



**Agenda**  
**Sixth Meeting**  
**Crown Estate Scotland (Interim Management) Board**  
**28 March 2018**  
**9.00am – 2.00pm**

- 1. Standing Items**
  - 1.1 Welcome and Apologies (Hugh Raven)
  - 1.2 Declarations of Interest
  - 1.3 Approval of Minutes of Meeting held on 30 January 2018 Attached
  - 1.4 Matters Arising and Action Trackers Attached
  - + 1.5 Stakeholder Meetings BD(2018)06.01
- 2. Governance**
  - \*\* 2.1 Crown Estate Scotland Bill – update Verbal
  - 2.2 Investment Committee – updated terms of reference BD(2018)06.02
- 3. Management Reports**
  - \* 3.1 Finance Report to 31 December 2017 BD(2018)06.03
  - \* 3.2 Business Performance Report BD(2018)06.04
  - 3.3 Health & Safety Report BD(2018)06.05
- 4. Business Management**
  - \* 4.1 Closed Business - confidential BD(2018)06.06
  - \* 4.2 Bell's Brae BD(2018)06.07
- 5. Strategy and Planning**
  - \*\* 5.1 Pilot Scheme Verbal: RQ/EB
  - +\*\* 5.2 Business Plan 2018-19 BD(2018)06.08
  - \* 5.3 Pay and Reward Review BD(2018)06.09
  - \* 5.4 Bonus BD(2018)06.10
- 6. Briefing and Information Papers**
  - +\* 6.1 Offshore Wind Leasing BD(2018)06.11
- 7. Committee Reports**
  - \* 7.1 Audit & Risk Committee Minutes (8 February 2018) Attached
  - \* 7.2 Investment Committee Minutes (6 March 2018) Attached
- 8. Any Other Business**
- 9. Dates of Next Meetings**

29/30 May 2018  
21/22 August 2018  
2/3 October 2018  
27 November 2018

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

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

+ This item is for noting

<b>Minutes for</b>	<b>Sixth Board Meeting</b>	<b>BD(2018)06</b>
<b>Meeting date</b>	<b>28 March 2018</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 Dumfries on Wednesday, 28 March 2018 at 9am</b>		

**Present:**

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

**In attendance:**

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

**By invitation:**

David Mallon	Scottish Government (after the close of formal business)
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## 1. Standing Items

### 1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting and noted that Mr Raven had given his apologies.

It was noted that the Board had visited two farms and a plantation on the Applegirth Estate the previous day and had hosted a well-attended, and well received, session over lunch with some of the Estate's tenant farmers.

It was also noted that as Mr Mallon would be joining the meeting at 12.30pm the Agenda item relating to the Scottish Crown Estate Bill would not be taken until Mr Mallon arrived.

The Chair advised the Board that this was Mr Quinn's last meeting as Chief Executive of Crown Estate Scotland and the Board agreed that thanks were due to him for delivering a successful first year of operation.

Mr Quinn thanked the Board for their support over the past year and asked them to note that there had been a considerable team effort on behalf of the Executive Committee and staff in delivering an excellent performance in an environment which had not been straightforward. He could not commend them enough for their resilience.

## **1.2 Declarations of Interest**

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

## **1.3 Approval of Minutes of Meeting held on 30 January 2018**

**Noted that:**

- (a) there was a typographical error in item 3.1(c) which required rectification.
- (b) Minute item 4.2 did not fully reflect the discussion and that an additional paragraph as be added as point 4.2 Noted (b) as follows: “the draft Business Plan included assumptions on the sale and acquisition of specific assets, subject to obtaining the necessary approvals.”.

**Agreed that:**

- (a) with these changes made, the Minutes were approved.

## **1.4 Action Tracker and Matters Arising**

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

**Noted that:**

- (a) the two actions outstanding from the first Board meeting (1/3 and 1/17) would be closed by the time of the next meeting.
- (b) useful discussions had taken place in relation to Action 3/20 but that this matter had not yet been resolved. The Chair confirmed she would raise the matter again with the sponsor directorate.
- (c) Actions 4/4 and 4/12 were on-going and the dashboards would continue to evolve with input from the new Chief Executive once he was in post.
- (d) Action 5/6 remained open and the outgoing Chief Executive had passed his thought on resource requirements to the incoming Chief Executive.
- (e) the Business Plan 2018/19 was not yet with the Cabinet Secretary as questions raised by the sponsor directorate were still being responded to.
- (f) the Head of Corporate Operations would circulate the report on the stakeholder and tenant research discussed before the January meeting to the Board.

**Action: EB (6/1)**

- (g) Scott Moncrieff had held initial meetings with the Chair and the Chairs of the Audit & Risk Committee and Investment Committee as well as the Executive Committee. A draft internal audit plan would be considered at the next meeting of the Audit & Risk Committee.
  - (h) the procurement for consultants to carry out the Strategic Environmental Assessment on the draft Investment Policy had been launched.
  - (i) the Recognition Agreement with the Public and Commercial Services Union had been signed and would come into effect on 1 April 2018. This would be communicated to staff during a meeting on 3 April 2018.
  - (j) further discussions had taken place in relation to large scale seaweed harvesting and the steps which might be required to be followed to make it a possibility. The Aquaculture Operations Manager had drafted a potential timeline as the basis of further discussions with Marine Scotland. The draft would be circulated to the Board for information.
- Action: HH (6/2)**
- (k) one of the properties which the Board had approved during the January meeting for sale to the sitting tenant, Bridgemuir Farm, was due to settle before the end of the financial year. The other two property transactions approved at the same meeting had not yet concluded and would be carried forward into the next financial year.
  - (l) the Board Forward Plan had been circulated to the Board with the papers for this meeting and any comments on it should be passed to the Governance Manager.
  - (m) the Chair of the Investment Committee had requested that an annual work plan for the Investment Committee be prepared.

**Action: HH (6/3)**

## **1.5 Stakeholder Meetings** (paper BD(2018)06.01)

### **Noted that:**

- (a) Mr Morris had been unable to attend the meeting with Nova Innovation on 7 February 2018.
- (b) the visit to the Whitehill estate scheduled for 17 April 2018 had been postponed.
- (c) the Chair and the Head of Corporate Operations had met with representatives of COSLA on 22 March 2018.
- (d) the Chair would be in Shetland on business in April and intended to try to meet with Crown Estate Scotland stakeholders, including Lerwick Port Authority.

## **2. Governance**

### **2.1 Investment Committee – Updated Terms of Reference (paper BD(2018)06.02)**

**Noted that:**

- (a) the Investment Committee had requested that a review of its terms of reference be carried after six months. This had been done and considered by the Committee during its meeting on 6 March 2018. The Committee were requesting that the Board approved the proposed changes.

**Agreed that:**

- (a) the revised terms of reference were approved.

## **3. Management Reports**

### **3.1 Finance Report (paper BD(2018)06.03)**

**Noted that:**

- (a) the report was for the quarter to 31 December 2017 however the trends shown were still current, including an underspend in direct expenditure.
- (b) a reforecast of the budget carried out at the end of the third quarter indicated that net profit was expected to be in excess of the original budget submitted to Scottish Government in June 2016 of £5.2m and the subsequently revised internal budget of £5.8m in October 2016.
- (c) the net capital position was well ahead of budget due to delays in expenditure and additional income, such as overage and clawback payments, which could not have been foreseen when drafting the budget.
- (d) the Executive Committee were recommending to the Board that an additional payment be made to the Scottish Government before the end of the financial year. A payment in the range of £500,000 to £750,000 was proposed however this would be subject to the Head of Finance & Commercial checking the final cash position on her return to the office.

**Agreed that:**

- (a) the Board endorsed the recommendation of the Executive Committee to make an additional payment to the Scottish Government before the end of the current financial year. This confirmed that Crown Estate Scotland had had a successful first year of operation and should be highlighted in the Annual Report.

**Action: LH (6/4)**

*Secretary's Note: an additional payment of £500,000 was made to the Scottish Government by Crown Estate Scotland on 29 March 2018.*

### **3.2 Business Performance Report (paper BD(2018)06.03)**

**Noted that:**

- (a) although this was a detailed report it was not exhaustive and did not list the extent of the current activity under way in the organisation. Of particular note was the above average open and click-through rates for Crown Estate Scotland e-newsletters
- (b) whilst the second floor of the property at George Street remained vacant there had been recent interest in the space. The property was not considered overpriced and the advice from the letting agents remained to hold the existing terms.
- (c) the introduction of the Telecoms Code was anticipated to see rents fall and could have an impact on masts on the rural estate.
- (d) the staff survey had closed with a response rate of 95%. The initial feedback from the Research Resource indicated that most responses were positive however there were specific areas which required some focus. A full report would be brought to the May Board meeting.
- (e) future reports on business performance would be in a different format.

**Agreed that:**

- (a) appropriate communications should be issued to ensure that the most was made of Crown Estate Scotland's involvement in the Better Conversations initiative.

**3.3 Health & Safety Report (paper BD(2018)06.05)**

**Noted that:**

- (a) this was a paper highlighting the progress which had been made by Crown Estate Scotland since 1 April 2017 in ensuring that it has an appropriate health & safety culture, policies and process embedded throughout the business.
- (b) the health & safety framework developed promoted a Plan, Do, Check and Act approach and policies and processes were in place to support that approach.
- (c) near misses and accidents were now regularly being reported and appropriate action to respond to these, including additional training where required, was being undertaken. Near misses could still be under reported however this was part of the health & safety culture which would continue to develop.
- (d) financial provision had been made to cover additional costs and the use of the external consultant had proved to be cost effective however there was an operational requirement to look at how health & safety would be managing going forward and whether additional internal resource was required.

**Agreed that:**

- (a) trend information should be included in future reports.

**Action: AW (6/5)**

- (b) where compliance work was taking time to complete due to lack of contractor availability then consideration should be given to alternative means of addressing completion of the works.

**Action: AW (6/6)**

- (c) the incoming Chief Executive should review the internal resourcing of health & safety management.

**Action: SH (6/7)**

#### **4. Business Management**

##### **4.1 Closed Business – confidential.**

##### **4.2 Bell's Brae (paper BD (2018)06.7) Closed Business – confidential**

**Noted that:**

- (a) this was an investment opportunity, allowing for a saving in outgoing occupational costs, the receipt of short term rental income and then for medium to longer term property development. The property was available off-market by the current owner and was a rare opportunity in the Edinburgh market. This would be a strong investment opportunity whether Crown Estate Scotland regardless of the fact that Crown Estate Scotland was a tenant.
- (b) an initial valuation had been obtained which had confirmed the value and opportunity but full due diligence would require to be carried out to support this and the Board were being asked to approve the purchase subject to completion of appropriate due diligence.
- (c) the Scottish Public Finance Manual (SPFM) requires that public bodies go through a specific process for the acquisition of property they occupied for operational purposes. Although this acquisition was being pursued as an investment, and not for operational purposes, it was noted that there would be sensitivities around this transaction with regard to Crown Estate Scotland's occupancy and interim nature pending the implementation of new legislation. It would also be the first acquisition of the entity and possibly subject to added scrutiny. Guidance would be sought from the sponsor body as to any additional steps or consent required.

**Agreed that:**

- (a) the acquisition of the property was a worthwhile investment, regardless of where the future Crown Estate Scotland head office is to be located. The property should, subject to the completion of satisfactory due diligence and necessary Scottish Government approvals, be acquired as an investment property at no more than the price (excluding transaction costs) set out in the paper.

## **5. Strategy and Planning**

### **5.1 Pilot Scheme**

**Noted that:**

- (a) the consultation on the proposed scheme had been launched and would close on 16 April. No responses had yet been received however indications from several organisations that they would be submitting their views before the close of the consultation.
- (b) a review of resource requirements had ascertained that a full-time post for 18 months was required and an internal recruitment process was underway. If no one suitable came forward then the managing agents would be asked if they had anyone suitable for secondment to the role. The post would thereafter be advertised externally. Whilst the Board agreed it was preferable to recruit someone who was already familiar with how Crown Estate Scotland worked it was also important to ensure that the right person was recruited in relation to external stakeholder engagement.
- (c) future resource requirements would be driven by the level of applications once the scheme was launched however it was clear that additional support would be required and that this would likely be a full-time management resource on a fixed term basis.
- (d) the current consultant would continue to work on the project until the end of June at which time the pilot scheme would have launched.

### **5.2 Business Plan 2018-19 (paper BD(2018)06.08)**

**Noted that:**

- (a) the draft Business Plan was still with the sponsor unit and not yet with the Cabinet Secretary for approval. Questions on aspects of the Plan, including the capital position, continued to be raised by the sponsor unit and were being addressed.
- (b) as aquaculture was a growing sector more focus on this should be considered for future Business Plans.

### **5.3 Pay and Reward Review (paper BD(2018)06.09)**

**Closed Business - confidential**

**Noted that:**

- (a) the paper sets out the proposed process and timetable for a fair and transparent review. This would be subject to consultation with the recognised trade union and staff. A key aspect was to ensure that staff were, where appropriate, retained.



- (b) the review would be carried out by an external agency with the costs estimated at between £25,000 and £30,000 including VAT.
- (c) the review would be communicated to staff once the incoming Chief Executive had been talked through the process.
- (d) the 2018-19 budget assumed only inflationary increases in salaries which was in accordance with Scottish Government guidance. The intention of the review was to establish a transparent and equal pay structure rather than increase staff costs.

#### **5.4 Bonus 2017-18 (paper BD(2018)06.10)**

**Noted that:**

- (a) this issue had been considered by a Board sub-group and that the recommendation was for the approval of a bonus scheme for 2017-18 in line with the legal advice obtained. A preliminary assessment indicated that the awards would be around £160,000 in total.

**Agreed that:**

- (a) the Board accepted the recommendation for 2017-18 and that the pay and reward review would be completed by March 2019.
- (b) no new employee should be offered participation in a bonus scheme on joining the business.

### **6. Briefing and Information Papers**

#### **6.1 Offshore Wind Leasing (paper BD(2018)06.11)**

**Noted that:**

- (a) this paper reported on the work which had been undertaken since Crown Estate Scotland had announced that it was starting to consider how new rights might be issued for commercial-scale offshore wind projects. The process proposed was different from what had been undertaken previously and had been informed by discussions with developers and recognised that offshore wind in Scotland was more expensive than in England and Wales.
- (b) the next step was a formal consultation. The process intended to allow a pipeline development, potentially with two leasing rounds and would seek to actively encourage the development of new technological innovation.
- (c) no assumptions could be made on capital and revenue benefits for many years as development was not certain and if it continued to be cheaper to develop in England and Wales then there would be limited opportunities in Scotland. The consultation would allow identification of concerns up front and all developers to bid with a degree of knowledge.

- (d) timing was dependent on the publication of the Marine Scotland plan.

**Agreed that:**

- (a) the Board welcomed the open and transparent approach adopted.
- (b) the Board would appreciate time with the Senior Manager E&I to discuss the development of the offer during the consultation period in order to input at an early stage in addition to signing off any final proposals.

**Action: HH (6/10)**

## **7. Committee Reports**

### **7.1 Audit & Risk Committee**

**Noted that:**

- (a) the meeting on 8 February 2018 had been attended by the external and internal auditors. The external auditors had presented their initial plans for carrying out the audit. The internal auditors would bring their draft plan to the next meeting. An emphasis had been placed on the audit teams working together.
- (b) further discussion had taken place on risk appetite and more work was being done in relation to re-setting Crown Estate Scotland's risk appetite. This would be considered again by the Committee in early May.
- (c) the strategic risk register had been reviewed and comments passed back to the Executive Committee.
- (d) after the meeting, Crown Estate Scotland had been awarded UK Cyber Resilience certification and were in a strong position to apply for the next level of certification.

### **7.2 Investment Committee**

**Noted that:**

- (a) in addition to the items discussed earlier in the Board meeting, the Committee had considered a first iteration of a draft Rural Strategy and had taken a paper on capital oversight. The Chair of the Committee had then held a meeting with the Head of Finance and Commercial and the Head of Property to discuss the capital position as he wanted to explore how the Committee, and the Board, could gain a better sense of the assets and the way in which they are performing, to make informed decisions.
- (b) the future of the rural estate was an issue to be discussed at Board level and that the Chair of the Committee would like an external consultant to undertake work on identifying the future position, taking into account stakeholder feedback. This work would be in parallel with a review of the use of managing agents and would feed into the next Corporate Plan.

**Agreed that:**

- (a) the Board required more granular information on asset classes and performance as they prepared for the enactment of the Scottish Crown Estate Bill and to optimise the estate for the future. Further discussions would take place to identify how this information would be presented.

**Action: LH/AW (6/11)**

- (b) the Investment Committee should continue to provide guidance and assistance on the preparation of the strategy for the future of the rural estate and that the Board be afforded the opportunity to discuss this strategy at the appropriate time.

