002

4. Scheme of Delegation

This item is being treated as closed business and exempt from publication in terms of s29(1)(a) of the Freedom of Information (Scotland) Act 2002

5. Arrangements for Meetings of the Board

The Board considered the draft Arrangements for Meetings of the Board circulated to the board prior to the meeting.

Points of amendment were noted including the addition of a specific provision for the attendance at committee meetings by way of video conference and amendment to the procedure for agreeing urgent items of business.

It was noted that all board papers circulated prior to this meeting in the governance section had been marked as “Restricted” as they were policy papers which had to be approved by SG before circulation. The Board discussed that going forward the intention was that all Crown Estate Scotland board papers, minutes and governance policies and procedures would be publicly available on the Crown Estate Scotland website in the interests of openness and transparency, except where issues being discussed were commercially sensitive or were regarding policy to be signed off by SG/Ministers or private advice to Ministers.

Action:

1/5 A revised draft of Arrangements for Meetings of the Board would be circulated to the board by email for approval.

6. Board Members Code of Conduct

The Board considered the draft Board Members Code of Conduct circulated to the Board prior to the meeting.

The board noted the arrangements in respect of registration and declaration of interests at sections 4 and 5 of the Code. It was further noted that the wording at paragraph 1.6 of the Code in relation to succession planning of Crown Estate Scotland’s staff was consistent with the Model Code.

The Board approved the adoption of the Board Members Code of Conduct.

Action:

- 1/6 The Interim Governance Manager to liaise with the sponsor Directorate to formally adopt the Board Members Code of Conduct.**

7. Expenses Policy

The Board considered the Expenses Policy, the terms of which had been explained to the Board at induction.

The Board approved the Expenses Policy.

8. Bank Mandates

This 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

9. Business Plan

The Board discussed the Business Plan 2017/2018 which had previously been approved by the Chair.

The Head of Corporate Operations explained that the Business Plan was drafted to provide an appropriate level of detail for both the Board and the public. It was noted that Annex 2 was designed to be a dashboard for use by the Board.

The Chair noted that the Scottish Government had provided further comments on the business plan.

The Board's proposed amendments were noted and it was agreed that it would be useful for these matters to be discussed at the corporate strategy session planned for the Board, including:

- potential legislative changes to the 1961 Act;
- cultural change in relation to community and stakeholder engagement; and
- the implications of the equalities legislation in relation to rural communities.

In addition it was noted that the procedures for monitoring, reporting and recording the impact of Crown Estate Scotland's objectives should be discussed at the corporate strategy session.

The Board discussed the sector specific objectives and it was noted that papers would be submitted to the Board in relation to Crown Estate Scotland's "Wider Benefit/Total Contribution" and in relation to floating wind.

The Board discussed the objectives in relation to tenant and customer satisfaction and, in particular, that the 60% overall satisfaction figure seemed low. It was noted that UK wide surveys carried out by external consultants had demonstrated a much higher level of tenant and customer satisfaction. However there is now a requirement for Scotland only data

Action:

- 1/7 The Board is to further discuss the Business Plan at the corporate strategy session.**

- 1/8 The revised business plan, including the Scottish Government's comments, will be recirculated to the Board for approval.**

1/9 A paper on the current information available from the tenant and customer satisfaction surveys, together with potential gaps in this information or where additional information may be required, is to be submitted to the Board at the July meeting.

10. Health & Safety Policy

The Board considered the Health and Safety Framework and Policy circulated to the Board prior to the meeting.

Andrew Wells, Head of Property, introduced the paper and noted that the current framework was based on the previous Crown Estate policy and was intended as a draft for the first year of Crown Estate Scotland's business. It was noted that, in general, Crown Estate Scotland could be considered a low risk business, although there may be a higher risk for estate workers. Andy Wells emphasised that any risks can be significant and that risks required to be understood and managed.

It was noted that an external health and safety consultant was engaged by Crown Estate Scotland. A Risk Register and health and safety policies were in place. A staff wellbeing policy had also been signed. The health and safety committee had met twice. Crown Estate Scotland were seeking 18001/14001 accreditations.

The Board's comments of significance were noted as follows:

- employee wellbeing should have a lift in emphasis and given more profile;
- arrangements and timing for health and safety reporting to the board require to be agreed;
- health and safety objectives should not just be restricted to managers;
- the Board required further information in relation to the responsibilities of managing agents in relation to health and safety. It was noted that there is a contract in place with managing agents which sets out the managing agents' responsibilities and that the managing agents policies are currently being reviewed by Andrew Green (external consultant);
- it would be useful to have a visual on the health and safety roles and responsibilities within the organisation.

The Board had additional feedback but recognising time constraints it was agreed that further feedback would be tabled outwith the meeting and a revised paper would revert to the Board in July.

It was noted that Crown Estate Scotland's external health and safety consultant had been appointed by way of a tender process.

Action:

1/10 An email is to be sent to the Board inviting comments on the health and safety framework in advance of the July board meeting, including requests for health and safety information to be reported to the Board. The health and safety framework is to be discussed at the next board meeting in July.

1/11 A paper on the managing agents' responsibilities in relation to health and safety is to be submitted to the board at the next board meeting in July.

Break: 10.40am – 10.45am

11. Finance Report

This 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

12. Audit and Risk Committee and Investment Committee

The Board approved the appointment of Robert MacKenzie, Andrew MacDonald and Richard Morris as members of the audit and risk committee. It was noted that the audit and risk committee would be chaired by Robert MacKenzie.

The Board approved the appointment of Alister Steele, Dr Michael Foxley and Hugh Raven as members of the investment committee. It was noted that the investment committee would be chaired by Alister Steele.

The Board considered the terms of reference for each committee circulated to the Board prior to the meeting. The Board agreed the following amendments in relation to the terms of reference:

- it was agreed that the Chair of the Board would be invited to attend committee meetings;
- it was agreed that co-optees to any committee would not have a vote but would act in an advisory capacity;
- it was agreed that the procedures for approving minutes of each committee would be the same as the procedure for agreeing board minutes.

The Board approved the terms of reference for the audit and risk committee and the terms of reference for the investment committee on an interim basis, subject to the above amendments.

Action:

1/15 Revised terms of reference for each of the audit and risk committee and the investment committee are to be circulated to the Board.

1/16 The terms of reference for each committee would be reviewed at the first meeting of each committee.

13. Risk Management Policy and Risk Profile

The Board considered the Risk Management Policy and Risk Profile circulated to the Board prior to the meeting.

It was noted that the policy had been based on the previous Crown Estate policy and the provisions of the SPFM.

The Board noted that at this stage it would be difficult to agree Crown Estate Scotland's risk appetite and there would be merit in a separate discursive session to discuss risk appetite. It was further noted that reviewing the risk register would assist in determining risk appetite and developing the Risk Management Policy.

The Board agreed that the risk management policy should be adopted in the interim, with reporting to the Board based on the criteria contained therein. However, the policy would revert to the audit and risk committee for more detailed consideration.

Action:

- 1/17 The audit and risk committee was to review the Risk Management Policy and make recommendations to the Board on developing the Risk Management Policy and agreeing Crown Estate Scotland's risk appetite.**

14. Strategy Paper on Potential Rural Asset Disposals

The Board considered the strategy paper circulated to the Board prior to the meeting.

The Board noted a key point was that decisions should be transparent and defensible based on the strategy paper.

The board approved the strategy paper subject to the following amendments:

- The document should be renamed a "Framework;
- The document should be reviewed in line with the Investment Strategy;
- The statement in relation to Crown Estate Scotland not being considered a public body under the terms of The Community Empowerment Act Scotland 2015, should be brought forward in the framework.

Action:

- 1/18 The revised framework would be circulated to the Board.**

- 1/19 The Board should consider further the implications of the Community Empowerment Act.**

- 1/20 Once finalised the framework document should be published on Crown Estate Scotland's website.**

15. Decision Paper: Proposed Sale

This 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

16. Forward Programme of Board Meetings

Action:

- 1/22 An email to be sent to the Board to agree dates for 2017/2018 board and committee meetings. Board members to advise of dates they are not available by the end of June. Dates for board and committee meetings to be agreed at the July board meeting.**

17. SG Update on Consultation on the Long Term Management of the Crown Estate in Scotland

The Board and senior management team received an update from the sponsor Directorate on initial responses to the consultation.

18. Date of next meeting

The next meeting would be held on 18/19 July 2017 in Helensburgh.

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Arrangements for Meetings of the Board – Paper BD(2017)01.03	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Annex A Arrangements for Meetings of the Board	
Recommendation	The board is invited to adopt the arrangements for meetings of the board	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The purpose of the attached draft Arrangements for Meetings of the Board is to regulate the conduct of meetings of the board of Crown Estate Scotland (Interim Management) ("Crown Estate Scotland").
2. This document sets out matters including the proceedings for board meetings, including the requirement for a quorum of 3 members at any board meeting, the procedure for approving urgent items of business, decisions reserved for the board and the procedure for approving minutes of board meetings.
3. In relation to urgent items of business, in the nature of day to day business, from time to time matters may arise on which decisions are required which cannot await the next meeting of the board. Paragraph 5 of Arrangements for Meetings of the Board sets out the procedure for dealing with such urgent items of business. The Chair may convene a special meeting of the board on at least 5 days prior notice and participation may be by telephone or video conference. If it is not possible to convene a meeting, the matter may be dealt with through electronic communication with the Chair making the decision on the basis of collated comments. The decision will be ratified at the next board meeting.

Discussion

4. The board is invited to consider/comment on Arrangements for Meetings of the Board.

Approval

5. Approval is sought to adopt the Arrangements for Meetings of the Board and approve the process for agreeing urgent items of business.

1. General

- 1.1 Crown Estate Scotland (Interim Management) ("Crown Estate Scotland") is a body corporate established under The Crown Estate Scotland (Interim Management) Order 2017 ("the 2017 Order").
- 1.2 Under the 2017 Order, the board of Crown Estate Scotland ("the Board") is to consist of a member appointed by the Scottish Ministers to chair it ("the Chair") and up to 8 other members appointed by the Scottish Ministers.
- 1.3 The purpose of these arrangements are to regulate the conduct of meetings of the board of Crown Estate Scotland.
- 1.4 These arrangements are made by and can be altered or suspended, in whole or in part, by a majority of the members of the Board. However, no arrangement may be suspended or amended where this would contravene any statutory provision or direction made by the Scottish Ministers.
- 1.5 These arrangements should be reviewed on an annual basis.

2. Board meetings

- 2.1 The Board will meet at least 6 times per year. The Board will approve in advance of each calendar year a provisional set of dates and venues for its board meetings.
- 2.2 The quorum at any meeting of the Board shall be three members. No business shall be conducted at any meeting of the Board unless a quorum is present at the beginning of the meeting and also when business is voted on.
- 2.3 The policy will be to circulate to the Board, notice of each meeting, together with an agenda specifying in reasonable detail the matters to be raised at the meeting and copies of any papers to be discussed at the meeting by email 7 days in advance of the meeting.
- 2.4 Board agendas will be determined by the Chair in consultation with the Chief Executive.
- 2.5 Any member of the Board may ask the Chair for an item to be placed on the agenda and this should be done at least 5 days in advance of the meeting.
- 2.6 Matters not on the agenda, or business conducted in relation to those matters, may not be raised at a meeting of the Board unless the Board agree at the start of the meeting.
- 2.7 The Chair may invite people who are not members of the Board to attend and speak for all or part of the meeting, but they will not be entitled to vote.

3. Chairing of meetings

- 3.1 At meetings of the Board, the Chair of Crown Estate Scotland will preside. In his/her absence the Chair may indicate which other member should preside. If no advice from the Chair is available, members present will choose by majority vote of those present which one of their number will preside.
- 3.2 The Chair will preserve order, determine all matters of order, competency and relevancy and will ensure members have sufficient opportunity to express their views on any matter under consideration.

4. Board decisions

- 4.1 Decisions of the Board will generally be made by consensus of those attending meetings.
- 4.2 Any matter put to the vote will be decided by a simple majority. The Chair will have a casting vote in cases of a tied vote. Members departing early will be treated as non-attending for the purpose of any decision taken after the time of departure.
- 4.3 Voting will be by a show of hands unless any member requests a secret ballot.
- 4.4 A member may have his/her dissent to a decision of the Board recorded provided he/she has attended for the whole of the discussion and decision and asks to record his/her dissent immediately after the decision is concluded.

5. Urgent board decisions

- 5.1 Any decision of the Board in relation to urgent items of business must be taken at a meeting of the Board in accordance with this paragraph 5 or must be a decision taken in accordance with paragraph 5.4.
- 5.2 The Chair may convene a special meeting of the Board when it appears that an item of business requires urgent attention. Any member may request that such a meeting be called, but the final decision rests with the Chair.
- 5.3 At least 5 days prior written notice of special meetings will be given to the Board and (with agreement of the Chair) participation may be by telephone or video-conference provided the member's contribution can be fully heard by all other members attending the meeting. In such cases, such members will be deemed to be present and constitute part of the Board for the purpose of the meeting.
- 5.4 If a board decision is required urgently and it is not possible to convene a meeting, the matter may be dealt with through electronic means of communication. The decision to do this will be made by the Chair. In such circumstances, relevant papers and resolutions will be circulated by email. The Chair will make the decision on the basis of collated comments provided always at least three members respond to such communication. Any member not

responding within 5 working days will be presumed not to be in agreement with any proposals/recommendations. The Chair's decision will have effect from the last day of a 7 day period beginning with the circulation date of the communication. The decision will be ratified at the next Board meeting.

6. Decisions reserved for the Board

6.1 The following decisions are reserved for the Board:

- 6.1.1 establishing the strategic direction of Crown Estate Scotland;
- 6.1.2 agreeing the Corporate Plan and Business Plans;
- 6.1.3 decisions in accordance with the Scheme of Delegation;
- 6.1.4 establishing terms of remit and reporting arrangements for all committees of Crown Estate Scotland;
- 6.1.5 corporate financial reporting arrangements to the Board; and
- 6.1.6 corporate performance management reporting arrangements to the Board.

7. Board members interests

7.1 Crown Estate Scotland holds a register of members' interests, available for public inspection. The rules on registration and declaration of interests are set out in the Members' Code of Conduct.

8. Minutes

- 8.1 Minutes will be kept of each meeting of the Board recording the members present, apologies tendered, issues considered, decisions reached and resolutions passed.
- 8.2 Within 5 working days of a meeting, draft minutes will be sent by the Governance Manager to the Chair for approval. The Chair will return the draft minutes, with such revisions as he/she wishes made to the draft. The revised draft minutes returned by the Chair will be circulated to all members of the Board, who may propose amendments to the Governance Manager by email. The draft minutes will be tabled at the next meeting for approval and once approved will be signed by the Chair.
- 8.3 Once approved, minutes will be published on the Crown Estate Scotland website.
- 8.4 Where those present at a meeting of Crown Estate Scotland determine that any part of the meeting conducted is confidential, that part of the proceedings will be minuted separately and will not be published on the Crown Estate Scotland website.

9. Committees

- 9.1 Under the 2017 Order, Crown Estate Scotland must establish an audit committee and may establish other committees.
- 9.2 Committees established will operate strictly in accordance with their remit.
- 9.3 When establishing committees the Board will establish the terms of reference and procedures, including which of these arrangements will apply to the conduct of the committee and arrangements for reporting back to the Board.
- 9.4 The Board will review Crown Estate Scotland's committee structure annually.

10. Confidentiality

- 10.1 Board members share corporate responsibility for decisions taken by the Board as whole. Members must therefore support the collective decision of the Board.
- 10.2 Members must respect the confidentiality of sensitive information held by the organisation, as well as discussions and papers considered at meetings of the Board.
- 10.3 All members have a duty not to comment on any matter in any way that undermines the principle of collective responsibility for decisions reached at such meetings.

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Board Members Code of Conduct – Paper BD(2017)01.04	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Annex A Board Members Code of Conduct	
Recommendation	The board is invited to adopt the Board Members Code of Conduct	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Crown Estate Scotland (Interim Management) (“Crown Estate Scotland”) has prepared the attached Board Members Code of Conduct (“the Code”), which has been approved by the sponsor directorate.
2. Under Crown Estate Scotland’s Framework Document:
 - the Chair is required to ensure that there is a code of conduct for Board members in place, approved by the Scottish Ministers; and
 - board members are required to comply at all times with the Code.
3. The Code is based on the Scottish Ministers Model Code for Members of Devolved Public Bodies.
4. Particular attention is drawn to paragraph 4 and 5 of the Code which sets out the procedure in relation to registration and declaration of interests by board members. Registration and declaration of interests will be dealt with at the first board meeting and at induction. The board is asked to consider any relevant interests.

Discussion

5. The board is invited to consider/comment on the Code.

Approval

6. Approval is sought to adopt the Code.

CODE OF CONDUCT
for
BOARD MEMBERS
of
CROWN ESTATE SCOTLAND (INTERIM MANAGEMENT)

JUNE 2017

CODE OF CONDUCT FOR BOARD MEMBERS OF CROWN ESTATE SCOTLAND (INTERIM MANAGEMENT)

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SECTION 1: INTRODUCTION TO THE CODE OF CONDUCT

- 1.1 The Scottish public has a high expectation of those who serve on the boards of public bodies and the way in which they should conduct themselves in undertaking their duties. You must meet those expectations by ensuring that your conduct is above reproach.
- 1.2 The Ethical Standards in Public Life etc. (Scotland) Act 2000, “the Act”, provides for Codes of Conduct for local authority councillors and members of relevant public bodies; imposes on councils and relevant public bodies a duty to help their members to comply with the relevant code; and establishes a Standards Commission for Scotland, “The Standards Commission” to oversee the new framework and deal with alleged breaches of the codes.
- 1.3 The Act requires the Scottish Ministers to lay before Parliament a Code of Conduct for Councillors and a Model Code for Members of Devolved Public Bodies. This Model Code for members was first introduced in 2002 and has now been revised following consultation and the approval of the Scottish Parliament. These revisions will make it consistent with the relevant parts of the Code of Conduct for Councillors, which was revised in 2010 following the approval of the Scottish Parliament.
- 1.4 As a member of the board of Crown Estate Scotland (Interim Management) (“Crown Estate Scotland”), it is your responsibility to make sure that you are familiar with, and that your actions comply with, the provisions of this Code of Conduct (“Code”).

Appointments to the Boards of Public Bodies

- 1.5 Public bodies in Scotland are required to deliver effective services to meet the needs of an increasingly diverse population. In addition, the Scottish Government’s equality outcome on public appointments is to ensure that Ministerial appointments are more diverse than at present. In order to meet both of these aims, a board should ideally be drawn from varied backgrounds with a wide spectrum of characteristics, knowledge and experience. It is crucial to the success of public bodies that they attract the best people for the job and therefore it is essential that a board’s appointments process should encourage as many suitable people to apply for positions and be free from unnecessary barriers. You should therefore be aware of the varied roles and functions of the public body on which you serve and of wider diversity and equality issues. You should also take steps to familiarise yourself with the appointment process that your board (if appropriate) will have agreed with the Scottish Government’s Public Appointment’s Team.
- 1.6 You should also familiarise yourself with how the public body’s policy operates in relation to succession planning, which should ensure public bodies have a strategy to make sure they have the staff in place with the skills, knowledge and experience necessary to fulfil their role economically, efficiently and effectively.

Guidance on the Code of Conduct

- 1.7 You must observe the rules of conduct contained in this Code. It is your personal responsibility to comply with these and review regularly, and at least annually, your personal circumstances with this in mind, particularly when your circumstances change. You must not at any time advocate or encourage any action contrary to this Code.

