



Agenda
Tenth Meeting
Crown Estate Scotland (Interim Management) Board
27 November 2018
9.00am – 3.00pm

- 9.00 1. Standing Items**
- 1.1 Welcome and Apologies
 - 1.2 Declarations of Interest
 - 1.3 Approval of Minutes of Meeting held on 3 October 2018 Attached
 - 1.4 Matters Arising and Action Trackers Attached
 - 1.4(a) Procurement Verbal
 - 1.5 Stakeholder Meetings BD(2018)10.1
- 9.20 2. Health & Safety**
- 2.1 Health & Safety Report BD(2018)10.2
- 9.30 3. Management Reports**
- 3.1 Chief Executive's Report BD(2018)10.3
 - * 3.2 Finance Report (to 30 September 2018) BD(2018)10.4
 - * 3.3 Business Performance Report (to 30 September 2018) BD(2018)10.5
- 10.00 4. Business Management**
- * 4.1 Revenue & Capital Budget 2019/20 and 2020/21 BD(2018)10.6
 - * 4.2 Treasury Management BD(2018)10.7
 - * 4.3 Pay and Conditions Review BD(2018)10.8
 - ** 4.4 People Strategy BD(2018)10.9
- 11.15 5. Governance**
- 5.1 Governance Review BD(2018)10.10
- 6. Committee Reports**
- * 6.1 Audit & Risk Committee Minutes (30 October 2018) Attached
 - * 6.2 Investment Committee Minutes (6 November 2018) Attached
- 11.30 Break – Staff Engagement Session**
- 1.30 7. Strategy and Planning**
- ** 7.1 Rural Strategy: consultation draft BD(2018)10.11
 - ** 7.2 Offshore Wind Leasing: final BD(2018)10.12
- 8. Any Other Business**
- ** 8.1 Financial Forecast BD(2018)10.13
- 9. Dates of Next Meetings**
- 29 January 2019 (Edinburgh)
 - 26/27 March 2019 (West Coast – tbc)
 - 28/29 May 2019 (Fochabers)
 - 23/24 July 2019 (Glasgow)
 - 25/26 September 2019 (Orkney)

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

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

+ This item is for noting

Minutes for	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Minutes for the meeting of the Board of Crown Estate Scotland (Interim Management) held at Edinburgh on Tuesday, 27 November 2018 at 9am		

Present:

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

In attendance:

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

By invitation:

Fiona Haywood	HR Manager (for Minute Items 4.3 and 4.4)
Andy Riley	Commercial Manager (for Minute Item 7.2)
John Robertson	Senior Development Manager (for Minute Item 7.2)

1. Standing Items

1.1 Welcome and Apologies

The Chair opened the meeting by welcoming everyone, and in particular, the Head of Marine who was attending his first Crown Estate Scotland Board meeting. There were no apologies and all members were present.

The Chair noted that the Scottish Crown Estate Bill had been passed by the Scottish Parliament on 22 November 2018 and that it was expected to receive Royal Assent early in 2019.

1.2 Declarations of Interest

No declarations of interest were intimated in any of the items on the Agenda.

1.3 Approval of Minutes of Meeting held on 3 October 2018

The Minutes of the Meeting held on 3 October 2018 were **approved**.

1.4 Action Tracker and Matters Arising

The Board received an updated Action Tracker showing the status, as at 9 November 2018, of the actions agreed at previous Board meetings and received a verbal update from the Head of Finance and Commercial on procurement.

Noted that:

- (a) no date had yet been set for Annual Report and Accounts to be laid in the Scottish Parliament. Once the date was known the Head of Corporate Operations would advise the Board.

Action: EB (10/1)

- (b) the postponed meeting with Harris Development Ltd was still in the process of being re-arranged. Crown Estate Scotland remained committed to further dialogue with the company.
- (c) in the period to 30 September 2018, six members of staff had left and there had been twelve new starts. The reasons given by staff for leaving had been reviewed and two themes had emerged, career progression and an unease with the degree of organisational change. The staff turnover target in the Business Plan was a stretch but various means of reducing turnover, which can have a negative impact on morale, were under way: advertisement of internal opportunities; secondments; a refreshed induction process; staff survey and action plan; staff handbook and intranet in development; and the creation of the people strategy (refers to action 8/3).
- (d) the intention was to try to meet with HIE in May 2019 when the Board was in Fochabers and with Scottish Enterprise in Glasgow in July 2019 (refers to action 9/1).
- (e) Crown Estate Scotland's procurement policy had been prepared on the basis that it did not require to comply with the procurement regulations but would however follow the requirements of the Scottish Government's Procurement Policy Handbook. There were a couple of areas where Crown Estate Scotland did not directly comply, principally due to the small size of the organisation. However, the aim was to comply wherever possible. The external auditors had not highlighted any issues with procurement during the 2017/18 audit.

1.5 Stakeholder Meetings (paper BD(2018)10.1)

Noted that:

- (a) the tone of the meetings which had been held had been positive.

- (b) the organisation had been proactive in seeking engagement and making other bodies aware that there was now an opportunity to collaborate and seek new opportunities to deliver wider public benefit.

2. Health & Safety

2.1 Health & Safety Report (paper BD(2018)10.2)

Noted that:

- (a) the external Health & Safety consultant had completed his review of the status of Health & Safety management in the organisation (including that carried out by the managing agents on behalf of Crown Estate Scotland) and had issued his report.
- (b) the report had highlighted actions and those which were considered high priority would be completed within a month. The other identified actions were either being implemented or being considered.
- (c) work was continuing to complete the full suite of Health & Safety policies required. Health & Safety manuals for each office location were being completed and would be rolled-out to staff.
- (d) awareness raising had been undertaken through “lunch and learn” sessions which would be offered again. The induction process for new starters had been amended to include providing information on Health & Safety.
- (e) two minor accidents had been reported, neither being notifiable and neither resulting in lost time.
- (f) an incident to a contractor working on a Crown Estate Scotland site had been reported. The report on the accident and subsequent investigation which was sent to Crown Estate Scotland had been reviewed by the Health & Safety consultant who was satisfied with the information made available and that no follow-up action was required.
- (g) the internal auditors would be undertaking an audit of health & safety during 2019.

Agreed that:

- (a) it would be helpful if the actions arising out of the Health & Safety consultant’s review could be given a RAG status and that oversight of implementation of these actions be remitted to the Audit & Risk Committee.

Action: AW/HH (10/2)

3.1 Management Reports

3.1 Chief Executive's Report (paper BD(2018)10.3)

Noted that:

- (a) recent stakeholder engagement had focused on Islands MSPs, MPs and local authorities. Discussion topics had included the local management pilot projects. The Local Pilots Manager has engaged with the successful round one applicants to further their applications.
- (b) staff workloads were considerable with high levels of activity around the pay and conditions review. Support for staff during this process was being looked at. Sessions on managing stress had been delivered earlier in the year and the Head of Corporate Operations was identifying opportunities to run similar sessions early in 2019.
- (c) a methodology for the distribution of net revenues from 0 to 12nm is being finalised between the Scottish Government and CoSLA. Crown Estate Scotland had reaffirmed to Scottish Government that financial information would continue to be provided, in accordance with the organisation's accounting framework, to assist the calculation.
- (d) the first lease option for carbon capture and storage off the coast of Scotland had now been issued and announced to the press earlier in the day.

3.2 Finance Report (paper BD(2018)10.4)

Noted that:

- (a) turnover for the six month period to 30 September 2018 was £0.7m ahead of budget, reflecting additional income from the beneficial use of dredging materials, mineral quarrying and the early commissioning of the Beatrice offshore wind farm.
- (b) there was a continuing underspend in both direct and indirect expenditure. Part of the underspend was however temporary, and the expenditure was likely to be made within the financial year.
- (c) capital expenditure and receipts continued to track on the trend previously reported behind budget. The anticipated income from a tidal project will be significantly lower than budgeted and discussions with the developer were on-going.
- (d) significant additional capital income from the renewable energy sector had been received after the close of the period. The Board would be asked to consider a paper on treasury management later in the meeting.
- (e) the scheduled contributions to the Scottish Consolidated Fund had been made during the period, including the £1.6m final payment for 2017/18 and the first payment of £1m for 2018/19. The second payment for 2018/19, which would be £1.8m would be made in December.
- (f) a reforecast of capital and revenue had been undertaken and a separate paper had been submitted to the Board giving the up-to-date position.

- (g) cash and cashflow remained healthy, with revenue performance ahead of target. Capital performance was being managed to ensure obligations can be met and that cash inflow is maintained to avoid, where possible, depletion of accumulated funds.

Agreed that:

- (a) the Board would be provided with an update, by e-mail, of the outcome of the discussions with the developer of the tidal project.

Action: CP (10/3)

3.3 Financial Forecast (paper BD(2018)10.13)

Closed Business – commercially confidential

Secretary's Note – this paper was brought forward on the Agenda

Noted that:

- (a) during November a reforecast of capital and revenue outturns for 2018/19 had been undertaken. This shows that net surplus, after transfers to capital, is now forecast at £9m, compared to the £7.3m originally budgeted, an improvement of £1.7m.
- (b) Crown Estate Scotland would have to comply with the International Financial Reporting Standard 15 this financial year. It is not expected to materially affect the forecast outturn however the position will be carefully monitored towards the year end.

Agreed that:

- (a) it was prudent to keep a reserve and that a projected outturn for 2018/19 of £8.5m should be reported at this stage to Scottish Government.

