

# Agenda

## Fourteenth Meeting

### Crown Estate Scotland (Interim Management) Board

#### 29 May 2019

#### 9.00am – 2.00pm

- 1. Standing Items**
  - 1.1 Welcome and Apologies (Apologies from Hugh Raven)
  - 1.2 Declarations of Interest
  - 1.3 Approval of Minutes of Meetings held 27 March 2019 Attached
  - 1.4 Matters Arising and Action Trackers Attached
  - + 1.5 Stakeholder Meetings BD(2019)14.1
- 2. Strategy and Planning**
  - \*\* 2.1 Local Management Pilots Stage 2 BD(2019)14.2
  - \*\* 2.2 Rural Strategy BD(2019)14.3
  - \*\* 2.3 Draft Corporate Plan 2020-23 BD(2019)14.4
  - \*\* 2.4 Work Packages BD(2019)14.5
- 3. Management Reports**
  - +\* 3.1 Chief Executive's Report BD(2019)14.6
  - \* 3.2 Finance Report BD(2019)14.7
  - +\* 3.3 Business Performance Report BD(2019)14.8
- 4. Business Management**
  - + 4.1 Report on Condition Survey on Rural Estate BD(2019)14.9
  - \* 4.2 Treasury Management BD(2019)14.10
- 5. Board Committees**
  - \* 5.1 Audit & Risk Committee Minutes Attached
  - 5.2 Audit & Risk Committee Terms of Reference BD(2019)14.11
- 6. Annual Reporting and Governance**
  - 6.1 Appointment of Authorised Signatory BD(2019)14.12
  - + 6.2 Annual Report from Audit & Risk Committee BD(2019)14.13
  - + 6.3 Public Interest Reporting – Annual Reports BD(2019)14.14
  - + 6.4 Board Appraisals verbal
- 7. Any Other Business**
- 8. Dates of Next Meetings**

23/24 July 2019 (Orkney)

25/26 September 2019 (Fochabers)

26 November 2019 (Edinburgh)

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

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

+ This item is for noting

<b>Minutes for</b>	<b>Fourteenth Board Meeting</b>	<b>BD(2019)14</b>
<b>Meeting date</b>	<b>29 May 2019</b>	
<b>Security classification</b>	<b>Restricted</b>	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Minutes for the meeting of the Board of Crown Estate Scotland (Interim Management) held at Edinburgh on Wednesday, 29 May 2019</b>		

**Present:**

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

**In attendance:**

Simon Hodge	Chief Executive
Esther Black	Head of Corporate Operations (left after Minute item 2)
Lynne Higgins	Head of Finance & Commercial
Colin Palmer	Head of Marine
Andrew Wells	Head of Property
Helen Howden	Governance Manager (minutes)

**By invitation:**

Madeleine Kemna	Shadowing observer
Tom Mallows	Pilots Manager (for Minute item 2.1)

**1. Standing Items****1.1 Welcome and Apologies**

The Chair extended a welcome to Mrs Leonard and Mrs Lindsay who were attending their first meeting since appointment to the Board. The Chair also welcomed Ms Kemna who would be attending meetings for the next six months as an observer.

Apologies had been received in advance of the meeting from Mr Raven.

**1.2 Declarations of Interest**

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

### **1.3 Approval of Minutes of Meeting held on 27 March 2019**

**Noted** that:

- (a) the Board's request that the revised budget be brought back to it for approval had not been noted as an action at 5.3 of the Minutes.

**Agreed** that:

- (a) with the additional action noted above include, the Minutes were approved.

### **1.4 Matters Arising and Action Trackers**

**Noted** that:

- (a) the pay and conditions review (action 13/10) had been progressing, with Mrs Lindsay having attended the steering group. Legal advice had been obtained in relation to the ending of the bonus scheme; a separate claim submitted by PCS relating to a historic pension position; and the recognition agreement with PCS. It was anticipated that an informal offer would be made to the union on 29 May with a formal offer being made shortly thereafter.
- (b) the Chair had been advised that Scottish Government was intending to make their announcement about the distribution from the net surplus contributed from the Scottish Crown Estate to the coastal local authorities within the next two months or so (action 13/12). This distribution was solely a matter for Scottish Government.
- (c) an opportunity to acquire a commercial property as an investment which had previously been considered by the Board had been again brought to the organisation. This was now being assessed and would be brought back to the Board if appropriate.

### **1.5 Stakeholder Meetings (paper BD(2019)14.1)**

**Agreed** that:

- (a) future reports on stakeholder meetings would include engagement activity undertaken by all members of the Board and the Executive Team.

**Action: HH (14/1)**

*The Local Management Pilots Project Manager joined the meeting*

## **2. Strategy and Planning**

### **2.1 Local Management Pilots Stage 2 (paper BD(2019)14.2)**

**CLOSED BUSINESS - CONFIDENTIAL**

**Noted** that:

- (a) following submission of the applications for stage 2, a robust assessment process had been undertaken. This included continuing to meet with the applicants and work with them to obtain clarification on some points.
- (b) the recommendation was that four of the applications should go forward as part of the pilot project but that one, which did not seek to take a delegation of management, should move forward outwith the project. Of the four which were being recommended for progression, three required further work to be undertaken whilst one could more readily be implemented.
- (c) as three of the projects required further resource to be given to them to take them forward it was proposed that implementation be staggered. This would be agreed with the applicants and their feedback and views would be taken in to account.
- (d) as the assessment process had progressed it had become apparent that there was an increased awareness by the applicants of the work required to manage Scottish Crown Estate assets. It was also important to capture the understanding which the organisation had gained as part of this process and to use that as the Scottish Crown Estate Act 2019 was brought in to force. The implementation of the projects would also provide useful information on change management which would be captured.
- (e) the paper set out the risks and the resource implications for the organisation. The Board were being asked to note these and not to approve any additional expenditure at this stage.
- (f) all applicants had been asked to address stakeholder engagement and the management of conflict of interest in their submissions.
- (g) whilst the focus was on achieving positive outcomes for all projects, there was still a need for assessments, review and, as a last resort, termination provisions in the agreements for the projects. Continuous engagement with the projects was envisaged throughout the project periods.
- (h) there was some further communications work to be undertaken to ensure that it was clearly understood that these projects were delegation of management and not transfer, Crown Estate Scotland would still be accountable to Scottish Ministers for the management of the assets.

**Agreed that:**

- (a) four of the applications should progress, one as a “preferred project” and three as “interim preferred projects”. The fifth application, which contained some good proposals, should be progressed in partnership with Crown Estate Scotland outwith the pilot project.

**Action: TM (14/2)**

- (b) the three “interim preferred projects” would progress to “preferred project” status if the issues noted in the paper were satisfactorily addressed. Any material changes to the projects would be brought back to the Board for approval.

**Action: TM (14/3)**

- (c) the Board accepted the recommendation to stagger the implementation of projects if Crown Estate Scotland remained flexible and willing to accommodate the requirements of the applicants on implementation.
- (d) this decision should remain confidential until Scottish Ministers had been appraised of the position and given the opportunity to comment on the basis that this project could fall in to the definition of “novel and contentious” and so require Ministerial approval. The Board would be notified once a response had been received from Scottish Government and the applicants had been notified of the decision.

**Action: TM (14/4)**

*The Local Management Pilots Project Manager was thanked for his contribution and he left the meeting.*

## **2.2 Rural Strategy (paper (BD(2019)14.3)**

**Noted that:**

- (a) the consultation on the rural strategy had yielded positive responses but a clear consensus for the future of the rural estate had not emerged. The responses were extensive and had provided rich data for the organisation.
- (b) The Board had therefore been asked to consider seven questions in advance of the meeting and to provide feedback which would inform discussion during the meeting. The questions had been generated by the responses to the consultation.
- (c) the Board considered each question in turn:

Question 1: Does Crown Estate Scotland wish to continue to hold/manage a rural portfolio in the long term – or should the organisation primarily have a Marine/Coastal / Built environment focus and our rural strategy ultimately takes us in this direction?

- there should continue to be a rural portfolio within the Scottish Crown Estate however it would look different in the long term.
- that there was a need to clearly articulate that rural did not just mean farms.

Question 2: Assuming a rural land portfolio is maintained, how should Crown Estate Scotland view the make-up of the agricultural element / what should the future agricultural portfolio comprise?

- it was more important to realise opportunities, including those for tenants, than set a specific target for the composition of the agricultural portfolio.
- there should be a focus on promoting resilience; on assisting tenants and others to restructure businesses and farms to adapt to a lower-subsidy environment; and on encouraging diversity.

- land in the portfolio shouldn't necessarily be solely for agricultural use and should be looked at for its natural capital value.
- consideration should be given to what Crown Estate Scotland add as a landlord.

Question 3: What should be Crown Estate Scotland's role in rural development? Should investment be focused on improving what we already have/do or should Crown Estate Scotland be seeking to develop new activity/ acquisitions to deliver its aims?