- 1.8 This Code has been developed in line with the key principles listed in Section 2 and provides additional information on how the principles should be interpreted and applied in practice. The Standards Commission may also issue guidance. No code can provide for all circumstances and if you are uncertain about how the rules apply, you should seek advice from Crown Estate Scotland. You may also choose to consult your own legal advisers and, on detailed financial and commercial matters, seek advice from other relevant professionals.
- 1.9 You should familiarise yourself with the Scottish Government publication “On Board – A Guide for Members of Statutory Boards”. This publication will provide you with information to help you in your role as a member of a public body in Scotland and can be viewed on the Scottish Government website.

Enforcement

- 1.10 Part 2 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 sets out the provisions for dealing with alleged breaches of this Code and where appropriate the sanctions that shall be applied if the Standards Commission finds that there has been a breach of the Code. Those sanctions are outlined in Annex A.

SECTION 2: KEY PRINCIPLES OF THE CODE OF CONDUCT

- 2.1 The general principles upon which this Code is based should be used for guidance and interpretation only. These general principles are:

Duty

You have a duty to uphold the law and act in accordance with the law and the public trust placed in you. You have a duty to act in the interests of Crown Estate Scotland and in accordance with the core functions and duties of Crown Estate Scotland.

Selflessness

You have a duty to take decisions solely in terms of public interest. You must not act in order to gain financial or other material benefit for yourself, family or friends.

Integrity

You must not place yourself under any financial, or other, obligation to any individual or organisation that might reasonably be thought to influence you in the performance of your duties.

Objectivity

You must make decisions solely on merit and in a way that is consistent with the functions of Crown Estate Scotland when carrying out public business including making appointments, awarding contracts or recommending individuals for rewards and benefits.

Accountability and Stewardship

You are accountable for your decisions and actions to the public. You have a duty to consider issues on their merits, taking account of the views of others and must ensure that Crown Estate Scotland uses its resources prudently and in accordance with the law.

Openness

You have a duty to be as open as possible about your decisions and actions, giving reasons for your decisions and restricting information only when the wider public interest clearly demands.

Honesty

You have a duty to act honestly. You must declare any private interests relating to your public duties and take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

You have a duty to promote and support these principles by leadership and example, and to maintain and strengthen the public's trust and confidence in the integrity of Crown Estate Scotland and its members in conducting public business.

Respect

You must respect fellow board members of Crown Estate Scotland and its employees and the role they play, treating them with courtesy at all times. Similarly you must respect members of the public when performing duties as a member of Crown Estate Scotland.

- 2.2 You should apply the principles of this Code to your dealings with fellow board members of Crown Estate Scotland, its employees and other stakeholders. Similarly you should also observe the principles of this Code in dealings with the public when performing duties as a member of Crown Estate Scotland.

SECTION 3: GENERAL CONDUCT

- 3.1 The rules of good conduct in this section must be observed in all situations where you act as a member of Crown Estate Scotland.

Conduct at Meetings

- 3.2 You must respect the chair, your colleagues and employees of Crown Estate Scotland in meetings. You must comply with rulings from the chair in the conduct of the business of these meetings.

Relationship with Board Members and Employees of Crown Estate Scotland (including those employed by contractors providing services)

- 3.3 You will treat your fellow board members and any staff employed by Crown Estate Scotland with courtesy and respect. It is expected that fellow board members and employees will show you the same consideration in return. It is good practice for employers to provide examples of what is unacceptable behaviour in their organisation. Public bodies should promote a safe, healthy and fair working environment for all. As a board member you should be familiar with the policies of Crown Estate Scotland in relation to bullying and harassment in the workplace and also lead by exemplar behaviour.

Remuneration, Allowances and Expenses

- 3.4 You must comply with any rules of Crown Estate Scotland regarding remuneration, allowances and expenses.

Gifts and Hospitality

- 3.5 You must not accept any offer by way of gift or hospitality which might compromise your judgement or place you under an improper obligation. It is for that reason any gift or hospitality over £50 must be registered with Crown Estate Scotland and a list of the same will be published on a quarterly basis. You should also consider whether there may be any reasonable perception that any gift received by your spouse or cohabitee or by any company in which you have a controlling interest, or by a partnership of which you are a partner, can or would influence your judgement. The term "gift" includes benefits such as relief from indebtedness, loan concessions or provision of services at a cost below that generally charged to members of the public.
- 3.6 You must never ask for gifts or hospitality.
- 3.7 You are personally responsible for all decisions connected with the offer or acceptance of gifts or hospitality offered to you and for avoiding the risk of damage to public confidence in Crown Estate Scotland. As a general guide, it is usually appropriate to refuse offers except:
- (a) isolated gifts of a trivial character, the value of which must not exceed £50;
 - (b) normal hospitality associated with your duties and which would reasonably be regarded as appropriate; or

(c) gifts received on behalf of Crown Estate Scotland.

- 3.8 You must not accept any offer of a gift or hospitality from any individual or organisation which stands to gain or benefit from a decision Crown Estate Scotland may be involved in determining, or who is seeking to do business with your organisation, and which a person might reasonably consider could have a bearing on your judgement. If you are making a visit in your capacity as a member of Crown Estate Scotland then, as a general rule, you should ensure that Crown Estate Scotland pays for the cost of the visit.
- 3.9 You must not accept repeated hospitality or repeated gifts from the same source.
- 3.10 You should familiarise yourself with the terms of the Bribery Act 2010 (<http://www.legislation.gov.uk/ukpga/2010/23/contents>) which provides for offences of bribing another person and offences relating to being bribed.

Confidentiality Requirements

- 3.11 There may be times when you will be required to treat discussions, documents or other information relating to the work of Crown Estate Scotland in a confidential manner. You will often receive information of a private nature which is not yet public, or which perhaps would not be intended to be public. You must always respect the confidential nature of such information and comply with the requirement to keep such information private.
- 3.12 It is unacceptable to disclose any information to which you have privileged access, for example derived from a confidential document, either orally or in writing. In the case of other documents and information, you are requested to exercise your judgement as to what should or should not be made available to outside bodies or individuals. In any event, such information should never be used for the purposes of personal or financial gain, or for political purposes or used in such a way as to bring Crown Estate Scotland into disrepute.

Use of Crown Estate Scotland's Facilities

- 3.13 You must not misuse facilities, equipment, stationery, telephony, computer, information technology equipment and services, or use them for party political or campaigning activities. Use of such equipment and services must be in accordance with Crown Estate Scotland's policy and rules on their usage. Care must also be exercised when using social media networks not to compromise your position as a member of Crown Estate Scotland.

Appointment to Partner Organisations

- 3.14 You may be appointed, or nominated by Crown Estate Scotland, as a member of another body or organisation. If so, you are bound by the rules of conduct of these organisations and should observe the rules of this Code in carrying out the duties of that body.

- 3.15 Members who become directors of companies as nominees of Crown Estate Scotland will assume personal responsibilities under the Companies Acts. It is possible that conflicts of interest can arise for such members between the company and Crown Estate Scotland. It is your responsibility to take advice on your responsibilities to Crown Estate Scotland and to the company. This will include questions of declarations of interest.

3.16 Representing Crown Estate Scotland

Members may represent Crown Estate Scotland at external meetings or stakeholder events. In representing Crown Estate Scotland, it is important that members take care when expressing their views that they represent the views of Crown Estate Scotland and not their own views. To this end members should be clear about Crown Estate Scotland's strategic direction within the policy, planning and resources framework determined by the Scottish Ministers and the expectations of Crown Estate Scotland.

SECTION 4: REGISTRATION OF INTERESTS

- 4.1 The following paragraphs set out the kinds of interests, financial and otherwise which you have to register. These are called “Registerable Interests”. You must, at all times, ensure that these interests are registered, when you are appointed and whenever your circumstances change in such a way as to require change or an addition to your entry in Crown Estate Scotland’s Register. It is your duty to ensure any changes in circumstances are reported within one month of them changing.
- 4.2 The Regulations¹ as amended describe the detail and timescale for registering interests. It is your personal responsibility to comply with these regulations and you should review regularly and at least once a year your personal circumstances. Annex B contains key definitions and explanatory notes to help you decide what is required when registering your interests under any particular category. The interests which require to be registered are those set out in the following paragraphs and relate to you. It is not necessary to register the interests of your spouse or cohabitee.

Category One: Remuneration

- 4.3 You have a Registerable Interest where you receive remuneration by virtue of being:
- employed;
 - self-employed;
 - the holder of an office;
 - a director of an undertaking;
 - a partner in a firm; or
 - undertaking a trade, profession or vocation or any other work.
- 4.4 In relation to 4.3 above, the amount of remuneration does not require to be registered and remuneration received as a member does not have to be registered.
- 4.5 If a position is not remunerated it does not need to be registered under this category. However, unremunerated directorships may need to be registered under category two, “Related Undertakings”.
- 4.6 If you receive any allowances in relation to membership of any organisation, the fact that you receive such an allowance must be registered.
- 4.7 When registering employment, you must give the name of the employer, the nature of its business, and the nature of the post held in the organisation.
- 4.8 When registering self-employment, you must provide the name and give details of the nature of the business. When registering an interest in a partnership, you must give the name of the partnership and the nature of its business.

¹ SSI - The Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003 Number 135, as amended.

- 4.9 Where you undertake a trade, profession or vocation, or any other work, the detail to be given is the nature of the work and its regularity. For example, if you write for a newspaper, you must give the name of the publication, and the frequency of articles for which you are paid.
- 4.10 When registering a directorship, it is necessary to provide the registered name of the undertaking in which the directorship is held and the nature of its business.
- 4.11 Registration of a pension is not required as this falls outside the scope of the category.

Category Two: Related Undertakings

- 4.12 You must register any directorships held which are themselves not remunerated but where the company (or other undertaking) in question is a subsidiary of, or a parent of, a company (or other undertaking) in which you hold a remunerated directorship.
- 4.13 You must register the name of the subsidiary or parent company or other undertaking and the nature of its business, and its relationship to the company or other undertaking in which you are a director and from which you receive remuneration.
- 4.14 The situations to which the above paragraphs apply are as follows:
- you are a director of a board of an undertaking and receive remuneration declared under category one – and
 - you are a director of a parent or subsidiary undertaking but do not receive remuneration in that capacity.

Category Three: Contracts

- 4.15 You have a registerable interest where you (or a firm in which you are a partner, or an undertaking in which you are a director or in which you have shares of a value as described in paragraph 4.19 below) have made a contract with Crown Estate Scotland:
- (i) under which goods or services are to be provided, or works are to be executed; and
 - (ii) which has not been fully discharged.
- 4.16 You must register a description of the contract, including its duration, but excluding the consideration.

Category Four: Houses, Land and Buildings

- 4.17 You have a registerable interest where you own or have any other right or interest in houses, land and buildings, which may be significant to, of relevance to, or bear upon, the work and operation of Crown Estate Scotland.
- 4.18 The test to be applied when considering appropriateness of registration is to ask whether a member of the public acting reasonably might consider any interests in houses, land and buildings could potentially affect your responsibilities to the organisation to which you are appointed and to the

public, or could influence your actions, speeches or decision making.

Category Five: Interest in Shares and Securities

4.19 You have a registerable interest where you have an interest in shares comprised in the share capital of a company or other body which may be significant to, of relevance to, or bear upon, the work and operation of (a) Crown Estate Scotland and (b) the nominal value of the shares is:

- (i) greater than 1% of the issued share capital of the company or other body; or
- (ii) greater than £25,000.

Where you are required to register the interest, you should provide the registered name of the company in which you hold shares; the amount or value of the shares does not have to be registered.

Category Six: Gifts and Hospitality

4.20 You must register the details of any gifts or hospitality received within your current term of office. This record will be available for public inspection. It is not however necessary to record any gifts or hospitality as described in paragraph 3.7 (a) to (c) of this Code.

Category Seven: Non-Financial Interests

4.21 You may also have a registerable interest if you have non-financial interests which may be significant to, of relevance to, or bear upon, the work and operation of Crown Estate Scotland. It is important that relevant interests such as membership or holding office in other public bodies, clubs, societies and organisations such as trades unions and voluntary organisations, are registered and described.

4.22 In the context of non-financial interests, the test to be applied when considering appropriateness of registration is to ask whether a member of the public might reasonably think that any non-financial interest could potentially affect your responsibilities to the organisation to which you are appointed and to the public, or could influence your actions, speeches or decision-making.

SECTION 5: DECLARATION OF INTERESTS

General

- 5.1 The key principles of this Code, especially those in relation to integrity, honesty and openness, are given further practical effect by the requirement for you to declare certain interests in proceedings of Crown Estate Scotland. Together with the rules on registration of interests, this ensures transparency of your interests which might influence, or be thought to influence, your actions.
- 5.2 Public bodies inevitably have dealings with a wide variety of organisations and individuals and this Code indicates the circumstances in which a business or personal interest must be declared. Public confidence in Crown Estate Scotland and its board members depends on it being clearly understood that decisions are taken in the public interest and not for any other reason.
- 5.3 In considering whether to make a declaration in any proceedings, you must consider not only whether you will be influenced but whether anybody else would think that you might be influenced by the interest. You must, however, always comply with the objective test (“the objective test”) which is whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your discussion or decision making in your role as a member of Crown Estate Scotland.
- 5.4 If you feel that, in the context of the matter being considered, your involvement is neither capable of being viewed as more significant than that of an ordinary member of the public, nor likely to be perceived by the public as wrong, you may continue to attend the meeting and participate in both discussion and voting. The relevant interest must however be declared. It is your responsibility to judge whether an interest is sufficiently relevant to particular proceedings to require a declaration and you are advised to err on the side of caution. If a board member is unsure as to whether a conflict of interest exists, they should seek advice from the board chair.
- 5.5 As a member of Crown Estate Scotland you might serve on other bodies. In relation to service on the boards and management committees of limited liability companies, public bodies, societies and other organisations, you must decide, in the particular circumstances surrounding any matter, whether to declare an interest. Only if you believe that, in the particular circumstances, the nature of the interest is so remote or without significance, should it not be declared. You must always remember the public interest points towards transparency and, in particular, a possible divergence of interest between Crown Estate Scotland and another body. Keep particularly in mind the advice in paragraph 3.15 of this Code about your legal responsibilities to any limited company of which you are a director.

Interests which Require Declaration

- 5.6 Interests which require to be declared, if known to you may be financial or non-financial. They may or may not cover interests which are registrable under the terms of this Code. Most of the interests to be declared will be your personal interests, but on occasion, you will have to consider whether the interests of other persons require you to make a declaration. The paragraphs which follow deal with (a) your financial interests (b) your non-financial interests and (c) the interests, financial and non-financial, of other persons.

- 5.7 You will also have other private and personal interests and may serve, or be associated with, bodies, societies and organisations as a result of your private and personal interests and not because of your role as a member of Crown Estate Scotland. In the context of any particular matter you will need to decide whether to declare an interest. You should declare an interest unless you believe that, in the particular circumstances, the interest is too remote or without significance. In reaching a view on whether the objective test applies to the interest, you should consider whether your interest (whether taking the form of association or the holding of office) would be seen by a member of the public acting reasonably in a different light because it is the interest of a person who is a member of a public body as opposed to the interest of an ordinary member of the public.

Your Financial Interests

- 5.8 You must declare, if it is known to you, any financial interest (including any financial interest which is registerable under any of the categories prescribed in Section 4 of this Code).

There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

Your Non-Financial Interests

- 5.9 You must declare, if it is known to you, any non-financial interest if:

- (i) that interest has been registered under category seven (Non Financial Interests) of Section 4 of this Code; or
- (ii) that interest would fall within the terms of the objective test.

There is no need to declare an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

The Financial Interests of Other Persons

- 5.10 This Code requires only your financial interests to be registered. You also, however, have to consider whether you should declare any financial interest of certain other persons.

You must declare if it is known to you any financial interest of:-

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a

- remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality;
- (vi) a person from whom you have received registerable expenses.

There is no need to declare an interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

You must withdraw from the meeting room until discussion of and voting on the relevant item where you have a declarable interest is concluded. There is no need to withdraw in the case of an interest which is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

- 5.11 This Code does not attempt the task of defining “relative” or “friend” or “associate”. Not only is such a task fraught with difficulty but is also unlikely that such definitions would reflect the intention of this part of the Code. The key principle is the need for transparency in regard to any interest which might (regardless of the precise description of relationship) be objectively regarded by a member of the public, acting reasonably, as potentially affecting your responsibilities as a member of a public body and, as such, would be covered by the objective test.

The Non-Financial Interests of Other Persons

- 5.12 You must declare if it is known to you any non-financial interest of:-

- (i) a spouse, a civil partner or a co-habitee;
- (ii) a close relative, close friend or close associate;
- (iii) an employer or a partner in a firm;
- (iv) a body (or subsidiary or parent of a body) of which you are a remunerated member or director;
- (v) a person from whom you have received a registerable gift or registerable hospitality;
- (vi) a person from whom you have received registerable election expenses.

There is no need to declare the interest if it is so remote or insignificant that it could not reasonably be taken to fall within the objective test.

There is only a need to withdraw from the meeting if the interest is clear and substantial.

Making a Declaration

- 5.13 You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether agendas for meetings raise any issue of declaration of interest. Your declaration of interest must be made as soon as practicable at a meeting where that interest arises. If you do identify the need for a declaration of interest only when a particular matter is being discussed you must declare the interest as soon as you realise it is necessary.

- 5.14 The oral statement of declaration of interest should identify the item or items of business to which it relates. The statement should begin with the words “I declare an interest”. The statement must be sufficiently informative to enable those at the meeting to understand the nature of your interest but need not give

a detailed description of the interest.

Frequent Declarations of Interest

- 5.15 Public confidence in a public body is damaged by perception that decisions taken by that body are substantially influenced by factors other than the public interest. If you would have to declare interests frequently at meetings in respect of your role as a board member you should not accept a role or appointment with that attendant consequence. If members are frequently declaring interests at meetings then they should consider whether they can carry out their role effectively and discuss with their chair. Similarly, if any appointment or nomination to another body would give rise to objective concern because of your existing personal involvement or affiliations, you should not accept the appointment or nomination.

Dispensations

- 5.16 In some very limited circumstances dispensations can be granted by the Standards Commission in relation to the existence of financial and non-financial interests which would otherwise prohibit you from taking part and voting on matters coming before Crown Estate Scotland's board and its committees.
- 5.17 Applications for dispensations will be considered by the Standards Commission and should be made as soon as possible in order to allow proper consideration of the application in advance of meetings where dispensation is sought. You should not take part in the consideration of the matter in question until the application has been granted.

Examples of Conflicts of Interests

- 5.18 Examples of areas which should be considered conflicts of interest and require declaration are described below:
- the award of a contract to another organisation in which a member has an interest and from which the member stands to gain financially;
 - a member has been appointed to another body which has a relationship with Crown Estate Scotland, for example a landlord/tenant relationship where there will be conflicting interests around the terms of the agreement in place or future rent levels;
 - a member is appointed to a body which represents a different set of interests to those of Crown Estate Scotland, for example a membership or trade association and circumstances bring those two sets of interests into conflict;
 - a member is also a local councilor and the political party to which the member belongs is directing policy relevant to Crown Estate Scotland.

SECTION 6: LOBBYING AND ACCESS TO MEMBERS OF PUBLIC BODIES

Introduction

- 6.1 In order for Crown Estate Scotland to fulfil its commitment to being open and accessible, it needs to encourage participation by organisations and individuals in the decision-making process. Clearly however, the desire to involve the public and other interest groups in the decision-making process must take account of the need to ensure transparency and probity in the way in which Crown Estate Scotland conducts its business.
- 6.2 You will need to be able to consider evidence and arguments advanced by a wide range of organisations and individuals in order to perform your duties effectively. Some of these organisations and individuals will make their views known directly to individual members. The rules in this Code set out how you should conduct yourself in your contacts with those who would seek to influence you. They are designed to encourage proper interaction between members of public bodies, those they represent and interest groups.