Action: LH (10/4)

Secretary's Note: the Head of Finance & Commercial reported the revised projected outturn of £8.5m to Scottish Government following the close of the meeting.

3.4 Business Performance Report (paper BD(2018)10.5)

Noted that:

- (a) the reference on the performance dashboard to the Value Project as having an amber RAG status was not correct. The reference should be to the Natural Capital project.
- (b) the bid for funding for the BlueSeas project had been rejected and alternative funding was being sought. The Head of Corporate Operations would seek further information on this and pass this to the Board.

Action: EB (10/5)

- (c) a proposal for the sale of fishings had been received and a counter-proposal was being prepared. This would require to be considered by the Executive Team before a recommendation was put to the Investment Committee and Board.

- (d) there had been a 6% rise in negative media items during the second quarter of the year. This was thought to be related to feedback on the Scottish Crown Estate Bill and inaccurate reporting in relation to kelp harvesting however the Head of Corporate Operations would review this and confirm the position to the Board.

Action: EB (10/6)

Agreed that:

- (a) the Head of Corporate Operations would review the wording on the performance dashboard relating to business plan action 35 as the mooring tenants were not being surveyed this year.

Action: EB (10/7)

- (b) the Chair, Chair of the Investment Committee and the Head of Property would discuss how to progress the sale of certain fishing rights.

Action: AB/AS/AW (10/8)

4. Business Management

4.1 Revenue & Capital Budget 2019/20 and 2020/21 (paper BD(2018)10.6)

CLOSED BUSINESS – COMMERCIALY CONFIDENTIAL

Noted that:

- (a) Crown Estate Scotland is required to provide Scottish Government with the project net surplus contribution for 2019/20 by mid-December. The budgeting exercise had been undertaken across revenue and capital requirements.
- (b) both Board Committees had reviewed a previous version of the budget and their comments had been considered during the preparation of the current version.
- (c) when looking at the revenue budget, the key elements identified are the rise in turnover income from the Beatrice offshore wind farm rental and the first full year of costs of both the Value Project and the implementation phase of the Local Management Pilot Project. Provision had been included for dilapidations at the Bell's Brae office; for additional repairs to the rural estate arising from the condition survey; and for additional posts within the business.
- (d) the capital budget had been prepared in accordance with the Board instructions not to sell farms and informed by the recent Board discussions on agreed and desirable actions, such as voluntary land registration and an increase in activity in relation to strategic land development. The key elements identified were a provision for furthering development opportunities on existing estate; provision for capital improvements on the rural estate; and expenditure and income flowing from the new offshore leasing round.

Agreed that:

- (a) the projected net surplus figure of £9.05m should be reported to the Scottish Government for inclusion in their 2019/20 budget.

Action: LH (10/9)

Secretary's Note: the Head of Finance and Commercial reported projected net surplus was reported to the Scottish Government following the close of the meeting.

4.2 Treasury Management (paper BD(2018)10.7)

CLOSED BUSINESS – COMMERCIALY CONFIDENTIAL

Noted that:

- (a) treasury management had been considered by the two Board Committees and both had requested that the Board be asked to consider a proposal for management which met the organisation's expenditure requirements and the need to separate revenue and capital funds.
- (b) the Head of Finance and Commercial would liaise with Scottish Government's finance team to ensure that they were content with any arrangements made to treasury management and would seek approval to access rates at institutions other than Royal Bank of Scotland if necessary.

Agreed that:

- (a) the proposal in relation to the management of revenue funds set out in the paper was appropriate.
- (b) the deposit structure for capital funds was approved as follows;
 - £20m for 18 months to June 2020
 - £7.5m for 12 months to December 2019
 - £5m for 6 months to June 2019
 - £2.5m for 3 months to March 2019.

The HR Manager joined the meeting.

4.3 Pay and Conditions Review (paper BD(2018)10.8)

CLOSED BUSINESS – CONFIDENTIAL

Noted that:

- (a) staff were currently engaged in preparing for job evaluation which was taking up a lot of staff time and progressing at a pace which some were uncomfortable with.
- (b) the paper identified the emerging proposals based around a grading and pay structure consistent with the public sector norm; pay progression through a pay band based on competency and performance rather than automatic annual progression; annual pay awards; and additional elements of reward which were still to be determined. The steering group for the project considered that the pay progression with an advanced pay band available to reward talent or to promote retention of key skills could replace the current bonus scheme.

- (c) the position in relation to bonuses contained layers of complexity laid out in the paper. The steering group did not want to create a new pay and grading structure which embedded historic inequalities.
- (d) the paper which would come to the Board in January would have the final shape of new structure. It would be useful to have input from some members in advance of that.
- (e) the target date of 1 April 2019 for implementation was tight and it might not be possible to introduce the new structure by that date. Efforts would be made to comply with that timescale but there might have to be some backdating.

Agreed that:

- (a) the paper provided a suitable basis for developing detailed proposals.
- (b) the Chair, Mr Macdonald and Mr Mackenzie would be available to support the Chief Executive and the HR Manager.
- (c) the paper to be submitted to the January Board meeting should include the number of staff within each grade and be fully costed (including pension costs) and should highlight any difficulties which are anticipated with delivery of the proposed structure.

Action: SH/FH (10/10)

4.4 People Strategy (paper BD(2018)10.9)

Noted that:

- (a) staff input to the proposed approach to developing a People Strategy had been sought in team meetings. The Strategy sought to align to the Scottish Government's Fair Work Principles and would be underpinned by Crown Estate Scotland's organisational values.
- (b) the Executive Team had considered the organisational values and considered that they were still appropriate and well understood by staff.
- (c) the next steps were to set out some appropriate key performance indicators, to benchmark where the organisation currently sits and to set the markers for progress.

Agreed that:

- (a) the creation of this Strategy should continue to be progressed. It was however recognised that the pay and grading review should take priority if there was an issue with capacity. The HR Manager would liaise with the Governance Manager to identify a suitable date to bring the People Strategy back to the Board for approval.

Action: FH/HH (10/11)

The HR Manager was thanked for her contribution and she left the meeting.

5. Governance

5.1 Governance Review (paper BD(2018)10.9)

Noted that:

- (a) the Board had conducted self-assessment of its performance during 2017/18 and that five actions had been identified out of that review.
- (b) an internal audit of governance was due to take place before the end of the financial year.

Agreed that:

- (a) the Board should conduct a self-assessment of performance in May 2019 and consider the outcome along with the internal audit report in order to identify future actions and to determine when would be appropriate to instruct an externally facilitated effectiveness review.

Action: AB/HH (10/12)

- (b) the Board would continue to meet in private but would like to consider wider opportunities for stakeholder engagement, developed around the Board meetings. The Head of Corporate Operations should develop a programme of proactive stakeholder engagement and appropriate communication of that.

Action: EB (10/13)

- (c) the Board would review the position on meeting in private in twelve months' time.

Action: HH (10/14)

6. Committee Reports

6.1 Audit & Risk Committee

Noted that:

- (a) following the Committee's consideration of the risk appetite statements, the Chief Executive had engaged in a wider discussion with staff.

Agreed that:

- (a) the Chief Executive would circulate a note to the Board with the revised risk appetite statement for final approval.

Action: SH (10/15)

6.2 Investment Committee

Noted that:

- (a) there had been a helpful discussion on the position relating to the strategic environmental assessment report being carried out on the draft Investment Strategy.

7. Strategy and Planning

7.1 Rural Strategy: consultation draft (paper BD(2018)10.11)

Noted that:

- (a) the Investment Committee had given guidance on the proposed framework of the consultation draft and that had been used to prepare the draft questions. The draft consultation document would be tested with a small group from key stakeholder groups before launch. The Scottish Government would be briefed on it in advance.
- (b) a wide range of responses to the consultation was being sought and events were planned which were not sector-specific and the consultation was not about the geography of the current estate and not about a national strategy covering all rural land and interests.

Agreed that:

- (a) there was further refinement to the draft to be undertaken. This includes the need to ensure it makes clear at all points that the consultation is about future investment possibilities across rural Scotland, and not just in relation to the current estates. The consultation needed to express Crown Estate Scotland's desire to take a dynamic approach to the assets to secure greater value from the resources invested. The period for consultation should be set at twelve weeks and not the eight proposed.

Action: AW (10/16)

- (b) the Chair and Mr Raven would be available to support the Head of Property in finalising the consultation document.

The Senior Development Manager and Commercial Manager joined the meeting. Mr Raven left the meeting during consideration of this item.

7.2 Offshore Wind Leasing: final (paper BD(2018)10.12)

Noted that:

- (a) the Board were being asked to approve the launch of the new offshore wind leasing round, the innovative and flexible approach to which had been developed following external and internal consultation.
- (b) timing was critical as The Crown Estate had just announced their next round of leasing and there was a risk that Scottish waters would lose out if an offering was not available in the same timeframe.
- (c) the preference was to offer leasing in areas identified in Marine Scotland's draft sectoral marine planning process and applications would be accepted against the draft plan. The final plan is currently anticipated to be published in July 2019 but the preference is not to wait on that in case there is a delay in publication.
- (d) the assessment process for an option will be rigorous, with restrictions on application areas and an upper limit on site size to avoid too much seabed being locked-up by any one developer. Delivery of socio-economic benefits to Scotland would be incentivised

during the lease period. The intention was to work to deliver the best value for Scotland over the lifetime of the project.