**Action: SH/AW (6/11a)**

## **8. Any Other Business**

### **8.1 Legal Services**

**Noted that:**

- (a) the legal services procurement had reached a conclusion and the Executive Committee had a recommendation to put to the Board, the appointment requiring Board approval due to the level of annual expenditure.

**Agreed that:**

- (a) the Board would consider a paper on this circulated electronically.

**Action: LH (6/12)**

### **8.2 Insurance**

**Noted that:**

- (a) insurance services, both broker and insurer, had been appointed last year on a two-year basis. The renewals for 2018-19 had been received and were similar to the current premia payable and so on that basis had been renewed. A paper recording this would be submitted to the new meeting of the Audit & Risk Committee.

**Action: LH (6/13)**

*The formal business of the meeting concluded at this point and Mr Mallon joined the meeting at this point and talked the Board through the Parliamentary process for the passage of the Scottish Crown Estate Bill.*

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

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**Date**

<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	Stakeholder Meetings BD(2018)06.01	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Amanda Bryan/Ronnie Quinn	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	None	
<b>Recommendation</b>	The Board is invited to note this Paper	
<b>The committee 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 since the Fifth Board meeting on 30 January 2018.

## Meetings held

2. The Chair and Chief Executive jointly attended a meeting with:
  - Midlothian Council on 7 March 2018.
3. The Chair attended or met with:
  - Marine Scotland (sponsor Directorate) on 31 January 2018
  - Nova Innovation, Leith, 7 February 2018 (with Mr Morris)
  - Highland Council (Leader, Chief Executive and Director Development & Planning) on 16 February 2018
  - Chair, Scottish Land Commission on 20 February 2018
  - Chair, Scottish Land Fund on 20 February 2018
  - Scottish Land & Estates anaerobic digestion event at Charlesfield Farm (with Andrew Wells) on 21 February 2018
  - Director, Marine Scotland on 22 February 2018
  - Scott Moncrieff, internal Auditors on 7 March 2018
  - Marine Scotland (sponsor Directorate) on 7 March 2018

- Launch of report of Better Conversations Tour (Crown Estate Scotland are a co-sponsor) on 15 March 2018
- Director, Marine Scotland on 20 March 2018
- Come on Board event on 20 March 2018
- Telephone call with Policy Director, Community Land Scotland on 21 March 2018.

**4. The Chief Executive attended or met with:**

- BEIS re new offshore wind leasing on 31 January 2018
- Plant Heath Conference on 1 February 2018
- Legal agents on 20 February 2018 (with Governance Manager)
- Offshore Wind Industry Council on 21st February
- The Crown Estate on 21 February 2018 (with Governance Manager)
- Offshore wind developer re new leasing on 22nd February
- Marine Scotland (sponsor Directorate) on 26 February 2018
- Edinburgh Chamber of Commerce on 28th February (with Head of Corporate Affairs and Policy)
- Chair of Legal Agents on 7th March 2018
- Midlothian Council on 7th March 2018 with Chair
- SSE Transmission on 8th March 2018
- Scottish Government Stakeholder Advisory Group on The Crown Estate on 12 March 2018
- Scott Moncrieff, internal Auditors on 13 March 2018.

**Meetings Planned (to end April 2018)**

**5. The Chair has the following meetings or events planned:**

- Speaker at OECD Rural Development Conference on 9 April 2018
- Portree and Braes Community Trust on 12 April 2018
- Glenlivet visit on 13 April 2018
- Whitehill Estate visit on 17 April 2018.

<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	Investment Committee – Terms of Reference BD(2018)06.02	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Terms of Reference	
<b>Recommendation</b>	The Board is invited to note the content of this paper and approve the Terms of Reference 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. At its meeting on 13 June 2017 the Board approved terms of reference for the Investment Committee (paper BD(2017)01.10). The Investment Committee agreed that it would review the terms of reference after six months.

### Discussion

2. The terms of reference have been reviewed and some amendments made (shown by means of revision marks) which were considered by the Investment Committee at its meeting on 6 March 2018. The Committee have agreed to the changes and are seeking Board approval to their adoption of the updated terms of reference at Annex A.

## Annex A

### Terms of Reference for Investment Committee

#### 1. Membership

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

#### 2. Secretary

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

#### 3. Quorum

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

#### 4. Reporting

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

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

#### 5. Responsibilities

The Investment Committee will:

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

- contribute to ~~the~~ Crown Estate Scotland's annual report as required.

## 6. Rights

The ~~i~~Investment ~~C~~ommittee may:

- seek any information it requires from any employee of Crown Estate Scotland in order to perform its duties;
- co-opt additional members, who shall act only in an advisory capacity, 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
- request that the Chief Executive procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

## 7. Meetings

7.1 The procedures for meetings are:

- the ~~i~~Investment committee will meet at least four times a year, or otherwise as and when required. The Chair may convene additional meetings, as he/she deems necessary;
- ~~i~~Investment ~~C~~ommittee meetings will normally be attended by the Chief Executive, the Head of Property and the Head of Finance & Commercial. Additional attendees of ~~i~~Investment ~~C~~ommittee meetings will be decided by the Chair. The chair~~person~~ of the Board will be invited to attend meetings;
- in the event of equality of votes, the Chair shall have a casting vote;
- the members of the ~~i~~Investment ~~C~~ommittee will serve on the ~~C~~ommittee at the discretion of the Board and may be removed by the Board; and
- 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 ~~C~~ommittee for the purpose of the meeting.

## 8. Notice of meetings

- 8.1 Meetings of the ~~i~~Investment ~~C~~ommittee shall be convened by the secretary ~~of to~~ the committee.
- 8.2 Unless otherwise agreed by the ~~investment c~~ommittee, 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 ~~e~~Committee members at the same time.
- 8.3 Notices, agendas and supporting papers can be sent in electronic form.





**9. Minutes of meeting**

- 9.1 The secretary to the Committee shall minute the proceedings and decisions of all meetings of the Investment Committee, including recording the names of those present and in attendance, apologies tendered, issues considered, and decisions reached and resolutions passed.
- 9.2 Within 5 working days of a meeting, draft minutes will be sent by the Governance Manager secretary to the Committee to the Chair for approval. The Chair will return the draft minutes, with such revisions as he/she wishes made to the draft. The revised draft minutes returned by the Chair will be circulated to all members of the committee, who may propose amendments to the Governance Manager secretary by email. The draft minutes will be tabled at the next meeting for approval and once approved will be signed by the Chair.
- ~~9.3 — Once approved, minutes will be published on the Crown Estate Scotland website.~~
- ~~9.4 — 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.~~

**10. Terms of Reference - Review**

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

<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	Business Performance Report BD(2018)06.04	
<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>	Ronnie Quinn	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	None	
<b>Recommendation</b>	For noting	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

This paper sets out the key business activities in the period from December 2017 - February 2018.

## Marine

Sales

Purchases

AfL's & leases

- Tidal – Connel lease signed

Assignations

- Pipeline - Forties x 2 (£200k p/a) – BP to Ineos, completed, documentation to be received

Upcoming transactions

- Tidal – Nova Innovation capacity expansion
- Wave – EMEC area expansion
- Wind test and demonstration (T&D) – Kincardine step through to Lease March/April
- Wind T&D – Dounreay Tri assignation
- Wind Round 3 – Phase 2 AfL for Zone 2 (Seagreen)
- Wind Round 3 – “Apollo” simplification of agreements and corporate restructuring
- CCS – Acorn Heads of Terms agreed, legal drafting under way

- Cables - SSEN Western Isles HVDC awaiting comments from SSEN on Option and Licence.
- Cross-border agreement, Moyle – finalising guarantor before engrossing.
- Cross border variation execution Lanis – engrossments with tenant (Vodafone).
- Cross-border variation execution TAT14 – engrossments with tenant (BT).

### Other significant points

#### Energy

- Development of system based T&D leasing, paper submitted to Executive Committee and engagement with sector underway on sector and funder collaboration.
- Wind T&D – macro-economic modelling of potential of floating wind to UK underway
- Offshore wind leasing round – design and development work underway.

#### Infrastructure

- Aged debt <2%. Vodafone (Lanis telecoms cable) remains outstanding debt older than 6 months due to cross-border legacy issues, further information provided to tenant that should resolve.
- High level feasibility study procured for delivery March 2018 exploring data centre opportunities related to Crown Estate Scotland assets. Existing work by HIE fed in to this.
- Crown Estate Scotland attended Carbon Capture, Utilisation and Storage 'ministerial council' and task force chaired by Claire Perry MP, who tasked the groups with getting 'shovels in the ground' on a CCS project.
- Discussions initiated with BT on renewal of BT Master Agreement in 2019 (passing rent currently £435k p/a).
- Telecoms Code came into force 28 December 2017, implications for Crown Estate Scotland business is difficult to predict but likely to be material.
- Several pipeline decommissioning proposals being progressed, the first of which is likely to be Atlantic & Cromarty (BG/ Shell UK). Progress on MoU with UK Government slow due to involvement of multiple departments (led by BEIS decommissioning team).
- Met Top Tenants – Shell UK, BP, BT, Tampnet.
- Completed six rent reviews since summer 2017.

#### Aquaculture

- Production returns for finfish, largely salmon, harvested during 2017 indicate an overall increase of 14%. This is nearly double that projected by Marine Scotland Science's annual survey and is underpinned chiefly by a 34% increase in harvested production by our largest salmon farming tenant, Marine Harvest. This allied to implementation of the 2017 rent review outcome means finfish revenue to be invoiced for 2018 will exceed £4.68 million, which along with shellfish revenues will bring total aquaculture invoicing for 2018 to over £4.7 million.
- A wild fish monitoring protocol project steering group has been confirmed and will meet in mid Feb. Crown Estate Scotland has offered £25k annually for three years in support. It includes location specific farmed and wild fish interests along with government (Marine Scotland and Marine Scotland Science) and Fisheries Management Scotland.

- Crown Estate Scotland is entering detailed discussion with Marine Scotland on appropriate controls and aligning related processes for proposed large scale vessel-based harvesting of wild kelp.
- Crown Estate Scotland is part of a consortium led by Queens University Belfast that will submit a bid to BBSRC in April for a project to further investigate the production of biomethane from seaweeds along with additional bio-refinery and co-digestion with other aquaculture related waste measures to improve the value chain and commercial viability. We have offered £31k annually for three years in support.
- Crown Estate Scotland is participating on steering groups for two Scottish Aquaculture Research Forum Projects now commissioned and underway. One is on part-cycle closed containment for finfish production to reduce open sea pen durations and associated environmental and production issues, the other on a marine licensing regime that might replace the current consenting regime.

## Rural

### Sales

- Applegirth: Dinwoodie Farm delayed while various legal and financial elements resolved but these are now resolved and sale is expected to proceed before financial year end.
- Applegirth Bridgemore Farm Sale progressing well.
- Offer received for development land at Mosstodloch Fochabers.
- Kings Park Cottages – sale completed.
- Fochabers Auchanhaulrig Farm Sale – marketing report in preparation.
- [Wording here has been redacted as the reference is to a confidential item and this is being treated as closed business under s33(1)(b) of the Freedom of Information (Scotland) act 2002].]
- J Jones potential development land at Mosstodloch – Savills continuing discussions.
- Section 75 Agreement about to be completed with Midlothian Council for 0.28ha housing site land to the north of Rosewell steading. Completed.

### AfL's and Leases

- Byres Farm relet completed – Offer made to existing tenant which has also unlocked opportunity for expansion of another existing tenant's business.
- Dell Farm Glenlivet – Marketing for let being agreed. Potential hutting area to be excluded.

### Investment

- Discussions ongoing re development land at Whitehill and potential for development of former Shewington Open Cast site. In discussion with Savills and Wardell Armstrong regarding strategy with planners.
- General purpose building at Mains of Auchriachan – on schedule for completion end March.
- Marchbank slatted court at Applegirth underway.
- Broomlands Farm roof works instructed following tender.
- Major agricultural drainage at Shewington, Whitehill completed on time & on budget.
- Major electrical testing and works programme continues at Fochabers & Glenlivet.
- Netherton & Bogarrow – Demolition of unsafe building. Approved Savills to instruct Newlands contractors to proceed following tenders.

## Board paper

- Wester Manbeen silage – Preparations now commenced to ensure work completed by spring for farm operations.

### Upcoming transactions

- See above (sales).

### Other significant points

- Glenlivet bike Hub Café - Rent Abatement and compensation package agreed whilst mountain bike trails are closed for essential felling. Following meeting with tenants also agreed to work on visitor road signage. Discussed & very limited action possible as café not visitor accredited. Planning would be required for our own sign. Agreed further payment required to cover costs. They would look to apply for planning for sign and we will cover design and cost.
- Stirling title adjustment activity – Dispositions concluded with Johnstons 6 Sep. Anderson Strathern instructed to discuss title adjustments with Scottish Ministers & Stirling Council & to progress Kings park collaboration agreement requirements.
- U300 Applegirth – D&G council - improvements to the access road leading up to Laverhay for Forestry extraction. The council do not need to purchase any land but they do require access to Crown Estate Scotland land to clean out a large culvert underneath the public highway. Savills liaising with the tenant over stocking arrangements and temporary fences. Works all going well.
- Nether Dallachy airfield, Fochabers – planning application submitted by Murray to Moray Council for sand & gravel operation. Not yet approved.
- Upper Dalhousie Sand quarry extension – revisal to application including informal link path following public consultation meetings. Submitted to Midlothian Council.
- 10 Homesteads - 10-year extension agreement granted for elderly tenants' peace of mind. Tenancy runs on beyond that & is very secure.
- Rent rebate of 25% for 2018 season to be granted to Crown Estate Scotland salmon fishing tenants in Category 3 (Scottish Ministers conservation regulations) rivers. Following discussion and feedback from tenants we have decided to continue support from the previous two years for the long-term benefit of rivers and anglers. This action has again received a positive response from angling association tenants. Website update agreed to publicise.
- 2 new Mines Royal options to Greenore approved new Cumnock & Barr (close to Foreburn site). Agreements completed.
- Mines Royal options at Glen Almond & Aberfeldy withdrawn – unable to access Forestry Commission land.
- Mines Royal Options Great Glen Resources 5 Applications -1 non- crown area – 4 proceeding.
- Tenders for Rural Portfolio valuations being reviewed. Appointed Strutt & Parker. Arranging supply of information both internally and from Savills. Initial draft discussion meeting held on 13 February.
- Shewington fencing of restored area contract decided on tenders – tree planting costs reviewed and agreed with Nick Page & Savills. Only small sum over budget will be required – to come from Rural overheads.
- Glenlivet: EE Mast site at Lecht for ESN now complete.
- Keithmore & Auchorachan Glenlivet successions to next generation – case sheets requested.
- Glenlivet - negotiations with EE for Braes Community 4G mast for Broadband.
- Allander Water – Concern over proposed hydro scheme impacting significant salmon stocks in Kelvin & lease to Kelvin AA .Agreed to contribute £15k to Clyde in the classroom January 2018. Requested press activity from Corporate colleagues.
- Glenlivet Peat works restoration – agreed tree felling with CNPA.

### Forestry

- Bike Trails felling- works ongoing, felling now started on red trails, weather still causing issues, with lorry access only possible for 2.5 weeks since the 30/10/17. Haulage almost certain to run beyond re-opening of trails Easter 2018.
- Cairn Muldonich restock site - ground preparation on going. About 10ha completed so far with another 40ha to go. Fencing works likely to go ahead in February 2018. In process of engaging a planting contractor to complete planting April 2018.
- Farm fencing- fencing contractor instructed to price up fencing list. One tenant recently lost a cow that had become stuck in a fallen forestry fence. Fence repairs underway.
- Tree Surveys - Tablet system now set up and working. Started to compile a list of works for Glenlivet based on previous survey.
- Preparation for Certification audit underway.

### Coastal

#### Sales

- Aberdeen Harbour Board, dredging programme has been re-scheduled which will shift the bulk of the income to financial year 2018/19.
- Potential sales of reclaimed seabed and Crown Estate Scotland pontoons to Tobermory Harbour Association (THA) under discussion. THA in discussion with SLF.
- Potential sales of foreshore to Glendale Trust (Skye) under discussion, Trust has been successful at Stage 1 application to Scottish Land Fund.

#### AFL's & leases

- Talks underway with Scottish Water regarding review of master agreement terms.
- Talks initiated with Highland Council following AB visit re master agreement.

#### Assignations

- *None*

#### Upcoming transactions

- *None*

#### Other significant points

- Rhu – Wave modelling complete and economic assessment completed. Heads of Agreement with RNCYC close to completion. Meetings with A&B Council arranged early April.
- Report re Moorings review due shortly.
- Agreement needed with RYA for placing racing marks on seabed, previously a UK-wide agreement.