Rules and Guidance

- 6.3 You must not, in relation to contact with any person or organisation that lobbies do anything which contravenes this Code or any other relevant rule of Crown Estate Scotland or any statutory provision.
- 6.4 You must not, in relation to contact with any person or organisation who lobbies, act in any way which could bring discredit upon Crown Estate Scotland.
- 6.5 The public must be assured that no person or organisation will gain better access to or treatment by, you as a result of employing a company or individual to lobby on a fee basis on their behalf. You must not, therefore, offer or accord any preferential access or treatment to those lobbying on a fee basis on behalf of clients compared with that which you accord any other person or organisation who lobbies or approaches you. Nor should those lobbying on a fee basis on behalf of clients be given to understand that preferential access or treatment, compared to that accorded to any other person or organisation, might be forthcoming from another member of Crown Estate Scotland.
- 6.6 Before taking any action as a result of being lobbied, you should seek to satisfy yourself about the identity of the person or organisation that is lobbying and the motive for lobbying. You may choose to act in response to a person or organisation lobbying on a fee basis on behalf of clients but it is important that you know the basis on which you are being lobbied in order to ensure that any action taken in connection with the lobbyist complies with the standards set out in this Code.
- 6.7 You should not accept any paid work:-
 - (a) which would involve you lobbying on behalf of any person or organisation or any clients of a person or organisation.
 - (b) to provide services as a strategist, adviser or consultant, for example, advising on how to influence Crown Estate Scotland and

its members. This does not prohibit you from being remunerated for activity which may arise because of, or relate to, membership of the public body, such as journalism or broadcasting, or involvement in representative or presentational work, such as participation in delegations, conferences or other events.

- 6.8 If you have concerns about the approach or methods used by any person or organisation in their contacts with you, you must seek the guidance of the chair of the board of Crown Estate Scotland.

ANNEX A

SANCTIONS AVAILABLE TO THE STANDARDS COMMISSION FOR BREACH OF THE CODE

- (a) Censure – the Commission may reprimand the member but otherwise take no action against them;
- (b) Suspension – of the member for a maximum period of one year from attending one or more, but not all, of the following:
 - i) all meetings of Crown Estate Scotland;
 - ii) all meetings of one or more committees or sub-committees of the public body;
 - (iii) all meetings of any other public body on which that member is a representative or nominee of the public body of which they are a member.
- (c) Suspension – for a period not exceeding one year, of the member's entitlement to attend all of the meetings referred to in (b) above;
- (d) Disqualification – removing the member from membership of that public body for a period of no more than five years.

Where a member has been suspended, the Standards Commission may direct that any remuneration or allowance received from membership of that public body be reduced, or not paid.

Where the Standards Commission disqualifies a member of a public body, it may go on to impose the following further sanctions:

- (a) Where the member of a public body is also a councillor, the Standards Commission may disqualify that member (for a period of no more than five years) from being nominated for election as, or from being elected, a councillor. Disqualification of a councillor has the effect of disqualifying that member from their public body and terminating membership of any committee, sub-committee, joint committee, joint board or any other body on which that member sits as a representative of their local authority.
- (b) Direct that the member be removed from membership, and disqualified in respect of membership, of any other devolved public body (provided the members' code applicable to that body is then in force) and may disqualify that person from office as the Water Industry Commissioner.

In some cases the Standards Commission do not have the legislative powers to deal with sanctions, for example if the respondent is an executive member of the board or appointed by the Queen. Sections 23 and 24 of the Ethical Standards in Public Life etc. (Scotland) Act 2000 refer.

Full details of the sanctions are set out in Section 19 of the Act.

ANNEX B

DEFINITIONS

“Chair” includes Board Convener or any person discharging similar functions under alternative decision making structures.

“Cohabitee” includes a person, whether of the opposite sex or not, who is living with you in a relationship similar to that of husband and wife.

“Group of companies” has the same meaning as “group” in section 474(1) of the Companies Act 2006. A “group”, within s474(1) of the Companies Act 2006, means a parent undertaking and its subsidiary undertakings.

“Parent Undertaking” is an undertaking in relation to another undertaking, a subsidiary undertaking, if a) it holds a majority of the rights in the undertaking; or b) it is a member of the undertaking and has the right to appoint or remove a majority of its board of directors; or c) it has the right to exercise a dominant influence over the undertaking (i) by virtue of provisions contained in the undertaking’s memorandum or articles or (ii) by virtue of a control contract; or d) it is a councillor of the undertaking and controls alone, pursuant to an agreement with other shareholders or councillors, a majority of the rights in the undertaking.

“A person” means a single individual or legal person and includes a group of companies.

“Any person” includes individuals, incorporated and unincorporated bodies, trade unions, charities and voluntary organisations.

“Public body” means a devolved public body listed in Schedule 3 of the Ethical Standards in Public Life etc. (Scotland) Act 2000, as amended.

“Related Undertaking” is a parent or subsidiary company of a principal undertaking of which you are also a director. You will receive remuneration for the principal undertaking though you will not receive remuneration as director of the related undertaking.

“Remuneration” includes any salary, wage, share of profits, fee, expenses, other monetary benefit or benefit in kind. This would include, for example, the provision of a company car or travelling expenses by an employer.

“Spouse” does not include a former spouse or a spouse who is living separately and apart from you.

“Undertaking” means:

- a) a body corporate or partnership; or
- b) an unincorporated association carrying on a trade or business, with or without a view to a profit.

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Expenses Policy – Paper BD(2017)01.5	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Expenses Policy	
Recommendation	The board is invited to formally adopt the expenses policy	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Crown Estate Scotland (Interim Management) ("Crown Estate Scotland's) expenses policy was circulated and explained to the board at board induction on 16 May 2017 by Lynne Higgins, Head of Finance and Commercial.

Approve

2. The board is invited to formally adopt the expenses policy.

**BOARD OF
CROWN ESTATE SCOTLAND
(INTERIM MANAGEMENT)**

Expenses Policy

Board Member Expenses

1. General Policy

In line with normal policy for Public Bodies, it is intended that Board members will neither gain nor lose as a consequence of incurring expenditure on Crown Estate Scotland (Interim Management) ('CES') business. On that basis, reasonable expenses, necessarily incurred by members in performance of their duties on behalf of CES will be reimbursed. Expenses limits are detailed in Schedule 1.

Members are expected to take due account of Value for Money in travel and expenditure matters.

VAT receipts for expenditure should always be obtained and submitted with claims.

Other than for attendance at Board events (Board/Committee meetings, stakeholder events, training, and duties arising from chairing a Board Committee), prior approval is required before any expenditure is incurred. The Head of Finance & Commercial should be approached for guidance as to the necessary approval.

Where practical, Board members should use public transport for their CES business. Consideration should be given to minimising car use through limiting car travel as far as possible and optimising car and taxi use through sharing.

2. Hotel/meal costs and associated expenditure

Hotel accommodation at some events may be block booked and paid for by CES, Board members being responsible for any incidental expenses (newspapers, telephone calls, room service, pay TV, laundry, mini bars etc). An overnight allowance may be claimed of £5 for each overnight stay away from home.

If hotel accommodation is required, this may be block booked or arranged through CES's Business Support Manager or another designated staff member. If the accommodation is not booked directly by CES, board members may make their own arrangements within designated expenses limits. Board members should contact CES if they are unable to find accommodation within the specified limits.

Where members are required to purchase lunch and/or dinner, these costs may be reclaimed against receipts up to the maximum allowable limits. VAT receipts for meal expenditure must be submitted on claims.

The purchase of alcohol is not an allowable expense claim of travel and subsistence.

3. Travel

Board members are considered to work from home and will be required to attend Board meetings throughout Scotland. Board members will be entitled to reimbursement of expenses in accordance with CES's travel and subsistence limits and should consider the most appropriate and sustainable method of transport.

Members using their private cars for CES business are entitled to reimbursement under the Approved Business Mileage Scheme. Current rates are 45p per mile for up to 10,000 business miles per year, and 25p per mile for any additional miles. Members must ensure that they have sufficient car insurance cover as no liability can be accepted by CES in the event of any accident, damage, injury or death. Mileage claims must include full details of journeys undertaken including postcodes of departure points and destinations.

Where use is made of a car provided by another employer, members are expected to claim reasonable car expenses only if there are any such costs directly incurred by them.

Public transport should be used if practical and a cost-effective option chosen. Rail travel should be by standard class or other economic ticket unless there are exceptional circumstances or the journey is longer than 2 hours. Air travel should only be used where alternative transport is impractical. Receipts for tickets purchased should be provided when a claim is made. Taxis should only be used where heavy luggage/equipment must be transported, where there is a safety issue or where it is efficient and effective.

4. Incidental Expenses

This heading covers expenditure not specifically mentioned above but which is, nevertheless, incurred in the course of official CES business. This could, for example, include such items such as car parking, bridge tolls and minor expenditure such as postage and stationery. Except for very minor items, claims must be accompanied whenever possible by the appropriate VAT receipt.

5. Payment

Claims for expenses must be signed and submitted on the appropriate forms to the Head of Finance & Commercial's designated staff member. Other than for mileage claims, original receipts are required.

Schedule 1: Expenses Limits at 1 May 2017

Expenses

CES will reimburse Board Members for the travel and accommodation expenses incurred in the course of carrying out their duties as a Board Member.

Reimbursement rates may be reviewed periodically. The expenses to which Board Members are currently entitled are as follows:

Expense type	Rates	Unit
Car Parking	Receipted	None
Motor Cycle Allowance	£0.24	Per Mile
Motor Mileage Rate	£0.45	Per Mile (first 10,000 miles)
Motor Mileage Rate	£0.25	Per mile (over 10,000 miles)
Motor Mileage Passenger	£0.05	Per Mile
Pedal Cycle Allowance	£0.20	Per Mile
Public Transport Air Travel	Receipted	None
Public Transport Bus	Receipted	None
Public Transport Rail (First Class for journeys > 2hrs)	Receipted	None
Public Transport Rail (Standard)	Receipted	None
Public Transport Taxi	Receipted	None
Public Transport Tube	Receipted	None
Staying with Friends	£25.00	Per Night
Overnight allowance	£5.00	Per Night
Hotel	Receipted with £125.00 max (London £170.00 max)	Per Night
Breakfast (where not included in accommodation or travel or provided)	Receipted (max £10)	
Lunch (where not provided)	Receipted (max £10)	
Dinner (where not provided)	Receipted (max £20)	

Schedule 2 Board Expense Claim Timetable

All Board members should submit a claim for expenses at the end of each month, or quarter, as appropriate. Quarters being to June, September, December and March. The claim should be submitted electronically using the excel spreadsheet by the 10th day following the end of the month or quarter.

Original VAT receipts must be supplied for expenses and these should be sent in by post or handed in as soon as possible after the electronic return has been sent.

All claims and receipts should be sent to the Finance Analyst at CES.

Payment will be made via the CES payroll directly to the Board Member's nominated bank account on the last working day of the month.

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Business Plan – Paper BD(2017)01.07	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Annex A Business Plan	
Recommendation	To ratify the Business Plan	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Ratification

1. Crown Estate Scotland (Interim Management) ("Crown Estate Scotland") has adopted the business plan attached to this paper, setting out its priorities and objectives for 2017/2018. The business plan was adopted, with approval from the Chair.
2. The board is asked to ratify the decision to adopt the attached business plan of Crown Estate Scotland for 2017/2018.

Business Plan 2017/18



To be ratified at the first full
Board meeting (expected June 2017)



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

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Introduction

This will be the first year of operation for Crown Estate Scotland (Interim Management) following devolution of management of The Crown Estate's Scottish assets to Scottish Ministers on 1 April 2017.

The business, with the trading name of Crown Estate Scotland, will be responsible for managing the assets on an interim basis pending legislation on long-term arrangements, or any other changes that Scottish Ministers may make.

Our corporate plan, due to be published later in 2017, will set out how Crown Estate Scotland will create long-term success for the benefit of our tenants and other stakeholders, local communities, the economy and Scotland as a whole. This includes delivering a revenue return and growth in the value of the estate as well as contributing to wider socio-economic objectives.

This business plan reflects how we will run the business for the next 12 months. During this time, we will prepare the organisation and its staff to meet the new challenges and take advantage of the short to medium-term opportunities.

As part of this process, we will start to adjust the make-up of the estate so that we are better able to deliver Scottish Ministers' objectives, increase profit, generate capital growth and manage risk. This will involve selling a small number of assets so that we can invest elsewhere. The Crown Estate has always sold assets in order to buy and develop. Crown Estate Scotland will continue doing that in a way that strengthens the newly devolved business, enabling it to invest in new and existing holdings.

Our main goals for the next 12 months will be:

- Maintaining gross revenue and managing operating costs
- Establishing recognition of Crown Estate Scotland externally, continuing to build strong partnerships with customers, stakeholders and local communities
- Identifying and selling assets to raise up to £10m that can then be reinvested with the aim of creating a more balanced property portfolio¹
- Preparing the organisation to respond to Scottish Ministers' long-term objectives for the management of the estate

We have an interesting, busy and challenging year ahead of us. In setting out a clear plan with measurable objectives we demonstrate that we have the skills, resources and ambition to maximise the benefits from the assets we manage.



Amanda Bryan

Chair
Crown Estate Scotland (Interim Management)



Ronnie Quinn

Chief Executive
Crown Estate Scotland (Interim Management)

¹ In 2015/16 the Scottish assets (then managed by The Crown Estate and now managed by Crown Estate Scotland) had a capital property value of £271.8m

Strategy framework

The devolution of The Crown Estate offers an opportunity to increase socio-economic benefits related to our activity to assist in meeting expectations of stakeholders, the objectives of the Scottish Government and requirements of good management.² This requires a clear strategy for the period until any long-term arrangements become law.



² Good management is one of Crown Estate Scotland's statutory obligations as in The Crown Estate Act 1961

Strategy framework (cont)



Leadership and governance

Under The Crown Estate Act 1961, Crown Estate Scotland has a duty ‘*to maintain the estate as an estate in land and to maintain and enhance its value and the return obtained from it, but with due regard to the requirements of good management*’.

Our aims will be aligned with the Scottish Government’s purpose of creating ‘*a more successful nation, with opportunities for all of Scotland to flourish through increasing sustainable economic growth*’.

To meet these requirements, the Board will:

- Set the overall strategic direction of Crown Estate Scotland including the development of the corporate plan
- Ensure that any statutory or administrative requirements for the use of public funds (all funds falling within the stewardship of Crown Estate Scotland) are complied with; operate within the limits of its statutory authority and any delegated authority agreed with the sponsor Directorate, and in accordance with any other conditions relating to the use of public funds; and, in reaching decisions, will take into account relevant guidance issued by the Scottish Ministers
- Receive and review regular financial information concerning the management of Crown Estate Scotland; be informed in a timely manner about any concerns about the activities of Crown Estate Scotland; and ensure that appropriate action has been taken to address such concerns
- Demonstrate high standards of corporate governance at all times, including by setting up and using an audit committee to help address financial and other risks, and ensuring effective internal control and risk management systems
- Provide commitment and leadership in the development of cost effective solutions which secure best value

Crown Estate Scotland operates under a Framework Document drawn up by the Scottish Government. This sets out:

- Our functions, duties and powers
- Our aims, objectives and targets
- Our responsibilities and accountability, including our relationship with the Scottish Government
- Our plans, budgets and controls
- Our external accountability arrangements
- Our staff management arrangements
- Certain aspects of our financial framework

More on our governance structure is in [Annex 1](#).

How we work – practices and standards

During this period of transition, our objectives and working practices will be aligned with those of the Scottish Government.

At the same time, it will be important to maintain the confidence of our stakeholders, staff and partners, ensuring that they are fully engaged in our plans.

With this in mind, we will:

- Develop stakeholder and community engagement plans based on our research and best practice
- Place health and safety at the centre of our business operations and culture
- Adopt comprehensive equalities policies for employment and how we manage the estates
- Pursue best practice in procurement and customer service, ensuring fairness and transparency
- Ensure we work in an open and transparent way including making information on Board activity and decisions publicly available
- Aspire to meet the highest standards of environmental responsibility
- Build our capacity as a learning organisation, committed to enhancing the expertise and development of our people
- Regularly report to the public on our performance

Helping deliver Scotland's national outcomes

Crown Estate Scotland's work contributes towards the following six Scottish Government outcomes identified in the National Performance Framework.

NATIONAL OUTCOME	WHAT WE DO	EXAMPLE
We realise our full economic potential with more and better employment opportunities for our people	We support thousands of individuals and businesses who rely on leasing the assets in order to succeed	Our support for sectors such as offshore renewables, aquaculture and marine tourism help drive economic growth and job creation. We are an accredited Living Wage employer and are helping fund and deliver Business in the Community Scotland's programme to help people in to good quality jobs
We live in a Scotland that is the most attractive place for doing business in Europe	Our proactive and strategic support role in offshore renewables and aquaculture helps attract investment and create jobs	We will continue to provide specialist legal, geospatial, consenting and commercial support to offshore renewable energy projects. This year we will also investigate the future for the floating wind industry in Scotland, and explore how best to bring seaweed cultivation to a commercial scale
We are better educated, more skilled and more successful, renowned for our research and innovation	We support and fund strategic research that will help grow the sectors we operate in. Our people continually develop their skills, and we help others to do so through various education activities	Recent and current projects include part-funding the Sailing Tourism in Scotland report, research into collaborative investment in equipment and infrastructure to improve returns for shellfish growers, and a partnership with Moredun to provide farming tenants with biosecurity advice. Last year we welcomed 380 schools pupils to Glenlivet Estate
We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others	We collaborate with communities across the Scotland, often helping them to manage assets on a day-to-day basis.	We have completed eight Local Management Agreements helping community organisations take on day-to-day control of areas of coastline and / or seabed. We have initiated, coordinated and supported the Tomintoul & Glenlivet Community Liaison Group and approx. 120 moorings associations that devolve management to the local level.
We value and enjoy our built and natural environment and protect it and enhance it for future generations.	The integrity of the natural environment is central to our decision-making. We have a duty to ensure long-term 'good management' of the assets (as in the Crown Estate Act 1961) that is reflected in our robust approach to sustainability	In 2017/18 we will start to develop a framework to measure the wider socio-economic and environmental benefits that we deliver. We will continue our work to help trial the Natural Capital Protocol at Glenlivet and support local biodiversity projects
We reduce the local and global environmental impact of our consumption and production	We help developers to generate offshore renewable energy, reducing climate change emissions, and are committed to continuing to support the industry and help Scotland meets its ambitious renewable energy consumption targets.	We are proud to be supporting the Beatrice offshore wind farm which, when fully operational in 2019, will be able to generate 588MW of electricity, enough to power about 450,000 homes. Our predecessor The Crown Estate has invested nearly £10m in the MeyGen project to help unlock Scotland's tidal energy potential. Developer Atlantis expects the project to eventually have capacity to generate 398MW .

Finance

(all values are provisional)

Income from the properties, after the deduction of all operating costs and permissible transfers to the capital account, is payable to Scottish Government. This figure is shown below as profit. Capital investment and development is funded from the sale of assets.

Revenue

- Gross revenue for 2017/18 is projected at £14.7m.
- Some indirect costs are new or have increased on previous years. These are largely related to the infrastructure and resources required to operate the business on a wholly stand-alone basis. These include additional staff, insurance, maintaining geospatial, IT, HR and finance systems, and Board costs.
- Direct costs include maintenance, repairs, managing agents and other costs related to the land and property for which we are responsible.
- The budgeted profit is £5.9m, representing 40% of gross revenue.