- a focus on the existing estate for the next three years would be preferable, allowing a clarity on future investment strategy to develop.
- Crown Estate Scotland should continue to be ambitious and it should remain open to opportunities and be willing to develop new relationships with new partners.

Question 4: What could be Crown Estate Scotland's future in terrestrial renewables?

- the organisation should be working in partnership with tenants, rural communities and others to enable the development of a range of terrestrial renewables across the portfolio.

Question 5: What should our role be in relation to land reform and community empowerment and does this have a locus in the rural estates or just the coastal/ marine/ built environment?

- Crown Estate Scotland should have a strong role in community empowerment across the whole Scottish Crown Estate portfolio. The nature of that role – whether as participant or funder – will depend on the locality and the outcome desired.
- a localised approach should be taken, responding to tenants as required.
- evidence-based locality plans for each estate should be developed in consultation with tenants and local stakeholders.
- it was understood that there was still a requirement to manage the overall capital value of the estate.

Question 6: Should our role be as an exemplar in relation to rural and what does this look like? If that means doing more with less (as there will be financial implications) then where should the focus be?

- yes, and this should underpin the approach to the rural strategy.
- the focus should be on sustainability in all activity; on being efficient and accountable; encouraging diversity, innovation and expansion where appropriate; and working in partnership with others.

Question 7: Should any of the estates within the existing portfolio be considered as ‘sacred cows’ in terms of capital release/sales such that there should be no significant (other than small land sales) undertaken within their boundaries?

- agreed that sales to tenants would move to being tenant led and that nothing should be ring-fenced at this stage although it was likely that some landholdings would be part of the portfolio over longer terms than others. It was accepted by the Board that this may lead to “holes” in the current landholdings.
- rural housing should be looked at to see what Crown Estate Scotland could be doing as part of the rural strategy to assist in provision. This should include engagement with relevant local authorities to understand any issues around provision of housing in the areas where land was currently managed.

**Agreed that:**

- (a) work would continue with the development of the rural strategy and that it would be brought back to the Board for consideration at the September meeting.

### **2.3 Draft Corporate Plan 2020-23 (BD(2019)14.4)**

**Noted that:**

- (a) the draft submitted to the Board would be used as the basis for the statutory assessments and for public consultation. The draft incorporated key points of feedback raised from the strategic environmental assessment which had been carried out on the draft investment strategy.
- (b) key performance indicators would be added to the draft before the public consultation. A high-level summary of budget and financial targets would also be added to the draft.
- (c) the draft would also be updated to reflect the output of the earlier discussion the Board had had on the formulation of the rural strategy.
- (d) at the March meeting, the Board had asked for the coastal strategy to be subject to public consultation however the Executive Team had expressed concern about the risks of consultation fatigue, particularly as Scottish Ministers would be consulting on their Strategic Management Plan for the Scottish Crown Estate Act at the same time as the public consultation on the Corporate Plan.
- (e) a balance required to be struck in the plan between being ambitious for the estate and setting targets which were within the jurisdiction of the organisation to deliver. There was opportunity in the introductory narrative to each section to set out context and intent.

**Agreed that:**

- (a) the draft should be reviewed to ensure consistency of language and to strengthen the “people and planet” section of the draft which was felt to be lacking.

**Action: EB (14/5)**

- (b) the targets set for aquaculture should be more robust, reflecting a new, proactive approach which should be taken by the organisation in the sector and which should include effective communications about Crown Estate Scotland's role in managing the seabed assets.

**Action: CP (14/6)**

- (c) the Board accepted that there was a risk of consultation fatigue in relation to the coastal strategy and that the draft Corporate Plan should capture the key elements of the emerging coastal strategy, reflecting the future engagement with coastal communities to expand opportunities.

**Action: AW (14/7)**

- (d) members should pass any other specific comments on the detail of the draft to the Head of Corporate Operations as soon as possible following the close of the meeting.

- (e) the Head of Corporate Operations would arrange for a further draft of the Corporate Plan to be circulated to the Board once the graphic designer had worked on the draft.

**Action: EB (14/8)**

## **2.4 Work Packages (BD(2019)14.5)**

**Noted that:**

- (a) additional work packages were being brought forward for inclusion in the work of the organisation for 2019-20. Approval had been obtained from the sponsor directorate and the Cabinet Secretary for Environment, Climate Change and Land Reform for these work packages and a mechanism agreed for the revenue retention required during the current financial year. Funding for future work packages would be included in the annual operating budget for the organisation.
- (b) a number of work packages had been proposed by Marine Scotland and these had been assessed by Crown Estate Scotland in accordance with criteria agreed with the sponsor directorate.
- (c) the first work package was to support the conservation of wild Atlantic salmon by providing financial support to assist in conducting a survey of salmonid smolts in rivers. Whilst this has been assessed as fitting well with Crown Estate Scotland's strategy, the funding request was for £200,000 per annum for three years, which would be match funded by Marine Scotland.
- (d) the recommendation from the Executive Team was that an initial one-year commitment of £150,000 would be a better reflection of the early stage development of the work package programme. This could be reviewed at the end of the year to assess the case for longer-term funding for the survey of salmonid smolts programme.
- (e) the work packages would be managed in a different way from the sponsorship arrangement and there should be a separation between the two.



**Agreed that:**

- (a) there was broad support for the emerging opportunities but that there had to be a discipline around the financing and governance of work packages. A clear rationale was required for Crown Estate Scotland involvement in any work package.
- (b) the Audit & Risk Committee would have oversight of the work package programme, including the funding and delivery of the projects.
- (c) it was important for there to be transparency on the use of funds, and the same rigour was to be given to cost control and expenditure management as for the rest of Crown Estate Scotland's budget. Crown Estate Scotland should ensure that it had input on the development and management of projects it was partnering on, including the external communication around those projects. It was important to ensure that there was a clear demonstration that Crown Estate Scotland was obtaining value for money.

**Action: SH (14/9)**

- (d) a broader range of themes in the packages should be sought and they should not solely be focused on marine activity.

**Action: SH (14/10)**

- (e) the Board agreed with the recommendation from the Executive Team that the project to survey salmonid smolts should receive support amount to £150,000 for one-year with a review at the end of the year for future support.

*The Head of Corporate Operations left the meeting at this point.*

### **3. Management Reports**

#### **3.1 Chief Executive's Report (paper BD(2019)14.6)**

**Closed Business – Commercially Confidential**

**Noted that:**

- (a) the Board had previously agreed to an exit strategy from an investment in a tidal generation project. The developer had now confirmed that the operational payment due at the end of June 2019 would form part of the exit payment at the level already agreed. This would mean that the investment in the project would be written down but that the overall exit payment was still higher than originally agreed by the Board.

#### **3.2 Finance Report (paper BD(2019)14.7)**

**Noted that:**

- (a) as at 31 March 2019, there was a significant increase in revenue surplus against budget. This reflected exceptional income from the felling and sale of timber from diseased trees; the earlier commissioning of the Beatrice wind farm; and additional income from the beneficial use of dredged material.

- (b) as previously reported there was a continued underspend in direct expenditure. Areas of underspend include legal and professional fees and salaries from unfilled posts
- (c) indirect expenditure also had a continued underspend. Areas of underspend include indirect staff cost savings and lower than budgeted expenditure on business travel and learning and development. A central provision for irrecoverable VAT has been released and in future the central provision would be released quarterly.
- (d) as previously reported the capital net position remains significantly ahead of budget.
- (e) the year end audit would commence in the week beginning 3 June 2019. The external auditors had carried out an interim audit and were ahead of where they had been in the process at this point last year.

### **3.3 Business Performance Report (BD(2019)14.8)**

*An amended version of the business performance dashboard was tabled at the meeting.*

**Noted that:**

- (a) Mrs Leonard would work with the Head of Corporate Operations to identify an appropriate way to report to the Board on media statistics.
- (b) Mrs Lindsay intended to discuss with the Head of Corporate Operations how HR matters were reported to the Board.
- (c) action 20 from the 2018-19 Business Plan had an amber status as at 31 March 201. The documentation being drafted, with a view to being published over the summer, would include a refined approach to the optimisation of benefits to stakeholder and communities from offshore wind projects.

**Agreed that:**

- (a) the Head of Marine would see what information was available for distribution in relation to the approach being taken to offshore wind leasing.

**Action: CP (14/11)**

## **4. Business Management**

### **4.1 Report on Condition survey on Rural Estate (paper BD(2019)14.9)**

**Noted that:**

- (a) following completion of the condition survey the works identified as being required had been given a priority categorisation. All urgent works, those which were a legislative requirement, or which were necessary to stop further deterioration, would be carried out in the current financial year.

- (b) health & safety issues, such as classing buildings are redundant, were dealt with separately under the Health & Safety framework.
- (b) the commissioning of the survey was being held up as an example of best practice.