Agreed that:

- (a) the Board supported the recommendation to launch a new round of offshore wind leasing as proposed in the paper and recognised that work would continue on the detail of the rental mechanism proposed and on how public benefit would be defined, including clarity on delivery of local training and employment.
- (b) the Board thanked the energy team for the input which they had given to identifying a new, innovative approach to deliver benefit for Scotland.

8. Dates of Next meetings

29 January 2019
26/27 March 2019
28/29 May 2019

Amanda Bryan
Chair, Crown Estate Scotland (Interim Management)

Date

Crown Estate Scotland (Interim Management) Action Tracker – 2018

Updated as at 9 November 2018

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

No.	Action	Responsibility	Timescale	Status

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

No.	Action	Responsibility	Timescale	Status
Investment Committee				
6/11	Board required more granular information on asset classes and performance as they prepared for the enactment of the Scottish Crown Estate Bill and to optimise the estate for the future. Further discussions would take place to identify how this information would be presented.	LH/AW	Before next Investment Committee meeting (tbc – early August)	On-going. Being advanced through the Value Project.

Actions from Seventh Board Meeting (30 May 2018)

No.	Action	Responsibility	Timescale	Status
Matters Arising				
7/1	Crown Estate Scotland will clarify with the Scottish Government any procurement provisions in the Scottish Public Finance Manual where a variance may be required for CES. This clarification is of immediate importance in relation to the auditor's commentary in the CES end of year accounts. A further note, laying out the position of Crown Estate Scotland and their understanding of the position, should be prepared and sent to the sponsor directorate	LH/ SH		<u>On-going</u> <u>Verbal update to November Board meeting – paper to follow (out of meeting)</u>
7/3	the Board wanted to consider whether meetings should be held in public and that this should form part of the corporate governance review due to be brought to the Board in August.	HH	22 August <u>27 November</u> 2018	Agreed with Chair that this will be deferred and possibly circulated electronically form part of the <u>Governance Review which will be discussed by the Board on 27 November 2018</u>
Staff Survey				
7/9	the Board wanted to assist in any way they could and staff should be made aware of this. A session for staff to meet the Board will be arranged during the November Board meeting	HH	November 2018	On-going <u>Action closed</u> Arrangements in hand for a session on 27 November with staff.

Actions from Eighth Board Meeting (22 August 2018)

No.	Action	Responsibility	Timescale	Status
Action Tracker and Matters Arising				

8/1	With reference to action 7/8 the Board wish to benchmark with other organisations and future surveys should include the standard questions used by other public bodies to allow such comparisons to be made.	EB	Before next staff survey	Looking at utilising the two-comparator metrics used by most Scottish Government bodies: response rate and engagement score.
Chief Executive's Report				
8/3	Further detail would be provided to the Board on rates of turnover, reasons for turnover and length of service of leavers, as well as distinguishing between planned and unplanned turnover.	EB	By 27 November 2018	Detail to be provided to the Board at the meeting on 27 November 2019
Board Forward Programme				
8/6	The Chair to hold separate discussions with members on stakeholder engagement to gauge interest in specific areas	AB		On-going

Actions from the Ninth Board meeting (3 October 2018)

No.	Action	Responsibility	Timescale	Status
Action Tacker and Matters Arising				
9/1	Chair & Chief Executive to discuss future Board engagement with enterprise agencies	AB/SH	Before 27 November 2018	
Chief Executive's Report				
9/2	the Chief Executive's report to include a short report on health and safety matters for those Board meetings	SH	To start 29 January 2019	

	where the quarterly report was not submitted			
Pay and Conditions				
9/3	Board to be provided with full update on progress at November meeting	SH	27 November 2018	On agenda for 27 November 2018. Action closed.
Local Management Pilots Stage 1				
9/4	five applications would immediately progress to stage 2 and that six further applications would be subject to further discussion and if appropriate, taken forward to stage 2 of the assessment if the criteria could be met, or progressed through an alternate mechanism depending on the preference of the applicants.	AW/TM	16 October 2018	Applications notified and projects moving forward. Action closed.
9/5	issues connected with the funding of the pilot projects and other opportunities, including the stewardship fund, to add value to Scottish Crown assets would be considered during the budget discussions which were due to be held at the November Board meeting.	SH/LH	27 November 2018	
Risk Management Policy and Risk Register				
9/6	the wording in relation to financial risk would be reviewed to ensure that the cautious approach was to financial process	SH	<u>30 October 2018</u>	<u>The wording has been reviewed and amended.</u> <u>Action closed.</u>
9/7	consideration should be given to articulating the risk around the cultural evolution of the organisation into a Scottish public body; to the risks to	SH	<u>30 October 2018</u>	<u>The wording in the risk register was amended and was considered by the Audit & Risk Committee on 30 October 2018</u> <u>Action closed.</u>

	revenue income from Brexit; and to risks for all sectors of the business.			
9/8	a note on the general rules around the restrictions on trading activity for Crown Estate Scotland should be circulated to the Board	LH	<u>30 October 2018</u>	<u>The note previously circulated to the Board has been re-circulated.</u>
9/9	the risk management policy and risk register were to be adopted and to be updated by the Chief Executive for review by the Audit & Risk Committee at its next meeting. The policy and register would be owned by the Board	SH	30 October 2018	Action closed
Board Engagement				
9/10	opportunities for the Board to engage with the enterprise network and with Scottish Canals should be identified and included on the forward plan	HH		Forward plan updated. Action closed.



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Stakeholder Meetings BD(2018)10.1	
Security classification	Unclassified	
Presented by	Amanda Bryan/Simon Hodge	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note this paper.	
The committee secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair and the Chief Executive have held or will hold during the period to 30 November 2018.

Meetings held

2. The Chair and Chief Executive jointly met with:
 - Cleland Sneddon, Chief Executive of Argyll & Bute Council on 15 November 2018
 - the Council Leader and Chief Executive of Orkney Islands Council on 20 November 2018 (Tom Mallows also attended)
 - the Harbour Master and Deputy Harbour Master, Orkney Islands Council Harbour Authority on 20 November 2018
 - Sandy Kerr, International Centre for Island Technology on 20 November 2018
 - European Marine Energy Centre, Stromness on 21 November
3. The Chair attended or met with:
 - Scottish Government's Rural Planning Summit on 7 September 2018
 - Association of Scottish Shellfish Growers Conference on 4-5 October 2018
 - Scottish Government Public Bodies Unit (re Board recruitment) on 10 October 2018
 - Director, Marine Scotland (sponsor Directorate) on 10 October 2018
 - Convention of the Highlands and Islands (representing Forestry Commission Scotland) on 22 October 2018

4. The Chief Executive attended or met with:

- Richard Lochhead, MSP on 2 October 2018 (with Andrew Wells)
- SCDI Briefing on Scottish National Investment Bank, 12 October 2018
- Crown Estate Scotland Unit, Marine Scotland on 12 October 2018
- Scottish Government Land Reform Policy Network Meeting, 18 October 2018
- Tavish Scott, MSP on 23 October 2018
- Dr Alasdair Allan, MSP on 24 October 2018
- Dave MacLeod, Head of Property and Infrastructure, HIE on 24 October 2018
- Liam McArthur, MSP on 1 November 2018
- SWT Scottish Conservations Finance Project, £1bn Challenge, 2 November 2018
- Scottish Government Agriculture Champion, Henry Graham on 6 November 2018 (with Andrew Wells)
- Highlands and Islands Enterprise energy team and communities team on 8 November 2018 (members of the E&I team also attended)
- Catherine Topley, Chief Executive, Scottish Canals on 12 November 2018
- Scottish Government Environment & Economy Leaders Group on 14 November 2018
- Trefor Owen, Interim Chief Executive, Forest Enterprise Scotland on 22 November 2018
- Michael Russell, MSP on 22 November 2018



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Health & Safety Report BD(2018)10.2	
Security classification	Unclassified	
Presented by	Andrew Wells	
Author	Andrew Wells and Andrew Green	
Annexes	Annex A - Health & Safety Performance - July 2018 to September 2018 Annex B – Health & Safety Audit Report	
Recommendation	The Board is invited to note the content of this Report	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Crown Estate Scotland's Health & Safety (H&S) management framework document identifies the legal, financial and moral obligation of the organisation to comply with health & safety legislation. The framework spells out the **PLAN, DO, CHECK, ACT** approach. In line with previous reports, this paper covers how those 4 points have been implemented in the last 3 months and provides an updated H&S incident dashboard.
2. Andrew Green of Green's of Haddington Ltd continues to offer consultancy support and advice on H&S matters.
3. The H&S Consultant regularly meets with the Head of Property and with the Health & Safety Coordinator. He attends the Glenlivet and Fochabers Estates on a quarterly basis, sits on the Health & Safety Committee and is available for consultation at any time and is involved in the review and update of the policies and procedures.

Discussion - PLAN

4. Risk Assessments are continually reviewed by the Health & Safety Coordinator to ensure that they are relevant.
5. Site specific risk assessments are being produced by the Fochabers workforce using the Risk Assessor app which is proving to be a useful tool. This app is being rolled out to the staff at Glenlivet. Details entered into the app are saved to the Cloud and held indefinitely so can be retrieved if required or in the event of an incident.

6. H&S manuals summarising the arrangements for managing health & safety have been drafted for staff at Fochabers, Glenlivet and Bells Brae. These are in the process of being finalised and will be issued in the next quarter. These will provide a readily accessible set of H&S information and guidance which has been tailored for different parts of the business, helping to further raise awareness about the contents of the main H&S policies along with other practical guidance for staff.
7. A specification for carrying out tree surveys as part of the tree management plan for roadside and other trees continues to be developed to ensure a common approach across the estate regardless of who carries out the assessment. The management of tree safety (outside in-hand forest areas) is the responsibility of Savills. The revised procedures will clarify responsibilities, inspection frequencies and the requirement for a tree safety management plan.