2017/18

Revenue	£m
Rural, Coastal & Urban	7.6
Marine (Energy, Infrastructure & Aquaculture)	7.1
	14.7
Direct Costs	
Rural, Coastal & Urban	3.4
Marine (Energy, Infrastructure & Aquaculture)	0.3
Indirect Costs	3.5
Net operating profit before transfers to capital	7.5
Transfers to capital account	1.6
Profit	5.9

Capital

- Our strategy is to generate capital funds to enable investment and growth. We therefore sell assets at the appropriate times to be able to buy, invest and develop.
- We will start to create a more balanced portfolio, improving returns on investment with managed exposure to risk. Capital will be reinvested in opportunities across our existing estate and in new commercial acquisitions, whilst seeking to maintain a reasonable capital reserve.
- The Board will be asked to approve the parameters for investment so that the business can develop and implement an acquisition strategy.
- Taking into account transfers from revenue to capital, £4.4m of funds will be available for investment (see below).

Capital Receipts	£m
Rural, Coastal & Urban	10.2
Marine (Energy, Infrastructure & Aquaculture)	0.2
	10.4
Capital Expenditure	
Rural, Coastal & Urban	6.3
Marine (Energy, Infrastructure & Aquaculture)	1.0
Admin	0.3
	7.6
Transfers from revenue to capital	1.6
Net Capital Funds	4.4

Business objectives

Corporate

Securing recognition of the interim body and developing its reputation will be an early priority. This will include a strong focus on best practice in community and stakeholder engagement, as well as governance and transparency.

ACTION	MEASURE
Build awareness and understanding of Crown Estate Scotland and its role amongst stakeholders through a wide-ranging engagement & communications plan	Plan developed; 75% awareness by 31/03/18
Conduct research to build understanding of stakeholder perceptions of CES; review engagement & communications plan accordingly	Research completed, plan reviewed and implementation started
Develop high level of satisfaction amongst tenants and customers; establish customer service principles and baseline for continual improvement	Over 60% overall satisfaction in survey; principles agreed and rolled-out
Review community engagement practices and develop new guidance in line with best practice and revised National Standards	Guidance rolled out across business; case study evidence of local partnership working including pilots for new forms of engagement
Put in place measures to improve openness and transparency	Effective channels of public reporting in place (annual report; board engagement; website with GIS map etc); use customer and stakeholder surveys to establish baseline and further improvement measures
Corporate policies reflecting best practice in place (equalities, procurement, risk management, complaints, FOI etc)	Policies in place and staff survey shows over 60% awareness & understanding
Ensure that staff are fully engaged; retain and enhance expertise to meet evolving business needs	Unplanned turnover rate no more than 10%; new CPD provision in place to reflect needs of CES; individual CPD plans completed
Ensure new Board is operating effectively with good understanding of the business and appropriate processes in place including performance, risk and financial reporting and robust corporate governance processes	Governance reviewed; induction completed by all members; three off-site Board meetings held; Audit Committee established
Develop framework to measure / track the benefits we deliver to communities and the nation including alignment with national outcomes	Complete first phase of scoping exercise re: establishing method / tools
Review direct and indirect expenditure to identify savings and efficiencies	Recommendations for improvement identified with plan for implementation
Progress voluntary land registration	Exercise to scope required resource completed
Establish robust procedures for managing, monitoring and auditing business Health and Safety	Policy in place; full audit and gap analysis conducted with follow up actions completed
Long-term investment strategy developed	Board approve parameters for reinvestment and development of existing assets and acquisitions; business started to implement

Rural & Coastal, Urban

We will work with Government, other partners and communities to ensure the sustainable development of rural and coastal assets while protecting and enhancing the natural environment. This will include working collaboratively with customers and tenants on business opportunities which offer mutual benefit as well as progressing large initiatives such as the Tomintoul & Glenlivet Partnership Project.

ACTION	MEASURE
Raise capital through sale of non-core assets and property transactions	£10m of assets identified and sold
Complete capital investment programme on agricultural & residential units, investing £4.6m in new buildings infrastructure, development and lease restructuring; explore opportunities to facilitate new entrants as part of tenancy restructures	All projects completed within budget
Complete asbestos and electrical related works	Works completed
Undertake comprehensive independent review of coastal moorings management and mooring fees	Review completed and consultation report prepared
Implement Glenlivet landscape partnership project with funds from HLF	Implementation kept on time and on budget
Progress the Low Carbon Renewables Project (with Aberdeen and Robert Gordon Universities)	Phase 2 feasibility study complete
Develop Natural Capital Protocol Project in partnership with SLE, SNH, SEPA and other partners	Funding secured and project underway
Explore opportunities to enable developers to achieve commercial scale use of Mines Royal	Recommendation made to Board
Optimise new rentals from property in George Street, Edinburgh	Remaining vacant office let at market value

Marine (Energy, Infrastructure and Aquaculture)

We will support capital investment, particularly by helping to build confidence in the offshore renewables sector. This will include supporting the deployment of Beatrice, Aberdeen Bay and Hywind 2 and further development opportunities. We will also examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to increase benefits for stakeholders, including communities.

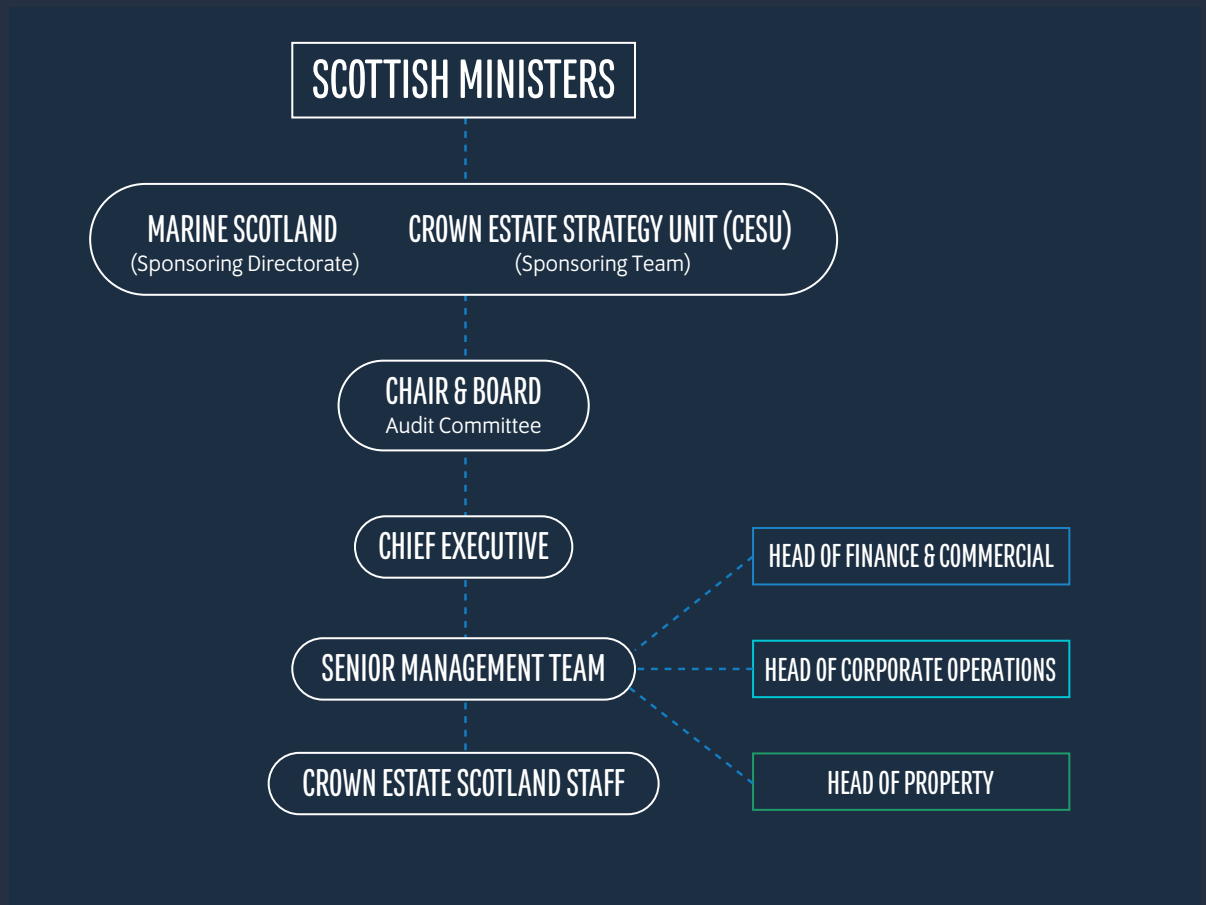
ACTION

MEASURE

Review offshore wind AfL option periods to ensure compatibility with CfDs and termination dates	Agreements and extensions in place. Make recommendations in respect of 10 year option period.
Work with developers to identify new development rights and additional targeted capacity for new projects. Create policy for extensions to existing sites / test and demo sites	Approvals agreed and contracts managed as required. New policy agreed
Collaborate with stakeholders on further research into offshore renewables, including how Scotland could benefit from floating wind, and energy storage	Complete initial studies into floating wind and energy storage identifying opportunities and recommended next steps
Work closely with the energy and telecommunications sectors to better meet their cable and pipeline needs	Collaborative project to unlock value from C&P infrastructure assets
Examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to optimise outcomes / benefits for stakeholders / communities	Review complete and recommendations presented to Board
Manage MeyGen investment	Support completion and demobilisation of construction stage; support activity to attract investment in subsequent phases
Continue to explore a means for successful wild and farmed fish interactions management – bespoke single area pilot	Draft interactions plan with AFSB, MSS, SAMS and other bodies; support workshop of wild and farmed interests and regulators to refine plan; pilot agreed plan
Participate with SARF in closed containment demo project (subject to confirmation of its proceeding)	Develop a model with SARF / specialist consultancy specifically for marine trout production where open sea phase <10 months (by Q4)
Attract commercial seaweed cultivation interest – shared investment on economically viable logistics development	Organise forum event for Seagas Project researchers and commercial biomethane interests to sense check R&D progress against commercial criteria and trends. Seek collaborative project re: how to bring cultivation logistics into commercial scale (and cost)

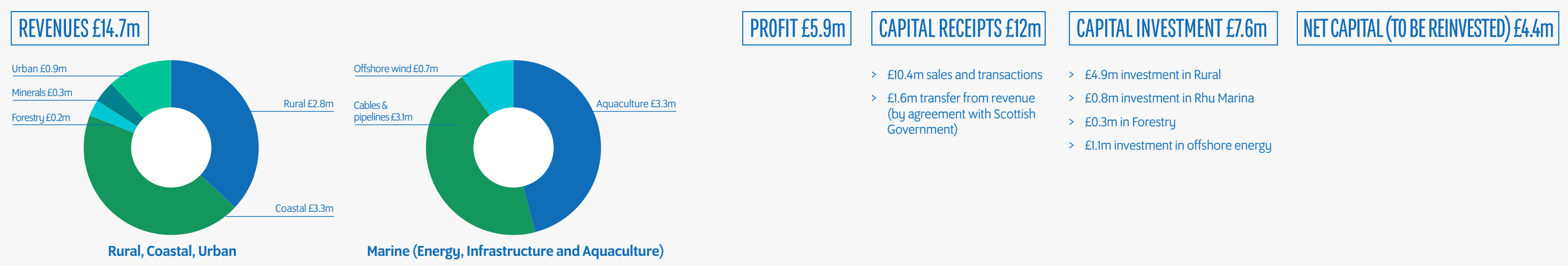
Annex 1

Governance Structure



Annex 2

Summary of key targets and activities



CORPORATE		RURAL & COASTAL, URBAN		MARINE (ENERGY, INFRASTRUCTURE & AQUACULTURE)	
Action	Measure	Action	Measure	Action	Measure
Build awareness and understanding of Crown Estate Scotland and its role amongst stakeholders through a wide-ranging engagement & communications plan	Plan developed; 75% awareness by 31/03/18	Raise capital for reinvestment through sale of assets and property transactions	Assets sold raising £10m of proceeds	Review offshore wind AfL option periods to ensure compatibility with CfDs and termination dates.	Agreements and extensions in place. Make recommendations in respect of 10 year option period
Conduct research to build understanding of stakeholder perceptions of CES; review engagement & communications plan accordingly	Research completed, plan reviewed and implementation started	Complete capital investment programme on agricultural & residential units, investing £4.6m in new buildings infrastructure, development and lease restructuring; explore opportunities to facilitate new entrants as part of tenancy restructures	All projects completed within budget	Work with developers to identify new development rights and additional targeted capacity for new projects. Create policy for extensions to existing sites / test and demo sites	Approvals agreed and contracts managed as required. New policy agreed
Develop high level of satisfaction amongst tenants and customers; establish customer service principles and baseline for continual improvement	Over 60% overall satisfaction in survey; principles agreed and rolled-out	Complete asbestos and electrical related works	Works completed	Collaborate with stakeholders on further research into offshore renewables, including how Scotland could benefit from floating wind, and energy storage	Complete initial studies into floating wind and energy storage identifying opportunities and recommended next steps
Review community engagement practices and develop new guidance in line with best practice and revised National Standards	Guidance in place; case study evidence of new forms of local partnership working	Undertake comprehensive independent review of coastal moorings management and mooring fees	Review completed and consultation report prepared	Work closely with the energy and telecommunications sectors to better meet their cable and pipeline needs	Collaborative project to unlock value from C&P infrastructure assets
Put in place measures to improve openness and transparency	Effective channels of public reporting in place (annual report; board engagement; website with GIS map etc); use customer and stakeholder surveys to establish baseline and further improvement measures	Implement Glenlivet landscape partnership project with funds from HLF	Implementation kept on time and on budget	Examine how we award rights for offshore energy and infrastructure developments to identify potential opportunities to optimise outcomes / benefits for stakeholders / communities	Review complete and recommendations presented to Board
Corporate policies reflecting best practice in place (equalities, procurement, risk management, complaints, FOI etc)	Policies in place and staff survey shows over 60% awareness & understanding	Progress the Low Carbon Renewables Project (with Aberdeen and Robert Gordon Universities)	Phase 2 feasibility study complete	Manage MeyGen investment	Support completion and demobilisation of construction stage; support activity to attract investment in subsequent phases
Ensure that staff are fully engaged; retain and enhance expertise to meet evolving business needs	Unplanned turnover rate no more than 10%; new CPD provision in place to reflect needs of CES; individual CPD plans completed	Develop Natural Capital Protocol Project in partnership with SLE, SNH, SEPA and other partners	Funding secured and project underway	Continue to explore a means for successful wild and farmed fish interactions management – bespoke single area pilot	Draft interactions plan with AFSB, MSS, SAMS and other bodies; support workshop of wild and farmed interests and regulators to refine plan; pilot agreed plan
Ensure new Board is operating effectively with good understanding of the business and appropriate processes in place including performance, risk and financial reporting and robust corporate governance processes	Governance reviewed; induction completed by all members; three off-site Board meetings held; Audit Committee established	Explore opportunities to enable developers to achieve commercial scale use of Mines Royal	Recommendation made to the Board	Participate with SARF in closed containment demo project (subject to confirmation of its proceeding)	Develop a model with SARF / specialist consultancy specifically for marine trout production where open sea phase <10 months (by Q4)
Develop framework to measure / track the benefits we deliver to communities and the nation including alignment with national outcomes	Complete first phase of scoping exercise re: establishing method / tools	Optimise net rentals from property in George Street, Edinburgh	Remaining vacant office let at market value	Attract commercial seaweed cultivation interest – shared investment on economically viable logistics development	Organise forum event for Seagas Project researchers and commercial biomethane interests to sense check R&D progress against commercial criteria and trends. Seek collaborative project re: how to bring cultivation logistics into commercial scale (and cost)
Review direct and indirect expenditure to identify savings and efficiencies	Recommendations for improvement identified with plan for implementation				
Progress voluntary land registration	Exercise to scope required resource completed				
Establish robust procedures for managing, monitoring and auditing business Health and Safety	All policies and procedures reviewed and in place; full audit and gap analysis conducted with follow up actions completed				
Long-term investment strategy devised	Board approve parameters for investment and development of existing assets and acquisitions; business started implementation				

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Approval of H&S Framework Document / H&S Policy – Paper BD(2017)01.8	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Author	Andrew Wells	
Annexes	A - H&S Framework Document B - H&S Policy	
Recommendation	To approve the H&S Framework Document and Policy	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. It is a legal requirement for Crown Estate Scotland (Interim Management) to manage the Health and Safety of its employees in accordance with the 1974 Health and Safety at Work Act and all relevant regulations and statutory provisions.
2. The attached framework document and policy was prepared prior to the transfer from The Crown Estate to CES(IM) to ensure the legal obligations in this respect were satisfied and health and safety was treated as a high priority in the establishment of the new business.
3. This document provides a basis for the ongoing development of an H&S management system to ensure risks to employees, customers, business partners and other people who may be affected by CES(IM) business activities are managed appropriately.
4. The effective planning, organisation, control, monitoring and review of preventive and protective measures are key responsibilities of the Board of CES(IM).
5. Approval is sought for the Framework Document and the Policy Statement.

Discussion

6. Health and safety law states that employers must:
 - Assess risks to employees, customers, partners and any other people who could be affected by their activities;

- Arrange for the effective planning, organisation, control, monitoring and review of preventive and protective measures;
 - Have a written health and safety policy if they have five or more employees;
 - Ensure they have access to competent health and safety advice;
 - Consult employees about their risks at work and current preventive and protective measures.
7. Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Sanctions include fines, imprisonment and disqualification.
 8. Under the Corporate Manslaughter and Corporate Homicide Act 2007, an offence will be committed where failings by an organisation's senior management are a substantial element in any gross breach of the duty of care owed to the organisation's employees or members of the public, which results in death. The maximum penalty is an unlimited fine and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine.
 9. The board should set the direction for effective health and safety management. Board members need to establish a health and safety policy that is much more than a document – it should be an integral part of the organisation's culture, of its values and performance standards. All board members should take the lead in ensuring the communication of health and safety duties and benefits throughout the organisation. Executive directors must develop policies to avoid health and safety problems and must respond quickly where difficulties arise or new risks are introduced; non-executives must make sure that health and safety is properly addressed.
 10. The CES(IM) H&S framework document was developed with advice from the former Crown Estate H&S manager. It sets out the priorities for the management of H&S in first year of the new business and the intention is for this to be reviewed in due course to ensure it fully meets business requirements.

Financial

11. The costs of implementation of the framework have not been fully quantified. Costs associated with the provision of H&S consultant's advice/support and management of specific property related risks (where these are known), staff training, survey work, protective equipment and other direct costs, are incorporated into business budgets.
12. Management of H&S costs in relation to property liabilities can be significant. These costs are normally built into business planning/budgeting processes but they are not always known and can result from unexpected circumstances (e.g. weather related events).
13. Budgeted and non-budgeted costs associated with H&S can be incorporated into a reporting framework as required.

Sustainability

- 14.** H&S is a fundamental component of sustainable business management as set out in the framework and the policy.