**Agreed that:**

- (a) the Head of Property would provide the Audit & Risk Committee with a note on the process to declare an agricultural building redundant and confirm that the process was being followed.

**Action: AW (14/12)**

#### **4.2 Treasury Management (paper BD(2019)14.10)**

The Board **approved** the Treasury Management Policy.

### **5. Board Committees**

#### **5.1 Audit & Risk Committee Minutes**

**Noted that:**

- (a) the Committee had expressed an on-going concern about what the governance arrangements would be for the work package programme and had requested sight of the letter from the Cabinet Secretary which included reference to the retention of additional revenue. The letter had been circulated by the Chair to the Board.
- (a) a presentation had been received on the development of an income transaction policy and had provided some guidance on future development.
- (b) the internal auditors had been asked to finalise the Managing Agents report. Once received an action plan to address issues raised would also be finalised.
- (c) rather than providing a report, the internal auditors would provide a letter of assurance which the external auditors would add to.
- (d) it had been recommended that all Board members should undertake training on their health & safety obligations.
- (e) procurement of a new internal audit service would comment in late summer with a view to an appointment being made in the autumn.

**Agreed that:**

- (a) the Governance Manager would arrange a session for the new Board members on the organisation's risk appetite framework.

**Action: HH (14/13)**

## **5.2 Audit & Risk Committee Terms of Reference (paper BD(2019)14.11)**

The Board **approved** the amended terms of reference for the Audit & Risk Committee.

## **6. Annual Reporting and Governance**

### **6.1 Appointment of Authorised Signatory (BD(2019)14.12)**

**Agreed** that:

- (a) the revised Scheme of Delegation was approved, and the Board resolved that the Head of Marine be appointed an authorised signatory of Crown Estate Scotland (Interim Management).

### **6.2 Annual Report from Audit & Risk Committee (BD(2019)14.13)**

**Noted** that:

- (a) the internal audit work to develop an assurance framework has not progressed as had been anticipated. There was sufficient assurance to allow the Chief Executive to sign the accounts but a focus of work for the Committee in the coming year was to support the organisation in developing a robust assurance framework.
- (b) the organisation would be in a stronger position if an effective internal audit function was in place.

### **6.3 Public Interest Reporting – Annual Reports (BD(2019)14.14)**

**Agreed** that:

- (a) future reports to the Board on complaints handling should include information on complaints received by the managing agents.

**Action: HH (14/14)**

### **6.4 Board Appraisals**

**Noted** that:

- (a) the Chair had completed the annual appraisals for the members and that the Director of Marine Scotland had conducted an appraisal of the Chair.
- (b) the Board had carried out a self-appraisal in a closed meeting on the evening of 28 May and were intending to review how the business of future meetings would be conducted. All members were reviewing the Board forward programme as part of that review process.

- (c) the Board had agreed that Mr Macdonald would leave the Audit & Risk Committee to join the Investment Committee and that Mrs Lindsay would join the Audit & Risk Committee. It had also been agreed that Mr Raven would step down from the Investment Committee. These membership changes would take effect immediately.

## **7. Any other Business**

### **7.1 Board Meeting 23/14 July 2019**

**Noted** that:

- (a) the Director of Marine Scotland would be joining the Board in July for the Board engagement session and meeting on Orkney.

## **8. Dates of Next meetings**

23/24 July 2019  
25/26 September 2019  
26 November 2019

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**Amanda Bryan**  
**Chair, Crown Estate Scotland (Interim Management)**

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**Date**

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Stakeholder Meetings BD(2019)14.1	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Amanda Bryan/Simon Hodge	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	None	
<b>Recommendation</b>	The Board is invited to note this paper.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

### Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair and the Chief Executive have held during the period from 12 March 2019 to 16 May 2019.

### Meetings held

2. The Chair and Chief Executive jointly met with:
  - Meeting with Mallaig Harbour Association on 26 March 2019
3. The Chair attended or met with:
  - Rural Strategy Consultation event – Edinburgh on 9 April 2019
  - Quarterly meeting with Director, Marine Scotland on 23 April 2019
  - Meeting with Executive Director, Scottish Land & Estates, 7 May 2019
4. The Chief Executive attended or met with:
  - Chief Executive, Scottish Salmon Producers Organisation on 19 March 2019
  - Meeting with SSE on 20 March 2019
  - Presentation on IIPP report on vision for the Scottish National Investment Bank on 22 March 2019
  - Meeting with CEO, Scottish Seabird Centre on 1 April 2019 (with Andy Wells)
  - Celebration of Forestry Devolution, Victoria Quay on 3 April 2019
  - Stakeholder Advisory Group on the Scottish Crown Estate on 4 April 2019

- Meeting with Ross Martin, Scottish Government's advisor on regional economies on 11 April 2019
- Environment and Economy Leaders' Group Meeting on 24 April 2019
- Speaker at the SCDI Conference on 26 April 2019

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Rural Strategy BD(2019)14.3	
<b>Security classification</b>	Restricted	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Presented by</b>	Andrew Wells	
<b>Author</b>	Andrew Wells	
<b>Annexes</b>	Annex A: Online Consultation responses – report Annex B: Public meeting feedback summary	
<b>Recommendation</b>	The Board is invited to address and agree a position regarding the key strategic questions emerging from the consultation process, future Corporate Plan and Investment Strategy objectives.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## 1. Introduction

Following consideration of a Rural Strategy paper (BD(2018)8.10) in August 2018, and subsequent paper in November 2018, (BD(2018)10.11), the Board agreed to conduct a public consultation on the development of an asset management strategy for the Rural portfolio.

The consultation was prepared with Board, Executive Team, Scottish Government and external (including tenants) input and was concluded following an open process involving several public meetings in April 2019. A report summarising the outcome of the online consultation has been prepared and is included at Annex A. An additional report summarising feedback from the public meetings is included at Annex B.

The initial proposed timetable for the consultation was adjusted in November 2018 to accommodate other strategic development work. Following consideration of the consultation responses and the outcome of the discussion regarding this paper a draft Rural Strategy will be prepared for consideration by the Board in September 2019.

In parallel with the rural consultation, work has been undertaken and approved by the Board relating to the 2020-2023 Corporate Plan and Investment Strategy.



**In order to prepare a Rural Strategy which addresses the purpose and strategic objectives set out in the Corporate Plan / Investment Strategy and takes account of the consultation responses, the Board is invited to agree a position regarding several key / 'big' strategic questions. These questions are set out in this paper and the Board is invited to consider these to provide the Executive Team with an agreed position on which to base the Strategy.**

Detailed information regarding the make-up, asset types, financial profiles and characteristics (strengths, weaknesses, opportunities/threats) of the Rural Portfolio/Rural estates were provided with the August 2018 Board Paper (BD(2018)8.10). The Board may wish to review this paper if any additional detail is required to inform consideration of the key questions set out below.

A summary of the discussion held by the Board in relation to the Rural Strategy at the Wick (August 2018) meeting can be found in the Minutes dated 22 August 2019.

## **2. Discussion**

The Board has agreed the following:

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

Strategic objectives for the 2020-2023 Corporate Plan:

1. Support the expansion of Scotland's blue economy, focussing on marine and coastal development.
2. Develop built environment that strengthens communities and benefits businesses
3. Invest in innovation and work with tenants to enable sustainable use of natural resources
4. Support other managers of the Scottish Crown Estate in realising their ambitions
5. Develop and deploy our people's expertise to deliver value and success.

Further to this, agreement has been reached regarding the future Investment Strategy that sets out indicative proposals to disinvest/sell c. £12m of capital from the Rural Portfolio over the period of the Corporate Plan along with c.£7m of capital investment into rural land, plus £4m in rural land renewables and the potential for a further investment from the £6m identified for local partnerships and innovation with natural resources, depending on the proportion of these funds allocated to the rural land portfolio.

In response to the consultation, a number of key themes that are relevant to a future strategy have emerged and these are summarised below. While the responses have provided information that can be used to inform the way in which rural land is managed in future, and how asset management decisions are taken by Crown Estate Scotland, there is more limited direction provided regarding higher level strategic considerations.

In general respondents wish to see Crown Estate Scotland to do more of what we already do and to do this better and more aligned to priorities that support tenant farming/new entrants, diversify and increase woodland cover, improve natural capital and biodiversity, address climate change, protect the historic environment, engage more with communities, promote development of renewable energy and focus more on socio-economic environmental outcomes rather than financial outcomes in line with sustainable development goals. There is also a general wish not to see significant change in the assets we hold, although there were some responses suggesting we should 'churn' our holdings and suggestions as to who we should sell to if we sell, to ensure longer term sustainable management.