## Board paper

### Urban

#### Sales

- *None*

#### Purchases

- *None*

#### AfL's and leases

- *None*

#### Assignations

- *None*

#### Upcoming transactions

- *None*

#### Occupancy and lettings

- *None*

#### Other significant points

- *None*

### Corporate Affairs & Policy

- Legislation preparation – CREST, tenant letters, external statement and lines to take for staff and Board.
- Launch of pilots consultation.
- Finalising staff and stakeholder research – action plan being drafted

## Board paper

- Media stats:

Total number of items (print and online publications) is Q1 189, Q2 71, Q3 152. These numbers are conservative as the monitoring agency only covers certain publications.

### 2017/18 - coverage by tone (% of items)

Tone	Q1	Q2	Q3	Q4
Positive	33.90%	40.80%	45.40%	
Negative	6.90%	1.40%	2.60%	
Neutral	59.30%	57.70%	52%	

- Last two e-newsletters:  
Open rate: 41.4% and 46.3% (industry average 27.6%)  
Click rate: 37.8% and 18.3% (industry average 7%).
- Twitters followers now nearly at 1000. Target to increase this is in 2018/19 business plan.
- Policy work has focused on offshore leasing, natural capital and Our Contribution. Consultations include SSE (submarine elec cables), CNPA forestry and parliamentary committee salmon farming inquiry.
- Support on various MSP meetings and half-day session with Patrick Grady MP.
- Publications - Bulletin, Business Plan, draft Investment Strategy Strategic Environmental Assessment.

## People

- Recruitment for various roles ongoing.
- Unplanned turnover for the year set to be around 12%.
- First annual staff survey has been conducted.

## Knowledge Management

Knowledge Management

Public Interest Reporting

As a public corporation, Crown Estate Scotland is committed to full compliance with:

- Freedom of Information (Scotland) Act 2002 ("FOISA")
- Environmental Information (Scotland) Regulations 2004 ("EIRs")



- Data Protection Act 1998

In the period 1 October 2017 – 28 February 2018, 21 information requests were received.

- FOISA – 4
- EIRs – 17
- DPA – 0

Six of the requests were from the same requester and related to the same subject matter (ownership of foreshore and salmon fishing rights). This requester has lodged an appeal with the Scottish Information Commissioner in relation to a decision by Crown Estate Scotland not to send information which had already been sent to him on more than one occasion. The Scottish Information Commissioner is investigating the decision and the Board will be informed of the outcome in due course. The requester also contacted his local MSP and a meeting was held with her.

Other requests were for information on land ownership, including foreshore and fishing rights; for details of “high earning Quango employees”; details of paternity leave offered to employees; a query in relation to the impact of the Carillion insolvency.

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.

Disclosure logs of information provided in response to FOISA or EIR requests are published on the Crown Estate Scotland website.

<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	Health & Safety Report BD(2018)06.05	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Andrew Wells	
<b>Author</b>	Andrew Wells/Andrew Green	
<b>Annexes</b>	<b>Annex A</b> - Health & Safety Performance - April 2017 to March 2018 <b>Annex B</b> – Rural Property compliance dashboard	
<b>Recommendation</b>	The Board is invited to note this paper and comment on the delivery of Health & Safety management in Crown Estate Scotland in line with the approved Framework.	
<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 the establishment of Crown Estate Scotland, a framework and management system for the effective management of Health and Safety has been put in place and approved by the Board.
2. To assist the organisation and implementation of an effective Health & Safety management system, an independent Health & Safety Consultant was appointed. Andrew Green of Green's of Haddington Ltd has over 25-years' experience of providing health & safety services in the rural sector.
3. As the framework document identifies, there is a legal, financial and moral obligation of the organisation to comply with health & safety legislation. The framework spells out the **PLAN, DO, CHECK, ACT** approach and this paper sets out how those 4 points have been implemented in the last 12 months.

## Discussion

### PLAN

1. The Health & Safety Consultant regularly meets (at least bi-monthly) with the Head of Property and with the Health & Safety Coordinator to plan and monitor Health & Safety management across all aspects of Crown Estate Scotland Business. The Consultant visits the Glenlivet and

Fochabers Estate on a quarterly basis, sits on the Health & Safety Committee and is available for consultation at any time. Visits to the Fochabers and Glenlivet Estates are also undertaken outside those periods if required, to assist with specific issues that emerge.

2. In the last year, Crown Estate Scotland have updated the existing principal policies for Health & Safety management which take account of the new structure of the organisation and the accompanying risks. This has been done in close consultation with all relevant business asset managers, managing agents and the external Consultant.
3. As part of this review new policies for the Rural, Coastal and Mineral portfolios managed by external Managing Agents have been introduced. These have been agreed with the respective managing agents and clearly outline duties and responsibilities in line with the terms of their contracts/terms of appointment.
4. The underlying procedures that are aligned to the main policies are undergoing review and over the course of the next financial year will be updated and issued along with training and awareness raising for staff of all the relevant policies and procedures.
5. The scope for an annual internal audit of Health & Safety management is currently under development as part of the annual cycle of management (see para 19 below).

**DO**

6. A Health & Safety central committee meets quarterly. This operates under the Chairmanship of the Head of Property and is made up of senior members of staff from the main areas of operation. The Health & Safety Coordinator and the Health & Safety Consultant are also invited to attend. The focus of the Committee has been on the set up and operation of Health & Safety management systems following establishment of Crown Estate Scotland. In future as this becomes more centred on operational management it is intended that managing agents will be involved in this Committee.
7. A visit to the Whitehills, Applecross, Glenlivet and Fochabers Estate was made in May 2017 by Green's of Haddington.
8. A specific audit of the disused quarries and borrow pits on the Glenlivet Estate was carried out in September 2017 along with the harbour at Portgordon and a list of recommendations for the Managing Agents produced.
9. Training is ongoing for the workforce with courses organised for
  - a. Asbestos awareness
  - b. Use of Abrasive Wheels
  - c. Use of CAT (Cable Avoidance Tool) and Genny (Generator)
10. "Lunch & Learn" sessions are planned for all the staff at Bell's Brae, Glenlivet and Fochabers to go through updated policies.

11. A process for the reporting of incidents and accidents has been put in place and this has been positively adopted by staff. Reporting of 'near misses' as well as incidents resulting in personal injury has been undertaken according to the process.
12. Managing agents have been undertaking works to address a range of property related Health & Safety requirements and inspections as set out in Annexe B (see also para 17 below). The focus has been on works related to asbestos following inspections undertaken prior to transfer and on electrical works on farm buildings, farmhouses and residential properties to meet requisite standards.

**REVIEW**

13. The accompanying Dashboard Annex A summarises the accidents, incidents and absences from work that have occurred in the last year.
14. As can be seen, there were no notifiable accidents to staff or visitors, there were no accidents that resulted in any lost time.
15. There were 2 incidents related to striking a phone line with a digger bucket. Neither resulted in any injuries but there was inconvenience to those affected.
16. In relation to other workplace absences, one person was signed off by their GP for "Stress / Anxiety / Depression". They returned to work in June 2017 after a significant absence period but has not missed work subsequently as a result of this issue.
17. With regard to compliance with regulations associated with property management, Managing Agents have provided a separate Dashboard (Annex B) in relation to inspections and compliance in relation to Crown Estate Scotland's statutory and non-statutory duties regarding gas safety, electrical inspections – residential, agricultural, commercial (including Fochabers workshop & Glenlivet office), smoke detectors, CO detectors, Chimneys, Solid Fuel appliance Oil appliance, Asbestos, Tree safety, and Bridge inspection. Legionella Water checks have been undertaken in George Street and our occupied offices. The introduction of new regulations regarding private water supplies has resulted in review of requirements and work is underway to ensure compliance with the regulations.
18. Health & Safety has been incorporated as an objective in all staff performance scorecards and is a fixed item on all management meeting agenda's, staff and committee meetings. The management systems put in place and the priority given to Health & Safety management is ensuring that there is an ongoing review of systems and operational requirements.
19. In Q1 of the new 2018/19 financial year, a Health & Safety audit of the operations of the Crown Estate Scotland and of the Managing Agents in relation to their responsibilities under the new policies will be undertaken by the Health & Safety Consultant. From this action points with a suggested timescale for action will be identified.

- 20.** It is intended that the audit will focus on a full review of all management systems, operational management practices and property management, to ensure that all Crown Estate Scotland Health & Safety liabilities relating to employed staff, workplaces, visitor safety and property/asset management are being appropriately managed.

**ACT**

- 21.** Following the first incident of an underground cable being struck, arrangements were made for the replacement of the CAT scanner for a better model, the provision of a signal generator (Genny) to aid the accuracy of the detector and training has been arranged for the staff at Fochabers on the new equipment.
- 22.** This was not in place in time to prevent the second cable strike but it is hoped that it will prevent further ones.
- 23.** In both incidents, proper procedures were being adopted by the workforce and the cables were detected by a scanner. The issues arose as a result of cables not being at the normal depth and being unmarked by tape. The provision of the new equipment and additional training will help mitigate against a recurrence of this type of incident.
- 24.** The use of modern technology is being advanced in the management of health & safety. iPads have been provided to staff so that they can undertake and record management inspections of playground equipment at Glenlivet, regular checks of the offices and in the production of safety documents for individual sites by the workforce at Fochabers. It is anticipated that this will be extended further.
- 25.** The policies will be downloaded directly onto the iPads so that the staff will have them with them at all times for referral regardless of whether there is any signal.
- 26.** A lone worker solution from a company called Trackplot has been secured. Where there is no mobile phone signal, a SPOT device offers communication for the individual to activate in the event of an incident. In a life-threatening situation, the signal goes directly to the emergency services in addition to the intended contact.
- 27.** As a consequence of the initial rural property audits undertaken by the Health & Safety consultant a range of priority works on bridges, redundant farm buildings and other infrastructure were identified. This involved improvements to signage, provision of additional safety fencing, removal of roof sheeting containing asbestos and other works at quarries and other property infrastructure.

**Financial**

- 28.** The total cost for the Health & Safety Consultant incurred this financial year to date is in the region of £14,000.
- 29.** Provision for the costs of management of Health & Safety including provision of protective clothing, equipment, inspections and surveys, property repairs and follow up works, are all

budgeted as part of the respective property management folios within the repairs and maintenance costs. These involve both capital and revenue costs depending on the nature of the works involved.

30. A contingency provision of c£50K is made within the Rural and Coastal overheads budget to cover any unexpected or additional revenue costs and to meet consultancy fees, survey fees or other costs as required.

**Sustainability**

31. The management of Health & Safety is regarded as a key material issue in the sustainable management of all Crown Estate Scotland's business interests. This is reflected in the framework document, the revised policies and procedures and the importance placed on Health & Safety in staff objectives and operational business management.

**Legal implications**

32. By using the PLAN, DO, CHECK & ACT principles from the individual task level all the way to the strategic management of health & safety, it can be demonstrated that health & safety is being actively and appropriately managed by Crown Estate Scotland.
33. Where Health & Safety responsibilities lie with occupiers of Crown Estate Scotland assets, these responsibilities are set out in leases/agreements.
34. On this basis all legal requirements are being met as far as can be ascertained at the current time. The forthcoming audit will provide an opportunity for further review against legal requirements to ensure compliance.

**Risk**

35. The work undertaken by staff the Health & Safety consultant and the central Health & Safety Committee has ensured that Health & Safety risks are given a high priority in the business. This is a key aspect of risk management.
36. In addition to being able to show compliance with the regulations, the risk (likelihood and consequences of an accident occurring) has also been reduced as is the risk of being in breach of legislation.

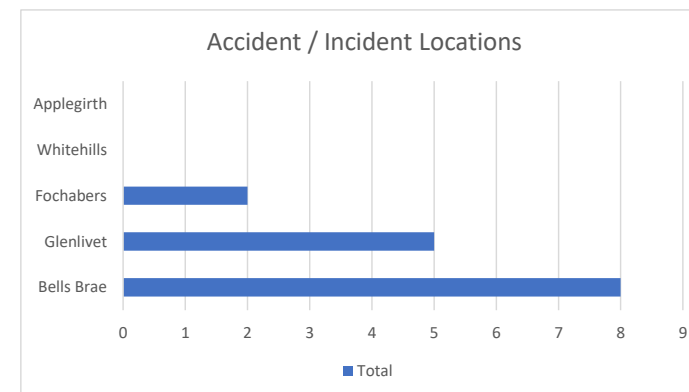
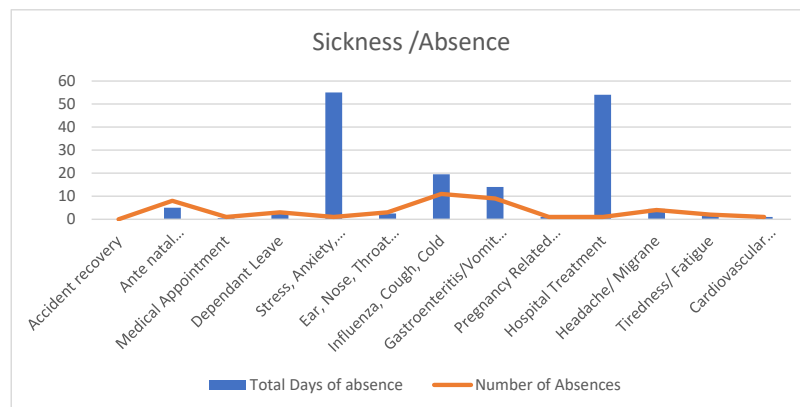
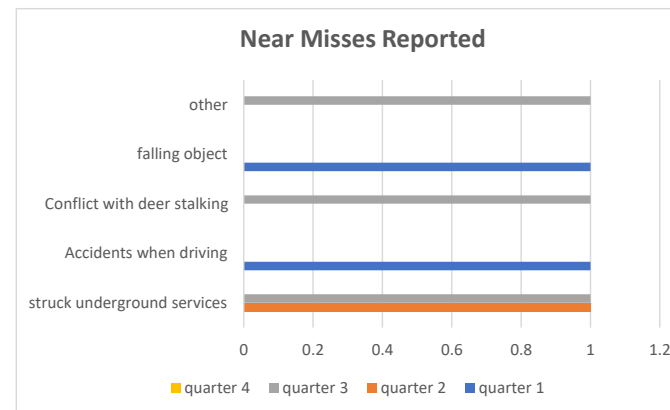
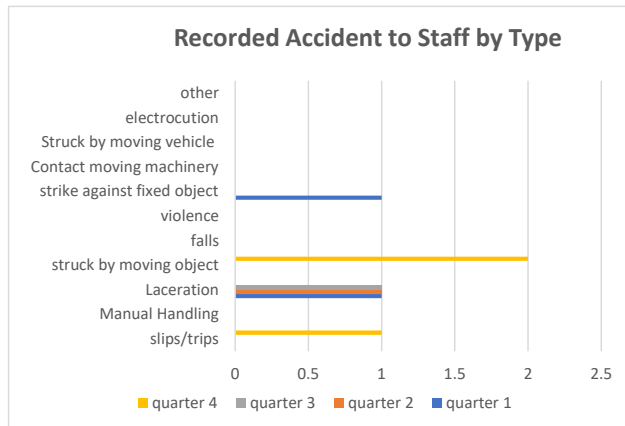
**People considerations**

37. People are the most important asset of the Crown Estate Scotland and it can be demonstrated that the Crown Estate Scotland is a good employer.
38. Trade Union representation on the central Health & Safety Committee has ensured staff interests have been treated as a priority. While this is not a formal representation, it is acknowledged by staff as being sufficient representation from the Union perspective.

**Reputational / PR implications**

- 39.** There have been no incidents or other matters that have occurred or come to attention that have required reputation management, or have been likely to result in negative reputational impact.
- 40.** Where incidents have occurred that have relevance to other stakeholders, the action taken has been commended.