Discussion – DO

8. The Health & Safety Committee continues to meet and discuss a wide range of matters under a comprehensive agenda. A meeting was held on 31 October 2018 with a particular focus on the outcomes of the recent H&S 'health check' (see section 10 below).
9. A second "Lunch & Learn" session was held on 3 September 2018.
10. The H&S audit or "health check" has been completed by the H&S Consultant and the report submitted. This included a review of operational H&S management of the workforce and premises at Fochabers, Glenlivet and Bells Brae. It also included a review of H&S systems and operational management undertaken by the Managing Agents for the rural Portfolio (Savills) at their Fochabers and Dumfries offices and for the Coastal Portfolio (Bidwells) at their Perth office.

A copy of the audit report is at Annex B. Overall health & safety compliance across the organisation is high with high levels of appreciation of the importance of health & safety.

Action points have been identified and are being implemented or considered. All High priority actions will be completed in the one-month timescale identified.

Discussion - REVIEW

11. Accompanying dashboard summarises the accidents recorded in the second quarter of the 2018/19 financial year
12. There have been 2 very minor accidents to Crown Estate Scotland staff which resulted in no lost time and neither was notifiable
13. A further incident has been reported to us by Euroforest who have been undertaking a timber felling operation following a standing sale in a commercial forest area on the Applegirth Estate. The incident resulted in a chainsaw operator under contract to Euroforest suffering a broken leg during a tree felling operation. The incident was thoroughly investigated by Euroforest and no follow up action was required. All procedures were being followed and all controls and paperwork were in place. The operator was appropriately skilled and followed all safe felling/training guidelines. The incident resulted from unidentified stresses in the tree which

caused the hinge to break and roll/kick when falling resulting in the injury. The report has been forwarded to Crown Estate Scotland and no follow up action is deemed necessary.

Discussion – ACT

14. The measures identified within the audit report will be addressed within the timescale recommended in the report.
15. A potential area of risk that needs to be addressed has been identified in terms of management resources and line management responsibilities both in terms of the Fochabers workforce and the responsibilities of the Head of Property
16. Line management of the Fochabers workforce is currently undertaken by the Head of Property while day-to-day management and task instruction is undertaken by Savills. This results in a sense of isolation in the workforce and does not provide the level of contact or over-sight of operational activities that is required to ensure levels of staff engagement or that Crown Estate Scotland has sufficient 'comfort' in relation to employer responsibilities. To address this, it is proposed that the Countryside Manager at Glenlivet is given this responsibility. This has been agreed with relevant staff and arrangement will be put in place to effect this change in Quarter 3.
17. In addition, the Head of Property has a large and diverse responsibility that takes up a significant amount of time before the additional role of being responsible for managing health & safety within the organisation is added. Although there is no evidence to suggest this is having a detrimental impact on H&S management, additional resources in the form of a part time Safety, Health, Environment & Quality (SHEQ) Manager would improve compliance and the culture within the organisation. This is currently being investigated with HR and the Chief Executive.

Sustainability

18. There are no further updates over the last 3 months

Legal implications

19. 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 managed by Crown Estate Scotland. There have been no legal compliance matters of concern that have arisen as a result of the 'health check'.

Risk

20. The risk of an accident occurring continues to be low however, as the requirement for meeting a broad range of compliance and management matters increases as a result of the ongoing development of H&S management systems, the risk of noncompliance is rising. Additional staff resource to support the management of H&S is considered a growing priority to ensure all risks are managed appropriately.

People considerations

- 21.** One area of further work involves staff induction and training. This is under consideration with revised induction procedures being implemented and on-line training tools being investigated.

Reputational / PR implications

- 22.** No further updates in the last 3 months

2018/19

Accidents to staff reported	quarter 1	quarter 2	quarter 3	quarter 4	total
slips/trips	1	0	0	0	1
Manual Handling	0	0	0	0	0
struck by moving object	2	1	0	0	3
falls	0	0	0	0	0
violence	0	0	0	0	0
strike against fixed object	1	0	0	0	1
Contact moving machinery	0	0	0	0	0
Struck by moving vehicle	0	0	0	0	0
electrocution	0	0	0	0	0
other	0	1	0	0	1
Total	4	2	0	0	6

RIDDOR Reportable	quarter 1	quarter 2	quarter 3	quarter 4	total
Fatal	0	0	0	0	0
Major	0	0	0	0	0
Over 7 day	0	0	0	0	0
N/A	4	2	0	0	6
Total	4	2	0	0	6

Incidents / Close shaves	quarter 1	quarter 2	quarter 3	quarter 4	total
struck underground services	0	0	0	0	0
overturn vehicle	0	0	0	0	0
falling object	0	0	0	0	0
other	0	0	0	0	0
Total	0	0	0	0	0

Total Accidents by Quarter	2017/18	2018/19	
Q1	1	4	5
Q2	2	2	4
Q3	3	0	3
Q4	3	0	3
Total	9	6	15

Location of accidents	quarter 1	quarter 2	quarter 3	quarter 4	total
Bells Brae	1	0	0	0	1
GeorgeStreet Office	0	0	0	0	0
Glenlivet	3	0	0	0	3
Fochabers	0	2	0	0	2
Whitehills	0	0	0	0	0
Applegirth	0	0	0	0	0
Total	4	2	0	0	6

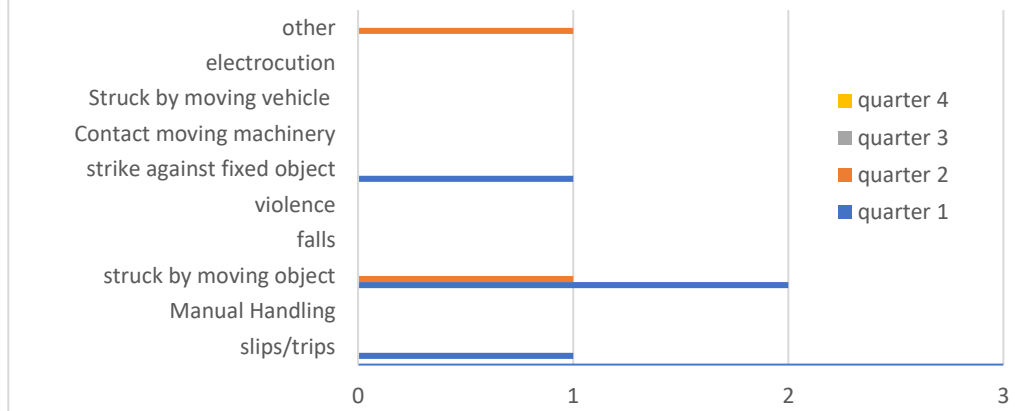
Sickness / absence Days lost	quarter 1	quarter 2	quarter 3	quarter 4	total
accident recovery	0				0
stress	0				0
Ear/Nose/Throat infection	3				3
diarrhoea / vomiting	0	3			3
flu / cold	3				3
Headache / Migraine	4				4
Chicken Pox	6				6
Allergy	1				1
parent / child / partner	0				0
food poisoning	0				0
ocupational asthma	0				0
dermatitis	0				0
Musculoskeletal	0	1			1
other	0	1			1
unknown	0				0
Total	17	5	0	0	22

Sickness duration (working day	quarter 1	quarter 2	quarter 3	quarter 4	total
< 3 day	1	5			6
< 5 days	4				4
< 10 days					0
> 11 days					0
Total	5	5	0	0	10

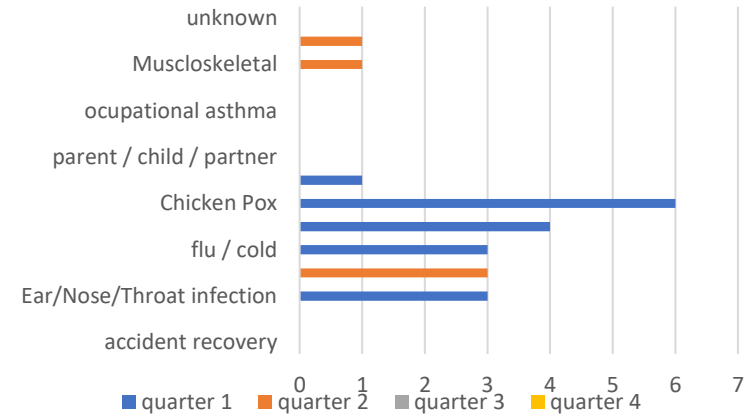
Sickness / absence no of absences	quarter 1	quarter 2	quarter 3	quarter 4	total
accident recovery	0				0
stress	0				0
Ear/Nose/Throat infection	1				1
diarrhoea / vomiting	0	3			3
flu / cold	1				1
Headache / Migraine	4				4
Chicken Pox	1				1
Allergy	1				1
parent / child / partner	0				0
food poisoning	0				0
occupational asthma	0				0
dermatitis	0				0
Musculoskeletal	0	1			1
other	0	1			1
unknown	0				0
Total	8	5	0	0	13

HEALTH & SAFETY PERFORMANCE 2018/19

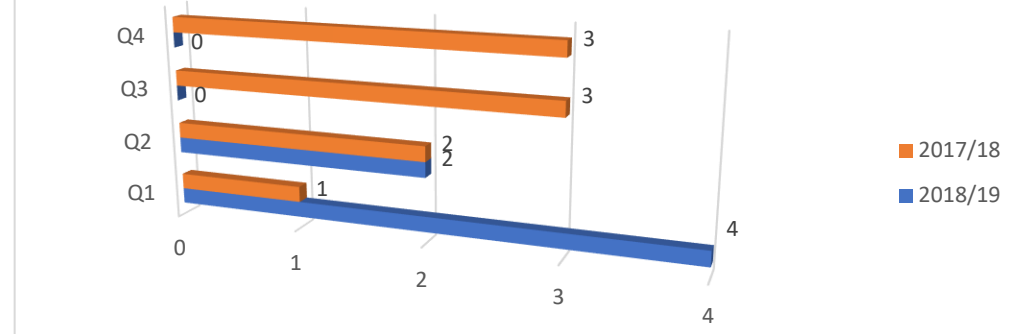
Recorded Accident by Type 2018/19



Illness Figures 2018/19



Total Accidents in Each Quarter



Summary to Date - 31 September (Q2)

2 minor accidents in Second quarter of 2018/19 with no lost time

1. Dropped gate on foot above steel toe cap
2. Minor cut to arm - cause unknown

Also 5 days lost to illness by 5 different individuals. None were occupational in nature.