With respect to the key principles identified in the consultation there was strong support for the emphasis on sustainability, growing non-financial value, adopting a pragmatic approach to evaluating benefits of decisions, sustainable development and the inclusive approach to working with communities/partnership working. Support was also expressed for the need for one area or asset to subsidise other areas or assets. Certain respondents also felt that there was insufficient emphasis on improving the environmental benefits of the assets and driving community benefits including community ownership/management and place-making.

These responses will help to inform the strategic objectives that inform the asset management decisions taken by Crown Estate Scotland in the future. However, these responses and the ambitions agreed for the next Corporate Plan and Investment Strategy raise several questions that require addressing in order for the Executive Team to prepare a Rural Strategy.

### 3. Key Questions

To provide a strategic framework for the development of the future strategy by the Executive Team the Board is invited to agree a position regarding the following key questions:

- 1. Does Crown Estate Scotland wish to continue to hold/manage a rural portfolio in the long term – or should the organisation primarily have a Marine/Coastal / Built environment focus and our rural strategy ultimately takes us in this direction?***
- 2. Assuming a rural land portfolio is maintained, how should Crown Estate Scotland view the make-up of the agricultural element / what should the future agricultural portfolio comprise?***
- 3. What should be Crown Estate Scotland's role in rural development? Should investment be focused on improving what we already have/do or should Crown Estate Scotland be seeking to develop new activity/ acquisitions to deliver its aims?***
- 4. What could be Crown Estate Scotland's future in terrestrial renewables?***
- 5. What should our role be in relation to land reform and community empowerment and does this have a locus in the rural estates or just the coastal/ marine/ built environment?***
- 6. Should our role be as an exemplar in relation to rural and what does this look like? If that means doing more with less (as there will be financial implications) then where should the focus be?***
- 7. Should any of the estates within the existing portfolio be considered as 'sacred cows' in terms of capital release/sales such that there should be no significant (other than small land sales) undertaken within their boundaries?***

### 4. Financial

The Rural Strategy is being developed as part of an internal business process undertaken by Crown Estate Scotland staff. Any expenditure requirements will be associated with any further consultation process, regarding the overall strategy and subsequent estate business plans, but it is not

anticipated these costs will be significant and will be restricted to the publication of documents, costs of meetings and any associated promotional costs.

### **5. Sustainability**

The long-term sustainability of the Rural portfolio is a key consideration in the development of the rural strategy and it is intended that sustainability is a core element which will be embedded throughout the future strategy in line with the requirements of the Scottish Crown Estate Act 2019.

### **Legal implications**

There are no anticipated legal considerations associated with the development of the strategy other than ensuring the ultimate strategy is within the vires of the Scottish Crown Estate Act 2019.

### **6. Risk**

The risk to the business from not developing and agreeing a rural strategy is significant in terms of the potential for inertia in business decision-making, failing to take advantage of business opportunities and the potential impact on tenant's businesses and homes.

### **7. People considerations**

The rural strategy and corporate plan will inform the review of in-house and outsourced support, and decisions on recruitment and L&D to ensure that we have the capacity and resource to deliver.

### **8. Reputational / PR implications**

There is significant interest from stakeholders regarding the development of the rural strategy, particularly from the agricultural sector. The development of the strategy therefore has significant potential for generating both positive and negative PR response depending on various outcomes.

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Chief Executive's Report BD(2019)14.6	
<b>Security classification</b>	Restricted (in part)	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Presented by</b>	Simon Hodge	
<b>Author</b>	Simon Hodge/ Renée Lefrancois	
<b>Annexes</b>	n/a	
<b>Recommendation</b>	The Board is invited to note this Report	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

### 1. Health and Safety

As requested by Board, the Audit & Risk Committee have started to undertake the more detailed health & safety assurance work and receive detailed reporting on health & safety matters. Initial changes to the current reporting dashboard have been requested and the Committee will review this at its next meeting in June and then determine the form of reporting to Board.

Mrs Lindsay has agreed to assume a lead role in the oversight of health & safety following her appointment to the Crown Estate Scotland Board.

### 2. Meetings/engagement

A separate list of the engagement and meetings undertaken by the Chair and Chief Executive has been submitted to the Board.

### 3. People

Throughout May, staff have been reviewing their summary role profile assessments as part of the wider process to ensure Pay & Conditions evaluation is robust. Several drop-in sessions with job evaluators have been held to ensure staff can access advice, and line managers have also met with direct reports to endorse the final assessment of role profiles.

Key next steps include:

- Final proposal from management for new pay & conditions framework – May/ June

- Formal offer to Union and negotiation - June
- Issuing staff information packs - June
- Consultation with staff; Union ballot – June/ July

The annual staff survey closes at the end of May. Following discussions with Board, two further questions were added to the survey to help us track employee engagement and enable comparison with other public sector bodies. A summary of the results will be available to Board members shortly.

Recruitment for various existing and new roles is ongoing. To accommodate the growing number of staff, a change to seating layout in the office is being implemented. Teams and the Trade Union PCS were informed of the proposal before the new layout was confirmed, and feedback was taken on board. The layout change has been largely welcomed by staff as an opportunity to strengthen team cohesion.

#### **4. IT Review**

Draft findings due to be presented by the consultant to the business in the coming days. The proposal will lead to the recruitment of an IT Manager and a programmed implementation of recommendations.

#### **5. External Audit - Finance**

Due to commence early June with the aim of having draft audited accounts early to mid-July.

#### **6. Rural & Coastal Update**

- Crown river salmon fishing tenants have been granted rent rebates of 50% for category 3 rivers and 25% for category 2 rivers for seasons 2019 and to end 2021 inclusive. More [here](#)
- Proposals being investigated for potential renewables (Solar PV) project at Fochabers and Applegirth following an approach from Scottish Power Renewables. Shapefiles of these estates have been issued to allow them to identify any suitable sites and put a proposal to us. Possibility for a tie up with larger-scale end users of electricity in vicinity of the site(s). James Jones are local to two sites. It is very early days and we have advised SPR that tendering for the opportunities is likely to be required.
- Negotiations continuing regarding [ ] sale. Heads of terms are now agreed in principle with the purchaser and we will be ready to conclude a formal option once our discussions on lease terms with local angling associations have been concluded.
- Publication of our process for farm re-letting – work on the document is ongoing. We will seek views of the agricultural tenant group before finalising and then publishing on our website in the summer.

**7. Marine update**

**Closed business – commercially confidential**

- this paragraph has been redacted. It contains information which is commercially confidential and so is being treated as closed business and exempt from publication in terms of s33(1)(b) of the Freedom of Information (Scotland) Act 2002.
- The Blue Economy workshop held on the 17th April with CES, SE, HIE, SCDI and Marine Scotland representatives went well with a general consensus that there is benefit in further investigating the potential of a joined-up approach in relation to Scotland's Blue Economy. There will be significant further stakeholder engagement required to progress this which CES will be involved in. CES and SE will also investigate potential packages of work that can be progressed in parallel with this stakeholder engagement.
- The April Scotwind update confirmed a pre-launch in July (ie without the potential development areas being detailed) with the intention of minimising the impact of delays from Marine Scotland's Sectoral Marine Plan not being ready. The Crown Estate leasing process (Round 4) has also been delayed. SG officials and Ministers have additionally engaged with CES to request the detail of what can be done in relation to CES leases and maximising supply chain in Scotland. The intent for SG to explore 'the options open for attaching supply chain conditions and incentives to Crown Estate Scotland leases' was made public at the Offshore Wind Supply Chain Summit held in Edinburgh (2nd May). CES will continue to engage with officials to outline options and associated risks – there is a possibility that this could impact the target of pre-launch commencing in July.
- In relation to aquaculture in particular, there has been significant engagement with MS over the past two months regarding 'additional work packages' (refer to Board paper). The first Seaweed Review Steering Group met on Thursday 16th May to inform the regulatory review of seaweed harvesting - CES will be represented at this. CES also took part in an Aquaculture Supply Chain summit in April to help identify issues with maximising Scottish content. Next steps are being agreed at follow up meetings.

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Business Performance Report BD(2019)14.8	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Esther Black	
<b>Author</b>	Hannah Hendron / Esther Black	
<b>Annexes</b>	Annex A: Business plan action tracker Q4 2018-19 Annex B: Dashboard (to follow)	
<b>Recommendation</b>	The Board is invited to note this paper.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

**Background**

1. Board is invited to note the business plan action tracker for Q4 for 2018-19.
2. The dashboard (to follow) has been amended following comments from members at the March 2019 meeting. Changes to media metrics will be reflected in dashboard for Q1 2019-20.