## ANNEX A - HEALTH & SAFETY PERFORMANCE - APRIL 2017 TO MARCH 2018



### NOTES

No RIDDOR reportable accidents or incidents in last 12 months

2 similar near misses involving the digger bucket striking an underground BT line. Action to prevent this occurring again includes upgrading the detection equipment and providing further training to staff in its correct use

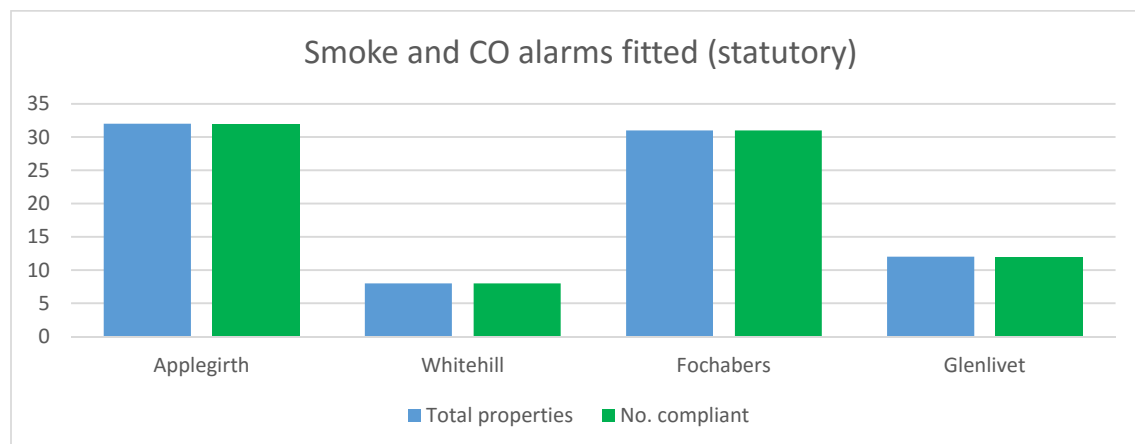
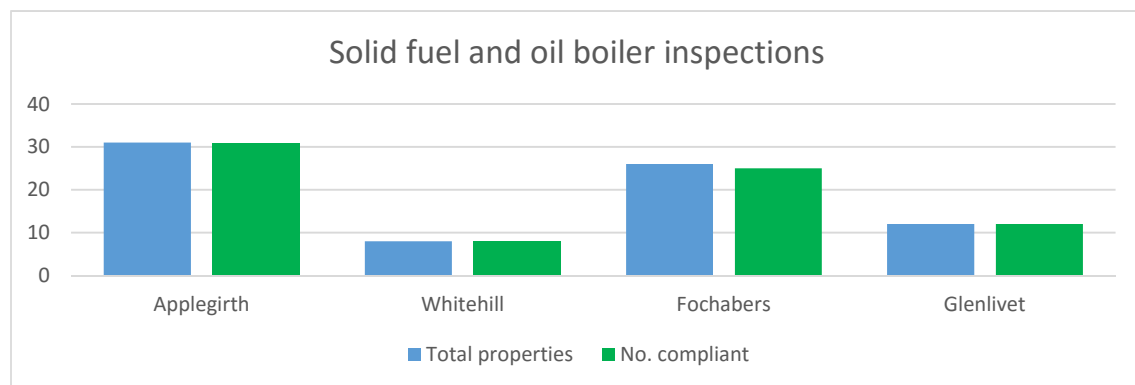
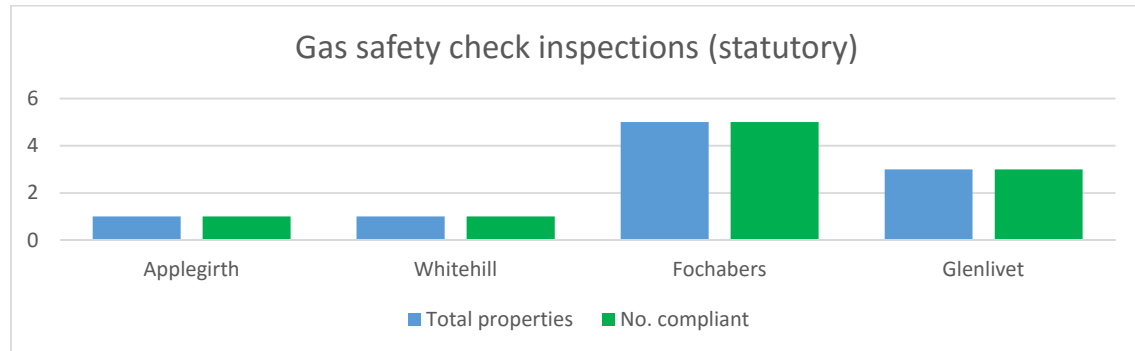
There was one person who had a significant amount of time off for "Stress / Anxiety / Depression." That person returned to work in June 2017 and there have been no further absences of that cause. They had a phased return to work and so it appears that the issue has been resolved.

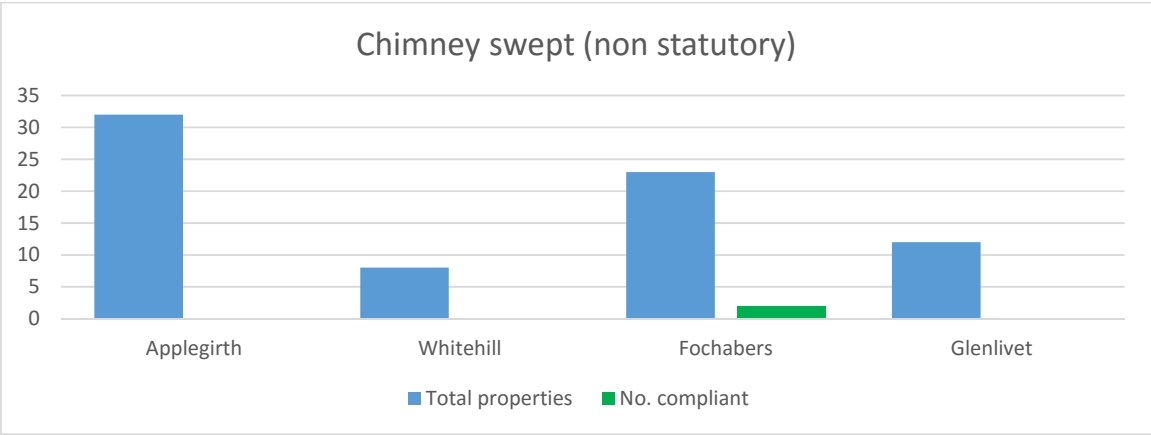
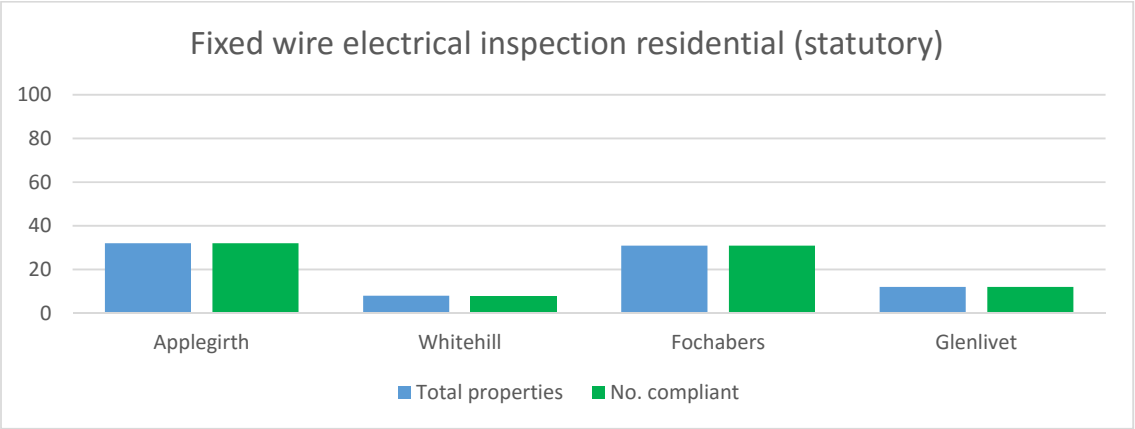
There was one person who had a significant amount of time off as a result of a chronic illness unrelated to his work. That person has subsequently left



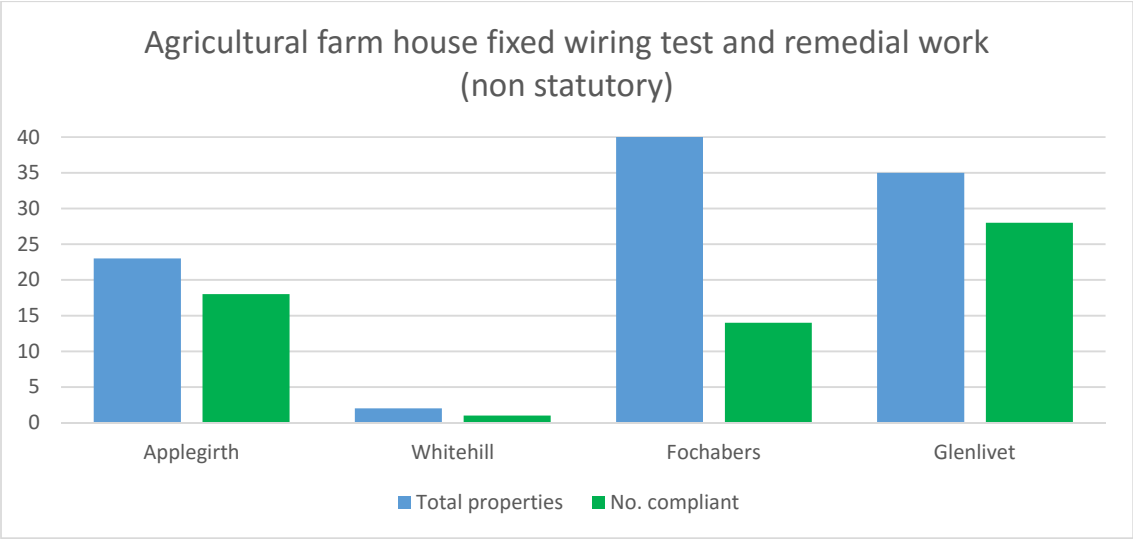
## Crown Estate Scotland – Health and Safety Dashboard - Summary

### Residential Properties

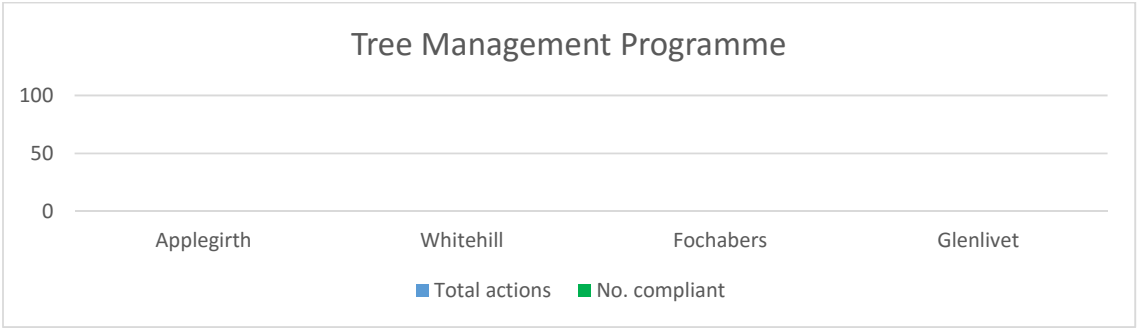




Agricultural Units

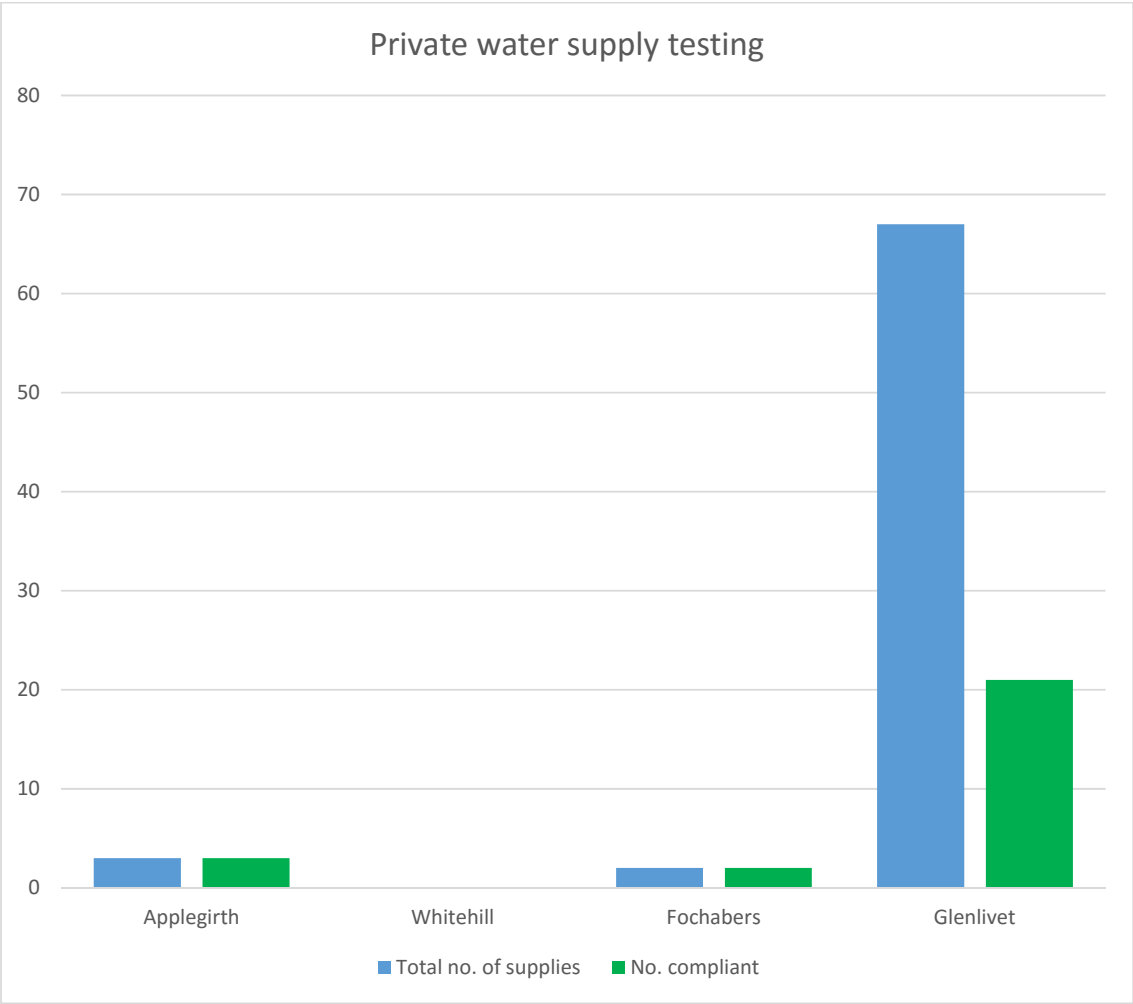


Forestry



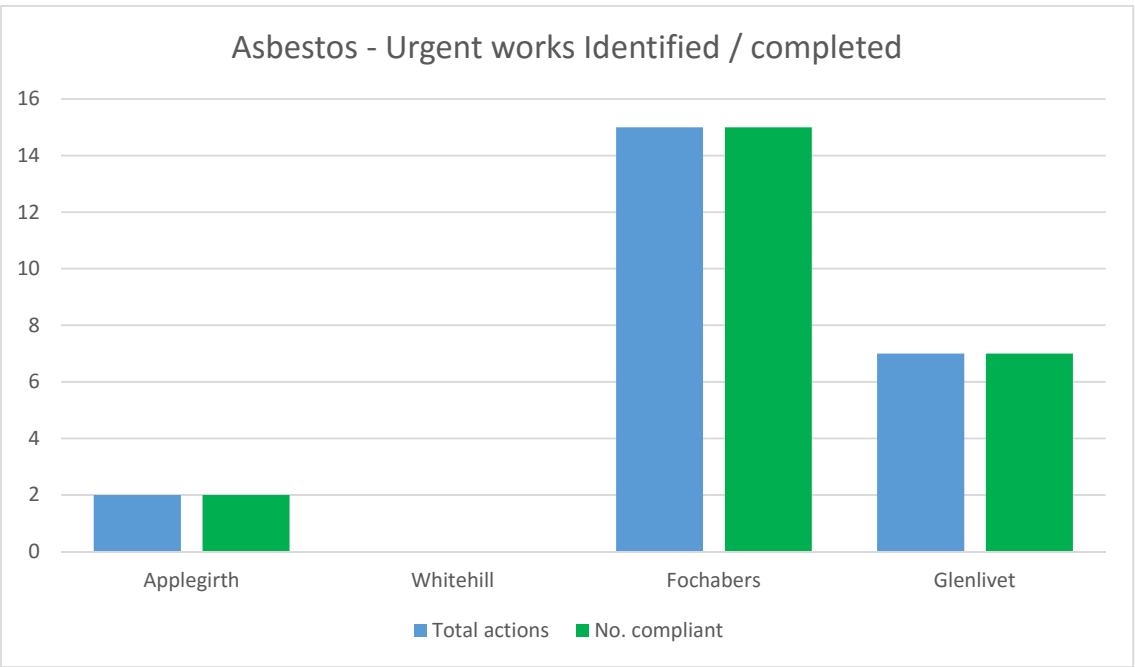
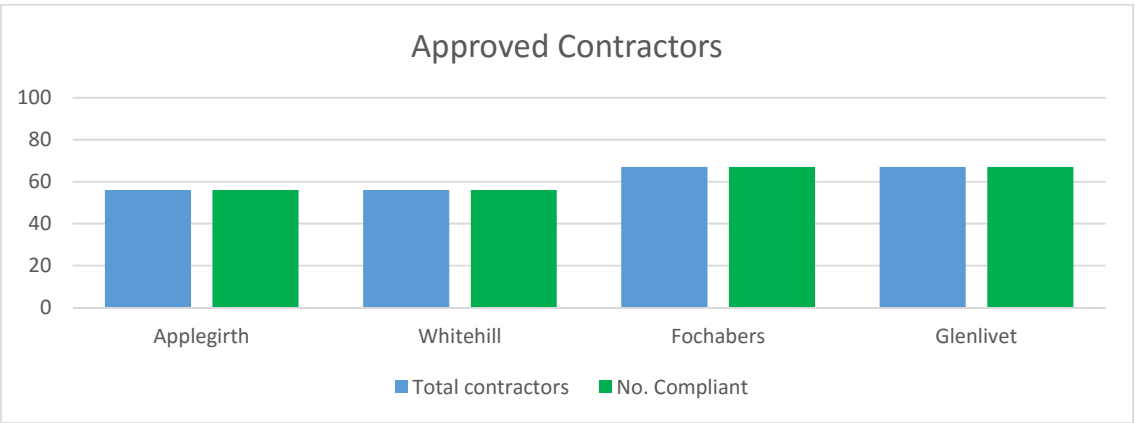
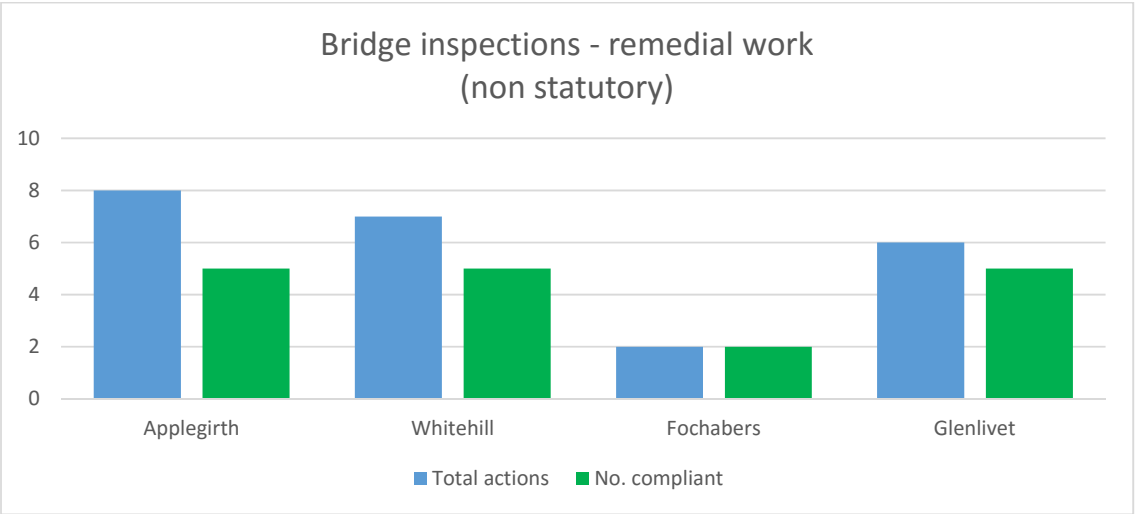
(TMP not yet in circulation)