Legal implications

- 15.** The legal obligations for CES(IM) are set out in a range of legislation. From an employers perspective the main items of legislation are as follows:
- 16.** Health and Safety Executive (HSE) Health and Safety at Work, etc. Act 1974 Often referred to as HASAW or HSW, this Act of Parliament is the main piece of UK health and safety legislation. It places a duty on all employers "to ensure, so far as is reasonably practicable, the health, safety and welfare at work" of all their employees.
- 17.** Management of Health and Safety at Work Regulations 1999: The Management of Health and Safety at Work Regulations 1999 places a duty on employers to assess and manage risks to their employees and others arising from work activities.
- 18.** Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995: Known as RIDDOR, these regulations require employers, the self-employed and people in control of premises, to report work-related deaths, major injuries, work-related diseases and dangerous occurrences.
- 19.** Workplace (Health, Safety and Welfare) Regulations 1992: These regulations are concerned with the working environment. They place a duty on employers to make sure that the workplace is safe and suitable for the tasks being carried out there, and that it does not present risks to employees and others.
- 20.** A range of other legislation and regulations address specific property related H&S risks associated with asbestos safety, electrical and gas safety. The details of these are not included here.

Risk

- 21.** The management of risk is the primary purpose of an effective H&S management system. The system set out in the framework has been carried over from the previous system adopted by The Crown Estate and is considered fit for purpose for the management of CES(IM) responsibilities and liabilities.
- 22.** An immediate priority has been to review this system with the appointed H&S consultant and this process is on-going. Further reports will be provided to the Board in due course.

People considerations

- 23.** The safety and welfare of all CES(IM) staff is a priority and the framework and policy clearly states the importance placed on the management of H&S across the business. All staff are affected by the policy and the significance of this has been communicated to staff.

- 24.** The involvement of all staff in the management system has been identified and processes put in place to ensure information is available and staff are aware of the key workplace hazards.

Reputational / PR implications

- 25.** Failure to manage H&S effectively carries significant reputational risk. The framework document and policy are an important element of CES(IM) management processes to minimise any potential negative PR risk.

Background

Health, Safety and Environmental management is an essential area of business compliance that enables Crown Estate Scotland¹ to operate in a sustainable manner and meet legal obligations.

Requirements

As a land and property business it is essential that all business activities, investments and assets are safely worked, developed and enjoyed to deliver the best value over the long term. It is requirement that Crown Estate Scotland and employees comply with the requirements of the Health and Safety at work Act etc., 1974 and all other relevant statutory provisions. This involves (so far as is reasonably practicable):

- Development of arrangements to prevent, injury, ill-health and damage as a consequence of our undertakings
- Provide a safe and healthy working environment
- Provide and maintain plant, machinery and systems of work that are safe and without risk to health
- Ensure assessments of risks to people are undertaken and control measures implemented to manage these risks
- Provide information, instruction, training and supervision as is necessary to ensure H&S of our employees
- Allocate sufficient resources to enable H&S policies to be effectively implemented
- Consult and maintain good relations with employees, trade union representatives, the HSE, Local Authorities and relevant public agencies
- Make the management of H&S issues an integral part of our daily activities and actions

In order to meet these requirements, a new management framework needs to be put in place for Crown Estate Scotland which addresses the following areas:

- Health, Safety & Environmental (HSE) Policy for Scotland
- H&S Risk Register for Scotland
- HSE Strategy / HSE Culture
- HSE Policies and Procedures for Scotland
- Business planning
- HSE Competent Advice
- HSE in Procurement
- Operational Management
- Procedures for Direct Management of estate based staff (Fochabers, Glenlivet)
- Procedures for Indirect Management through Managing Agents.
- Permitted activities
- Property compliance
- Forestry management

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

- Tree safety management
- Staff Training requirements
- Accreditations and memberships
- HSE Audit procedures
- Consultation with Employees /Health and Safety Committee Meetings – leadership, agenda, frequency and attendees
- HSE Reporting
- Incident management
- Emergency procedures, crisis management, security

A framework for each of these requirements are set out below:

Health, Safety & Environmental (HSE) Policy for Scotland

A Health and Safety and Environmental policy statement needs to be agreed and signed off by the Head of Property /Chief Executive of the new business and reviewed on an annual basis. This is a short statement setting out the commitment to H&S and environment and describing the policies in place to address key requirements. A draft health and safety policy statement is included in Appendix 1.

Risk Register for Scotland

There is a requirement to identify all the significant H&S risk to the business and to review this on an annual basis. This is owned by the Head of Property and communicated to staff. Inadequate management of H&S presents a significant financial and reputational risk to Crown Estate Scotland. The key risks relate to:

- Employee safety / Occupational Health
- Plant, vehicles and machinery used by employees
- Construction projects (managed by CES(IM) through staff or agents)
- Forest management/tree safety management
- Property safety: State of tenanted residential properties/farm buildings (electrical/gas/asbestos)
- Visitor / public safety (countryside facilities/walking and mountain bike trails/ footbridges, other public liabilities etc.).
- Mines and quarries
- Energy and Infrastructure
- Void management
- Procurement

The risk register should include an analysis of the key hazards and safety liabilities for which the Crown Estate Scotland has responsibility for managing and the policies and procedures and mitigating actions in place to reduce these risks to an acceptable/reasonable level.

This risk register will be drafted and consulted with key stakeholders in the business to ensure it is reflective of the broad range of assets within the business.

The risk register should be reviewed at least annually and during quarterly corporate H&S review meetings.

The risk register should also comply with Scottish Government requirements where required.

For environmental risk management, an impact and aspects register must be in place and regularly reviewed. This will form part of the HSE management system.

HSE Strategy / HSE Culture and Leadership

Promoting a high-performance culture towards H&S should be a priority. This requires a clear strategy and vision statement, developed with and communicated to all staff and managing agents, together with regular reinforcement of key messages, regular training, constant review of activities and appropriate follow up to key issues and incidents, along with reward processes in place to provide positive feedback for good practice. Developing this culture within each business areas should be the responsibility of all staff and in particular management staff. Business culture should also be subject to review through periodic surveys and feedback from customers, stakeholders and staff.

Crown Estate Scotland will provide leadership through prioritisation of health and safety at a senior levels and integration of health and safety into business planning. A reporting structure will be set up to ensure that health and safety performance can be reviewed by the Board. Crown Estate Scotland will ensure the importance of health and safety and our expectations as a client are fed through its supply chain through methods such as periodic managing agents forums.

The Board of directors in an organisation have a special role to play when it comes to ensuring health and safety is managed effectively and health and safety legislation has strengthened in recent years to increase the accountability of Directors if health and safety is not managed or resourced. Even though a board director for health and safety may be appointed and their role is to ensure health and safety is considered and integrated into business planning it is the entire board who have legal accountability.

‘Under the Corporate Manslaughter and Corporate Homicide Act 2007 an offence will be committed where failings by an organisation’s senior management are a substantial element in any gross breach of the duty of care owed to the organisation’s employees or members of the public, which results in death. The maximum penalty is an unlimited fine and the court can additionally make a publicity order requiring the organisation to publish details of its conviction and fine.’ (HSE guidance: <http://www.hse.gov.uk/leadership/faqs.htm>)

The new sentencing guidelines have also increased the penalties a company will face in the event of health and safety mismanagement if someone may have been injured. No harm needs to have occurred for there to be a prosecution.

To ensure Crown Estate Scotland has an excellent level of leadership in health and safety, the Institute of Directors guidance (leading health and safety at work, actions for directors, board members, business owners and organisations of all sizes) will be followed.

H&S leadership needs to ensure adequate provision is made throughout the business to answer the following questions identified within the guidance:

- How do you demonstrate the board’s commitment to health and safety?
- What have you done to ensure your organisation, at all levels including the board, receives competent health and safety advice?
- How are you ensuring all staff – including the board – are sufficiently trained and competent in their health and safety responsibilities?

- How confident are you that your workforce, particularly safety representatives, are consulted properly on health and safety matters, and that their concerns are reaching the appropriate level including, as necessary, the board?
- What systems are in place to ensure your organisation's risks are assessed, and that sensible control measures are established and maintained?
- How well do you know what is happening on the ground, and what audits or assessments are undertaken to inform you about what your organisation and contractors do?
- What information does the board receive regularly about health and safety, e.g. performance data and reports on injuries and work-related ill health?
- Do you compare your performance with others in your sector or beyond? Where changes in working arrangements have significant implications for health and safety, how are these brought to the attention of the board?
- What do you do to ensure appropriate board-level review of health and safety?

This framework provides a basis for ensuring these questions are answered but ultimately it is a responsibility of the business leadership team to implement and monitor these requirements.

HSE Procedures for Scotland

The following policies and procedures have been migrated from The Crown Estate to ensure Crown Estate Scotland complies with management requirements as soon as it starts to operate as a separate entity. These require review during the first year of operation to ensure they are in-line with ongoing requirements identified in the risk register (above). As there is little change in business operations / asset base on the date of transfer, the existing policies and procedures meet legal requirements for the new body and cover the requisite management system obligations.

The new architecture has defined 12 core policy areas which include:

HSP01: Health and Safety Policy

HSP02: Management of common risks

HSP03: Fire, emergency and incident response

HSP04: Environmental Management

HSP05: Electrical and Gas Safety

HSP06: Asbestos Management

HSP07: Asset Management

HSP08: Plant, Equipment and Heavy Operations

HSP09: Audit, Inspection and Review

HSP10: Occupational Health and Wellbeing

HSP11: Work at Height

HSP12: Construction and Project Safety

Business planning

It is essential that H&S management is a key aspect of business planning and should be included as a target/output in all respective business plans and the Corporate Plan. Outputs and targets should also be integrated into the performance management system so individual staff have ownership of these outputs and management expectations.

All regular management meetings should include H&S as the first agenda item. This signals the importance of H&S as a management priority and supports a 'safety first' culture.

Business planning and management should include a process to ensure that the results of audits and monitoring processes and any recommendations resulting from these are built into business planning and budgets. Minutes of central H&S meetings for the previous year should be reviewed prior to the annual business plan review.

HSE Competent Advice

Crown Estate Scotland must have HSE competent advisers in place and the business has now appointed external consultants. This provision can be reviewed in time. The current Head of Property has completed The Institution of Occupational Safety and Health (IOSH) H&S Leadership course and additional training is being provided for the Glenlivet Business Assistant, who will be taking on a co-ordination role for H&S in CES(IM).

An alert service also needs to be put in place to ensure changes in legislation are communicated to relevant staff / managing agents and incorporated into working practices / policies and procedures.

HSE in Procurement

In managing its business Crown Estate Scotland has responsibility for ensuring that those engaged on its behalf and within its business supply chain adhere to relevant H&S requirements. It is important to ensure that the organisations we use have the right skills knowledge experience and attitude to perform effectively and at a high standard.

It is a priority to set clear expectations for H&S when awarding contracts, and when working with suppliers. Effective monitoring and evaluation procedures should be put in place to ensure compliance, assess skills and experience and provide for effective feedback and response to feedback.

As a large part of business management is undertaken by managing agents, processes are needed to monitor managing agent compliance through regular reporting, incident management procedures and property compliance (see also monitoring and reporting below), in accordance with the terms of managing agent appointments. Terms differ slightly between firms to reflect the different asset management responsibilities.

Operational Management

Directly managed activities

These are activities where Crown Estate Scotland has sole control of an activity, establishing requirements for that activity and delivering those requirements using employees (e.g. Forest management, Glenlivet estate visitor services).

For direct management activities, Policies and Procedures should be in place to identify the risk to staff (risk assessments (RAs)) for the activities they undertake. A training plan and records system

also needs to be in place. Crown Estate Scotland needs to ensure that personnel are appropriately qualified to undertake relevant tasks, have appropriate levels of training, have relevant supervision in place and that all plant and equipment used is fit for purpose and is inspected regularly.

Fochabers and Glenlivet Maintenance Workforce

As employers of the maintenance team based at Fochabers Crown Estate Scotland has responsibility (as with all employees) to ensure procedures are in place to identify the work risks (risk assessments) for the activities undertaken and to put in place control measures to reduce these risks as low as reasonable practicable. It is also a responsibility to provide adequate training and advice, provide adequate supervision, personal protective equipment (PPE) and appropriate tools and equipment for staff to be able to undertake their duties safely. Provision of an appropriate workplace and procedures for monitoring, inspecting and recording H&S data are also essential.

As managers of the day-to-day tasks undertaken by the workforce, and budget holders for their equipment, Savills (under their terms of Appointment) have a large degree of control and therefore responsibility for ensuring that the workforce remain compliant with all internal safety, health and environmental requirements, to a greater degree than they would when instructing contractors to work on behalf of Crown Estate Scotland. This involves ensuring that appropriate RAs and method statements are in place for the tasks instructed, that the team are competent to carry out the assigned task, that there is safe access, safe equipment, that they are provided with information on the health and safety risks associated with the task, that adequate supervision is in place, that the workforce comply (through regular inspections) with all H&S controls (identified in RAs) and that H&S is regularly reviewed as part of day-to-day management.

Occupational Health and Wellbeing

Crown Estate Scotland is required to assess all employees job requirements against their job role to identify occupational health (OH) risks. Certain roles will require routine medicals to be undertaken to monitor potential long term impacts and any underlying or other health issues that may be adversely affected by the job requirements. This may then require management intervention/controls to be put in place to mitigate against the impacts of long term exposure or reasonable adjustments to mitigate against exposure to these risks. Occupational Health requirements need to be managed through an OH provider and current options are being investigated.

Staff of Crown Estate Scotland also have a responsibility for their personal health and need to make their employer aware of any health issues that might be adversely affected by their job role (e.g. pregnancy).

Line managers have a responsibility to work with Human Resources (HR) to manage specific staff health issues and to put in place and monitor relevant risk assessments.

It should be a general procurement policy to contract out/hire tasks which carry specific risks (i.e. those not normally undertaken or managed through standard procedures / RAs) to mitigate against OH risks.

Staff Wellbeing

There is a growing body of evidence to show the financial benefits enjoyed by organisations that implement well-being programmes, including reduced sickness absence, improved productivity and reduced staff turnover. Consideration should be given to a workplace charter for 'wellness' and the development of a 'wellness' program.

Activities can be planned and managed through workplace committees to ensure continued engagement and applicability to the business.

For most staff in Crown Estate Scotland driving on business represents the highest H&S risk and this will be reviewed within risk assessments to ensure this risk is managed appropriately.

A procedure for the pool car is required to ensure that any employee using the car is covered by insurance and evidence of driving licenses have been provided. Employees will be required to inform Crown Estate Scotland if they are banned from driving or receive points on their licence. They will also be required to complete safety checks on the vehicle before use and report any concerns or faults. The car log book (mileage and record sheets) should be completed for all journeys.

Workplace assessments

HR will be required to ensure that all new employees are provided with information on display screen equipment risks and safe use. They will also provide a DSE assessment (paper assessment) to be completed by all staff. Any follow up concerns that cannot be rectified will need to be resolved by line managers or with HR organising specialist support where required. Crown Estate Scotland will have the services of an occupational health provider (as per above) to call upon in this instance.

Indirectly managed activities

Where a work activity is delivered and managed by a third-party organisation on behalf of Crown Estate Scotland, and Crown Estate Scotland does not take day to day responsibility for management decision, but maintains a strategic overview and has a client responsibility.

This is where we have relationships with Managing Agents / external project managers or contractors managing assets on our behalf.

Permitted activities

Activities which occur on Crown Estate Scotland owned land but are not under the control of Crown Estate Scotland for example offshore activity where we lease seabed to developers.

Although there is no legal requirement for us to carry out H&S checks on third party organisations, leasing parts of the seabed or an asset does have potential reputational risks. For this reason, we follow a due diligence process and ask a set of H&S questions during the approval process. We then require organisations to disclose any incident reportable to HSE or any other significant H&S matters.

This procedure is defined within our HSE management system.

Property compliance – indirect management

As a property and landlord legal responsibility for H&S compliance includes:

- Asbestos
- Electrical safety

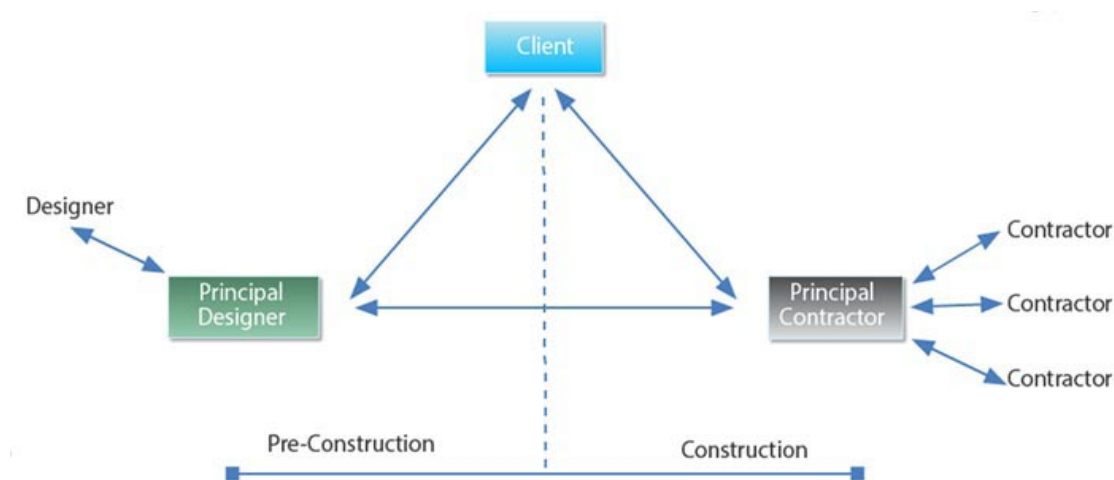
- Gas installations
- Structural soundness/stability
- Domestic Water supply quality

These duties are carried out by our managing agents and require monitoring through monthly and quarterly reporting processes to ensure compliance. This will be assured through external auditing provided by the external consultant. Crown Estate Scotland will need to investigate and put in place arrangements for monitoring and managing MA compliance and record keeping using an appropriate electronic or other compliance management system.

Crown Estate Scotland needs a policy for asset management which covers client requirements. This will be provided to all managing agents and they will be expected to adhere to this as a contract condition.

The Construction (Design and Management) Regulations 2015 (CDM)- coordination

Crown Estate Scotland will act as a client under the CDM 2015 where any construction work as defined by the regulations is carried out. Even where external project managers or managing agents project manage the work, the ultimate client responsibility will often remain with Crown Estate Scotland. Key client responsibilities are covered within the Crown Estate Scotland CDM procedures and staff are required to complete CDM awareness training. The diagram below demonstrates the client position in relation to the other duty holders:



Crown Estate Scotland carries out construction work directly with the Fochabers team, in this capacity the team are required to carry out the additional requirements of CDM 2015 and have CDM awareness training to ensure they comply with the requirements.

Property compliance – direct management

The Health and Safety Coordinator will be responsible for office compliance in premises occupied by Crown Estate Scotland staff at Tomintoul (Glenlivet), Applegirth Forestry Office and Bells Brae (tenant responsibilities including:

- Fire risk assessment
- Fire alarm checks and maintenance
- Provision /maintenance of fire extinguishers
- First aid / fire wardens - notices
- Water hygiene management (legionella)
- Asbestos
- General maintenance / trip hazards / fire exits
- Signage
- Emergency procedures
- Identification of responsible person
- H&S law poster
- Display of H&S committee minutes / agenda

Forestry Management

All commercial forest areas across the Crown Estate Scotland are managed in-hand by the Forest Manager for Scotland based at the Applegirth Estate office. Forest management activities including felling, ground preparation, planting and general maintenance are the responsibility of the Forest Manager. Given the nature of forest management, H&S requirements are set out in a separate policy which – identifies specific requirements for silvicultural management. It is a requirement that this policy document is reviewed annually and is updated in line with best practice / legal requirements. Woodland management is audited annually against the UK Woodland Assurance Standard which involves an assessment of forestry H&S.

Tree safety management

The management of trees to protect against the liability of hazards caused by dangerous or diseased trees is a key element of risk management in Scotland. A well-developed procedure is in place to manage this risk and is set out in a separate policy document. As with forestry safety, it is a requirement to review/audit this policy annually to ensure it meets best practice.