## Board paper

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

#### Corporate

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



## Board paper

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

## Board paper

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

## Board paper

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

## Board paper

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

## Board paper

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

## Board paper

### Marine (Energy & Infrastructure; Aquaculture)

#### Energy & Infrastructure

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

## Board paper

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

## Board paper

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



## Board paper

<b>21</b>	Identify and scope at least one opportunity for collaborative cables feasibility study / project designed to unlock value from Crown Estate Scotland assets; seek funding	Work up at least one project concept (options include i) Regulatory aspects of telecoms cables cohabiting with regulated electricity cables ii) North Sea telecoms development opportunity iii) community-focussed telecoms cables study)	31/03/19	100			<b>TM</b>
<b>22</b>	Provide ad-hoc seabed rights to meet offshore CO2 storage, cables and pipelines sector requirements; negotiate and complete licensing / leasing for offshore infrastructure in response to individual project developments and sectoral feedback, drawing on specialist sector-specific external advice as appropriate.	Initiate update of standard terms for pipelines agreements, with stakeholder input, to achieve transparency and provide certainty (update completed 2019/20)	31/03/19	100		Update to standard terms initiated.	<b>SW</b>

## Aquaculture

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red-	Comment (if applicable)	Owner

## Board paper

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

## Board paper

		a positive operator-community relationship.					
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## Rural

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

## Board paper

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

## Board paper

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

## Board paper

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

## Board paper

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

## Coastal

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

## Board paper

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



## Board paper

	interest in the marine environment.						
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## Urban

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

## Board paper

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

# BOARD DASHBOARD

## Q4 2018-19

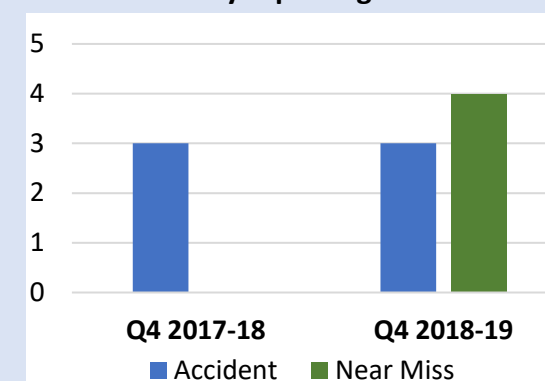


**Crown Estate  
Scotland**  
Oighreachd a' Chrùin Alba

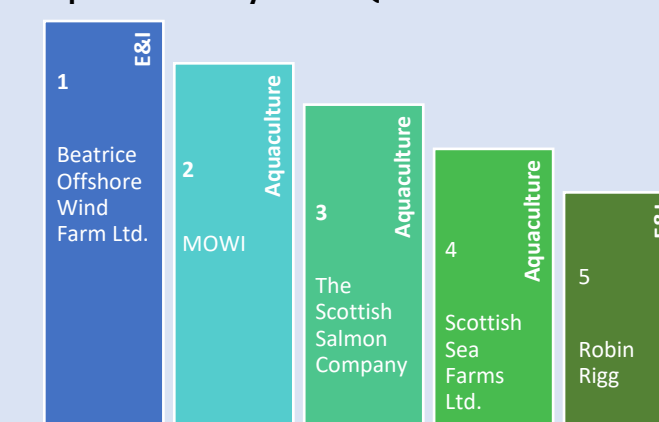
### Business plan - reporting by exception: Q4 2018-19

NO	ACTION	MEASURE	RAG STATUS	NOTES
12	Enhance staff expertise to meet evolving business needs, including development and roll-out of staff code & handbook of policies.	People Strategy in place; CPD (continuing professional development) plans completed for all staff; Staff code & handbook of policies in place; and Staff Survey shows 80% good-strong level of understanding.		Skills and capacity review in progress; staff survey conducted and results awaited; key HR policies reviewed; handbook to launched Q1 19-20.
18	Investigate the opportunity for further offshore wind leasing to enable new projects operating from mid-2020s, with associated job creation and carbon reductions.	Leasing process launched, evidencing stakeholder input and support, with the process clearly aligned with Marine Scotland/Scottish Government planning and policy. Developer applications submitted (or in advanced stage of preparation, depending on final leasing round timescales).		Final lease offering likely to be autumn 2019 following revised Marine Scotland timelines for Sectoral Marine Plan launch.
34	Build strategic partnership to deliver improvements to infrastructure at Rhu Marina.	Establish funding partnerships with key stakeholders; Progress funding applications as appropriate; Deliver works as funds and other constraints allow.		Lack of funding available and lack of certainty on EU funds. 2019-20 business plan includes works to be delivered and options / planning exercise.

### Health & Safety reporting



### Top 5 Tenants by value: Q4 2018-19



### Asset management: Q4 2018-19

	RURAL	COASTAL	E&I	AQUA.	URBAN
Capital receipts	£6,081,871	£31,828	£26,299,227	-	£15,500
Sales (no.)	15	3	-	-	-
No. of dealings/leases	602	2,411	89	599	6
No. of properties vacant	44	-	-	-	2 Units
Aged debt	£305,003	£671,698	£671,698	£716,250	£2,987,395

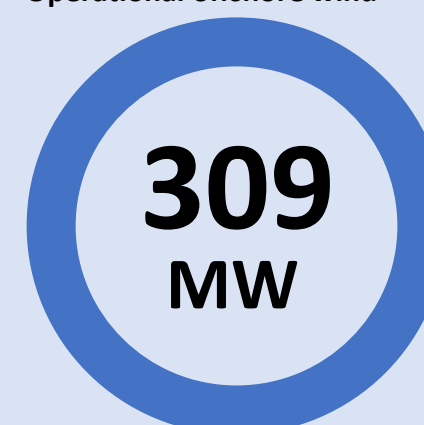
### Financials: Q4 2018-19

	YTD ACTUAL (£m)	YTD BUDGET (£m)
Total turnover	19.0	16.4
Net profit	11.4	7.3
Capital receipts*	32.4	10.6
Capital expenditure	5.4	8.8
*Exceptional Items	18.8	N/A

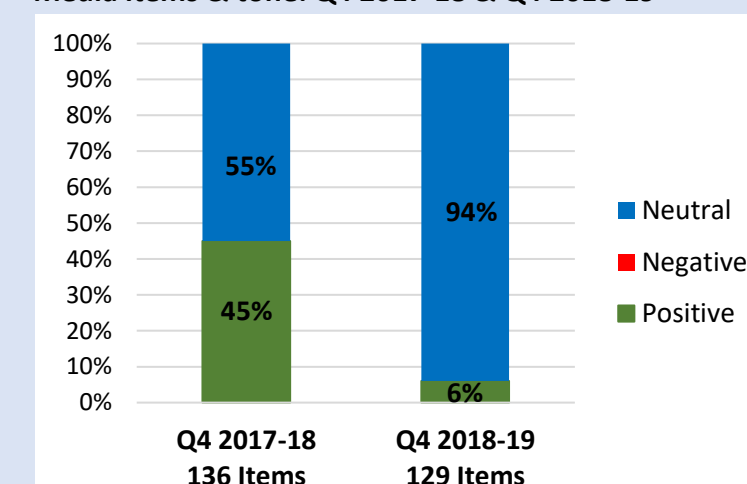
### HR Stats

	Q4 2017-18	Q4 2018-19
New starts (Quarterly)	3	2
New starts (YTD)	11	14
Leavers (Quarterly)	4	1
Leavers (YTD)	9	7
Sickness days (YTD)	160	200.5
Cost to business of sickness days (YTD)	n/a	£23,926

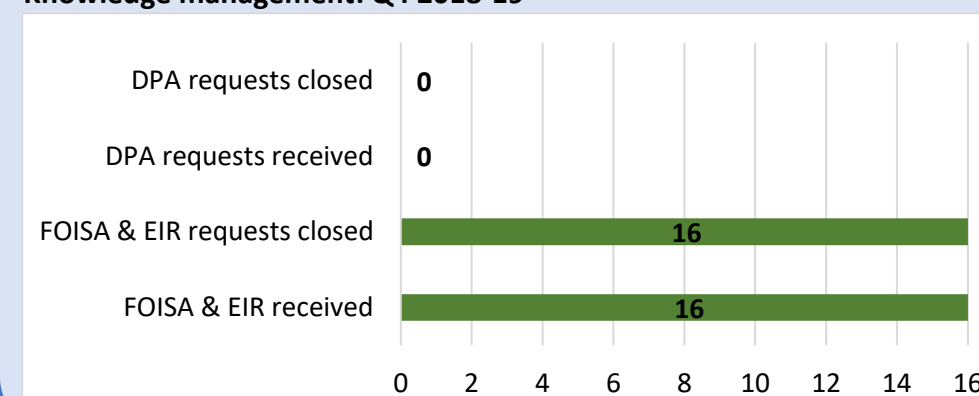
### Operational offshore wind



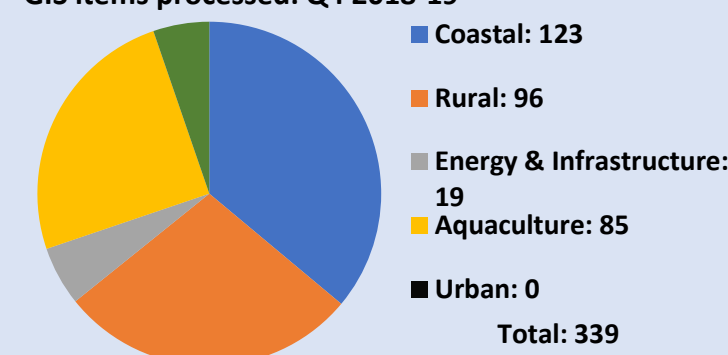
### Media items & tone: Q4 2017-18 & Q4 2018-19