The one labelled "musculoskeletal" relates to an office worker with a long standing issue. Adaptions had been made prior to the absence



By Appointment to
Her Majesty The Queen
Health & Safety Adviser
Green's of Haddington Ltd
East Lothian



GREEN'S
OF HADDINGTON LTD

HEALTH &
SAFETY AT
WORK
ADVISERS

REPORT ON THE HEALTH & SAFETY AUDIT OF THE CROWN ESTATE SCOTLAND

Carried out between August & October 2018

by Andrew Green CMIOSH MIIRSM

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Contents

1. EXECUTIVE SUMMARY.....	3
2. INTRODUCTION	3
3. METHODOLOGY AND DOCUMENTATION.....	4
4. GENERAL FINDINGS.....	5
5. 39 GEORGE STREET	8
6. MANAGING AGENT – SAVILLS	9
7. MANAGING AGENT – BIDWELLS.....	10
8. CONCLUSION.....	11
9. ABOUT THE AUTHOR.....	12
10. APPENDICES	13

1. EXECUTIVE SUMMARY

On the whole, health & safety within the organisation is of high priority to the senior management of the Crown Estate Scotland (CES).

In relation to the performance of the Managing Agents, there is no great concern over their performance.

There are plans in the next 12 months for all compliance issues related to the residential property portfolio dealt with by Savills to be managed by a central Hub team based in their Peterborough Office. This is an approach that Savills are taking across all their managed estates to ensure consistency of approach across the whole country.

In relation to the staff, there is some concern that for the office staff at Bells Brae in particular that there is little knowledge of health & safety issues, the lunch and learn training done recently was the first for many members of staff.

A programme of regular presentations should be considered to increase basic knowledge of health & safety and of how the CES are approaching it.

2. INTRODUCTION

This report is produced following visits to the Fochabers Estate maintenance yard, Glenlivet Estate office, Bells Brae office and the let offices at 39 George Street.

Visits were also made to the offices of the Managing Agent; Savills (Fochabers and Dumfries) and Bidwells (Perth) where discussions were had between Greens and the Managing Agents.

The report will talk about "Hazard" and "Risk" and it important that we understand what is meant by those terms

Hazard – is the potential to cause harm eg slipping, being caught in machinery, being attacked by animals

Risk – is the likelihood of the hazard taking place combined with the consequences of the hazard taking place eg fatal injury down to insignificant injury

This report is written in broadly the order that they were discussed.

All advice offered, and actions suggested within the report, is based on questions and answers during the course of the meeting and from any subsequent conversations or correspondence.

The report is based on the information provided to Greens. Where such information was given by the client, the report is based in the assumption that it is accurate and correct.

3. METHODOLOGY AND DOCUMENTATION

The following sites were visited

Location	Date	Who visited
Glenlivet Estate Office	30.08.2018	Karen Smith Simon Ovenden Nick Fox Graham Findlay
Fochabers Maintenance Yard	30.08.2018	Karen Smith William Reid
Savills, Fochabers Office	31.08.2018	Faye Gonzalez Tom Richmond Tom Clover Abbi Tait
Savills, Dumfries Office	12.09.2018	Mark Fogden
Bidwells, Perth Office	01.10.2018	Darren Hirst Andrew Wood
Bells Brae Offices	04.10.2018	Lisa McIsaac
39 George Street	04.10.2018	Ian Rumbles (Concierge)

At all sites (other than the George Street Office), an audit checklist was completed and copies of these are within the appendices to this report.

This report will cover the issues relating to the health & safety of Crown Estate Scotland staff and in their roles as Landlord and Landowner and will comment on those issues where more work needs to be done.

FINDINGS & RECOMMENDED ACTIONS

4. GENERAL FINDINGS

4.1. Organisation

Across the sites where staff are employed, there is an appreciation of health & safety that is, on the whole positive.

Staff are aware of its importance and how their work is affected by it.

There was a concern expressed by Willie Reid at Fochabers Yard that *"The Senior Management don't know what we do"*. This would appear to be directed at the board rather than the operational managers and might be a reflection of their unique position within the organisation.

They are employees of the CES but are managed directly by Savills who treat them as contractors.

There may be benefit in providing Willie with a line manager who is geographically closer to them and can bring them into the fold.

There is no doubt that Willie is managing his team well and the compliance at the yard and on-site is very good, but further support would be beneficial. It would be worth emphasising that with him; that it is not a criticism of his current management or record; but, it simply improving and increasing support for him.

There does not appear to be a consistent approach across the organisation in the implementing of some health & safety measures. Certainly, staff at Fochabers and Glenlivet are more closely aligned due to the efforts of Karen Smith who is on hand whilst those staff at Bells Brae are not. For example, lone working, checking of first aid kits and reviewing of relevant risk assessments.

Consideration should be given to appointing someone at Bells Brae to coordinate with Karen Smith to ensure this consistent approach.

4.2. Health & Safety Policies

All of the staff interviewed were aware of the 12 main policies that that CES established last year but were not aware of any written procedures or safe systems of work. The health & safety manual being developed will help with that.

Manuals have been produced for the Maintenance staff at Fochabers, the staff at Glenlivet and the office & professional staff at Bells Brae.

4.3. Risk Assessments

Karen Smith is updating all the risk assessments and establishing a new and simpler numbering system.

Simon Ovenden in his role as Countryside Manager will be leading a review of the risk assessment relevant to the Glenlivet team over winter. Willie Reid reviews the risk assessments relevant to the workforce on an annual basis but there does not seem to be anyone at Bells brae who is doing this for the staff based there.

The maintenance team at Fochabers are using a smartphone app to undertake site specific risk assessments. This allows the team to do the risk assessment on site, with photos if required and then email them back to Karen Smith and to Savills.

4.4. COSHH Assessments

The management of the substances hazardous to health that is used by the staff is being well managed but there is little formal assessment of the risks associated with those substances to which the staff are exposed in the environment such as Lyme Disease, Weil's Disease, hepatitis, HIV/AIDS etc or for those substances which are produced during the course of their work such as dust.

This should be addressed.

4.5. Face Fit Testing

In relation to dust, all dust is bad for you but silica dust from cutting concrete or stone is particularly bad and whilst Willie and his team are apparently using the water-based dust suppressant kit which is great, there may be occasions when a respirator may have to be worn.

There is of course a minimum standard of respirator that the organisation is already complying with but the next stage of ensuring the best fit should be taken.

This is a process for those individuals who might wear close fitting respirators (either disposable and non-disposable) to ensure that the shape and size of face is reflected properly.

There are a number of suppliers of face fit testing equipment and services. There would be merit in having a firm like ARCO undertake the face fit testing as they could bring along a range of different makes and model of respirator to ensure the best fit for each person.

For those individuals who wear a beard, a full-face powered respirator will have to be supplied similar to that pictured.



4.6. Staff Induction

There does not appear to be a systematic induction process for new staff by HR. Local induction for staff at Glenlivet and Fochabers is done by Karen Smith and Willie Reid respectively.

The policies mentioned above are on Wisdom but for some new members of staff they are apparently not aware of its location. That would be part of a formal induction process by HR.

4.7. Lone Working

SPOT trackers have been issued around the staff in the Fochabers and Glenlivet Estates. Fochabers team tend to work in pairs anyway and rely on each other. Willie Reid knows where his staff are but it might be the case that the staff know where Willie is.

The policy documents define who might be a lone worker and a separate lone worker policy that can be incorporated into the upcoming health & safety staff manuals has been established.

The mobile phone provider EE is currently establishing 5 new masts on the Glenlivet Estate and so it would make sense to change the work mobile provide to EE.

In relation to the professional staff based at Bells Brae that leave the office and travel around Scotland, other provision including the use of smartphone apps should be investigated.

On the whole, they would appear to be going to meetings with other individuals and so are “alone” during the travelling back and forth. Some apps have a tracking function that could be initiated for those time or it might be cost effective to put a tracker in the pool car so that if someone does not return home, their location should be easy to find.

When a system is chosen training should be organised and the relevant systems of work incorporated into the staff manual and lone working policy.

4.8. Training

There were some training needs that had been identified but Karen Smith has them in hand. They include refresher training for chainsaw operations and first aid.

The list of current first aiders at Bells Brae requires updating due to the turnover of staff resulting in some of the named persons no longer working for the organisation.