General Estate Wide



Annual testing of private water supplies is statutory for Type A supplies (any Type B supply can be tested if requested). Farm water supplies have recently been upgraded to Type A private water supplies however a two year grace period has been granted to test and complete any remedial works.

As noted above Glenlivet Estate has multiple private water supplies (67) however 21 are tested at present. We are awaiting confirmation from Moray Council with regards to testing and frequency for farms.



Board	Sixth Board Meeting	BD(2018)06
Meeting date	28 March 2018	
Paper title	Acquisition of premises at 6 Bells Brae & 1 Miller Row BD(2018)06.07	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Author	Lynne Higgins/Andrew Wells	
Annexes	None	
Recommendation	The Board is invited to (a) consider the acquisition of the premises at 6 Bells Brae & 1 Miller; and (b) to approve entry into negotiations leading to its purchase, subject to appropriate due diligence and a maximum purchase price of £1.8m	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

## Background

1. The property (collectively 6 Bells Brae and 1 Miller Row) is owned by a private pension fund and agents, acting for the Trustees, have intimated that the owner would be willing to sell it to Crown Estate Scotland off-market for £1.8m.
2. Crown Estate Scotland occupies 6 Bells Brae under the terms of a Full Repairing & Insuring lease. The lease expires in December 2020 and Crown Estate Scotland has an option to break the lease in December 2019 by giving 6 months' notice in advance. The lease also includes 7 parking spaces on site. Current rent payable is £65,500 per annum and service charge costs of approximately £35,000 bring the total cost to £100,500 per annum.
3. The property benefits from a rental income from the tenant of the ground floor (£35,000 pa) until August 2020 and there is presently vacant space (on the first floor at 6 Bells Brae and at 1 Miller Row) which is capable of separate letting, thus enhancing the rental income stream and mitigating landlord property costs.
4. Jones Lang Lasalle were appointed to provide valuation advice on the potential acquisition. The resultant report underpins a purchase price of £1.8m
5. Approval is sought to enter into negotiations leading to purchase of the property, at a price not to exceed £1.8m, and subject to appropriate due diligence and full financial appraisal.

6. The Investment Committee considered and endorsed the recommendation to purchase the property, subject to the satisfactory outcome of the full due diligence and on the basis that this was principally an investment decision which had operational benefits.

**Discussion/Proposal**

7. The proposed transaction is attractive to Crown Estate Scotland, on grounds of:
- a. aligning with Corporate Plan strategic objective no. 2 by maintaining and enhancing the value of assets and the return obtained from them and with Scottish Government's aim of attracting investment in cities (see section 4.5 of Corporate Plan);
  - b. aligning with the draft Investment Strategy;
  - c. price (buying this property on the open market is likely to attract a higher price);
  - d. optionality (value can be realised from multiple sources)
    - i. revenue cost reduction from avoided lease payments
    - ii. revenue increase (from rental income from areas not used by Crown Estate Scotland)
    - iii. capital value increase from redevelopment (to either residential or retail use);
  - e. scale (purchase costs are realistic in the context of current Crown Estate Scotland budgets);
  - f. operational flexibility (Crown Estate Scotland space can be flexed to suit changes in business requirements).
8. The property is presently occupied by Crown Estate Scotland and one other party. The current occupational leases run until 2020. On purchase the lease to Crown Estate Scotland would be extinguished and Crown Estate Scotland become landlord of the remaining lease. The property could continue to be operated on this basis, letting the existing vacant space, and on expiry of the ground floor lease, increasing the income stream and providing Crown Estate Scotland with revenue return in addition to removing the burden of paying rental to an external landlord.
9. The proposed transaction also aligns with the draft Business Plan for 2018-19 as follows: "manage budget and implement (draft) investment strategy to raise capital for reinvestment; deliver revenue profit and capital growth."
10. The current total Market Rent is estimated at £161,500 per annum (including the space currently rented by Crown Estate Scotland).
11. The property is considered a candidate for alternative uses, for example residential or retail. There is a ready market of potential purchasers for redevelopment opportunities in central Edinburgh. The redevelopment of the neighbouring (previously commercial) premises for conversion to residential is nearing completion.
12. It is noted therefore that, should a future sale of the property be desirable, it could be sold as a standing investment or for its inherent redevelopment potential.
13. Crown Estate Scotland could itself undertake the redevelopment of the property, to release development profit and proceeds, relocating to alternative suitable space.
14. Opportunities to acquire property off-market are rare. In this instance Crown Estate Scotland would be able to acquire this property without competition and at a price underpinned by independent valuation.



15. Opportunities to acquire commercial properties of this lot size in central Edinburgh are also rare. The scale and quantum of this opportunity is considered a highly suitable for Crown Estate Scotland's first property (re)investment.
16. Parking can attract reasonable rental returns and there is the option to rent out some or all of the spaces that CES presently use (7) in addition to the one other undercover space that the property would benefit from. There are also 2 external spaces used by the Ground Floor tenant currently.
17. Owning the property would give flexibility for the business's operations, providing space for expansion or diminution, the remainder of the space being available for third party letting.

## Financial

18. The financial consequences for Crown Estate Scotland from making this investment are as follows:-

### Summary of financial consequences

#### Capital Value Impacts

Transfer from Capital Account (purchase price)	(£1,800,000)
Existing market value	£1,800,000
Value on purchase (VP Value)	£1,700,000
Capital (book) movement	(£100,000)

#### Annual Revenue Impacts

Rent / service charge avoided	£100,500
Rental income from occupied leases (as of Aug 18)	£35,000
Rent from vacant space (estimated)	£18,196
Total revenue impact	<b>£154,196</b>
Equivalent Yield	8.5%

Annual occupational property costs*	(£35,000)
Annual repairs and maintenance (additional contingency)	(£10,000)
Void costs (vacant space)**	(£1,000)
Total Annual Costs	<b>(£46,000)</b>

<b>Total revenue impact</b>	<b>£108,196</b>
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<b>Total equivalent yield on investment</b>	<b>6%</b>
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\*Ryden cost in 2016/17 were electricity £13K gas £9K and external maintenance £7.5K

\*\*Note: due to the existing Grade C listing, there is 100% relief from empty rates on the vacant space

19. Purchasers costs are estimated to be circa £103K (£71K Land and Building Transaction Tax, £32K Agents/ legal fees).

### Sustainability

20. The long term financial sustainability of Crown Estate Scotland is dependent on the realisation of capital receipts and reinvestment where appropriate, improving income streams and mitigating revenue costs. Obtaining possession of this property secures it for occupational purposes in the medium to long term but also provides stock for sale or redevelopment in the future.

### Legal implications

21. Crown Estate Scotland's current legal advisors have knowledge of the property and its title and would be instructed to contribute to the due diligence on the acquisition and on negotiating the documentation of the acquisition.

### Risk

22. There is a window of opportunity to acquire at the present time, as the owner wishes to divest the investment. Should Crown Estate Scotland not take this up then it will be sold to another party, thus foregoing the possibilities the opportunity presents. If that were to be to a property developer there is the likelihood that new operational premises would be required to be sought by Crown Estate Scotland in 2020, giving rise to relocation and associated costs.
23. The timing of the transaction will require to be subject to cash flow availability. There is provision in the 2018-19 budget for an acquisition of Urban property of this scale however it assumed that it would be at the end of the year. If the purchase is to proceed a deferred acquisition could be explored however it is likely that the owner will require completion within the coming months. Due to the delay in other transactions and the realisation of proceeds from sales it is considered that cash flow can be managed to facilitate the purchase of this property earlier in the financial year.
24. Prior to any final purchase decision, due diligence will need to focus on:
- a. building condition (including the roof and heating system);
  - b. likely requirements/costs arising from the Climate Change (Scotland) Act 2009 (which introduced a general compulsion to improve the energy efficiency of non-domestic buildings, with floor area > 1,000 m<sup>2</sup>);
  - c. suitability for conversion to residential use (given the Grade C Listed status);
  - d. comprehensive financial modelling (incorporating any costs/ values identified in a - c above).

### People Considerations

25. There are no specific people considerations identified however it is likely that staff will welcome the transaction, as a sign of intent that Crown Estate Scotland is acquisitive, prepared to consider and pursue opportunities and to reinvest and looking forward from the interim status period.

### Reputational / PR implications

26. There is a need to manage messaging related to this given the disposals taking place in other parts of the portfolio.

27. Communication, if the transaction proceeds, will be low key and will focus on the positive revenue impact (which in turn adds to the funds passed to Scottish Government) and the potential for future development. It will also stress alignment with our Corporate Plan, including our statutory duties as in strategic objective no. 2, and the draft Investment Strategy.
28. As is usual with larger transactions, staff will be provided with lines-to-take for reactive use.

**Recommendation**

29. It is recommended that approval is given to enter into negotiations leading to the purchase of the property (comprising 6 Bells Brae and 1 Miller Row), subject to Board Approval and appropriate due diligence and a maximum purchase price of £1.8m (excluding VAT).

Board	Sixth Board Meeting	BD(2018)06
Meeting date	28 March 2018	
Paper title	Business Plan 2018-19 BD(2018)06.08	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Esther Black	
Author	Esther Black	
Annexes	Annex A: Draft Business Plan 2018-19	
Recommendation	The Board is invited to note the attached draft Business Plan 2018-19 at Annex A.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

#### Background

1. The Board have reviewed and commented on previous iterations of the draft Business Plan 2018-19. At the meeting on 30 January 2018 it was noted that the draft Business Plan would be sent to external stakeholders for comment and it was agreed that the Chair and Mr Steele would have delegated authority to agree any further changes before the draft was submitted to the Cabinet Secretary for approval.
2. The draft Business Plan was sent to approximately thirty key stakeholders. Only five responses were received all of which were largely positive with little in the way of recommended changes.
3. There remain, as advised at the Board meeting in January, three key performance indicators (KPIs) in the Corporate Plan which have yet to be specified. These will be specified once the draft Investment Strategy is finalised, following the Strategic Environmental Assessment. A footnote in the introduction to the draft Business Plan explains this.
4. The final column in the tables references strategic objective and corporate plan KPIs. We have now numbered all KPIs in the Corporate Plan and will publish an updated version, with an explanatory note. This will aid read across between the Corporate Plan and the Business Plans.
5. Action number 14, relating to compliance with the new General Data Protection Regulations does not have specific KPI in the Corporate Plan. However, all other actions do.
6. The draft Business Plan has been submitted to the Scottish Government for approval from the Cabinet Secretary for Environment, Climate Change and Land Reform. Subject to her approval, the Plan will be published in early April.

### Crown Estate Scotland Business Plan 2018-19

#### Contents to come

#### 1. Introduction

2018-19 is our second year of operation and marks us being halfway through our 2017-20 Corporate Plan, setting out how we will create prosperity for Scotland by managing land and property innovatively. Already, we have made significant progress towards our goals of enhancing and developing natural resources, helping grow the low carbon economy, and building social capital in communities.

We are starting to see the impact of our shift in focus to empowering local communities and delivering a broader range of public benefits – while continuing to lead strategic activities designed to grow the low carbon economy, which stakeholders tell us is an important and valued part of what we do.

Last year, our focus was on ensuring all aspects of the new organisation ran smoothly and successfully.

As part of this, we prioritised engagement with Board members meeting tenants and other stakeholders across the country. We also carried out staff, tenant and stakeholder research ([LINK TO KEY FINDINGS](#)) to ensure that we know what we, as an employer and land manager, do well – and what we can improve. This research has informed the engagement activity and targets in this plan.

Crown Estate Scotland is a self-financing body and, through careful financial and property management, we are on track to meet our 2017-18 budget targets including making payments totalling £5.9m to Scottish Government to benefit public finances. In addition, we have liquid capital for reinvestment. Having started operating on 1 April 2017 with no capital or revenue funds, this financial stability and strength is a significant achievement for our first year.

Importantly, we made concrete progress in establishing a new process to enable development trusts, local authorities and other organisations to apply to manage assets locally. This is part of our commitment to develop local decision-making and success. Crown Estate Scotland will remain ultimately responsible for the management of all assets until further legislation changing this is implemented.

We have also now developed our draft investment strategy.<sup>1</sup> As an interim body, we will take a measured approach to investment whilst being able to respond to changing circumstances and opportunities, remaining mindful of the draft legislation (the [Scottish Crown Estate Bill](#)).

Investment will aim to maintain and enhance the value of the estate, increase the resilience and diversity of income streams generated from the estate, and improve the social capital and environmental impacts derived from the assets.

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<sup>1</sup> As at March 2018, our draft investment strategy is undergoing a Strategic Environmental Assessment. The strategy will then be finalised later in 2018, and published along with associated KPIs (as per references to outstanding KPIs on p11, p23 and p29 of our corporate plan).

## Look ahead

Our activity spans a range of sectors and industries, and impacts businesses, families and communities across the country. With new legislation now being examined by the Scottish Parliament, our focus is on continuity of asset management and tenant service delivered by our staff and, on the rural estates, minerals and foreshore, by our managing agents too.

This will give certainty and stability to those we work with while ensuring the business is well-placed to adapt to new legislative requirements when they come into force.

2018-19 will see us continue to develop and support the implementation of key Scottish Government policies and strategies, including the Energy Strategy and the Economic Strategy, with the aim of supporting Ministers' overall purpose of creating a more successful country, with opportunities for all to flourish through sustainable economic growth.

To deliver our strategic objectives (detailed in section 4), our focus will be:

- Developing a leasing process to enable new offshore wind projects to start operating mid-2020s onwards (contributing to strategic objectives no 1 & 2)
- Continuing investment in the rural estates, including infrastructure and farm buildings, and close working with our tenants ahead of Brexit (strategic objectives no 1 & 2)
- Implementing a new robust and transparent process that enables organisations to apply to manage assets in their locality (strategic objective no 3)
- Developing a method of measuring environmental, social and financial value (strategic objective no 1)
- Strengthening partnerships and retaining high levels of trust and confidence (strategic objective no 4)

Thank you to all who have helped Crown Estate Scotland get off to a strong start, including our colleagues in Scottish Government, The Crown Estate, and to all our staff, agents and partners who work with us to deliver success. A special thank you to our former Chief Executive Ronnie Quinn whose commitment and expertise helped ensure that our first year of operation was such a success.