### Knowledge management: Q4 2018-19



### GIS items processed: Q4 2018-19



### Procurement Activity: Q4 2018-19 Updates

	Awarded	Underway	Highlights
Q3 2018-19	1	1	<ul style="list-style-type: none"> <li>Total award £13.5k</li> <li>Shellfish Ecosystem Services underway.</li> <li>Monitoring of Managing Agent procurement underway.</li> </ul>
Q4 2018-19	2	1	<ul style="list-style-type: none"> <li>Total award £23.3k</li> <li>Awarded Shellfish Ecosystem Services and IT Review.</li> <li>Managing agent procurement YTD: Savills (Rural), £627k; Savills (Urban), £6.6k; Bidwells (Coastal), £6.2k.</li> </ul>

## Crown Estate Scotland Dashboard - explanatory notes

### Q4 2018-19

#### Business Plan – reporting by exception

<b>Amber status</b>	Partially delivered / delayed.
<b>Red status</b>	Target missed / abandoned.

#### Financials

<b>Net Profit</b>	Figure reported showing net profit distributable to Scottish Government
<b>Capital Expenditure</b>	Figure reported including capital sales
<b>Capital Receipts*</b>	Capital receipts and capital expenditure make up our capital account. Capital receipts are income in to the capital account.
<b>*Exceptional items</b>	These are extraordinary capital receipts received throughout the year. This is £18.8m from Zone 2 - Fluor Special Overage.

#### Health & Safety

<b>H&amp;S Stats (Accidents &amp; Near misses)</b>	There were 3 minor accidents and 4 near misses reported in Q4. All issues identified and resolved. New reporting system working well.
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#### HR Stats

<b>Sickness days: cost to business</b>	Number of sickness days x daily rate of employee who is sick.
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#### Top 5 tenants by income

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

<b>Capital receipts</b>	Capital receipts and capital expenditure make up our capital account. Capital receipts are income in to the capital account.
<b>Sales (no.)</b>	Figures reported showing consideration for properties that have been disposed only.
<b>Number of dealings/agreements</b>	Rural figures include Rural Estates and Mines Royal & Minerals.
<b>No. of properties vacant</b>	Rural & Urban figures include only truly vacant land which could be let.
<b>Aged Debt</b>	Total amount of unpaid invoices and unallocated credits/cash.

#### Energy Generation

MW figure for operational offshore wind.
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## Knowledge management

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

## Media

<b>Q4 2018-19</b> <b>Covers all broadcast, online and print</b>	<p>The publication of a Crown Estate Scotland-report on the socio-economic potential of the CCUS sector generated the most media items of the quarter (classed as neutral in tone).</p> <p>The same quarter in the previous year included the launch of the Scottish Crown Estate Bill and initial announcement of pilots scheme, which will account for the high proportion of positive coverage.</p> <p>Media metrics are currently being reviewed.</p>
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## Procurement

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

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Rural Condition Survey BD(2019)14.9	
<b>Security classification</b>	Unrestricted	
<b>Presented by</b>	Andrew Wells	
<b>Author</b>	Fiona Simpson	
<b>Annexes</b>	n/a	
<b>Recommendation</b>	The Board is invited to note this paper and support the programme of works planned to implement the findings of the rural condition survey.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. Following discussions with the Farm Tenant Group and other stakeholders, it was agreed that a Rural Condition survey should be undertaken to understand the baseline for the status of buildings across the rural estates. Savills were appointed following tender of this work on the Scottish Government's procurement portal.
2. Detail of the survey parameters and reporting framework and timetable were discussed and agreed. The survey process was discussed with NFUS Agricultural tenant reference group and their comments incorporated regarding involvement of key agent personnel and organisation for appointments arranged.
3. The survey was undertaken in the Autumn of 2018 and the survey report was received from Savills on time in February 2019.
4. Savills undertook the survey (which involved over 1000 individual building / property inspections) in a highly professional manner and worked extremely hard to complete the work according to the timetable.

## Discussion

5. The survey appointments commenced with a pilot visit to a key tenant farmer on each of the estates to confirm the methodology was appropriate and practicalities manageable. Remaining surveys were thereafter completed on buildings on 100% of properties listed in the project scope.

6. Tenant Group feedback was that inspections had been well-organised and discussion afterwards with managing agents had gone smoothly.
7. The key works emerging from the surveys generally involve roofing works on many of the agricultural buildings which are all now of a similar age requiring a substantial amount of isolated repair and ultimately renewal. Other common themes include requirements for mechanical extractor fans in farmhouse bathrooms and kitchens as well as smoke and CO2 detectors. These have already been installed in direct let properties due to legislation. While not a legislative requirement in agricultural let properties, these should assist in the prevention of mould build up and condensation which can impact on tenants' health as well as the fabric of the building.
8. Larger, farm building and farmhouse projects over £100k will be submitted to the Chief Executive / Executive Team for approval once detailed engineering reports and more accurate costings are obtained.
9. Scottish Government have asked that we advise them of a handful of key residential refurbishment projects for use as case study examples and demonstration exemplars. It is hoped that we will have some candidates from these condition survey works.
10. It will be important to manage expectations of tenants expecting projects to be undertaken and continue to emphasise the phased nature of the programme of works. Equally it will be important to complete as much of the budgeted work as possible in line with the spirit in which the survey was undertaken.

### Financial

11. The overall summary of costs to Crown Estate Scotland for undertaking all the works identified is **£3,562,841**.
12. A further **£1,139,324** cost has been identified as tenant liability.
13. The works have been allocated according to priority as per the table below:

Urgent (within 12 mths)	Priority A (1-3 years)	Priority B (3-5 years)	Priority C (5-7 Years)	Redundant buildings
£722,377	£2,142,945	£482,908	£214,601	£241,506

14. Approximately 60% of these costs are capital costs with 40% revenue.
15. Contingency sums for the outcome of the survey were included in the capital and revenue budgets which were approved by the Board in November 2018. These budgets have now been revised to incorporate all landlord urgent works and 25% of priority A works in financial year 2019/20 budget – this is as many as could be accommodated without materially changing overall budget figures.

16. The remainder of priority A works, and priority B & C works will be covered in 2020/21 and beyond. The target is to complete all works within 3 years.
17. For accounting reasons there has been a change in the split between capital and revenue (repairs, maintenance and renewals) expenditure relating to some of the works required. Overall figures for total rural estates expenditure (which includes the condition survey works and other R&M and investment works) have not materially altered remaining at £4.7m (revenue and capital) of expenditure in 2019/20.
18. Future Budgets (2020/21 and 2021/22) will be amended to accommodate the required expenditure alongside other works required as part of normal budget preparation in Autumn 2019. Any acceleration of works to include all Priority A items in 2019/20 would require an amendment to the approved budgets.
19. Progress is to be tracked for each individual building and the details for each item of work its category of priority whether capital or revenue and estimated cost through the agents updating survey database tables they have produced for each estate. This should enable us to monitor and keep track of what work is completed and what is still to be done and comparison with actual cost to estimate on the condition survey works across the estates.

### **Sustainability**

20. Where possible agent teams have been grouping similar works such as electricals or roof works to allow block submission for tender to contractors. The aim being to achieve economies of scale and keep costs under control. Efforts will be made to use contractors local to each estate to minimise carbon footprint from travel, but this may not always be possible.

### **Legal implications**

21. Individual lease arrangements have been checked for legal liability for split of expenditure between tenant and landlord and for joint cost arrangements. Schedules have been agreed with, and a written copy issued to each tenant.

### **Risk**

22. All costs are at present budget estimates prepared by Savills Building surveyors based on standard costs. There may be increases once work is specified in detail and tendered. This will require ongoing management of overall budgets and individual contracts as is the case with all budgeted expenditure. Where the work is urgent it will not be possible to postpone. This may increase expenditure overall, but efforts will be made to manage other discretionary elements of capital and revenue budget spend to keep within limits.

### **Reputational / PR implications**

23. This Condition Survey has been cited by others (including the Scottish Land Commission and NFUS) as an exemplar in relation to promoting a proactive and positive Landlord / Agricultural tenant relationship. Managing the follow up actions will be important in terms of future reputational implications.