There were a number of individuals who attended the recent lunch and learn sessions who had never been to a health & safety presentation before and so consideration should be given to providing more.

An alternative might be to subscribe to on-line training that staff could do at their desk but the danger here is that it becomes a chore and people disengage from health & safety.

4.9. Fire

At Glenlivet and Fochabers, a formal Fire Risk Assessment (FRA) was apparently carried out in 2016.

At Bells Brae, it is thought that the Landlord has carried out a FRA but Lisa McIsaac does not know it's location or conclusions. She is to obtain a copy.

There are smoke detectors and break glass points in both offices and a hand-powered rotary bell for use at Fochabers workshop.

It is not known whether the fire alarm at Bells Brae is monitored by a third party such as ADT, Lisa was to find out.

There are established arrangements for the testing and servicing of the detection system and emergency lighting where fitted.

4.10. Noise

A noise assessment was apparently organised by Savills 5 years ago and a copy of the report has been requested.

Consideration should be given to a new noise assessment being organised that reflects the new equipment across the Fochabers and Glenlivet site.

4.11. Tree Management

The final tree management policy and specification has not yet been finalised and this should be done sooner than later.

This can then be handed to the Managing Agents so that they implement it.

4.12. Management of Contractors

The vast majority of contractors used on CES properties are managed directly by Savills or Bidwells who have their own established systems that appear to operate very well.

There are occasions when CES own staff may organise contractors for simple repairs within the offices. At Glenlivet, there is a system where Karen Smith obtains copies of the relevant insurances, qualifications and risk assessments for those contractors who are NOT on the Savills own list.

For contractors engaged at Bells Brae, there does not appear to be a similar system in place.

For Forestry contractors engaged directly by the Nick Fox, they through a similar process as that carried out by Karen Smith.

There would be benefit in developing an organisation wide system with one administrator who sends out a questionnaire, collates the information and seeks annual updates to insurance policies etc.

An alternative might be to obtain a list of key contractors that have been through the Savills or Bidwells vetting system and only to use them. This should be discussed with the relevant individuals at both firms.

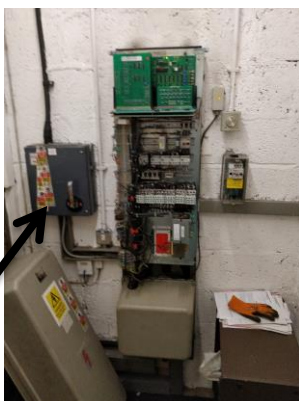
5. 39 GEORGE STREET

There are 5 offices within the building across 4 floors with a shop occupying the majority of the ground floor.

There are 2 lifts serving the upper floors but at the time of the visit, only one was working.

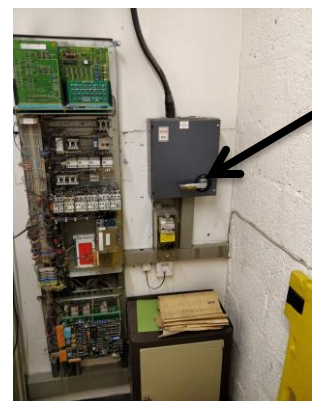
In the basement there are 2 plant rooms either side of the lift shaft that have control systems within it.

The cover of the switchgear in both plantrooms had been removed, presumably by the lift engineers and whilst the main switch on the lift that was not working had been switched off as indicated with the arrow, the switch in the other plantroom serving the working lift was obviously in the on position.



The plant room doors were locked and required the concierge to open but it is not acceptable for the lift engineers to leave the live switchgear exposed.

I would also recommend that when the main switch to the non-functioning lift is switched off, that it is locked off with a padlock as a belt and braces approach to ensure that it cannot be turned on by an unauthorised person.



6. MANAGING AGENT – SAVILLS

The level of compliance with the CES Policy ***Managed Property in the Rural Portfolio HSP07*** is good. The Managing Agents are aware of all the issues and have systems in place to meet the requirements of the policy.

The following areas are where more needs to be done.

6.1. Scalding Risk from Immersion Heaters

The HSE issued a safety alert a number of years ago warning landlords following a particularly nasty accident in rented accommodation. In the incident, a thermostat on an electric immersion heater failed but it failed to danger ie the immersion kept heating the water.

Eventually the temperature of the water in the system had extended to a plastic expansion tank in the loft of the property which then melted, causing a significant volume of boiling water to come through the ceiling and into an occupied baby's cot in the bedroom below.

The HSE advised landlords to check their property portfolio and identify if any of their properties had electric immersion with plastic expansion tanks in loft space and where it did, to ensure that the thermostat was changed to one that failed to safe ie it left the water stone-cold.

Savills are to ask heating engineers to check for this when they do their next round of servicing and ensure correct type of thermostat is fitted where necessary.

6.2. Back Boilers

The HSE also issued a safety alert to landlords in relation to back boilers that might be no longer used but that had been left in situ. It follows a number of incidents where the pressure in a poorly decommissioned back boiler rose when a fire was lit causing the boiler to "explode".

Savills were confident that there were no such systems within the portfolio but were to check.

6.3. Map of Underground and Overhead Services

CES mapping are to develop a plan of each estate is to be developed that shows the route of any mains underground services that cross the land.

A copy of the plan should be sent to the relevant farm tenants and to the estate maintenance team in relation to the Fochabers and Glenlivet Estates.

6.4. Recording Systems

The APR system of property management run by Savills appears to be a very good property management tool that can produce all sorts of reports at the touch of a button including compliance reported which are colour coded.

At the time of the visit, there were a significant number of red on spreadsheet, particularly in relation to the estates managed by the Fochabers office.

This was explained as follows

- New instructions from CES are phased in over a period rather than doing them in one short period. This will help with management in the coming years.

- That as they work through a programme of electrical surveys, they have chosen not to mark these as green until the remedial works are complete and a further test certificate issued. Therefore, nothing is marked green if it has failed.
- The asbestos we have left as red until the annual AMPs are completed.

One of the benefits of the system is that Fiona Simpson can have “read-only” access to the system and so can monitor compliance at any time.

7. MANAGING AGENT – BIDWELLS

The level of compliance with the CES Policy ***Managed Property in the Coastal Portfolio HSP08*** is good.

The Managing Agents are aware of all the issues and have systems in place to meet the requirements of the policy for the majority of the environment that they manage.

7.1. Building Compliance

The one exception is the main building at Rhu Marina where more work needs to be done by Bidwells to ensure compliance.

Bidwells are to check when the landlord safety checks on the electrical and heating systems was last done and ensure that it is up to date and then establish a regime of further inspections as required.

The management of legionella in the toilet block is the responsibility of Quay Marinas who operate the marina.

These checks need to be put on Bidwells Risk Register as separate items under Rhu Marina.

7.2. Asbestos

A formal survey of the main building at Rhu has been organised. From that Bidwells needs to develop an asbestos management plan for the building including the development of an asbestos register, ongoing monitoring of the Asbestos Containing Material (ACM) and ensure that if work is required to be done, that the contractors are made aware of its location and that the register is kept up to date.

7.3. Wording on Leases

Bidwells are reviewing the wording on both standard leases and on bespoke leases to ensure that health & safety responsibilities are explicitly with the tenant.

8. CONCLUSION

The management of health & safety in the organisation is taken very seriously and it is working hard to improve its performance further.

Action is required on the following points. The timescale should be from the date of publication of this report. Issues should be started / completed within the timescale recommended in line with the relevant sub-category headings.

By implementing these, the risk (likelihood and consequence) of an accident occurring or someone having their health affected will be reduced further.

The **High Priority** Issues should be started within **1 month** – Physical issues which might result in serious injury, enforcement action or personal injury claims.

The **Medium Priority** Issues should be started within **3 months** – Generally for legal requirements & management issues.

The **Low Priority** Issue should be started within **12 months** – Items which are good practice or could have a longer lead in time due to the limited risk presented.

High Priority

- Roll out the Risk Assessor app to other members of staff such as the Rangers so that they can carry out site specific risk assessments for jobs such as replacing signboards that might not be covered under the generic risk assessments.
- Obtain EE Sim cards for the staff working at Glenlivet to take advantage of the EE masts that have been put in place.
- Obtain a copy of the formal Fire Risk Assessment for Bells Brae from the landlord and establish whether the alarm system is monitored by a third party such as ADT.
- Savills to arrange for the lift engineers for 39 George Street to cover live switchgear on working lift and to fit a padlock to the main switch of the non-functioning lift until such time that it is repaired.

Medium Priority

- Finalise and roll out health & safety manuals to the staff at Glenlivet, Fochabers Workforce and Bells Brae staff.
- Identify a suitable system for managing lone workers for the staff based at Bells Brae. This might be an app for individuals or a tracking function fitted to the pool car. Once implemented, ensure that training is provided, and the lone worker policy updated accordingly.
- Appoint someone at Bells Brae to liaise with Karen Smith to undertake regular checks and to regularly review the risk assessments that are relevant to the staff based there.
- Ensure that suitable COSHH assessments have been done for those substances hazardous to health that the team are producing (primarily dust and fume) and to those which the staff are exposed in the environment.
- Ensure that HR undertake a systematic induction process for new starters with a few days of their entering the workplace.
- Obtain a copy of the noise assessment organised by Savills for the Fochabers workforce. Consider a new noise assessment which would include the kit at Glenlivet also.
- Finalise the Tree Survey specification and policy and hand to Savills to implement

- Establish a single system for choosing contractors that would be administered centrally with a formal list of approved contractors (plumbers, electricians, decorators, as well as landscape and forestry contractors) being held so that anyone with authority to engage a contractor could do so with knowledge that the first stage had been done. Alternatively ask the Managing Agents to arrange all property repairs using their established systems.
- Develop estate plans for all 4 estates showing route or major overhead and underground services crossing the land and pass copies to the relevant form tenant and Fochabers Workforce.
- Bidwells to ensure that the main building at Rhu Marina is compliant in relation to servicing and inspection of electrical and heating systems and establish an ongoing regime of inspection.
- Bidwells to establish an asbestos management plan for the main building at Rhu Marina.