Staff Training requirements

CES(IM) has an obligation to ensure staff training needs have been identified, staff have attended the relevant course and skills are kept up to date.

A training matrix is required that identifies training requirements against job role and refresher training. Records that training has been undertaken are required to be kept with HR.

Appointment of a Health and Training Coordinator within the business is required to ensure that all the requirements to maintain the systems described within this framework document are undertaken. A job description for this role will need to be developed.

Certification and memberships

SIA Global have provided 18001 and 14001 certifications historically to The Crown Estate. It is expected that Crown Estate Scotland will be maintaining this certification moving forward. Once established Crown Estate Scotland will need to apply for membership of SIA Global.

Membership of British Safety Council and RoSPA will also be considered moving forward. The internal H&S Coordinator will be required to sign up to IOSH.

HSE Audit procedures

Crown Estate Scotland must ensure that the health and procedures are implemented and effective. Auditing will ensure that internally and externally application of procedures is carried out. The Crown Estate Scotland H&S consultant will be required to provide a service to audit Managing Agents and contractors where required. Managing agents will be audited annually as a minimum.

Crown Estate Scotland will be independently audited by SIA through the 18001 and 14001 certification process which will identify gaps in application or effectiveness of health and safety management and provide advice on best practice, based on knowledge of other clients and organisations approach to H&S management.

Consultation with Employees / Health and Safety Committee Meetings – leadership, agenda, frequency and attendees

Each area of the business will need to nominate a health and safety representative who will sit on the central H&S committee. It is their duty to consult with and provide information to other staff within their business areas. The legal requirement to consult with employees will be achieved through periodic H&S consultation meetings and circulation of minutes of the central H&S committee. The involvement of managing agents on the Central Committee should be considered as and when appropriate.

The following items will be included within the terms of reference for the Health and Safety committee:

- Definition of responsibilities for H&S representatives
- H&S Performance review – to include
 - MA compliance – indirectly managed property and accident data including project and CDM. Including property compliance for direct and indirectly managed properties and permitted activities.
- Updates on legislation
- Accident / Incidents review / enforcement visits
- Culture – promoting a strong H&S culture
- Reviewing responsibilities for H&S
- Updates for RA / Risk register required.
- Maintaining dashboard
- Training requirements
- H&S reps feedback from business area

HSE Reporting

The health and safety co-ordinator will produce a report to go to Bells Brae H&S committee every quarter. This will ensure H&S performance is reviewed by a cross section of representatives from each portfolio and estate as relevant.

Head of Property will chair this and develop a report for the Board on a bi annual and annual basis.

Health and safety should feature as a standing agenda item in management meetings (as per above).

Managing agents will be required to report on health and safety within their existing reporting format. The degree of health and safety information will be proportionate to the amount of health and safety responsibility held by the managing agent. A draft Dashboard has been produced to be reviewed and finalised.

Incident management

All incidents, accidents and near misses need to be recorded to ensure that lessons are learnt and remedial action is taken to prevent a reoccurrence. Near misses are defined as incidents where no harm or damage occurred but harm or damage could have occurred.

Directly managed

All offices will be required to hold an accident book to ensure any accident involving a member of staff or a member of the public is captured and the correct information collated. Line Managers or the responsible person for that estate or property (key contact within Crown Estate Scotland) will have responsibility for investigating where necessary.

Notification of all accident, incidents and near misses must be promoted throughout the business for directly managed and indirectly managed portfolios.

Managing agents and contractors are required within their contracts to comply with our incident notification requirements including reporting any accidents, incidents and near misses to their key contact (i.e. asset manager) within the business. They will also be required to carry out investigations where necessary and provide incident reports to their key contact Crown Estate Scotland.

There will be one person within Crown Estate Scotland who is given responsible for collation of accident statistics to provide reporting to senior management within Crown Estate Scotland and enable trend analysis to take place.

Emergency procedures, crisis management, security

All potential emergency scenarios need to be considered and mitigation measures put in place by the person in control of the event, asset or estate. This could include a security threat, fire or loss of building functions. For directly managed activity emergencies are assessed within the risk assessment process to ensure the team have emergency procedures where required for work activities or organised events. For properties under the direct management of Crown Estate Scotland a fire risk assessment, trained fire wardens and emergency procedures will be in place.

For indirectly managed activities contractors and managing agents will assess the potential emergency scenarios and have mitigation measures in place.

A crisis management plan is required in case of a loss of ability to function normally such as a building failure or IS failure to ensure the business can continue to operate. This H&S framework should be cross referenced with Crown Estate Scotland Crisis Management policy as required.

Appendix 1:

Health and Safety Policy

Crown Estate Scotland (Interim Management) is a body corporate constituted by The Crown Estate Scotland (Interim Management) Order 2017 and having its principal place of business at 6 Bells Brae, Edinburgh, EH4 3BJ, acting in exercise of the powers conferred on it by the Scotland Act 1998 (as amended) and The Crown Estate Act 1961 on behalf of Her Majesty the Queen.

We manage, develop and care for a variety of assets across Scotland including four rural estates, mineral and salmon fishing rights, about half of the coastal foreshore and almost all the seabed out to 12 miles.

We have a significant role in supporting aquaculture, marine leisure, ports & harbours and offshore renewable energy. Our role is to make sure that the land and property we invest in and manage are sustainably worked, developed and enjoyed to deliver the best value over the long term.

We seek to not only comply with health and safety legislation but find opportunities to continually improve and we recognise that excellent health and safety management is fundamental to the success of an organisation. As an organisation and employees, we will:

- Openly listen to suggestions to improve health and safety
- Provide strong and active leadership in health and safety
- Ensure adequate arrangements are in place to identify health and safety risks to the organisation and risks are managed appropriately.
- Develop arrangements to prevent, so far as reasonable practicable, injury, ill health and damage as a result of its undertaking.
- Provide clear instruction, information, training and supervision to ensure employees have the right skills, knowledge and experience to do their work.
- Engage and consult with employees and our supply chain to request their involvement with health and safety culture and conditions.
- Allocate sufficient resources for health and safety to be managed effectively.
- Assess and plan for potential emergency scenarios.
- Maintain safe and health working conditions, provide and maintain safe plant equipment and machinery and ensure safe use and storage of substances.

We will review this policy annually to capture changes in legislation and new ideas from within our organisation and our supply chain. All employees are expected to understand and apply the requirements of this policy and work to embed a positive health and safety culture.

Signed:

Ronnie Quinn

Chief Executive

Dated: 01 April 2017

Annex B: Health and Safety Policy

Crown Estate Scotland (Interim Management) is a body corporate constituted by The Crown Estate Scotland (Interim Management) Order 2017 and having its principal place of business at 6 Bells Brae, Edinburgh, EH4 3BJ, acting in exercise of the powers conferred on it by the Scotland Act 1998 (as amended) and The Crown Estate Act 1961 on behalf of Her Majesty the Queen.

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- Provide clear instruction, information, training and supervision to ensure employees have the right skills, knowledge and experience to do their work.
- Engage and consult with employees and our supply chain to request their involvement with health and safety culture and conditions.
- Allocate sufficient resources for health and safety to be managed effectively.
- Assess and plan for potential emergency scenarios.
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We will review this policy annually to capture changes in legislation and new ideas from within our organisation and our supply chain. All employees are expected to understand and apply the requirements of this policy and work to embed a positive health and safety culture.

Signed:



Ronnie Quinn

Chief Executive

Dated: 01 April 2017

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Establishment of Committees (Audit and Investment) – Paper BD(2017)01.10	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Annex A Draft Terms of Reference for Audit Committee Annex B Draft Terms of Reference for Investment Committee	
Recommendation	To approve the establishment of both an Audit Committee and an Investment Committee	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Under The Crown Estate Scotland (Interim Management) Order 2017, Crown Estate Scotland (Interim Management) ("Crown Estate Scotland") must establish an audit committee and may establish other committees.
2. It is proposed that in addition to the audit committee, an investment committee is established.
3. The purpose of the audit committee is to support the board of Crown Estate Scotland ("the Board") in their responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge.
4. The proposed purpose of the investment committee is to support the Board in approving investment transactions in relation to the acquisition and disposal of assets and to review and monitor investments.

Discussion

5. The board is asked to consider/discuss the following matters in relation to the establishment of an audit committee and an investment committee:
 - Determine the membership of each committee;
 - Confirm the arrangements for chairing of the committee meetings;
 - Establish the terms of reference for each committee

- Determine the timings for meetings of each committee.
6. Draft terms of reference for each committee is attached to this paper.

Approval

7. Approval is sought for the establishment of an audit committee and an investment committee and a timeline agreed for the establishment of each committee, including providing comments on the terms of reference.

Annex A: Terms of Reference for Audit and Risk Committee

1. Membership

- 1.1 The committee shall comprise at least three members. Members of the committee shall be appointed by the board of Crown Estate Scotland ("the Board").
- 1.2 The Board shall appoint the committee chairperson ("the Chair"). In the absence of the Chair at a committee meeting, the remaining members shall elect one of themselves to chair the meeting.

2. Secretary

The Governance Manager shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

The quorum necessary for the transaction of business of the committee shall be two members.

4. Reporting

The audit and risk committee will formally report in writing to the Board and Accountable Officer after each meeting. A copy of minutes of the meeting may form the basis of the report.

The audit and risk committee will provide the Board and Accountable Officer with an Annual Report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

5. Responsibilities

The audit and risk committee will advise the Board and Accountable Officer on:

- the strategic processes for risk, control and governance and the governance statement;
- the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and the external audit's management letter of representation;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity, including external audit's management letter/report;
- the effectiveness of the internal control environment;
- assurances relating to the corporate governance requirements for the organisation;
- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.

The audit and risk committee shall also:

- keep under review Crown Estate Scotland's risk management framework and risk profile;
- review the adequacy and security of Crown Estate Scotland's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- review the effectiveness of Crown Estate Scotland's insurance arrangements;
- review Crown Estate Scotland's complaints handling procedure.

The audit and risk committee will also periodically review its own effectiveness and report the results of that review to the Board and Accountable Officer.

6. Rights

The audit and risk committee may:

- co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board or Accountable Officer.

7. Access

The representative of Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the audit and risk committee.

8. Meetings

8.1 The procedures for meetings are:

- the audit and risk committee will meet at least four times a year at appropriate intervals in the financial reporting and audit cycle. The Chair may convene additional meetings, as he/she deems necessary;
- audit and risk committee meetings will normally be attended by the Accountable Officer, the Head of Finance and a representative of External Audit, when required. Additional attendees of audit and risk committee meetings will be decided by the Chair;
- the audit and risk committee may ask any other officials of the organisation to attend to assist it with its discussions on any particular matter;

- the audit and risk committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters;
- the Board or Accountable Officer may ask the audit and risk committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

9. Notice of meetings

- 9.1 Meetings of the audit and risk committee shall be convened by the secretary of the committee.
- 9.2 Unless otherwise agreed by the audit and risk committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than 7 days before the date of the meeting. Supporting papers shall be sent to the committee members at the same time.
- 9.3 Notices, agendas and supporting papers can be sent in electronic form.

10. Minutes of meeting

- 10.1 The secretary shall minute the proceedings and decisions of all meetings of the audit and risk committee, including recording the names of those present and in attendance.
- 10.2 Draft minutes of committee meetings will be agreed with the Chair and then circulated promptly to all members of the committee.

11. Information requirements

- 11.1 For each meeting the audit and risk committee will be provided with:
- a report summarising any significant changes to the organisation's Risk Register;
 - a progress report summarising:
 - work performed (and a comparison with work planned);
 - key issues emerging from Internal Audit work;
 - management response to audit recommendations;
 - significant changes to the audit plan;
 - any resourcing issues affecting the delivery of Internal Audit objectives;
 - a progress report on any open audit points;
 - any update on any resourcing or governance issues which may impact the delivery of any aspect of the risk and audit framework.

As and when appropriate the audit and risk committee will also be provided with:

- proposals for the Terms of Reference of Internal Audit;
- the Internal Audit Strategy;

- quality assurance reports on the Internal Audit function;
- the draft accounts of the organisation;
- the draft governance statement;
- a report on any changes to accounting policies;
- a progress report from the External Audit representative summarising work done and emerging findings.
- External Audit's management letter/report;
- a report on any proposals to tender for audit functions;
- an annual report on fraud and theft.

Annex B: Terms of Reference For Investment Committee



1. Membership

- 1.1 The committee shall comprise at least [three] members. Members of the committee shall be appointed by the board of Crown Estate Scotland ("the Board").
- 1.2 The Board shall appoint the committee chairperson ("the Chair"). In the absence of the Chair at a committee meeting, the remaining members shall elect one of themselves to chair the meeting.

2. Secretary

The Governance Manager shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

The quorum necessary for the transaction of business of the committee shall be [two] members.

4. Reporting

The investment committee will formally report in writing to the Board after each meeting. A copy of minutes of the meeting may form the basis of the report.

The Investment Committee will provide the Board with an annual report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

5. Responsibilities

The investment committee will:

- propose and agree with the Board on an annual basis, investment objectives in relation to the acquisition and disposal of assets and an investment strategy;
- keep under review the investment strategy against the investment objectives, and taking into account Crown Estate Scotland's risk appetite;
- consider proposed investment transactions in relation to the acquisition and disposal of assets which require Board approval in accordance with the Scheme of Delegation, and make recommendations to the Board in respect thereof;
- provide guidance and support in connection with approved transactions, including monitoring progress, as appropriate;
- monitor the performance of investments;
- contribute to the annual report as required.

6. Rights

The investment committee may:

- seek any information it requires from any employee of Crown Estate Scotland in order to perform its duties; and
- procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

7. Meetings

7.1 The procedures for meetings are:

- the investment committee will meet at least four times a year, or otherwise as and when required. The Chair may convene additional meetings, as he/she deems necessary;
- investment committee meetings will normally be attended by the Chief Executive and the Head of Finance. Additional attendees of investment committee meetings will be decided by the Chair;
- in the event of equality of votes, the Chair shall have a casting vote;
- the members of the investment committee will serve on the committee at the discretion of the Board and may be removed by the Board.

8. Notice of meetings

8.1 Meetings of the investment committee shall be convened by the secretary of the committee.

8.2 Unless otherwise agreed by the investment committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than 7 days before the date of the meeting. Supporting papers shall be sent to the committee members at the same time.

8.3 Notices, agendas and supporting papers can be sent in electronic form.

9. Minutes of meeting

9.1 The secretary shall minute the proceedings and decisions of all meetings of the investment committee, including recording the names of those present and in attendance.

9.2 Draft minutes of committee meetings will be agreed with the Chair and then circulated promptly to all members of the committee.

10. Terms of Reference - Review

10.1 The investment committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Risk Management Policy and Risk Appetite – Paper BD(2017)01.11	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Ashley MacIntyre	
Author	Ashley MacIntyre	
Annexes	Annex A Draft Risk Management Policy	
Recommendation	The Board is invited to confirm the approach to adopting Crown Estate Scotland’s Risk Management Policy	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Under the Framework Document, Crown Estate Scotland (Interim Management) ("Crown Estate Scotland") must develop a risk management strategy, in accordance with the risk management section of the Scottish Public Finance Manual.
2. It is the responsibility of the Accountable Officer to ensure that there are sound and effective arrangements for internal control and risk management. The Accountable Officer should be supported by the audit and risk committee. Part of these arrangements are to have in place a risk management policy and a risk register.
3. The board of Crown Estate Scotland ("the Board") is expected to assure itself on the effectiveness of Crown Estate Scotland's risk management systems.
4. Crown Estate Scotland's risk management strategy is being developed. A draft of the Risk Management Policy is attached to this paper, which includes:
 - proposed risk appetite statement;
 - draft impact and likelihood assessment criteria; and
 - a proposed risk register.

Discussion

5. Given the importance of risk management within the overall corporate governance arrangements of Crown Estate Scotland, the Board is asked to take part in the development of Crown Estate Scotland's risk management strategy.

6. The board is asked to consider/discuss the following matters in relation to the risk management strategy:
- Comments arising from a review of the draft Risk Management Policy;
 - Actions or information required to agree Crown Estate Scotland's "risk appetite";
 - Consideration of the draft risk management policy by the audit and risk committee.

Approval

7. Approval is sought to agree the approach to the adoption of the risk management policy and in particular, agreeing Crown Estate Scotland's "risk appetite".

1 Introduction

- 1.1 This document sets out Crown Estate Scotland's risk management policy, describes the activity that underpins it and provides guidance to the organisation on implementing this policy.
- 1.2 The policy applies to all Crown Estate Scotland employees and should be applied consistently across the organisation.

2 Overview

- 2.1 Risk management is important to both meeting the requirements of effective corporate governance and to provide the benefits of good risk management as a business management tool.
- 2.2 The board recognises that it is essential to have an effective risk management policy and framework in place to support sound business decisions and the achievement of Crown Estate Scotland's strategic objectives and vision. In addition the risk management policy helps protect the safety of our staff, our reputation and gives confidence to those that scrutinise Crown Estate Scotland in the robustness of our corporate governance arrangements and internal controls.
- 2.3 It is important to recognise that as a business Crown Estate Scotland is not averse to taking risk. The implementation of this policy should not change this attitude to risk. Instead the techniques and procedures described within the policy will help to identify and evaluate risks within the business, enable informed decisions to be made about how to manage risk and how to take appropriate risks in a controlled and measured manner.

3 Our approach to managing risk and opportunity

- 3.1 Our vision is [a successful property management business working to benefit its customers, local communities and Scotland as a whole].
- 3.2 To achieve our vision, we require to have an effective risk management framework in place. Embedding our approach to risk management across the organisation is critical to this and we will do this through:
 - encouraging and enabling Crown Estate Scotland staff to understand our approach to, and their role in, risk management and in particular the risks facing Crown Estate Scotland;
 - delegating responsibility for risk ownership and management as appropriate;
 - ensuring that designated individuals receive the necessary training, ongoing support and advice in connection with risk management;
 - integrating risk management within planning at strategic and operational levels;
 - providing an understanding across the organisation of our risk appetite.

4 Risk management roles and responsibilities

- 4.1 Primary responsibility for risk management sits with the board and the Chief Executive (in the role as Accountable Officer). The audit and risk committee support the board and the Chief Executive in relation to risk management.
- 4.2 Although primary responsibility sits with the board and the Chief Executive, it is the role of the senior management team to implement and take responsibility for risk management on a day to day basis. However, all staff should be risk aware. All employees have a valuable role to play in managing risk and ensuring behaviour is aligned to our risk management culture. The key roles and responsibilities in relation to risk are summarised below:

Title	Responsibilities
Board	<ul style="list-style-type: none">• Assuring itself on the effectiveness of Crown Estate Scotland's internal control and risk management systems;• Approving the risk management policy;• Receiving reports from the ARC and the senior management team on the operation of the risk management arrangements and on the key risks, mitigating controls and further actions proposed in relation to risks.
Audit and Risk Committee ("ARC")	<ul style="list-style-type: none">• Scrutinising Crown Estate Scotland's risk management framework and its risk approach;• Receiving reports from the senior management team on:<ul style="list-style-type: none">- risks identified and the effectiveness of procedures to manage such risks;- the effectiveness of the risk management systems established for identifying, assessing monitoring and managing risks.• Monitoring the effectiveness of the risk management arrangements;• Reviewing Crown Estate Scotland's risk registers;• Regularly reporting to the board on Crown Estate Scotland's risk and risk management;• Preparing annual report in respect of risk and risk management.
Chief Executive	<ul style="list-style-type: none">• Ensuring Crown Estate Scotland has effective arrangements for internal control and risk management;

	<ul style="list-style-type: none"> • Personal responsibility for signing the Governance Statement, in the role as Accountable Officer.
Senior Management Team ("SMT")	<ul style="list-style-type: none"> • Reviewing corporate risks that may impact the achievement of Crown Estate Scotland's corporate strategy and objectives on an ongoing basis and take action to mitigate risk to the appropriate level; • Reviewing escalated risks from department level; • Responsibility for the Corporate Risk Register and ensuring its completeness and accuracy; • Communicating Crown Estate Scotland's risk appetite/tolerance across the organisation; • Reporting to the ARC and board on risks and risk management.
Risk Owners (the designated individual to manage and monitor risk. For risks included in the Corporate Risk Register these are generally owned by Heads of Department. At the department level, Heads of Department may delegate ownership for individual risks to staff with relevant day-to-day responsibility and/or experience)	<ul style="list-style-type: none"> • Maintaining all aspects of risk assigned to them, including risk management and mitigation controls; • Ensuring the risk is included in the appropriate risk register and the risk registers are updated; • Investigate the causes of a risk having materialised and assess the degree of effectiveness of mitigating controls; • Evaluate the impact and likelihood of the risks; • Escalating risks where appropriate.
Heads of Department	<ul style="list-style-type: none"> • Promoting the culture of managing risk within their business area and acting as a source of information and assistance within their business areas for risk owners; • Facilitating the risk management process and reporting within their business area (specifically quarterly reporting); • Escalating corporate risks and department level risks, as appropriate, to the SMT; and • Facilitating the ongoing review of Department Risk Registers.