<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Treasury Management BD(2019)14.10	
<b>Security classification</b>	Restricted	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Presented by</b>	Lynne Higgins	
<b>Author</b>	Lynne Higgins	
<b>Annexes</b>	Annex A: Draft Treasury Management Policy	
<b>Recommendation</b>	The Board is invited to approve the Treasury Management Policy at Annex A.	
<b>The board secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. Board previously considered (paper BD(2018)10.7) and approved the proposal for a cash management plan, allowing for capital funds to be placed on deposit.
2. As required under the Framework Document, consent was also obtained from the sponsor directorate and the Cabinet Secretary.
3. A draft Treasury Management Policy (Annex A) has been developed with input from an independent firm of financial risk advisers and has gained approval from Scottish Government's banking division.

## Discussion

4. The Board is invited to review the Policy and to approve the terms to allow implementation.

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Audit & Risk Committee Terms of Reference BD(2019)14.11	
<b>Security classification</b>	Unrestricted	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Revised Terms of Reference	
<b>Recommendation</b>	The Board is invited to approve the Revised Terms of Reference at Annex A.	
<b>The board secretary or chairman should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. The Audit & Risk Committee annually reviews its Terms of Reference. At its meeting on 30 April the Committee agreed to the incorporation of wording to reflect the Board's request that the Committee have increased oversight of health & safety management and to the addition of wording to reflect that it received reports on financial management, public interest reporting and on complaints handling.
2. A revised version of the Terms of Reference, with the proposed changes shown in highlighted text, is attached at Annex A.

## Discussion

3. The Board is invited to review the revised Terms of Reference and to approve them.

## **Annex A**

### **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;

## Terms of Reference for Audit and Risk Committee

- anti-fraud policies, whistle-blowing processes, and arrangements for special investigations;
- the processes for identifying and assessing Health & Safety risks and its strategies and policies for managing them and ensuring effective compliance with health & safety legislation.

The audit and risk committee shall also:

- receive and review regular financial management reports;
- 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;
- receive reports on and have oversight of Crown Estate Scotland's public interesting reporting, including responses to freedom of information requests;
- receive reports on and have oversight of 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; for the avoidance of doubt co-optees shall not have a vote but shall act in an advisory capacity; 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.

## Terms of Reference for 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 chairperson of the Board will be invited to attend meetings;
- 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;
- 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 committee for the purpose of the meeting.

### **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, apologies tendered, issues considered, decisions reached and resolutions passed.

10.2 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

## Terms of Reference for Audit and Risk Committee

he/she wishes made to the draft. The revised draft minutes returned by the Chair will be circulated to all members of the committee, 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.

- 10.3 Once approved, minutes may be published on the Crown Estate Scotland website.
- 10.4 Where those present at a meeting of the audit and risk committee 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.

### 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.

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Appointment of Authorised Signatory BD(2019)14.12	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Revised Scheme of Delegation	
<b>Recommendation</b>	The Board is invited to approve the Revised Scheme of Delegation at Annex A and to pass the resolution set out in the paper.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. As required by the Framework Document, Crown Estate Scotland has established a comprehensive system of internal delegated authorities. The Board approved this Scheme of Delegation during its meeting on 30 May 2018.
2. The Scheme of Delegation has been revised to include the Head of Marine as an authorised signatory on behalf of Crown Estate Scotland as well as having some delegated financial authority. The changes to the Scheme of Delegation are shown in highlighted text at Annex A.
3. The sponsor directorate have indicated their approval to these changes.

## Discussion

4. The Board is invited to approve the revised Scheme of Delegation at Annex A.
5. In order to approve the Head of Marine as an authorised signatory , the Board is invited to resolve as follows:

THAT, with effect from 1 June 2019, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be

signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

<b>Name</b>	<b>Title</b>
Simon Hodge	Chief Executive
Lynne Higgins	Head of Finance and Commercial
Colin Palmer	Head of Marine
Andrew Wells	Head of Property



## **Crown Estate Scotland Scheme of Delegation**

### **Introduction**

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

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

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

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

### **Provisions on delegation**

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

### **Reservations to the Board**

The following matters are reserved for determination by the Board:

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

### **Revocation and Variation**

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

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

## Schedule

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

3.4	Accounting policies	Board Scottish Ministers	Crown Estate Act 1961 The Crown Estate Scotland (Interim Management) Order 2017 SPFM Framework Document Ministerial Direction dated 1 May 2018
3.5	Approval of issuing credit cards to members of staff and credit limit to be applied (within the delegated authority set out in the Framework Document)	Head of Finance & Commercial	This Scheme of Delegation Framework Document
3.6	Capital Transactions		
	<ul style="list-style-type: none"> <li>above £2m</li> </ul>	Scottish Ministers	Framework Document  Must first have approval of Board and Executive Committee
	<ul style="list-style-type: none"> <li>£500k and above</li> </ul>	Board	Framework Document  All capital transactions over £2m <b>must</b> go to the Scottish Ministers for approval.
	<ul style="list-style-type: none"> <li>£250k and above</li> </ul>	Executive Committee	This Scheme of Delegation  All capital transactions over £500k <b>must</b> go to the Board for approval.

	• £100k - £250k	Chief Executive	This Scheme of Delegation
	• £0k - £100k	Head of Finance & Commercial Head of Property Head of Corporate Operations Head of Marine	This Scheme of Delegation
	• £0k – 75k	The Chief Executive may delegate authority to specific individuals within Crown Estate Scotland for their specific business areas only.	A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff.
	• £0k – 30K	The Chief Executive may delegate authority to the appointed managing agents.	A list of delegated authority levels will be maintained by the Head of Property & Commercial] and available to all staff and the relevant managing agent.  The managing agents will require to follow agreed processes for the approval of expenditure and payment of invoices.
3.7	Revenue Expenditure (to the extent not approved in the Corporate Plan or current Business Plan)		
	• £500k and above	Board and then Scottish Ministers	Framework Document
	• £250k and above	Executive Committee	Framework Document This Scheme of Delegation  Revenue expenditure above £500k (not approved in the Corporate Plan or current Business Plan) <b>must</b> go to the Board and then the Scottish Ministers for approval
	• £100k - £250k	Chief Executive	This Scheme of Delegation

	<ul style="list-style-type: none"> <li>£0k - £100k</li> </ul>	Head of Finance & Commercial Head of Property Head of Corporate Operations Head of Marine	This Scheme of Delegation
	<ul style="list-style-type: none"> <li>£0k - £75</li> </ul>	The Chief Executive may delegate authority to specific individuals within Crown Estate Scotland for their specific business areas only.	A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff.
	<ul style="list-style-type: none"> <li>£0k - £30K</li> </ul>	The Chief Executive may delegate authority to the appointed managing agents.	A list of delegated authority levels will be maintained by the Head of Finance & Commercial and available to all staff and the relevant managing agent.  The managing agents will require to follow agreed processes for the approval of expenditure and payment of invoices.
3.8	Single tender contracts		
	<ul style="list-style-type: none"> <li>above £50k</li> </ul>	Board and then the Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> <li>up to £50k</li> </ul>	Head of Finance & Commercial	This Scheme of Delegation
3.9	Claims waived or abandoned		
	<ul style="list-style-type: none"> <li>above £5k</li> </ul>	Board and then the Scottish Ministers	Framework Document
	<ul style="list-style-type: none"> <li>up to £5k</li> </ul>	Head of Finance & Commercial Head of Property	This Scheme of Delegation

3.10	Write-off of bad debt or impairments		
	• above £5k	Scottish Ministers	Framework Document
	• up to £5k	Asset Manager and Finance	This Scheme of Delegation In accordance with Debt Write Off Processes (one for in house and one for managing agents)
3.11	Special payments		
	• above £1k	Scottish Ministers	Framework Document SPFM (for definition)
	• up to £1k	Chief Executive or Executive Committee	This Scheme of Delegation
3.12	Payroll		
	• amount varies monthly		Operation of the payroll instruction and authorisation process is assigned to specific signatories, each with specified authority levels. No one signatory has all authority levels.
4.	Signing Authority		
4.1	Execution of all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland	Chief Executive Head of Finance and Commercial Head of Property Head of Marine	Board Resolution Requirements of Writing (Scotland) Act 1995 (as amended)

Version and Document Control Tables:

Version Control			
Version	Author	Date	Changes
1	Helen Howden	30.05.2018	Approved by Board
1.1	Helen Howden	17.05.2019	Change to number of Board members Addition of Head of Marine as signatory

Document Control	
<b>Document Title and Version Number:</b> Scheme of Delegation v.1.1	
<b>Author:</b> Helen Howden	<b>Document Status:</b> Draft
<b>Date Approved:</b>	<b>Approved by:</b>
<b>Effective Date:</b>	<b>Review Date:</b> to be reviewed annually

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Annual Report from Audit & Risk Committee BD(2018)14.13	
<b>Security classification</b>	Unrestricted	
<b>Presented by</b>	Robert Mackenzie, Chair of Audit & Risk Committee	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Annual Report to Board and Accountable Officer from Audit & Risk Committee	
<b>Recommendation</b>	The Board is invited to note the Report at Annex A.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

### Background

1. The terms of reference for the Audit & Risk Committee specify that it is to provide an annual report to the Board and Accountable Officer summarising conclusions from the work it has done during the year. The Committee's annual report is attached as Annex A and the Board is invited to note the report.