Low Priority

- Consider providing a line manager for the Fochabers Workforce who is closer geographically to them in order to provide support to Willie Reid and his team.
- Continue to monitor training needs across the organisation and organise as required.
- Consider arranging more frequent presentations (lunch and learn) sessions on different topics or subscribe to on-line training that could be done at any time.
- Savills to ensure that any immersion heaters in the residential properties it manages are fitted with the correct thermostat.
- Savills to ensure that there are no decommissioned back boilers still in place in the residential property portfolio.
- Bidwells to update the wording in their leases to explicitly ensure that health & safety responsibilities lie with the tenant.

9. ABOUT THE AUTHOR

Andrew Green's background is in Agriculture and Health & Safety. He graduated from Harper Adams Agricultural College with a Degree in Agricultural Technology and joined the HSE as an Agricultural Inspector based in the south east of England. It was in conjunction with the HSE and Aston University that he gained a Diploma in Health & Safety.

The Diploma has enabled Andrew to become a Chartered Member of the Institution of Occupational Safety & Health and a Member of the International Institute of Risk & Safety Management.

Since 1992 he has been working as a health & safety adviser to mainly rural businesses. Latterly he has become Managing Director of Green's of Haddington Ltd.

10. APPENDICES

- 10.1. Audit Checklist – Glenlivet Estate
- 10.2. Audit Checklist – Fochabers Estate
- 10.3. Audit Checklist – Bells Brae

- 10.4. Audit Checklist – Savills, Fochabers Office
- 10.5. Audit Checklist – Savills, Dumfries Office
- 10.6. Audit Checklist – Bidwells, Perth

Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Chief Executive's Report BD(2018)10.3	
Security classification	Unclassified	
Presented by	Simon Hodge	
Author	Simon Hodge	
Annexes	n/a	
Recommendation	The Board are invited to note the content of this report.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

1. Health and Safety

The Q2 Dashboard indicates that two accidents have taken place. A full report is in the Health & Safety Report (paper BD(2018)10.2).

2. Meetings / engagement

There has been a particular focus recently on Islands MSPs and MPs as well as local authorities. Meetings have taken place with Tavish Scott MSP (Shetland), Liam MacArthur MSP (Orkney), Alasdair Allan MSP (Western Isles), Michael Russell MSP (Argyll), and Cleland Sneddon (CE Argyll & Bute Council). Meetings have been positive, with messaging focused on 'adding value for Scotland' and 'working in partnership'.

Upcoming appointments including meetings with Alistair Carmichael MP (Shetland & Orkney), Alan Brown MSP (SNP Westminster spokesperson on energy), Angus MacNeil MP (Western Isles), Orkney Islands Councils, Shetland Islands Councils and North Ayrshire.

Please see separate paper BD(2018)10.1 for a full update on stakeholder engagement.

3. People

██████████ our new Head of Marine, and ██████████ our new Business Support Assistant have now started with us. ██████████ Senior Policy Manager, has returned from maternity leave.

Workload is currently high for particular teams / individuals. Workloads and engagement requirements around the review of pay and conditions are considerable, coming at a time when we are also initiating strategic planning processes in preparation for the next corporate plan.

This all comes on top of operational business. The Executive Team continue to keep this under review ahead of a workforce planning exercise in spring 2019.

An update on pay and conditions is in separate paper (BD(2018)10.7), as is an update on draft People Strategy 2018-2023 (BD(2018)10.8).

4. Seaweed campaign

Marine Biopolymers scoping report on proposed large-scale harvesting of kelp off the west coast generated 2350 responses. Marine Scotland issued their [scoping advice](#) in early October 2018 stating that the current application area is too large and recommending consideration of smaller areas.

David Attenborough has publicly appealed to MSPs to 'take the necessary action' to protect kelp in Scottish waters.

The seaweed issue has become conflated with the Scottish Crown Estate Bill through an amendment lodged by Mark Ruskell MSP (see below).

5. Scottish Crown Estate Bill

The Stage 3 on the Bill takes place 21 November. We will issue a briefing after the debate and vote.

Amendments lodged including ones covering

- kelp harvesting (Scottish Government is seeking to replace the amendment banning commercial harvesting with one that sets legal obligation on managers to only lease when marine license is in place);
- strengthening the obligation on managers to act in the way best calculated to achieve sustainable development, and seek to manage assets in a way that is likely to contribute to regeneration, environmental well-being, etc.; and
- the ability for local authorities to take on management of seabed out to 12nm.

6. Pilots

All project proposals have been informed of next steps. For five this involves preparing for Stage 2. For six it involves considering other ways of taking forward their aspirations. For two applicants it involves remaining engaged as a stakeholder.

One applicant, the Forth District Salmon Fisheries Board, has presented further information by way of a request for reconsideration and we continue to discuss this with them (in this case the Board's constitution is problematic as it does not require community engagement or representation).

The Local Pilots Manager has visited Orkney Council, Western Isles Council and Galson Estate Trust and will soon visit Shetland Council, holding further discussions as they prepare their more detailed Stage 2 applications. Engagement has been constructive and forward looking.

7. Annual Report

We are preparing for the laying in Parliament of the Annual Report. Associated activity will include:

- media relations work, with messaging focussed on laying foundations for future success - financial strength, focus on tenant service and work on pilots and OW leasing;
- A6 summary;
- mail out to select stakeholders; and
- website update and e-newsletter.

8. Net revenue distribution

Scottish Government and CoSLA have agreed terms of reference (without Crown Estate Scotland input) for arriving at a methodology for the calculation of net revenues from 0 to 12nm. They have also agreed to review the approach at a later stage to determine how net revenues are best distributed to communities, potentially including historical capital costs.

We have reaffirmed to Scottish Government that we will provide financial information in accordance with our accounting framework to assist in their calculation, based on the assumptions directed by them.

Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Finance Report BD(2018)10.4	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Summary Revenue Performance and supporting divisional analysis Annex B: Summary Capital Performance Annex C: Financial Dashboard Annex D: Balance Sheet Annex E: Combined Cashflow Annex F: Transaction Tracker as at 6 November 2018	
Recommendation	The Board is invited to note and comment on this report.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Revenue performance for the 6 months to 30 September 2018

Attached at Annex A is the summary revenue performance.

Headlines:-

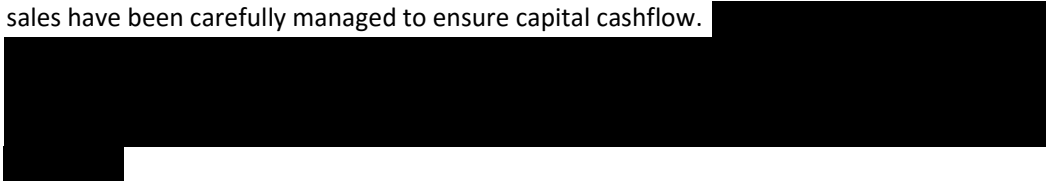
- **Actual turnover was £8.9m against a target of £8.2m** – improvements on planned turnover reflect additional income from renewable-related compound rentals, beneficial use of dredging materials and mineral quarrying activities and the earlier commissioning of the Beatrice wind farm.
- **An underspend in direct expenditure (actual £1.5m against a budget of £1.8m)** – areas of underspend include repairs (a provision for emergency repairs in Coastal has not been utilised), legal and professional fees (Rural, Coastal and Cables & Pipelines) and salaries (vacancy periods of unfilled posts).
- **Indirect expenditure of £1.6m, budgeted £2.0m** – Consultancy fees are underspent by £0.2m, this in part is due to timing of instructing and undertaking activities. There is also a reduction in consultancy costs due to some Corporate Affairs work being brought inhouse, rather than outsourced. Indirect staff cost savings from vacancies form part of the underspend (£0.1m).

- **Net profit (before transfers to capital) of £5.8m against a budget of £4.4m.** It is considered that part of the underspend is temporary and likely to be utilised within the financial year.

Capital Account to 30 September 2018

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

Headlines:-

- **Capital receipts for the period of £2.8m, budgeted at £3.5m** – the main contributor is the Rural division where, although the composition of transactions differs from budgeted disposals, sales have been carefully managed to ensure capital cashflow. 
- **Capital expenditure of £1.2m, compared to £4.1m budgeted** – the key components of the underspend arising from delays in initiating the stabilising works at Blairfindy Castle and progressing the breakwater works at Rhu Marina (the latter due to difficulties in obtaining third party funding, considered critical to enable the project to move forward). In addition, proposed capital works on 3 rural properties had been delayed but are now underway and these costs will be incurred during the year. Forestry spend is slower than anticipated, £0.1m against a budget to date at Q2 of £0.2m. Some of this budgeted cost was a contingency in the event that poor weather in 2017/18 delayed planting – this has not been needed – however additional works (costs as yet to be quantified) have been identified as required for forestry fencing on the Glenlivet estate – these works (and costs) will be managed over 2-3 years. External costs in relation to the voluntary land registration project have not yet been required (budget to Q2, £0.1m).
- **In summary, the capital net position is significantly ahead of budget** - net capital **divestment** of £1.6m for 6 months to 30 September 2018, budgeted net **investment** (for the same period) of £0.6m.