Internal Audit	<ul style="list-style-type: none"> • Evaluating Crown Estate Scotland's internal control system and the effectiveness of controls; • Providing independent assurance generally on Crown Estate Scotland's management of risk.
Mitigating Control Owners (the persons who are responsible for implementing the identified controls that mitigate the risks. These are persons who have influence over the resources involved and with ability to influence the desired outcome. Consequently, the mitigating control owners may or may not necessarily be the risk owners.).	<ul style="list-style-type: none"> • Ensure that the identified mitigating control operates effectively.
All staff	<ul style="list-style-type: none"> • Contribute to the management of risk through applying risk management policies appropriately and consistently; • Reporting potential risks to line management for consideration.

5 Risk registers

5.1 Risk registers are used to capture risks once they have been identified and evaluated. Risk registers are intended to present a complete picture of the risk exposure, the mitigating controls and supports the monitoring of risk.

5.2 Crown Estate Scotland maintains a Corporate Risk Register and Department Risk Registers:

Corporate Risk Register: this register reflects the most significant risks that have the potential to prevent Crown Estate Scotland from delivering its objectives set out in the Corporate Plan. The SMT maintains and updates the Corporate Risk Register.

Department Risk Register: departments maintain their own risk registers, which reflect the specific risks associated with their activities. Heads of Department are responsible for their respective department registers, but may delegate responsibility for updating registers to appropriate individuals within their department. Department heads should

evaluate “red” and “amber” risks to assess whether they merit inclusion in the Crown Estate Scotland Corporate Risk Register.

- 5.3 Appendix D sets out the format of the risk registers and instructions on updating the columns in the risk registers.

6 Risk appetite

- 6.1 Risk appetite is the amount of risk Crown Estate Scotland is prepared to accept, or be exposed to, at any point of time, in order to achieve our strategic objectives and deliver our corporate priorities. The board agrees our risk appetite annually. However, in practice risk is considered regularly as part of the normal flow of information reviewed by the board throughout the year.
- 6.2 The following risk appetite statement has been agreed by the board:

“Crown Estate Scotland’s risk appetite is the amount and type of risk that we are willing to take to meet our strategic objectives. Our risk appetite is appropriately cautious and largely governed by the requirements of the Crown Estate Act and the targets agreed with the Scottish Ministers. As a result, we do not take risks that threaten our ability to create value and achieve long-term sustainable economic growth.”

- 6.3 Crown Estate Scotland’s risk appetite is based on the impact and likelihood criteria (referred to below at **Risk Evaluation**). The risk appetite is depicted in the form of the “risk tolerance line” on the risk profile at Appendix C. Risks below the risk tolerance line are those that are willing to be accepted by Crown Estate Scotland. These risks require to be continually monitored to ensure that they remain below the risk tolerance line.

7. Risk management methodology

- 7.1 Crown Estate Scotland’s risk management process can be broken down into five steps: Risk Identification; Risk Evaluation; Assessment of how risks are managed; Identification of further actions; Risk Reporting (each as outlined below).

Risk Identification

- 7.2 The risk assessment cycle commences with the identification of risks that may impact on Crown Estate Scotland’s ability to achieve its strategic and operational objectives.
- 7.3 The identification of risk is an integral part of day-to-day activity, to provide a clear focus upon the changing risks inherent to our objectives. Management is constantly assessing risks to the organisation through formal and informal methods.
- 7.4 Considering the dynamic environment in which the organisation operates, there is always the potential for new risks or increased exposure from existing risks and therefore the need to continuously carry out the risk identification process.
- 7.5 Activities through which risks may be formally identified include:

- Preparing and monitoring the corporate strategy, business plans and key performance indicators;
- Design of new processes and procedures;
- Investment and divestment activity;
- Forecasting and scenario planning;
- Crisis management and business continuity planning;
- Planning projects and special initiatives;
- Specific risk workshops/discussions; and
- Existing forums, including board, audit committee and SMT meetings.

7.6 Corporate risks are identified by the SMT or escalated to the SMT by the relevant Heads of Department. Heads of Department are responsible for risk identification within their departments (via Department Risk Registers) as part of the business planning process and routine operational management.

7.7 A Risk Owner should be assigned to each risk identified who will take responsibility for ensuring that the risk is appropriately evaluated and mitigated.

7.8 Heads of Department have overall responsibility for and own departmental risks, but may delegate ownership of individual risks to individuals within their department with the relevant day-to-day responsibility or experience.

Risk Evaluation

7.9 Risks are assessed to ascertain at what level the risk should be treated and to identify potentially high level risks. Risks identified are evaluated based on assessment criteria of Impact X Likelihood and a risk rating is created.

- **Impact** is the extent to which the risk, if realised, would adversely affect the organisation/ department. The impact of the risk is assessed on a scale of 1 to 5 (1- Manageable/Low, 2-Moderate, 3-Major, 4-Serious, 5-Critical). For detailed assessment criteria refer to Appendix A;
- **Likelihood** is the probability of a particular risk occurring, including a consideration of the period over which and the frequency with which this may arise. The likelihood is

assessed on a scale of 1-5 (1-Very remote, 2-Unlikely, 3-Possible, 4-Probable, 5-Almost certain). For detailed assessment criteria refer to Appendix B; and

- **Risk Rating** is the combined risk impact and risk likelihood, which produces an overall risk rating. The risk rating is classified as “High”, “Medium” or “Low” and is colour coded as Red, Amber or Green. This is illustrated in Appendix C.
- 7.10 The Risk Profile (Appendix C) is a graphical representation of the risk ratings using the impact rating (vertical axis) and likelihood (horizontal axis), and allows the designation of particular risks as being areas of focus.
- 7.11 The risk evaluation consists of an evaluation at two stages, the “Inherent Risk” stage and “Residual Risk” stage.
- 7.12 The “Inherent Risk” stage depicts the likelihood and impact each risk has, without consideration of mitigating controls. This assessment allows management to identify those risks that are of greater concern.
- 7.13 Where the “Inherent Risk” evaluation identifies that mitigation controls are necessary ie the risk is above the risk tolerance line, each risk is then reassessed at the “Residual Risk” stage. The “Residual Risk” assessment builds upon the “Inherent Risk” assessment, but takes into account the mitigating controls to determine the residual risk. Residual risk is the level of risk that may remain after mitigating controls have been taken into account.
- 7.14 The Residual Risk profile also assists management in determining whether additional actions, known as “Further actions”, should be taken so as to further mitigate risks.

Assessment of how risks are managed

- 7.15 Mitigating controls are the controls to reduce the risk identified. The mitigating controls may:
- reduce the likelihood of the risk materialising; or
 - reduce the impact of the risk in the event that it materialises; or
 - reduce the likelihood and impact of the risk.

- 7.16 Agreeing mitigating controls involve identifying and evaluating a significant range of options for treating risk and preparing and implementing risk management plans.
- 7.17 Ownership of mitigating controls may or may not necessarily rest with a risk owner. Responsibility for controls should be allocated to an appropriate individual who has influence over the resources involved and an ability to influence the desired outcome.
- 7.18 Mitigating controls should be proportional to the risk. Every mitigating control has an associated cost and must be evaluated with reference to the risk being controlled and the related opportunity.
- 7.19 Once the mitigating controls have been identified the “Residual Risk” can be determined.
- 7.20 The risk register should be updated with the Inherent Risk, Control Strategy (ie mitigating controls) and the Residual Risk.
- 7.21 Unless the residual risk after identifying the mitigating controls are at an acceptable level, further action may need to be taken to further reduce the risks to an acceptable level.

Identification of further actions

- 7.22 Further Actions aim to reduce the risk by:
- **Transferring** some aspects of the risk: in this situation all or part of the risk is transferred to a third party, for example managing agents or by using insurers; or
 - **Treating** the risk: in this situation mitigating actions or controls are identified to reduce risk. These controls should be monitored on a regular basis to ensure that they are effective; or
 - **Terminating** the risk: in this situation the risk is terminated by deciding not to proceed with an action or to carry out the action in a different way.

These further actions need to be identified and recorded on the risk register, by documenting the following:

- the further actions required to mitigate the risk to an acceptable level; and
- owners for the further actions and timelines for their implementation.

Management may take a conscious decision to accept the risk level and not take further action to mitigate the risk, even though it is above the risk tolerance line. This decision is made taking into account factors such as the cost of treating the risk is considered to outweigh the potential benefits. This decision is made by the SMT and informed to and supported by the board.

Risk Reporting

Risk reporting is undertaken at corporate and department level as a structured, controlled and coordinated process to support the risk management process.

As risks are never static and are always changing, the risk reporting process is intended to monitor not only the effectiveness of the risk identification and evaluation process, but also the progress on the identified mitigation controls and further actions.

The risk register and risk profiles are the main tools used in risk reporting.

Department level

Heads of Department will review Department Risk Registers at least quarterly, including new risks, the status of all high risks and changes in the status of existing risks. The Heads of Department will ensure that risks identified at department level and which may have a wider impact on Crown Estate Scotland are escalated to be considered by the SMT for inclusion in the Corporate Risk Register.

Corporate level

The SMT review escalated risks from the Heads of Department with specific emphasis on new risks and significant changes in the profile to existing risks.

On a routine basis the ARC will receive updates on Crown Estate Scotland's risk management framework and identified risks from the SMT, including reports on the changing risk profile within Crown Estate Scotland including areas of increasing risk, where controls are not considered to be effective and horizon scanning for areas of possible future risk.

The Corporate Risk Register as approved by the SMT is presented to the ARC and the board.

Crown Estate Scotland's board will review and approve risk management policies and strategies. It will take advice from the ARC on these matters.

[May] 2017

Risk Assessment Criteria - Impact

Impact Area	Financial			Reputation		Health & Safety	Staff Impact	Legal, Regulatory & Compliance
	Revenue	Cost ¹	Property Value	Publicity	Tenant/Brand Impact			
Comments Impact	Impact on revenue	Impact on Costs	Under performance against total returns benchmark	Adverse publicity	Impact on tenant perception of Crown Estate Scotland	Health Safety event impacting staff, customers and agents	Impact on staff performance and engagement	Impact of legal action and/or regulatory non-compliance leading to conviction for criminal acts/ civil penalties
Critical Rating - 5	<ul style="list-style-type: none"> Major failure (>5%) to meet revenue over many years 	<ul style="list-style-type: none"> £125k 	<ul style="list-style-type: none"> Under performance against IPD (or equivalent) over multiple years 	<ul style="list-style-type: none"> Loss of credibility with Scottish Ministers 	<ul style="list-style-type: none"> Significant issues with a large number of key tenants and/or loss of confidence from whole industry sectors 	<ul style="list-style-type: none"> Loss of life /permanent disablement 	<ul style="list-style-type: none"> 25% unplanned turnover in overall workforce 30% unplanned turnover in employees holding key business generation positions (i.e. impact on business continuity) Significant employee relation problems across whole business 	<ul style="list-style-type: none"> Legal action Unlimited damages Major criminal conviction leading to prison term>5 years for employee(s) Cumulative and fundamental non-compliance or Ultra-Vires
	<ul style="list-style-type: none"> >10% of Dep't budgeted revenue 	<ul style="list-style-type: none"> >10% of Dep't expenses 						
Serious Rating 4	<ul style="list-style-type: none"> Major failure (>5%) to meet revenue target over three years 	<ul style="list-style-type: none"> £50k-£125k 	<ul style="list-style-type: none"> Significant (5%+) under performance against IPD (or equivalent) over one year 	<ul style="list-style-type: none"> Ongoing criticism in national press Ongoing criticism from tenants or key stakeholders 	<ul style="list-style-type: none"> Significant issues with a small number of key tenants and/or a loss from confidence from some industry associations 	<ul style="list-style-type: none"> Major injuries 	<ul style="list-style-type: none"> 20% unplanned turnover in overall workforce 25% unplanned turnover in employees holding key business generation positions (i.e. impact on business continuity) Significant employee relation problems in two or more business groups 	<ul style="list-style-type: none"> Facilitate a serious crime Prevent investigation of a serious crime Penalties>-£100k Public Accounts Committee hearing Cumulative non-compliance with regulation Medium level Criminal Conviction
	<ul style="list-style-type: none"> 5-10% of Dep't budgeted revenue 	<ul style="list-style-type: none"> 5-10% of Dep't expenses 						
Major	<ul style="list-style-type: none"> Major failure (>5%) to meet revenue target over two years 	<ul style="list-style-type: none"> £25k-£50k 	<ul style="list-style-type: none"> Large (1-5%) underperformance against IPD (or equivalent) over on 	<ul style="list-style-type: none"> Ongoing criticism in regional press Criticism in national press 	<ul style="list-style-type: none"> Criticism from key tenants and/or industry associations 	<ul style="list-style-type: none"> More than minor injuries requiring hospitalisation 	<ul style="list-style-type: none"> 15% unplanned turnover in overall workforce 20% unplanned turnover in employees holding key business generation positions (i.e. impact on business continuity) 	<ul style="list-style-type: none"> Minor level Criminal leading to Penalties £10k-£100k Impede investigation of a

¹ Taken as 5% of UK impacts

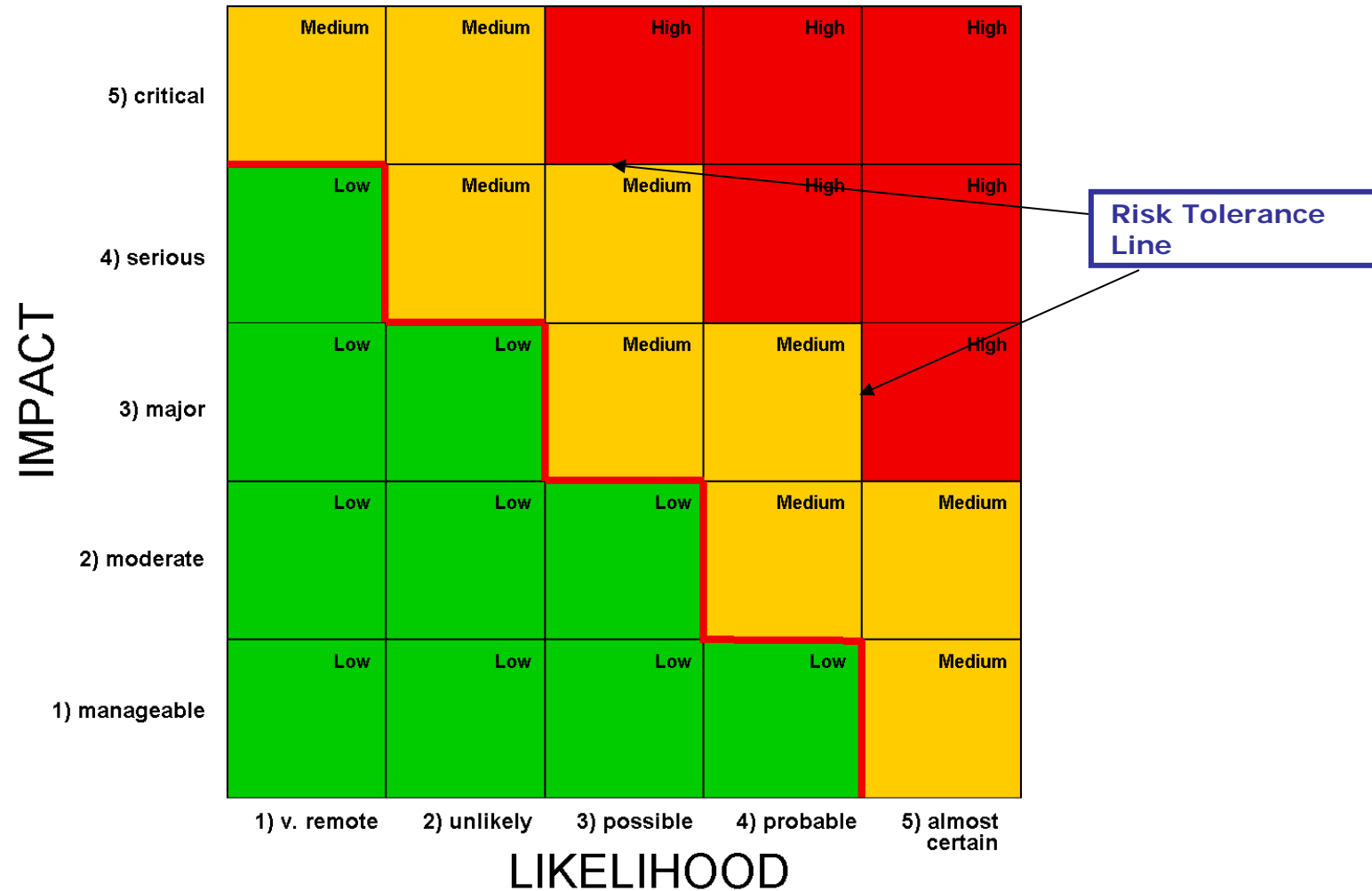
Impact Area	Financial			Reputation		Health & Safety	Staff Impact	Legal, Regulatory & Compliance
	Revenue	Cost ¹	Property Value	Publicity	Tenant/Brand Impact			
Comments Impact	Impact on revenue	Impact on Costs	Under performance against total returns benchmark	Adverse publicity	Impact on tenant perception of Crown Estate Scotland	Health Safety event impacting staff, customers and agents	Impact on staff performance and engagement	Impact of legal action and/or regulatory non-compliance leading to conviction for criminal acts/ civil penalties
Rating - 3	● 2-5% of Dep't budgeted revenue	● 2-5% of Dep't expenses	year	● Criticism by key stakeholders in relation to core assets		● Failure to comply with a prohibition notice	● Significant employee relation problems in one or more business groups	serious crime ● Prison terms<10 years ● NAO qualification
Moderate Rating - 2	● Major failure (>5%) to meet revenue target over one year ● 0.5-2% of Dep't budgeted revenue	● £10K-£25k ● 0.5-2% of Dep't expenses	● <1% under performance against IPD (or equivalent) over one year	● Ongoing criticism in local press ● Criticism by regional stakeholders	● Ongoing criticism from tenants in one asset class	● Minor injuries likely (twisted ankle etc) ● Failure to comply with a improvement notice	● 5% unplanned turnover in workforce ● 20% unplanned turnover in employees holding key business generation positions (i.e. impact on business continuity) ● Employee relation problems in one business group	● Penalties £2k-£10k ● Minor investigation or trial possible
Manageable /Low Rating - 1	● Fail to meet revenue target over one year ● <0.5% of Dep't revenue	● <£5k ● <0.5% of Dep't expenses	N/A	● One off criticism in regional/local press	● One off criticism from tenants on specific issues	● Minor injuries possible	● 7 -10% planned turnover in workforce	● Penalties <£2k ● Facilitates a minor crime