Finally, we are very pleased to welcome XXXXX as our new CE.

A handwritten signature in dark ink, appearing to read 'Amanda Bryan', with a stylized flourish at the end.

**Amanda Bryan**  
Chair, Crown Estate Scotland

#### Environmental Assessment (Scotland) Act 2005

As this business plan falls within the scope of Environmental Assessment (Scotland) Act 2005, we have had to gauge its likely effects on the environment in accordance with the criteria in Schedule 2 of the Act. In doing this we have concluded, in the circumstances, that the plan is likely to have no or minimal effects in relation to its impact on the environment and that in our opinion the plan is therefore exempt as per Section 7 of the 2005 Act. The Consultation Authorities have been notified of our opinion, the reasons behind it and our conclusion that we believe a Strategic Environmental Assessment is not required.

## 2. Who we are and what we do

Crown Estate Scotland is a public corporation tasked with managing the estate, returning revenue profit to Scottish Government. Our purpose is to achieve revenue and capital growth and provide continuity in tenant service and asset management. We do this through close collaboration with tenants and partners to support new areas of economic growth and enhance and develop natural resources. In doing so, we help deliver wider prosperity for communities and for Scotland.





Further information on our operating environment, our team and how we approach governance and risk management is in our [corporate plan](#) (see section 6).

### 3. Finance

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

To ensure we deliver Best Value, specifically value for money, we reviewed direct and indirect costs in 2017-18 and are implementing a number changes to deliver efficiencies. These include, for example, a new procurement policy and changes to our communications tools and systems.

Our first annual report will provide a breakdown of 2017-18 income and expenditure across both revenue and capital accounts.

#### Revenue

- Gross revenue for 2018-19 is projected at £16.4m, up from £14.7m for 2017-18.
- Since the creation of Crown Estate Scotland, separate from The Crown Estate, new / increased indirect costs have emerged. These relate to the infrastructure required to operate the business on a stand-alone basis such as governance (including the Board), additional administrative posts, insurance, and running and maintaining geospatial, IT, HR and finance systems.
- Direct costs include maintenance, repairs, managing agents and other costs related to the land and property for which we are responsible.
- Our work in 2018-19 will generate an estimated £7.3m for Scottish Government, representing 44.5% of gross revenue.

#### Revenue

Rural	3.2
Coastal	3.7
Urban	0.9
Energy & Infrastructure	4.6
Aquaculture	4.0
	<hr/>
	<b>16.4</b>

#### Direct costs

Rural	1.9
Coastal	0.8

	Urban	0.2
	Energy & Infrastructure	0.3
	Aquaculture	0.4
		<u>3.6</u>
<b>Gross Contribution</b>		
	Rural	1.3
	Coastal	2.9
	Urban	0.7
	Energy & Infrastructure	4.3
	Aquaculture	3.6
		<u>12.8</u>
<b>Indirect costs</b>		<u>3.9</u>
<b>Net operating profit before transfers to capital</b>		<b>8.9</b>
<b>Transfers to capital<sup>2</sup></b>		<u>1.6</u>
<b>Distributable profit</b>		<u><u>7.3</u></u>

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<sup>2</sup> This comprises £1.5m to capital account and £0.1m depreciation of fixed assets.

## Capital

- Our draft investment strategy sets out how we will generate capital funds to enable investment and growth, increase the diversity and resilience of income streams and improve social and environmental returns.
- We sell assets at the appropriate times to be able to buy, invest and develop. Capital is reinvested in opportunities, whilst seeking to maintain reasonable liquid capital reserves.
- We will use an investment appraisal methodology covering financial and non-financial factors to inform and guide decision-making
- Expenditure covers a range of activity including investment in farming units, rural and coastal infrastructure, research related to CCS (carbon capture & storage) and offshore renewables and a potential acquisition to our urban portfolio.
- Receipts relate not only to property sales but also to other types of capital transactions such the sale of rights (for example, dredging) and grant income.
- Taking into account the capital programme and transfers from revenue to capital, £3.3m of funds will be raised by the end of 2018-19. This contributes to the target in our draft investment strategy of building a capital fund of £10m by March 2020.

### Capital Receipts

Rural	9.4
Coastal	0.4
Energy & Infrastructure	0.8
	<hr/>
	<b>10.6</b>

### Capital Expenditure

Rural	3.5
Coastal	1.7
Urban	2.5
Energy & Infrastructure	0.9
Corporate	0.2
	<hr/>
	<b>8.8</b>

### Net Capital Disinvestment

**1.8**

Transfers from revenue to capital	<u>1.5</u>
Net capital funds	<u><u>3.3</u></u>

## 4. What we will deliver in 2018-19

Our priority activities for this year, listed in the tables below, will contribute to the delivery of our strategic objectives (as set out in our Corporate Plan) which in turn are directly linked to the Scottish Government's National Performance Framework (detailed in Annex 2).

Those strategic objectives are to:

1. Contribute to Scotland's economic, social and environmental wellbeing
2. Maintain and enhance the value of assets and the return obtained from them
3. Develop local decision making and success, with a particular focus on communities and coastal local authorities
4. Build confidence and trust in the organisation
5. Develop and deploy our people's expertise to deliver success.

Our work is closely aligned with key Scottish Government policies and strategies including the [Energy Strategy](#), [Scotland's National Marine Plan](#), the [Programme for Government](#), the [Economic Strategy](#), the [Land Rights and Responsibilities Statement](#), the [National Standards of Community Engagement](#), the [Fair Work Framework](#), and SNH's 2020 Challenge for Scotland's Biodiversity (implementing our [Biodiversity Statement](#)).

### 4.1 Corporate

This year we will progress a number of key strands of work, including establishing a process to evaluate our impacts and measure the wider value our work delivers, implementing our draft investment strategy, and a range of activity aimed at improving communication and transparency.

On people, we will align with the Fair Work Convention, demonstrating commitment as an employer to the five [Fair Work dimensions](#) of effective voice, opportunity, security, fulfilment and respect. This contributes to delivery of strategic objective number 5 relating to our people and their expertise which, recent research shows ([LINK](#)), many stakeholders value.

Once the draft investment strategy has gone through a Strategic Environmental Assessment (expected autumn 2018), we will review it internally as more detail becomes available on the full impact of Brexit on trade, policy and legislation.

<b>No</b>	<b>Action</b>	<b>Targets / milestones</b> (deadline for actions are March 2019 unless and earlier date is specified)	<b>Strategic objective; corporate plan KPI</b>
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	2; 5, 6
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	1; 1
3	Use results from research to drive excellence / best practice in tenant service, and undertake an independent evaluation of the managing agent model (following Scottish Land Commission's wider review of managing agents in Scotland, due to conclude Spring 2018)	Improvement plan based on 2017-18 tenant research in place summer 2018 (to include more bespoke and targeted tenant communications) Rolling programme of tenant research continued Managing agent model evaluation completed	2; 7
4	Embed engagement charter throughout the business ensuring best practice in line with National Standards for Community Engagement.	Key local coastal authorities' / partners' satisfaction levels above 70% Complete a minimum of three case studies evidencing community engagement shaping projects by March 2019.	3; 8, 9
4	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.	4; 2
6	Transparent reporting in place with production of our first audited financial statements.	Annual report laid in Parliament	4; 12
7	Progress voluntary Land Registration Completion of assets in line with Scottish Government targets.	First phase of registration completed (in line with available budget and staffing) covering 25% of rural and coastal assets	4; 10

8	Raise awareness about the business to increase transparency through a dedicated campaign including developing wider range of bespoke, targeted communications in response to tenant and stakeholder research.	Website users up 10% (on 2017-18 figures) Twitter followers up 40% E-newsletter subscribers up 25% Tenant and stakeholder research shows minimum 80% awareness of Crown Estate Scotland's role / remit.	4; 9
9	Further development of public portal (online asset map) plus additional published data providing access to spatial and other data relating to asset agreements.	Scoping completed and delivery plan agreed covering: <ul style="list-style-type: none"> <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 for future budgets and operational plans consideration</li> </ul> Additional downloadable data e.g. aquaculture published	4; 11
11	Creation of Open Data Publications plan	Scoping complete to inform subsequent delivery plan / implementation covering <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> <li>• publication of information</li> <li>• access to information</li> </ul>	4; 11
12	Strengthen our culture and engage with employees to deliver our vision, goals and strategic objectives, and ensure our values underpin all that we do and how we do it.	Programme of activity delivered resulting in 70% good-strong levels of employee engagement including awareness of their role in delivering our strategic objectives and corporate plan (as shown in staff survey) 80% aware of key proposals in the Crown Estate Bill Max 10% unplanned turnover	5; 15
13	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	5; 15, 16

13	Creation of Open Data Publications plan	Scoping complete to inform subsequent delivery plan / implementation covering <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> <li>• publication of information</li> <li>• access to information</li> </ul>	4; 11
14	Compliance with new General Data Protection Regulations.	Policy and procedures in place Staff training delivered Staff survey shows majority of relevant staff have good-strong level of understanding	4
15	Support 2018 Year of the Young Person.	Work with UHI, HIE and Core Consulting to support delivery of Highlands & Islands mediation project with focus on young people; forestry training scheme/s delivered; volunteering opportunities for young people at Glenlivet Estate; opportunities for staff volunteering with young people and children	5; 18

#### 4.2 Marine (Energy & Infrastructure; Aquaculture)

##### Energy & Infrastructure

Our focus this year will be on creating opportunity for new offshore wind projects, fixed and floating, through a clear and structured leasing process informed by our stakeholders. Scottish waters remain open for business, as the Scottish Government Energy Strategy makes clear, and we want to help drive investment and innovation by ensuring seabed is available at the right time and under the right terms.

No	Action	Targets / milestones (deadline for actions are March 2019 unless and earlier date is specified)	Strategic objective; corporate plan KPI
16	Investigate potential for leasing seabed for local energy systems project covering energy	Clear, transparent and robust leasing process in place to ensure access to seabed.	1; 25, 27

	generation, storage and consumption (working with Scottish Enterprise, HIE (Highlands & Islands Enterprise) etc).		
17	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.	2; 24
18	Support floating offshore wind through <ul style="list-style-type: none"> <li>Study to evidence potential macro-economic benefits for UK; sharing of findings through workshops</li> <li>Co-ordinating a UK-wide Floating Wind Steering Group (Crown Estate Scotland, The Crown Estate, RenewableUK, Scottish Renewables) to build industry-wide approach</li> </ul>	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	1; 20
19	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 MS/SG 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)	1 & 2; 19, 25, 26
20	Manage our £10m investment in MeyGen	Contractual obligations delivered, project becomes fully operational, and capital return started.	2; 5, 21
21	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>	1; 19, 25-27



22	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)	
23	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)	

### Aquaculture

In aquaculture, our focus is on opportunities to enhance sustainability of salmon farming, for example, by using waste (primarily hatchery and processing sludges) to create fuel (see no 22 below), and supporting development of the shellfish sector.

No	Action	Targets / milestones (deadline for actions are March 2019 unless and earlier date is specified)	Strategic objective; corporate plan KPI
24	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. <sup>3</sup>	1; 33
25	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.	1; 32
26	Develop a community information pack for shellfish farming in collaboration with Association of Scottish Shellfish Growers.	Publish and promote information pack.	3; 32

<sup>3</sup> Subject to successful application by Queen's University Belfast for funding from Biotechnology Biological Sciences Research Council.

27	Pursue further opportunities for aquaculture Special Purpose Vehicles (SPVs), with community bodies as a joint leaseholder with operators.	SPV lease agreements with community signatories in place, giving local interests a direct stake in leases and a degree of control that ensures they cannot be passed to a different operator without their approval. This will signal a positive operator-community relationship.	3; 34
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### 4.3 Rural

Our commitment to help rural areas thrive continues, including our ongoing investment in farm buildings and estate infrastructure and our work to help tenants diversify and prepare for Brexit. This year we will also re-open our mountain bike trails at Glenlivet following temporary closure for essential tree-felling.

We will continue to manage re-letting and rent reviews across the 650 rural tenancies, to ensure best use of assets to deliver revenue and capital growth, and wider benefits.

No	Action	Targets / milestones	Strategic objective; corporate plan KPI
28	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.	1; 4, 38, 39, 43
29	Realise capital through targeted sales of different types of rural assets Complete capital investment programme on agricultural & residential units to support business development and diversification.	Realise £8.7m in capital (as part of the £9.4m detailed in section 3) Completion of budgeted capital investment of £2.3m	2; 35, 44, 45
30	Facilitate business planning for agricultural tenants.	Programme of events / business planning activities delivered; strategic advice and guidance provided to tenants.	2; 46, 50
31	Forestry restocking at Glenlivet (Cairn Muldonich)	All works complete by May 2018	2; 5

	Investigate potential new planting site, including preliminary survey work to assess ground and species suitability; develop outline planting proposal	Site identified, site survey complete, planting proposal finalised	2; 5
33	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.	1; 36
33	Implement Biodiversity Action Plans for rural estates working with tenants, wildlife & recreation and community groups/agencies to promote enjoyment of and better understand the natural environment. Manage / monitor network of SSSIs and other designated biodiversity sites	A minimum of five new biodiversity management projects underway including action on invasive species, new woodland establishment and peatland restoration.	1; 41
34	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.	3; 48

#### 4.4 Coastal

Our team will continue to manage the large numbers of diverse activities on foreshore and seabed within Crown Estate Scotland management. We will continue to work with the local community at Rhu and key stakeholders in Argyll and Bute, developing partnerships to help deliver improved facilities at our marina at Rhu near Helensburgh.

No	Action	Targets / milestones	Strategic objectives; corporate plan KPIs
35	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	1, 2; 52
36	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.	1, 2; 55
37	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.	1, 2, 3; 7, 53, 57
38	Facilitate at least one asset sale or new lease opportunity to a community group, working with a wide range of organisations with an interest in the marine environment.	Sale/lease completed.	1, 2, 3; 54

#### 4.5 Urban

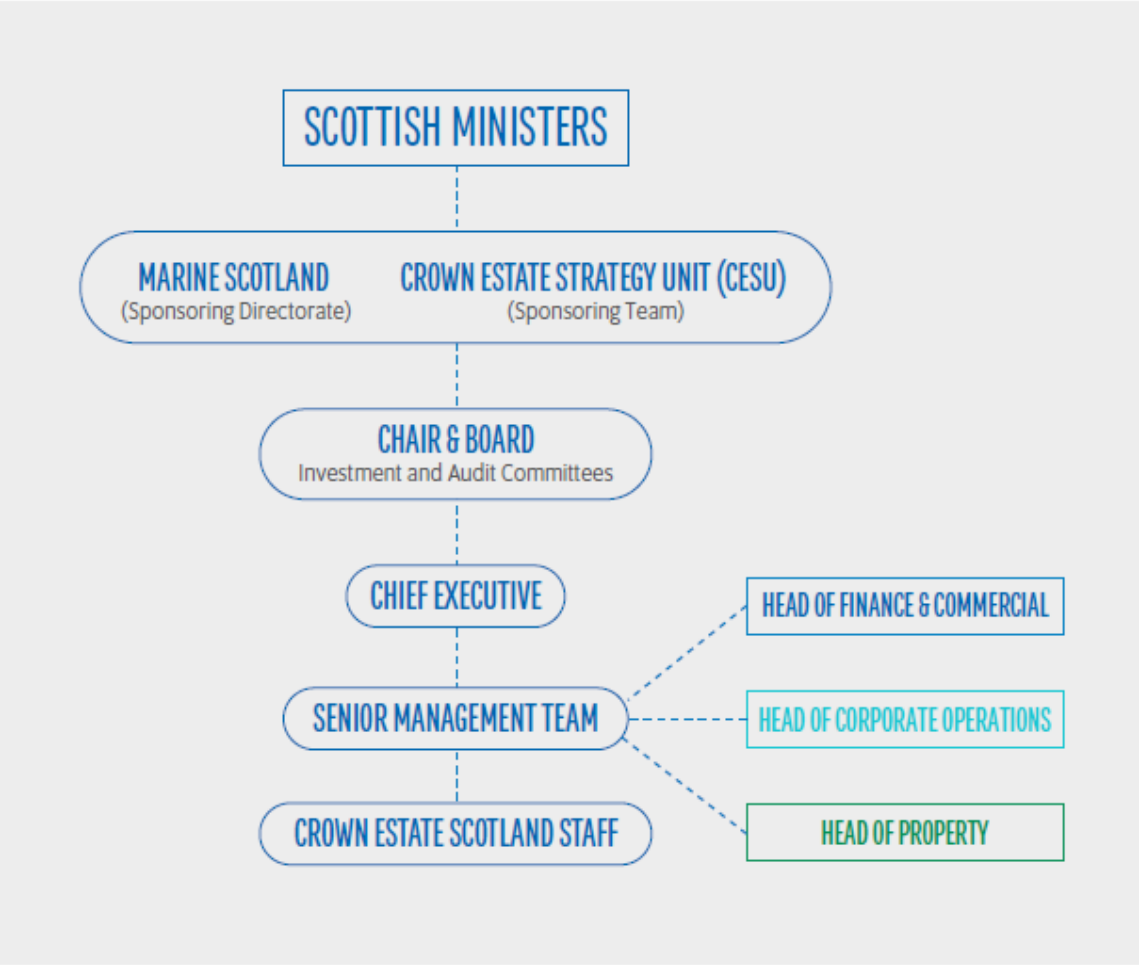
We currently have one commercial property (39-41 George St, Edinburgh). It is an important part of the overall estate with good returns and low management costs. With lease breaks or expiries this coming year, the team will be focussed on limiting vacancy periods. This will be impacted by trends in the wider market.