**Annex A**

**AUDIT & RISK COMMITTEE ANNUAL REPORT**

**2018-19**

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

**Other Attendees:** Lynne Higgins, Head of Finance & Commercial  
Simon Hodge, Chief Executive  
Helen Howden, Governance Manager (Minutes)

Yvette Bishop, Finance Manager (meeting on 30 October 2018)

John Boyd, Grant Thornton (all meetings)  
Joanne Brown, Grant Thornton (24 July and 30 October 2018)  
Helen Berry, Scott-Moncrieff (3 May 2018)  
David Eardley, Scott-Moncrieff (24 July 2018 and 26 February 2019)  
Mairi Macmillan, Scott-Moncrieff (26 February 2019)  
Claire Stevenson, Scott-Moncrieff (3 May, 24 July and 30 October 2018)

**Meetings held:** 3 May 2018  
24 July 2018  
30 October 2018  
26 February 2019

**The Work of the Committee during the year**

1. The terms of reference for the Committee were considered at the first meeting on 30 August 2017 and were reviewed by the Committee on 30 April 2019. The Committee agreed that the terms of reference should be amended to include health & safety oversight; review of financial management reports; receipt of annual reports on public interest reporting and complaints handling. The Crown Estate Scotland Board will be invited to approve those at its meeting on 29 May 2019.
2. The core business programme for the Committee has been kept under review and was updated at the meeting on 24 July 2018. The programme of work is linked to the audit cycle and this year included oversight of financial matters, risk and fraud. In March 2019, the Crown Estate Scotland Board requested that the Committee have a closer role in the oversight of Health & Safety reporting and this will be added to the Committee's future work programme.

3. The Committee advises the Board on strategic processes for the management of risk and the setting of risk appetite. During this year the Committee has reviewed the process, the format and content of the strategic risk register and has worked with the Chief Executive, who has taken a lead on risk management matters within the organisation, to establish a risk appetite framework which is appropriate to Crown Estate Scotland.
4. The Committee received financial reports from the Head of Finance and Commercial at each meeting and reviewed the draft capital and revenue budgets for 2019-20. The Committee received information on the banking arrangements for the organisation and a proposal for a treasury management policy.
5. The Committee reviewed the annual accounts for 2017-18 on behalf of the Board and considered the external auditor's Report. Where appropriate, the Committee challenged the officers and the external auditors on the content of the accounts (24 July 2018).
6. The Committee received a report on the preparation for the 2018-19 audit from the external auditors, Grant Thornton at its meeting on 26 February 2019. Preliminary fieldwork for the audit had commenced in February 2019. The report presented to the Committee included an update of the potential impact on the preparation of the accounts arising from the introduction of new International Financial Reporting Standards (IFRS), specifically IFRS15 and IFRS9.
7. The internal audit service was procured with guidance from the Committee and Scott-Moncrieff were appointed for an initial period of one year, commencing on 1 April 2018. The internal auditor presented the Committee with a draft internal audit plan during the meeting on 3 May 2018.
8. The Committee received an interim internal audit report on the Managing Agents with the final report being due to be presented at the Committee meeting to be held on 30 April 2019.
9. Work commenced during the year on developing a robust assurance framework for the organisation. This work, which was being led by the internal auditors, did not progress as quickly as had been anticipated and will be a important part of the work of the Committee and the internal auditors in 2019-20.#
10. The final report to Crown Estate Scotland from the internal auditors for the period to 31 March 2019 will take the form of a letter and will be available for the Committee meeting on 25 June 2019.
11. The Committee considered whether it was appropriate to extend the appointment of Scott-Moncrieff in light of their performance during the year. The conclusion of the Committee was that the appointment should not be extended and that new internal auditors be sought. This decision had the support of management. The procurement process will commence during the summer of 2019.
12. The Crown Estate Scotland Board approved an approach to procurement and a procurement strategy in November 2017. Since then the Committee has received update reports on procurement activity as a standing item during its meetings.

- 13.** The Committee received annual reports on fraud and security; complaints handling; requests made under the Freedom of Information (Scotland) Act 2002 and under data protection legislation.
- 14.** In May 2018, the Committee undertook a review of its own effectiveness, using a self-assessment checklist adapted from the Scottish Government's Audit and Assurance Committee. The results of that review were used to update the core business programme (July 2018).
- 15.** The Committee held a private session (without officers present) with the external and internal auditors before the meeting on 30 October 2018.
- 16.** The Committee is satisfied that it has discharged its remit during the year and that progress has been made in establishing a risk management framework which appropriately reflects and supports the emerging activity of the organisation. The Committee will continue to work with the Executive Team in maturing that framework and will support the work of the organisation to develop a robust assurance framework during 2019-20.

April 2019

<b>Board</b>	Fourteenth Board Meeting	<b>BD(2019)14</b>
<b>Meeting date</b>	29 May 2019	
<b>Paper title</b>	Annual Reports on Public Interest Reporting and Complaints BD(2019)14.14	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Public Interest Reporting 2018-19 Annex B: Complaints Handling Procedure 2018-19	
<b>Recommendation</b>	The Board is invited to note the Reports at Annexes A and B	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

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

- Freedom of Information (Scotland) Act 2002 ("FOISA")
- Environmental Information (Scotland) Regulations 2004 ("EIRs")
- The General Data Protection Regulation 2016/679 ("GDPR").

The Report at Annex A is an annual report information requests received by the organisation in the period 1 April 2018 to 31 March 2019.

2. Crown Estate Scotland also adopted the Scottish Public Sector Ombudsman's model complaints handling procedure (CHP) in January 2018. The guidance accompanying the CHP requires the publication of an annual report recording information about complaints and any learning outcomes from those. The Report at Annex B gives information about the adoption of the CHP within Crown Estate Scotland.

## Recommendation

3. The Board is invited to note the content of the Reports at Annexes A and B.

## Annex A

### Public Interest Reporting - Annual Report 2018-19

#### Background

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

**GDPR** provides individuals with enhanced rights about the use and storage of their personal data. These include requirements on an organisation to obtain specific consent to use personal; the right for individuals to see the personal data an organisation holds about them and the right to request that an organisation deletes their personal data.

#### Report

This report covers the period from 1 April 2018 to 31 March 2019 and summaries the requests for information received under FOISA and EIRs during this period.

#### Statistical Summary

##### FOISA and EIRs

	2017-18	2018-19
Requests for information received	35	48
Requests for information responded to	35	44*
Percentage of requests responded to within 20 working days	97%	92%
Average response time (working days)	9	7.97
Number of reviews carried out	2	2
Number of cases appealed to the Scottish Information Commissioner	1	0
Decisions issued by the Scottish Information Commissioner	1	0

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

#### Operation of the FOISA and EIRs within Crown Estate Scotland

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

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

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

The percentage of requests responded to within the statutory limits has fallen during the year. There have been four late responses (there was one late response in 2017-18).

Two of the late responses resulted from the original requests (from the same requester although on different subjects) not being correctly logged on receipt. They were only identified when the requester submitted a request for review of one request for information. The failure to log the requests was human error and, following investigation, we concluded that we could not make any changes which would prevent this in the future.

### **Type of Information Requested**

Requests received included those seeking information on:

- land ownership, including foreshore and fishing rights;
- number of seals killed by salmon farmers;
- revenue generated from specific Scottish Crown Estate assets;
- our Brexit preparations;
- National Gaelic Language Plan preparations;
- complaints cases; and
- kelp harvesting

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

### **Appeals**

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

We received two such requests for review in the period covered by this report. One was a request to review a decision to withhold information and the second was a request for a review where the requester had not received a response. Both reviews were upheld and the information requested made available.

### **Cases appealed to the Scottish Information Commissioner and Decision Notices Issued**

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

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

### **Requests under Data Protection legislation**

During the period we received two requests for people to be removed from our mailing lists. These were acknowledged and actioned. We received no other requests relating to the enhanced rights under the data protection legislation.

### **Training**

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

**April 2019**

## **Annex B**

### **Complaints Handling Procedure Annual Report 2018-19**

#### **Background**

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

#### **Recording and Reporting**

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

#### **Complaints**

4. In the period of this report three complaints were recorded. These were responded to within the time limits set out in our complaints handling procedure. Due to the limited number of recorded complaints and the different subject matter of the complaints we are unable to draw out any trends or to identify any areas for the improvement of the services we offer.
5. Training on the CHP is given as part of the induction process and we will offer refresher training to all staff during 2019-20 to ensure that if complaints are received they are responded to in accordance with the procedure and that we can improve the services we deliver.

**April 2019**