Risk Assessment Criteria-Likelihood

	Very Remote	Unlikely	Possible	Probable	Almost certain
	Rating - 1	Rating - 2	Rating - 3	Rating - 4	Rating - 5
Definition	It is very unlikely that the risk will occur.	There is a high level of confidence that the risk will not materialise, although a change of circumstances could result in it occurring	There is a reasonable chance that the risk will occur	Unless the appropriate actions are taken within the required timescales the risk will definitely occur	The risk is highly likely to occur or has started to materialise/ become an issue
Guidance Examples					
Probability of occurrence	Less than 10% chance that the risk will occur	Less than 25% chance the risk will occur	25%-50% chance that the risk will occur	50%+ chance that the risk will occur	90+% chance that the risk will occur
Wider occurrence	Rarely happens to other organisations	Happens to organisations in other industries but rarely happens to similar businesses	Periodically happens to organisations in other industries and occasionally to other similar businesses	Periodically happens to /occurs in other similar businesses	Risk occurs frequently in similar businesses
Typical Frequency of risk occurrence	Once in a 100 year+ event	Once every 20 years	Once every 5-20 years	Once every 5-20 years	
Impact of Mitigation actions	Actions will not/highly unlikely to reduce likelihood of occurrence ('little can be done')	Actions will reduce likelihood of occurrence and the impact	Actions will reduce likelihood of occurrence and the impact	Actions will reduce likelihood of occurrence and the impact	Actions highly unlikely to reduce likelihood of occurrence (only the impact)

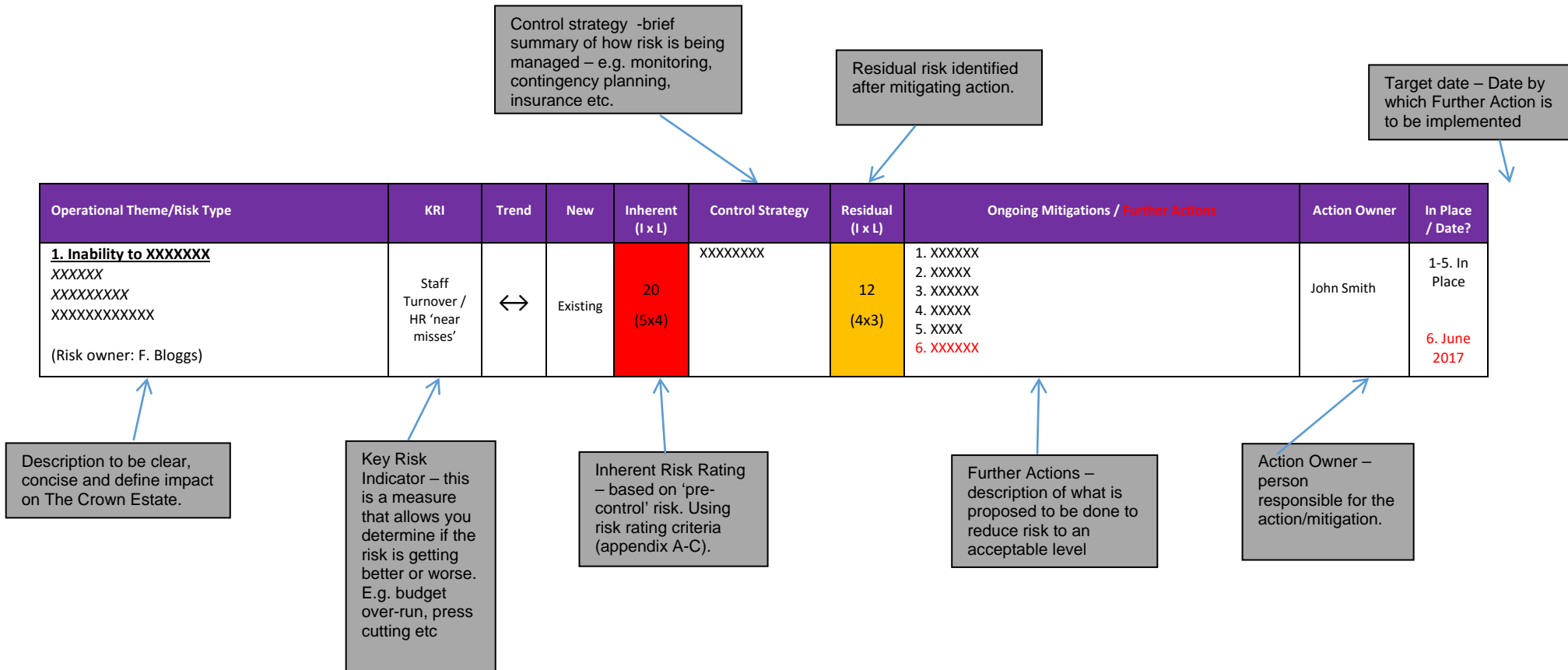
Risk Rating and Risk Profile Tables

The Risk Profile is a graphical representation of the impact and likelihood of the key business risks and allows the designation of particular risks as being areas of focus. The risk profile evaluation consists of "Inherent Risk" and "Residual Risk" graphical profiles. The position of a risk on the risk profile table is determined by the likelihood and impact rating and hence overall risk rating given.



Risk Register Format

The standard format register is set up as a word document and has 10 columns as shown below



Board/Committee	Board	BD(2017)01
Meeting date	13 June 2017	
Paper title	Draft agricultural sales/re-letting policy – Paper BD(2017)01.12	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Author	Andrew Wells	
Annexes	Annex A: Draft agricultural sales / re-letting policy	
Recommendation	For information and comment	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Given the nature of Crown Estate's Scotland business and agricultural land tenure arrangements, there is an ongoing requirement for decisions to be taken regarding the occupation of agricultural units, their investment and maintenance requirements, their rental value and current and future operational requirements.
2. This process also involves strategic decisions regarding how farm units are managed when tenancies fall vacant or are surrendered for various reasons, or expire.
3. Under these circumstances, a wide range of factors need to be assessed before a decision is taken regarding the future use or potential sale/disposal of the unit. These decisions also need to be considered in relation to the management of each rural estate and the whole portfolio, both in terms of management of revenue and capital, within the requirements of The Crown Estate Act 1961.
4. To inform this process and to help Board members / external stakeholders understand the current rationale that lies behind asset management decisions, a draft policy paper has been prepared. This is presented for information and comment.

Discussion

5. This policy is a guide to the current approach to decision-making regarding farm reletting /sales, to facilitate transparency and a systematic approach in asset management decisions. Every unit and each circumstance is different and there may be a broad range of options

(sale of whole, sale of part, re-let of whole, re-let of part, restructure/combination with adjoining units, alternative commercial use for part or whole of land and buildings) that may require consideration.

6. The policy highlights all the key factors that are taken into consideration, but cannot provide a prescriptive process that will apply in every situation. In certain situations there may be over-riding business reasons for pursuing a particular course of action (such as raising capital from sales) or to meet wider corporate business objectives. The policy therefore provides flexibility for assessing respective opportunities and in developing a rationale for a decision.
7. The Board is invited to note the policy and to provide comment on its relevance, application and content.

Financial

8. There are no direct financial implications relating to the policy itself.

Sustainability

9. The long-term sustainability of CES(IM) requires careful consideration of asset management decisions. This policy provides a draft framework for sustainable decision-making, which can be amended in accordance with the requirements of the Corporate Plan.

Legal implications

10. There are no legal implications associated with the policy

Risk

11. There is a reputational risk associated with asset management decisions depending on their nature and the impact they may have on stakeholder interests. (see below).
12. There are financial risks/implications with any property management decision which need to be fully assessed. These risks are addressed as part of the process identified in the policy.

People considerations

13. None

Reputational / PR implications

14. Decisions regarding the re-let or sale of agricultural units are likely to attract interest from external stakeholders and politicians. It is the intention that this policy provides a transparent framework against which the rationale for these decisions can be explained and justified.

Annex A

DRAFT Agricultural land / farm sales policy

Introduction

The requirements of The Crown Estate Act 1961 as amended by the Scotland Act 2016, place a statutory responsibility on Crown Estate Scotland (Interim Management) to maintain and enhance the value of the estate and the return obtained from it, with due regard to the requirements of good management.

While Crown Estate Scotland's revenue profit is paid to Scottish Government, any capital investment in the assets needs to be met from receipts from sales, permissible transfers from revenue to the capital account or other capital transactions such as a transfer of rights.¹

Crown Estate Scotland is further restricted in that the business cannot trade. This means that to invest money in improving assets for our tenants' use or other investments to develop and stimulate business sectors, attract potential tenants and invest in long term projects etc. – thereby increasing value and generating revenue – we must first raise that money. This must be done in a way that pays due regard to public benefits.

As well as fulfilling our statutory responsibilities, investing in the estate also enables Crown Estate Scotland to contribute towards delivering Scottish Government's Economic Strategy² and National Performance Framework³, as well as stimulating investment in physical and natural infrastructure.⁴

Within this context of having to invest capital and to raise capital, when agricultural land/farm units become vacant (in-hand) because of a lease expiry, surrender or for any other reason, Crown Estate Scotland needs to make a decision about its future use. This policy sets out the factors that CES takes into consideration when decisions regarding the potential re-let or sale of agricultural units are being made. Larger potential sales of significant areas of agricultural land comprising more than one unit or parts of an estate are not part of this policy as these will require a different assessment methodology which is not included here.

Agricultural Estate Assets

Given the nature of the rural business and the land tenure arrangements that exist across Crown Estate Scotland assets, there is an ongoing requirement for decisions to be taken regarding the occupation of agricultural units, their investment and maintenance requirements, their rental value and current and future operational requirements. This process also involves strategic decisions regarding how farm units are managed when tenancies fall vacant or are surrendered for various

¹ Generally, revenue is used for maintenance and keeping units and buildings in good working order, capital is used to increase the value of the estate. Capital works involve improvements such as putting up a new modern agricultural building of a larger size to replace a number of smaller outdated traditional ones in a steading; installing a new roof made of modern materials; tarmacadamming a stretch of estate road which was previously only gravelled. Revenue spend would be used on repairs and maintenance.

² Scotland's Economic Strategy March 2015 - <http://www.gov.scot/Resource/0047/00472389.pdf>

³ National Performance Framework 2016 - <http://www.gov.scot/Resource/0049/00497339.pdf>

⁴ Framework Document – public corporation Crown Estate Scotland (Interim Management)

reasons, or expire. Under these circumstances, a wide range of factors need to be taken into account before a decision is taken regarding the future use or potential sale/disposal of the unit.

Policy Framework

This policy identifies these factors and the criteria involved in decision-making. This policy should be seen as a guide only due to the wide variety of elements involved in asset management decisions. As with all Crown Estate Scotland asset management decisions, the primary context is The Crown Estate Act 1961 and the duty to maintain and enhance the value of the estate and the return obtained from it, ensuring best consideration and with due regard to best practice / good management. The requirement for best consideration relates to financial value, while considerations relating to good management relate to established codes of practice / accepted standards and delivery of Scottish Government National Outcomes.

Every unit and each circumstance is different and there may be a broad range of options (sale of whole, sale of part, re-let of whole, re-let of part, restructure/combination with adjoining units, alternative commercial use for part or whole of land and buildings) that may require consideration.

Any decision should be based on the individual estate plans and an appropriate business proposal that clearly identifies the benefits and implications for Crown Estate Scotland. The primary purpose in any decision is to ensure that both the financial value to Crown Estate Scotland (capital and revenue) and the benefits that are delivered to local communities and the wider environment are optimised as much as possible. A judgement of these factors should be made by Crown Estate Scotland staff with advice from professional land agents with all decisions assessed within the delegated authority limits set out in the Scottish Government CES(IM) Framework Document. All decisions should take account of a range of options (including re-letting) with the recommendation set out in an appropriate case sheet which identifies each option and their respective pros and cons followed by a clear rationale for the recommended course of action.

Re-letting

When farm units become vacant / in-hand as tenancies are surrendered/vacated or when considering extension of re-let of tenancies that expire, as a long-term agricultural landlord it is the general policy of Crown Estate Scotland to re-let the unit for agricultural use, unless there is a clear justification for an alternative commercial use or sale / disposal of the unit / part of the unit in response to wider business considerations or specific factors relating to the unit itself.

A decision to re-let the unit is generally subject to due consideration being given to the following elements:

- The size of unit and its sustainability and viability as a going concern, given current and forecast agricultural economic conditions and an appropriate business plan.
- Possibility of letting on a new basis to the next generation of the family
- The unit's suitability for new entrant letting.
- The provision and condition of fixed equipment– buildings, farmhouse, storage facilities, fencing and other capital infrastructure.
- The condition, provision and balance of farm land including quality and type and the proportion of different types of land in relation to farm business requirements.
- Future investment requirements in terms of both fixed equipment and land.

- The rental value of the unit and future potential for maintaining or increasing passing rent assessed against the ERV (Estimated Rental Value). (ERV is the rental value assessed by professional land agents as part of a rent valuation exercise).
- The potential forecast revenue/rental yield as a percentage of capital value of the unit.
- Opportunities for maintaining and increasing capital value and rental income through shared investment /third party investment and/or improvements in husbandry / business development.
- Current tenure arrangements – i.e in the case of the expiry of a short-term tenancy (SLDT, LDT, MLDT) – the circumstances of the existing tenant.
- The need to maintain flexibility for alternative development requirements/opportunities

Following detailed assessment of these factors decision to re-let the unit would be expected to be made if the balance of these elements indicated that the unit was economically viable, was in an appropriate condition with the requisite balance of land types to support a viable business plan, passing rent can be maintained close to the ERV, and the unit did not require significant capital investment which could not be justified given the return on investment in comparison to alternative investment opportunities and the rent offered.

A decision on the duration and type of any future tenancy will be a factor in the decision and this is subject to the details of the business plan submitted by the potential occupant, the suitability of the (potential) occupant and other factors, including various legal considerations associated with agricultural tenure law. These factors will also be considered against opportunities for CES(IM) to contribute towards Scottish Government Policies regarding farm tenancies.

Sales

A decision to dispose of/sell an agricultural unit on the open market rather than re-let would be considered principally in respect of units that are peripheral and have come in-hand following surrender of a tenancy or vacant possession being obtained through other circumstances (such as the retirement or death of a tenant where there are no successors to the tenancy). There may also be circumstances where a sale to a sitting tenant is under consideration.

In both cases the factors identified below should be assessed as part of the decision-making process. However, several additional factors will also require consideration when a sale to a sitting tenant is being proposed as this will involve a detailed valuation exercise and an assessment of respective share of vacant possession value and the value of tenant improvements /way-go valuations negotiated as part of the deal, with the need for appropriate independent benchmarking against market values to ensure best consideration is achieved.

Any decision should be based on a balanced judgement, accounting for all the factors identified below. However, in reaching a decision, financial considerations should be given greater weight, particularly ongoing capital investment requirements in the holding and future rental values/ yield in comparison to other agricultural holdings within the portfolio. A decision to proceed with a sale should also be assessed against the requirement of the CES Business Plan and the Corporate Plan, particularly with respect to capital and revenue budget targets alongside the need to maintain opportunities in the agricultural tenant sector.

Factors that should be considered when assessing the potential for the sale of an agricultural unit are detailed below.

Classification (core / non-core)

Units considered as 'core' should not normally be considered for sale – unless there are specific circumstances that would justify a sale. The definition of 'core' and 'non-core' is currently based on financial performance (current yield, capital value/growth potential, maturity, investment requirements) and location. Other factors might also be assessed depending on the requirements of the CES Corporate Plan.

Location (core or peripheral)

Sales of units/land that are considered core to the estate/property should not normally be considered unless there are exceptional circumstances. Where units are geographically located in the centre of an estate or are not considered peripheral, a sale may compromise long-term future value and may affect the integrity of the estate. Where units are considered as being geographically peripheral and where there may be marriage value with an adjoining property, then the potential for sale/disposal would be considered more favourably.

Capital values/revenue performance

Consideration should be given to the long-term impact on capital value of the remaining estate and its financial performance. Sales which are likely to compromise this should not normally be considered, particularly if the unit's performance/yield compares well against other holdings, passing rent is a significant element of estate income and long-term capital value might be negatively affected as a result of the sale.

Market conditions / value

Prevalent market conditions are a key factor. Sales should not normally be considered if the market is depressed or there are indications that the appropriate value in relation to the book value of the property cannot be achieved. Where the market is buoyant and the sale value is likely to exceed the book value, this would be in favour of a sale – other factors being considered.

Requirements of adjacent holdings / units on the estate

A unit should not be considered for sale if there is likely to be a detrimental impact on adjacent holdings or if there are opportunities for adjacent holdings to benefit from extending/combining their use of land or buildings coming in-hand, in ways that will impact the longer-term viability and revenue from the combined unit. This will involve consideration of an appropriate business case/plan to justify re-letting the unit in this way.

Opportunities for re-letting to a new entrant

Sale of the unit should not normally be considered if the unit is deemed suitable for letting to a new entrant and/or it is likely that an appropriate tenant with a viable business plan can be found. In these circumstances the sale of the unit/part of the unit should only be considered if significant

capital investment is likely to be required and where other factors significantly out-weigh the opportunity to make the unit or part of the unit available for future letting.

Future strategic development opportunities

Where opportunities exist for future strategic development on the land or in the vicinity (e.g. single or multiple plot sales or larger development sites for housing and/or commercial use or possible commercial-level renewables potential) sales should not be considered. In this situation flexible letting arrangements are preferable to allow opportunities to be pursued as they arise.

Liabilities

Units that are likely to involve / include an existing or future liability which is deemed unacceptable or a potential business risk should be considered for sale or part sale, depending on the nature of the liability. This may involve environmental factors such as susceptibility to flooding or erosion or liabilities associated with fixed equipment. Property liabilities can take many forms and any liabilities need to be assessed against potential opportunities and the respective costs and benefits associated with each respective asset feature.

Public benefit / community impact

In every decision, consideration should be given to the public / community impact of the decision. Where this is potentially negative this should be fully assessed and balanced against other business considerations. If appropriate, a community consultation exercise may be required to ensure community views are fully understood and accounted for.

In certain circumstances sales or lease of land and property to community groups may be an option and this should be investigated if deemed appropriate. Crown Estate Scotland is not considered to be a public body under the terms of The Community Empowerment Act Scotland 2015 which provides community bodies with a right to request to purchase, lease, manage or use land and buildings belonging to local authorities, Scottish public bodies or Scottish Ministers. However, CES is subject to other rights to buy as set out in this act and the Land Reform (Scotland) Act 2003 as amended. Despite the legal position CES(IM) seeks to identify opportunities to contribute to the principle of the Community Empowerment legislation and all potential sales should take account of any opportunities that may be present.

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Author	Ashley MacIntyre	
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Recommendation	Information	
The board/committee secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest		

Update

Further Board meeting dates for 2017/2018 have now been finalised as follows:

- 18 & 19 July 2017 (West Coast)
- 7 & 8 Sep 2017 (Shetland or Western Isles)
- 14 Nov 2017 (Edinburgh)
- 16 & 17 Jan 2018 (TBC)

Dates for 2018 board meetings to be discussed.