No	Action	Targets / milestones	Strategic objective;
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			<b>corporate plan KPIs</b>
39	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.	2; 4, 59
40	Identify and complete suitable acquisition to grow urban portfolio, in line with draft investment strategy	Acquisition complete delivering revenue increase	2; 60

Annex 1

Governance Structure



## **Annex 2**

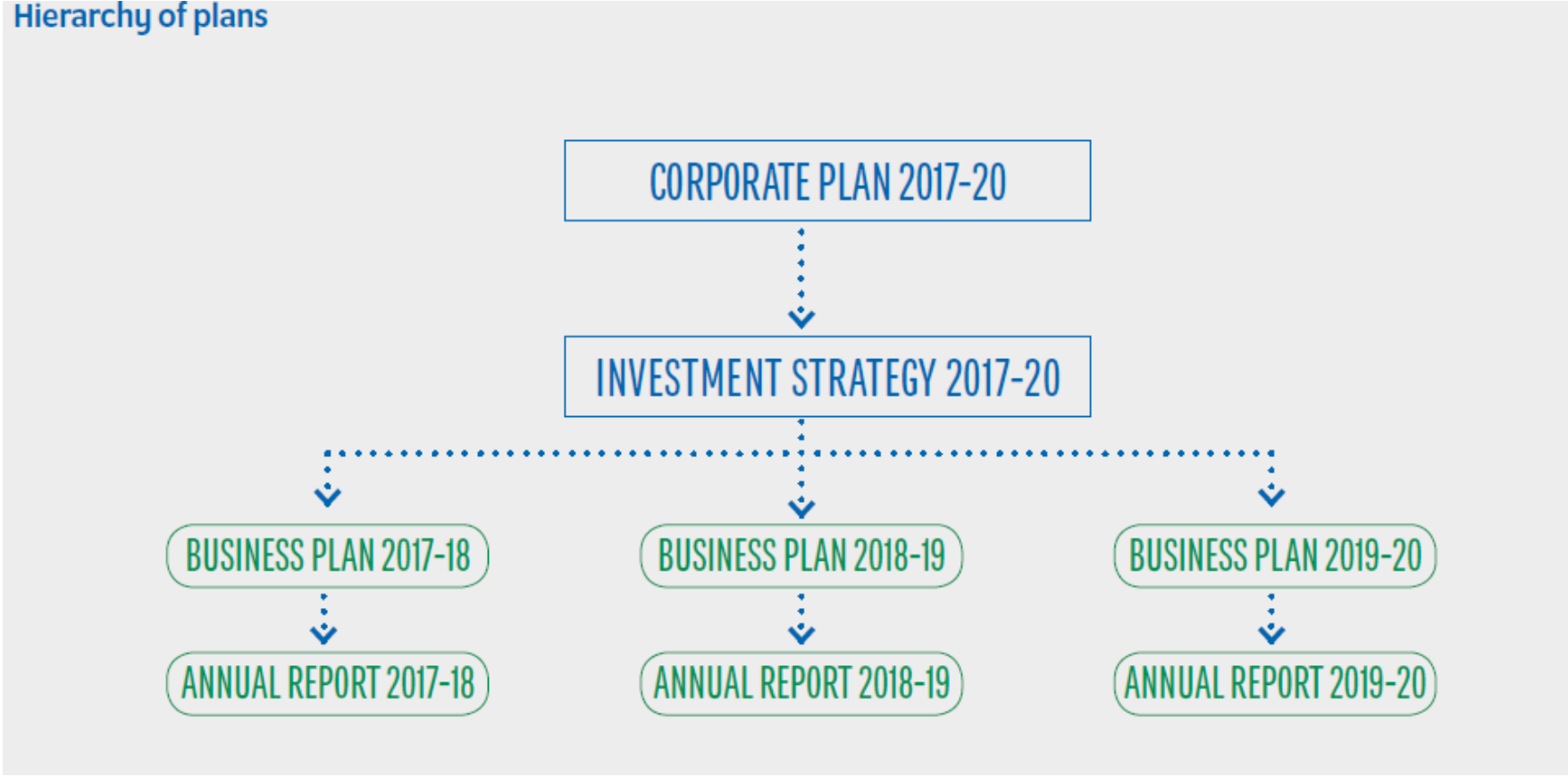
### **Delivering Scottish Government's National Outcomes**

Our activity across our strategic objectives contribute to the following Scottish Government's National Outcomes. More detail on this can be found in section 4.1 of our 2017-20 Corporate Plan.

1. Contribute to Scotland's economic, social and environmental well-being
  - We reduce the local and global environmental impact of our consumption and production
  - We realise our full economic potential with more and better employment opportunities for our people
  - We value and enjoy our built and natural environment and protect it and enhance it for future generations
2. Grow revenue and enhance capital value of the estate
  - We live in Scotland that is the most attractive place for doing business in Europe
  - We realise our full economic potential with more and better employment opportunities for our people
3. Develop local decision-making and success, with a particular focus on communities and coastal local authorities
  - We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
4. Build confidence and trust in the organisation
  - We live in Scotland that is the most attractive place for doing business in Europe
  - We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others
5. Develop and deploy our people's expertise to deliver success
  - We realise our full economic potential with more and better employment opportunities for our people
  - We are better educated, more skilled and more successful, renowned for our research and innovation

**Annex 3**

**Hierarchy of plans**





Board	Sixth Board Meeting	BD(2018)06
Meeting date	28 March 2018	
Paper title	Pay and Reward Review BD(2018)06.09	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Esther Black	
Author	Fiona Haywood	
Annexes	n/a	
Recommendation	The Board is invited to note the proposed approach to reviewing pay and reward during 2018/19	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

**Background**

Crown Estate Scotland is responsible for determining the pay and conditions for its staff that are appropriate for its business needs (section 6, p14, Framework Document).

The level and distribution of pay and benefits can have a considerable effect on the efficiency and efficacy of any organisation, and on the morale and productivity of the workforce. It is therefore important that we operate a pay and benefits system that is appropriate for business need, and rewards staff fairly for their performance whilst also providing value for money.

Within this context, we need to consider the existing pay, reward and benefits which have transferred from The Crown Estate with a view to benchmarking and aligning with Scottish Government pay policy and processes where possible, whilst being mindful of the commercial nature of our business and level of expertise required in roles. There is a need to maintain business continuity at a time of significant change and uncertainty and mitigate the impact of changes on the retention and motivation of staff.

This paper provides a high-level overview of current Pay and Reward practice within Crown Estate Scotland and the proposed scope and timeframes of a review of Pay and Reward practices in 2018/19, in order to help deliver our Corporate Plan Strategic Objective no 5 ('develop and deploy our people's expertise to deliver success').

### Discussion

#### 1. Current Practice - Salary

Staff have been/are appointed on individual spot salaries. Salary setting is determined by a number of factors:

- Ensuring a fair salary is being paid for the role, including benchmarking to take into account of the 'market rate';
- Taking account of relevant experience and specialist skills;
- mitigating business risk by preventing staff leaving for a better paid role at the same level;
- reviewing existing salaries for equivalent roles within the business to ensure consistency.

Staff do not progress through pay scales and salaries are subject to an annual discretionary review. As employees of The Crown Estate, pay increases would vary depending on a number of factors. Under Crown Estate Scotland, the 2017/18 annual review awarded was 1%, in line with Scottish Government Public Sector Pay policy, by which we are bound.

#### 2. Current Practice - Benefits

Crown Estate Scotland staff receive a range of benefits, these are:

- A flexible benefits allowance paid to all staff. This allowance is 6% of actual salary received less employer national insurance contribution (the net benefit is approx. 5.4%). Under The Crown Estate, staff could opt to sacrifice some of this allowance to purchase benefits from an online portal.
- A discretionary annual bonus which is based on both organisational and individual performance.
- Approximately 40% of staff have protected benefits (Healthscreen and/or Private Medical), this is processed via payroll. Some of these are a result of the salary sacrifice mentioned above.
- Approximately 8% of staff are registered in salary sacrifice benefits via payroll e.g. childcare vouchers.
- Annual leave entitlement which varies across the organisation at either 25 days or 30 days entitlement (pro rate) plus 11.5 public and privilege days.
- Access to a cycle to work scheme whereby staff can obtain tax relief on a bicycle and accessories.

#### 3. Scope of the Review

It is intended that the review of Pay and Reward, which will include a consultative review of pay and reward which incorporates staff input, will deliver:

- A fair and transparent pay structure which may include progression on pay scales for all staff based on, among other things, an equality proofed job evaluation exercise.
- A competitive pay and reward structure which aligns to Scottish Government principles where appropriate and helps to attract and retain talent.
- An updated set of HR policies and working practices where there is a reward element e.g. annual leave entitlement, flexible working, maternity/paternity/ shared parental leave, sickness absence.

## Board paper



### 4. Pay and Reward Review Process

Although we are bound by Scottish Government's Public Sector Pay Policy, we will assess where roles currently sit within the wider public sector and comparable private pay markets across the UK. The indicative timeframes below have been developed to inform discussion and planning for this review. These timeframes are dependent on external and internal resources being available to support the review and the outcomes of staff consultation.

Key Stage	2018										2019		
	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April
Appointment of external consultancy support to inform Pay and reward review	—●												
Project planning and scoping of review with consultancy			—●										
Union and staff consultation on scope of review				—●									
Role evaluation process begins* External consultancy review of senior roles to set benchmarks							—●						
External consultancy review of remaining roles							—●						
Consultancy to support development of future reward principles-encompassing pay and reward						—	—	—	—	—	—●		
Union and staff consultation and sign off pay and reward approach										—	—●		
Sign off pay model with short and long term costs and reward strategy												●	
Implementation of new Pay and grading structure and reward strategy													●

\*The role evaluation process is detailed below:

- External consultancy support to evaluate the roles reporting into the Chief Executive (7) to set the organisational evaluation benchmarks.
- External consultants will then evaluate all other roles to ensure independent oversight of the review.
- External consultants train internal evaluators for internal oversight of review. This will allow in-house evaluation of roles independently going forward.
- Once roles have been evaluated, the consultants will review and quality assure them and hold a session with the senior managers to agree the appropriate work levels in their departments.
- The external consultants will then benchmark these roles against the internal and external market and report to the senior management team.
- External consultants will deliver a reward strategy workshop – outcomes will shape the future pay structure starting with base pay and grading options.
- External consultants will present options for pay ranges, and undertake pay modelling for the implementation of pay structure.

### 5. Next Steps

In line with the key outcomes and the indicative timeframes above, we propose to procure an external consultancy to support the review of pay and reward across the organisation.

### 6. Financial

There are likely to be a number of short-term and long-term cost implications of this review which are outlined below.

We will procure and appoint a reward consultancy to support the development and implementation of a new pay and reward structure within the organisation. It is proposed that we invite a range of suitable organisations to set out their proposed approach and associated fees in line with the key stages outlined in this paper. This will be subject to our established procurement process. We are currently exploring the indicative costs of consultancy support.

Any new pay framework and changes to employee reward will have an impact on long term people costs within the organisation. These cannot be quantified until the regrading process is complete however it is proposed that the financial impact of this new pay model will be assessed and subject to the necessary approvals and governance process prior to implementation in line with the timeframes outlined above.

### 7. Legal implications

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

### 8. Risk

There are a number of risks associated with implementing new pay and reward structures within the organisation.

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

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

These risks will be mitigated through engaging with expert reward consultancies and legal advice throughout the review in addition to the consultative approach to the review which is intended to mitigate potential employee relations issues.

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

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

### **9. People considerations**

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

The proposed approach is designed to be consultative and involve staff in the development of a new reward framework. We will utilise the consultation period planned into this review and work with staff throughout the review in order to mitigate the impact of any resulting uncertainty around pay and reward. We will also work closely with our recognised Union PCS in line with our Recognition Agreement.

### **10. Reputational / PR implications**

The intended approach and outcomes outlined in this paper will result in a transparent and equality proofed pay structure. Providing that the review is implemented correctly and with regard to the risks outlined above, this should mitigate reputational risk of any future equal pay claims.



<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	2017/18 Bonus BD(2018)06.10	
<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>	Ronnie Quinn	
<b>Author</b>	Fiona Haywood	
<b>Annexes</b>	Annex A: Legal Advice from Anderson Strathern Annex B: Performance Management Guide 2017/18	
<b>Recommendation</b>	The Board is invited to approve 2017/18 Bonus Proposal	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

### 1. Executive Summary

This paper provides a summary of the current provisions relating to bonus payments to Crown Estate Scotland employees in the financial year 2017/18.

This paper also provides details of the legal duties required of Crown Estate Scotland as an employer; a summary of associated business arrangements and risks; and points for decision making by the Board.

### 2. What we have done so far

Previous discussions relating to the award of bonus for 2017/18 led to the creation of a Board sub-committee in early 2018 to support the development of a paper for discussion.

This paper has been syndicated with the subcommittee before submission for consideration by the wider Board.

### 3. Legal Advice

The bonus structure and recommendations take into account discussions with Anderson Strathern regarding our legal requirements as an employer following the transfer from The Crown Estate to Scottish Government in 2017.

As requested by the Board, our employment lawyers Anderson Strathern have provided Crown Estate Scotland with additional counsel regarding our requirements as an employer in relation

to bonus payments, this is detailed below. The verbatim legal advice provided is attached in [Annex A](#).

### **3.1 General Protections Provided to Transferring Employees**

Employees who transferred from The Crown Estate did so under employment protections. They are therefore entitled to expect that their terms and conditions of employment, including bonus, are the same post-transfer as they were before.

Legal advice also stated that as we are still in an interim arrangement, we have an additional duty to ensure our employees are not disadvantaged as a result of the transfer which is not yet fully complete.

In this regard, we are satisfied that we have a legal duty to provide a bonus arrangement to transferring employees within Crown Estate Scotland in the 2017/18 financial year.

### **3.2 Bonus structure**

Employees are entitled to look to The Crown Estate for comparison with their 2017/18 bonus arrangements. In that regard, we have been advised that the bonus structure should reflect, albeit it need not be identical to, the previous Crown Estate scheme such that an individual can reference how the bonuses have been calculated and that they are reflective of the terms and conditions that the employees enjoyed previously.

In terms of the bonus pay-out our legal advice has been that this should reflect what employees would have benefited from pre-transfer. Our advice states that if employees within The Crown Estate would be entitled to receive bonuses and that those bonuses were similar to the year before, then there is no reason why employees would not expect to receive an equitable payment.

## **4. Changes to employee reward in 2017/18**

It should be considered that a number of changes have already altered the wider reward package for employees since transfer in 2017.

- Introduction of the 1% pay cap in line with Scottish Government Policy, this is a reduction in year on year increases previously awarded to employees within The Crown Estate.
- Increased costs associated with Private Medical Insurance, this has resulted in a significantly reduced employee take-up of this benefit as it is now less affordable.
- Introduction of an additional day's holiday to staff which equates to lost productive hours of approx. 0.45% per annum.

The average bonus payments for employees in the financial year 2016/17 equates to £6,026 per employee. Following a calibration exercise (whereby staff performance rates are reviewed to ensure consistency of approach across the business) the average staff bonus payment for 2017/18 is approximately £4,900.



### **5. Communication to employees at point of transfer**

To support employees through the transfer and promote a transparent approach we regularly communicated with employees using a range of channels this included employee briefings and discussions at team meetings. Employees also received a letter confirming the impact of the transfer, specifically that they would transfer over on their existing terms and conditions of employment, and that any specific changes e.g. to pension had been explained to them in full. Briefings prepared for employees also specified that they would not be adversely affected by the transfer.

### **6. Risks and Business considerations**

The below risks and business considerations should be noted in relation to any proposal for non-payment of Bonus to employees for the interim year 2017-2018.

#### **6.1 Legal Exposure**

As detailed in [Section 3.1](#) we have a legal requirement to ensure individuals are not disadvantaged as a result of the transfer. Breaching this protection may give rise to a risk of legal challenge by transferred employees.

#### **6.2 Employee Expectations**

Employee communications at the point of transfer stated that their terms and conditions would be protected on transfer. It is therefore reasonable for employees within Crown Estate Scotland to expect that they will be eligible for a bonus (subject to business and individual performance).

Announcing the removal of bonus at the end of the performance year (when we have been silent on the topic until now) based on the transfer will result in questions as to why this was not communicated. This delay in communicating a decision to employees further heightens the likelihood of legal challenge.

#### **6.3 Business Impact**

In line with the expectations outlined in [Section 6.2](#), it is anticipated that non-payment of bonus will significantly negatively impact employee motivation and engagement. Business performance in 2017/18 has been strong in a context of organisational change, and the organisation has managed to perform well in relation to business targets, staff performance, health and safety, and tenant feedback.

##### **6.3.1 Attraction and Retention**

A further reduction in staff reward to employees will negatively impact on staff retention and our ability to recruit skilled employees in niche business areas.

This would therefore impair our ability to achieve our Corporate and Business Plans. Ensuring appropriate reward policies are in place is cited in the strategic risk register as a mitigation measure to help retain staff during this interim period.



### 6.3.2 Tenant Research Findings

In recent Tenant and Stakeholder research the positivity around overall impressions of Crown Estate Scotland stemmed from the fact that the individuals they dealt with in the organisation; the good relationships that they had; and the good work done remained consistent.

*“It seems like it was a relatively smooth transition over to Crown Estate Scotland. No problems have appeared which I think is down to them keeping the same staff. The staff are great.”*

When asked about rating of Crown Estate Scotland, stakeholders were particularly positive with respect to staff expertise, trustworthiness and professionalism. In addition, tenants felt that our staff are one of Crown Estate Scotland’s key strengths.

It is therefore vital that we consider the impact that removing a bonus to employees would have on employee engagement and motivation.

## 7. Reputational Risk

There may be reputational risks associated with both payment and non-payment of bonus. Payment may give rise to external challenge of the arrangements as bonuses are not widely awarded within Scottish Government. However, legal challenge based on unfair treatment of employees and breach of employment law will also give rise to reputational damage to both Crown Estate Scotland and the Scottish Government.

Scottish Government have also publicly stated that they will work to minimise the uncertainty for our employees and to ensure that tenants continue to receive a high standard of service from Crown Estate Scotland.

*“Change needs to be handled carefully and sensitively to ensure uncertainty for staff is minimised and tenants and other customers can continue to receive a high standard of service. Importantly, the Crown Estate in Scotland will continue its excellent work in managing the estate across the country, creating prosperity for Scotland and its communities”<sup>ii</sup>*

## 8. Scope of eligibility for bonus

The legal protection outlined in [Section 3.1](#) applies only to transferring employees within Crown Estate Scotland. However, new employees who joined since transfer have a contractual clause which states that they are eligible to participate in our company-wide bonus scheme. Payment of a business-wide bonus to only a small group of employees will result in a two-tier approach to reward and recognition within the organisation which would expose Crown Estate Scotland to the risks discussed above.

## 9. Financial Considerations for 2017/18

In line with the legal recommendations, the level of bonus payment proposed equates to last year’s payment. Our legal advice has confirmed that this would be a reasonable value for the pot. Employees would reasonably be expecting a bonus along those lines as all that has changed is the employer by virtue of the transfer.

- A bonus allowance of £215,000 has been factored into the 2017/18 revenue budget and £85,000 into the capital budget.

- A calibration of performance for the 2017/18 year has now taken place across the organisation. Based on the proposed bonus structure in [Section 12](#), an estimated bonus payment of £160k is anticipated.

## 10. Eligibility

The eligibility criteria for bonus are all staff employed directly by Crown Estate Scotland (Interim Management) who are in employment on 31 July 2018 (the date the bonus is paid). Exceptions are:

- Staff who begin employment in or after Q4 2017/18.
- Staff who are under notice following a voluntary resignation.
- Staff who do not meet the performance criteria (Annex B).

Pro-ration will apply to staff who join Crown Estate Scotland (Interim Management) in 2017 throughout Q1, Q2 or Q3 as follows:

	Start Month	Pro-ration (bonus/12 x no of months service)
Q1	April	x12
	May	x11
	June	X10
Q2	July	X9
	Aug	X8
	Sept	X7
Q3	Oct	X6
	Nov	X5
	Dec	X4
Q4	Jan	-
	Feb	-
	Mar	-

The bonus is calculated on an applied percentage of the staff member's annual base salary at the end of the financial year (salary as at 31 March 2018).

If the organisation achieves performance results and the individual achieves personal objectives, the staff member will be eligible to receive a bonus.

### 10.1 Organisational Performance

The assessment of organisational performance will be determined by the business meeting its net revenue profit target of £5.9m for 2017/2018.

### 10.2 Individual Performance

At the start of the financial year, each staff member agreed a maximum of 6 objectives with their line manager, in addition to 2 objectives relating to behaviours and H&S.

Individual performance is assessed by line managers based on quarterly performance reviews and an overall performance rating determined at the year-end. This is followed by a business

wide calibration meeting to ensure that performance ratings are applied consistently and fairly across all teams.

### 10.3 Performance Ratings

Crown Estate Scotland (Interim Management) measure performance based on the agreed performance ratings. Details of the performance rating definitions are attached in [Annex B](#).

Employees who are on leave from the business for either the whole year or a significant portion of it (e.g. employees on maternity, shared parental leave or long term sick) will have their individual contribution pro rated as they have not had the opportunity to demonstrate a higher rating for the full performance year.

### 11. Previous Bonus Levels (2016/2017)

Previous bonus levels differed between revenue-generating departments and support functions. Please note that EMI refers to Energy & Infrastructure staff within the Marine team and R&C refers to Rural and Coastal staff.

Bonus Ranges						
Bonus Level	Business area	Not performing	Performing	Good	Strong	Outstanding
BDM2	EMI	0%	up to 15%	25-30%	30-35%	40-45%
BDM	EMI	0%	up to 10%	20-25%	25-30%	35-40%
Senior Manager	EMI	0%	up to 5%	10-12.5%	12.5-15%	17-20%
Manager	EMI	0%	up to 5%	10.0%	10-15%	17.5-20%
Admin/Technical2	All	0%	up to 3%	6%	6.5-7.5%	8-12%
Admin/Technical	All	0%	up to 2%	4%	5-6%	7-8%

Bonus Ranges						
Bonus Level	Business area	Not performing	Performing	Good	Strong	Outstanding
BDM	R&C	0%	up to 10%	20-25%	25-30%	35-40%
Senior Manager	R&C	0%	up to 7.5%	15-20%	20-25%	30-35%
Manager	R&C	0%	up to 5%	10-15%	15-20%	25-30%
Admin/Technical2	All	0%	up to 3%	6%	6.5-7.5%	8-12%
Admin/Technical	All	0%	up to 2%	4%	5-6%	7-8%

Bonus Ranges						
Bonus Level	Business area	Not performing	Performing	Good	Strong	Outstanding
BDM	Business Support	0%	up to 5%	10-15%	15-20%	25-30%
Senior Manager	Business Support	0%	up to 5%	10-12.5%	12.5-15%	17-20%
Manager	Business Support	0%	up to 5%	7.5%	7.5-10%	12.5-15%
Admin/Technical2	All	0%	up to 3%	6%	6.5-7.5%	8-12%
Admin/Technical	All	0%	up to 2%	4%	5-6%	7-8%

**12. Recommended Bonus Levels 2017/18**

To address equality issues for staff working at equivalent levels across departments, distinction by department will be removed and individual bonus percentages will be based on one structure aligned to Crown Estate Scotland (Interim Management) role level hierarchy.

Bonus rates are linked to level of responsibility.

Awards are calculated as a percentage of individual salary with a higher percentage awarded for outstanding and a lower for good. No bonus is paid out if an individual is rated as 'Not Performing'.

The below structure is based on the pre-transfer spread of bonus, this is in line with the legal advice provided and detailed in [section 3.2](#). Details of the criteria attached to each of these grades has been provided in [Annex B](#).

(percentages are up to a maximum)

Bonus Grade	Not Performing	Performing	Good	Strong	Outstanding
Executive Committee	0%	10%	15%	20%	25%
Senior Manager	0%	7%	12%	17%	22%
Manager/Senior Technical	0%	5%	10%	15%	20%
Admin/Technical	0%	3%	6%	9%	12%

**13. Affordability**

Following a calibration of employee performance for the financial year 2017/18 we can confirm that the proposed budget payment is approximately £160,000 (excluding employer's national insurance contribution), which is substantially within our bonus provision. This represents a payment aligned with the run rate over the last 3 years.

**14. Recommendations**

The below recommendations are made to the Board:

1. To approve an award of bonus to all eligible staff on the basis of the delivered financial performance of the business (capital and revenue), safety performance and stakeholder feedback during a very challenging transition period.
2. To approve the proposed scheme based on both business and individual performance in order to incentivise staff to meet overall financial targets, and to reach – and ideally exceed – their specific objectives within their role.
3. That both transferring and new employees are considered to be eligible for the bonus scheme to ensure business practices in line with our organisational values.
4. That bonus arrangements as set out in this paper are applied for the financial year 2017/18 in line with the current staff performance management process.



**Annex A- Legal Advice from Anderson Strathern**

This Annex has been redacted on the basis that it is confidential legal advice (s36(1) of the Freedom of Information (Scotland) Act 2002)

## Board paper

### Annex B- Performance Management Guide 2017/2018



Rating	2017/18 Description	2017/16 KPI
Outstanding	<p><b>Performance far exceeds expectations and delivers exceptionally high quality of work.</b> Demonstrates a fresh approach to challenges and identifies solutions that deliver Conscious Commercialism.</p> <p><b>Role Models the behaviours consistently.</b></p>	<ul style="list-style-type: none"> <li>Exceeded all objectives across all areas of responsibility</li> <li>Made an exceptional or unique contribution in support of the portfolio, department, or objectives leading to significant added value and/or improvements</li> <li>Regarded as a role model for others within the organisation</li> <li>Universally regarded externally as a true ambassador for Crown Estate Scotland as evidenced by unprompted or requested feedback</li> <li>Role models the Behaviours consistently</li> </ul>
Strong	<p><b>Performance exceeds expectations</b> and clearly demonstrates delivery of the intended outcomes.</p> <p><b>Demonstrates the Behaviours consistently and is a frequent role model in many ways.</b></p>	<ul style="list-style-type: none"> <li>Exceeded objectives across nearly all areas of responsibility</li> <li>Made an exceptional or unique contribution in some areas in support of the portfolio, department, or objectives leading to significant added value and/or improvements</li> <li>Very highly regarded by others within the organisation</li> <li>Recognised externally as a strong ambassador for Crown Estate Scotland as evidenced by requested or unprompted feedback</li> <li>Consistently demonstrated the behaviours and is a frequent role model in many ways</li> </ul>
Good	<p><b>Performance meets expectations and delivery at a high level</b> against stretching objectives.</p> <p><b>Demonstrates the Behaviours consistently.</b></p>	<ul style="list-style-type: none"> <li>Achieved all objectives and exceeded across several areas of responsibility</li> <li>May have made an exceptional or unique contribution in support of the portfolio, department, or wider objectives leading to significant added value and/or improvements</li> <li>Highly regarded by others within the organisation</li> <li>Recognised externally as a strong ambassador for Crown Estate Scotland</li> <li>Demonstrates the behaviours at all times</li> </ul>
Performing	<p><b>Performance consistently meets expectations</b> in terms of objectives achieved in all areas of responsibility.</p> <p><b>Demonstrates the behaviours most of the time.</b></p>	<ul style="list-style-type: none"> <li>Achieved all objectives across all areas of responsibility</li> <li>Made a reliable and solid contribution in support of the portfolio, department, or wider objectives</li> <li>Generally well regarded by others within the organisation</li> <li>Considered to be an advocate for Crown Estate Scotland with external stakeholders</li> <li>Demonstrates the behaviours most of the time.</li> </ul>
Not Performing	<p><b>Performance was below expectations</b> in the essential areas of responsibility and significant improvement is needed in one or more important areas.</p> <p><b>Does not demonstrate the Behaviours most of the time.</b></p>	<ul style="list-style-type: none"> <li>Did not achieve all objectives across all areas of responsibility and significant development is required</li> <li>Made a limited contribution in support of the portfolio, department, or wider objectives</li> <li>Has built few internal relationships with colleagues or is not well regarded</li> <li>Is not considered to be a good external advocate for Crown Estate Scotland</li> <li>Demonstrates very few of Crown Estate Scotland behaviours</li> </ul>

**Board paper**

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<b>Board</b>	Sixth Board Meeting	<b>BD(2018)06</b>
<b>Meeting date</b>	28 March 2018	
<b>Paper title</b>	Offshore Wind Leasing Public Discussion Document BD(2018)06.11	
<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>	Ronnie Quinn	
<b>Author</b>	John Robertson	
<b>Annexes</b>	None	
<b>Recommendation</b>	The Board are invited to note the content of 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. Crown Estate Scotland announced in November 2017 that it would start to consider how it might issue new rights for commercial-scale offshore wind projects and that we intended to speak to local, Scottish and UK stakeholders during 2018 to understand their views on our proposed approach.
2. We have completed a significant amount of work to prepare for this planned formal engagement. We have held a programme of informal engagement with: Paul Wheelhouse MSP (Scottish Energy Minister), officials in the Department for Business, Energy and Industrial Strategy, Scottish Government Energy Team, Marine Scotland and around 15 offshore wind developers. Based on that engagement, we are now developing the leasing concept.
3. The work to date has taken account of the team's accumulated knowledge of how past leasing processes have performed and how the industry and market context have now evolved. The feedback received to date indicates that our thinking is broadly welcomed by those stakeholders whose views we have collected.

## Discussion

4. The design of offshore wind leasing involves balancing a large number of factors which interact in a complex way. Design decisions which Crown Estate Scotland takes have a potentially significant impact on the extent to which a leasing opportunity will be attractive to developers. Crown Estate Scotland's design decisions may also have an impact on a wide range of stakeholders, ranging from those with an environmental and consenting interest through to those with economic development priorities.



5. We will prepare a Discussion Document which will present an overview of our leasing design which will be accessible to non-specialists who have a general interest in our plans and will then cover in a reasonable amount of detail (i) our proposed approach (ii) the rationale for why we have selected that approach and (iii) inviting comment on alternative options in instances where we have not settled on final approach. The document will include a response form. We intend to publish the Discussion Document on our website.
6. We will run a programme of structured engagement on the Discussion Document which will include: (i) a workshop for SNCBs and representative groups (ii) engagement with local authorities (iii) an information day for developers. These events themselves will provide an opportunity for participants to provide feedback at the time, and will equip participants to also provide more considered feedback at a later date.
7. We are targeting publication of the Discussion Document in April or May 2018.
8. The development of new offshore wind leasing delivers Crown Estate Scotland's
  - a. Vision of innovating with land and property to create prosperity for Scotland and its communities;
  - b. Goals of enhancing and developing natural resources through sustainable investment and management, growing Scotland's low carbon economy through leadership and innovation;
  - c. Values of Collaboration, Excellence, Integrity and Commercialism.
  - d. Strategic Objectives of Contributing to Scotland's economic, social and environmental wellbeing (1), Growing revenue and enhancing the capital value of the estate (2), and Developing and deploying our People's expertise to deliver success (5),
  - e. 2018/19 business plan target "Investigate the opportunity for further offshore energy leasing".

**Financial**

9. No new budget is required for this activity for the current financial year. The Discussion Document will include a small element of design at the front end but will in the main be produced using in house resources.

**Sustainability**

10. Sustainability considerations for any offshore wind project developments arising from this activity will be managed via the consenting process.

**Legal implications**

11. The Discussion Document content will be subject to legal review as part of the leasing design process.

**Risk**

12. Offshore wind development has the potential to be high-profile and can attract strong support and strong opposition from varying stakeholders. Crown Estate Scotland leasing decisions, which enable offshore wind development, may be subject to comment from both positive and negative standpoints. It is possible that publication of the Discussion Document will prompt comment about Crown Estate Scotland, some of which may not be positive. The positive benefits to the design process which will flow from the Discussion Document outweigh this risk.

**People considerations**

13. Internal staff time will be required to develop the Discussion Document and manage the associated engagement work.

**Reputational / PR implications**

14. The proposed comprehensive and detailed early discussion of design concepts with wider stakeholders via a Discussion Document demonstrates our values of Collaboration (in engaging) and Excellence (in aiming for a better design because of the engagement). Feedback on our early engagement on “Edition 1”, including from developers and fisheries representatives, has been strongly supportive of us taking a relatively open approach. The approach is not without reputational risk – including because we are unlikely to be able to respond positively to every piece of feedback we receive – but Discussion Document and the engagement work will be framed to cater for that possibility.
15. Scottish Government and BEIS are supportive of the approach and BEIS officials have expressed keen interest in supporting the “launch” of the Discussion Document in some way. This will need to be choreographed carefully with Scottish Ministers.