Financial Dashboard

A Financial Dashboard is attached at Annex C for information and interest. If there are other key performance indicators or graphical representations that the Board would find helpful please advise and these may be incorporated.

Balance Sheet

The balance sheet as at 30 September is presented, along with the balance sheet at 30 June 2018 for comparative purposes (Annex D). Trade debtors' balance is significantly reduced due to the quarterly receipt of rental income from Aquaculture finfish rental (in arrears). The reduction in Other Creditors reflects the recent payment of £1.6m to Scottish Government, being the final distribution of net profit for 2017/18.

The increase in capital and reserves from 31 March 2018 comprises the net gain/loss on sale of assets (net gain of £0.4m), net distributable profit (£3.8m) and the net movement between capital and revenue (£0.9m for capitalised salaries, mines moiety and the agreed 9% transfer).

Outturn Forecast

A reforecasting exercise, covering both capital and revenue, is underway.

Cash and Cashflow

The balances on the Crown Estate Scotland bank accounts at 30 September 2018 were:-

- Revenue accounts - £2.8m
- Capital account - £10.8m
- **Total £13.6m**

Significant cash movements during Q2 (of the financial year 2018/19) were: -

- Crown Estate Scotland made scheduled profit distributions of £2.6m (£1.6m final tranche of 2107/18 and £1m first tranche of 2018/19) to the Scottish Government Consolidated Fund on 28 September. This brings the total paid over to £5.5m this year (£4.5m for 2017/18 and £1m for 2018/19)
- Proceeds were received from the sales of a cottage at Glenlivet and two cottages at Fochabers, totalling approx. £0.4m
- Income was received from two harbour dredging projects – circa £0.5m, of which £0.1m was capital
- Payment made to HMRC of £0.4m being Q1 2018/19 net VAT due.

Subsequent to the quarter end a payment on account, of £18m, was received in respect of overage arising to Crown Estate Scotland from an Energy sector transaction.

Two interest bearing reserve bank accounts are operated – one for capital and one for revenue. The £18m received on the transaction noted above was transferred to the capital reserve account on receipt. Interest accrues at 0.3% pa on balances over £1m and at 0.2% pa on balances of up to £1m. At present each of the reserve accounts holds funds of over £1m. A separate paper will be provided to the Board regarding treasury management proposals.

A Combined Cashflow (giving actuals to September 2018 and projected figures thereafter) is attached at Annex E for information. Significant items of expenditure in the near future include the surrender of Upper Dalhousie Farm (£2.0m, of which 50% cash, 50% property transfer), a renunciation at Applegirth (£0.3m) and programmed capital works at properties at Glenlivet (£0.5m) and Fochabers (£0.2m).

Return of net revenue to the Consolidated Fund

Following the payments to Scottish Government (noted above) the next distribution for 2018/19 profit (£1.8m) will be made in December.

Transaction Tracker

The Transaction Tracker, updated as at 6 November, is attached at Annex F for the Committee's information. The Tracker is used internally to identify and monitor transactions, mostly capital in nature, of over £100k. It is highlighted that a number of the rural transactions are scheduled to complete around the end of the calendar year.

Taxation Matters

The provision of additional information required by HMRC (in support of each and every Option to Tax for the relevant properties following the transfer to Crown Estate Scotland) remains an ongoing exercise.

In update, there were initially 455 options notified to HMRC. The status of these, as at end October 2018, is as follows:

- 193 have been identified as pertaining to activities subject to standard VAT rating and therefore no option is required
- As requested by HMRC, additional information and plans have been submitted for 92 properties (of which 69 have been acknowledged by HMRC, responses are awaited on 23)
- 170 remaining property options – information and plans, requested by HMRC are still to be provided

It is a painstaking exercise requiring review of the existing individual property GIS plans (which detail out lease extents) and reconciliation with historic VAT option plans from The Crown Estate and other Crown Estate Scotland land interests.

Weekly meetings are held to review batches of plans and proposed submissions to ensure that progress continues to be made.

Financial overview

The bank accounts and cashflow are healthy and revenue performance ahead of target. Capital performance continues to be managed to ensure that obligations are met and cash inflow maintained to avoid depletion of accumulated funds, where possible.

Recommendation

The Board is invited to note and comment on the report and its Annexes.

Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Business Performance BD(2018)10.5	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Esther Black	
Author	Esther Black / Hannah Hendron	
Annexes	Annex A: Summary Dashboard Q2 2018/19 plus notes Annex B: Business Plan 2018/19 Q2 progress tracker	
Recommendation	The Board is invited to note the content of the dashboard at Annex A and the tracker at Annex B.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Discussion

1. The Board is invited to note the Dashboard plus notes in Annex A summarising performance and activity during Q2 2018/19 and the content of Annex B which tracks performance against the Business Plan 2018/19.

BOARD DASHBOARD

Q2 2018/19



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

Business plan - reporting by exception: Q2 2018-19

NO	ACTION	MEASURE	RAG STATUS	NOTES
10	Creation of Open Data Publications plan	Scoping complete to inform delivery & implementation.		Open Data workshop held. IT development work may require external support.
18	Investigate the opportunity for further offshore wind leasing.	Leasing process launched and developer applications submitted.		Final lease offering planned to be completed by December 2018, now likely to be into 2019.
23	Follow up seaweed and finfish waste anaerobic digestion biogas trials to inform participation in proposed BlueSeas project.	Confirmation of BlueSeas project with finfish industry partner.		BlueSeas bid rejected by BBSRC. Consortium partners looking for alternative funding.
28	Release capital through targeted sales of different types of rural assets. Complete capital investment programme on agricultural & residential units.	Release £8.7m in capital. Completion of budgeted capital investment of £2.3m.		Includes 8 farm and development land sales (ongoing & completed). and Spey Fishings (delayed). See business plan progress tracker
34	Build strategic partnership to deliver improvements to infrastructure at Rhu Marina.	Establish funding partnerships & applications.		No financial support from Local Authority. Funding now likely to be from CES.
35	Implement any agreed changes to moorings management following 2017-18 fee review and survey of tenants.	Plan in place by June 2018 and implemented by March 2019.		Postponed to 2019/20.

Additional actions classed as Red and Amber in Business Plan Action Tracker:

2 – Value Project; 3 – Managing agents review; 7 – Land registration; 39 – Urban acquisition.

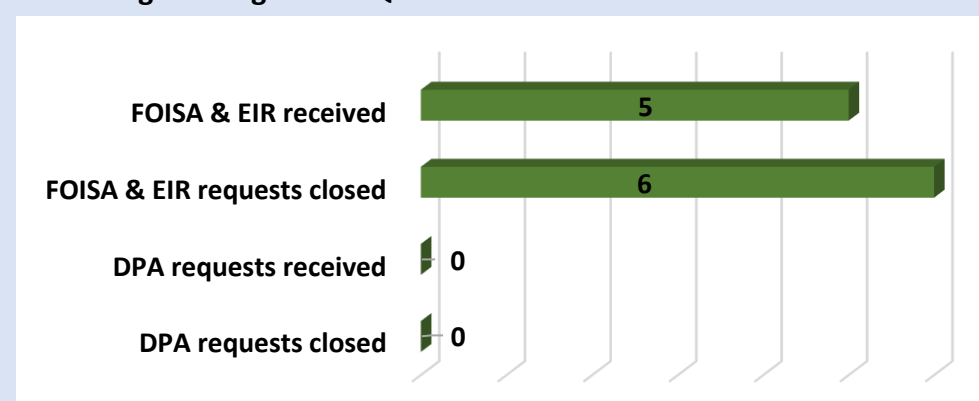
Financials: Q2 2018-19

	YTD ACTUAL (£m)	YTD BUDGET (£m)
Total turnover	8.9	8.2
Net profit	4.8	3.6
Capital receipts	2.8	3.5
Capital expenditure	1.1	4.1

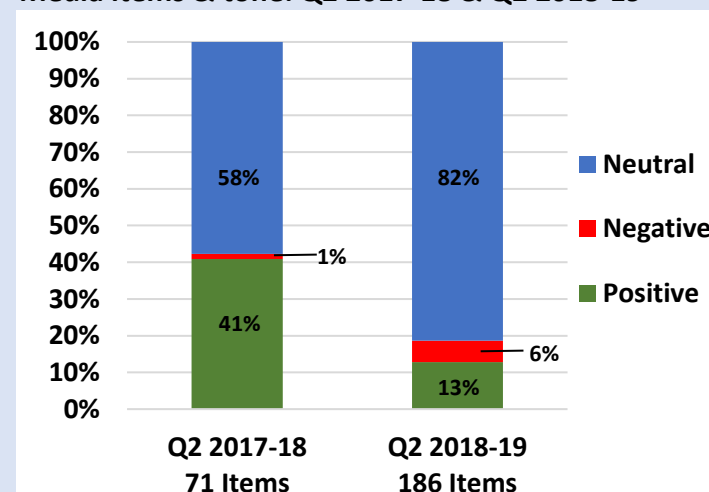
HR Stats: Q2 2017-18 & Q2 2018-19

	Q2 2017-18	Q2 2018-19
Unplanned turnover YTD	2%	12%
Sickness days YTD	124	21
Leavers (including planned leavers)	1	3
New starts	3	6

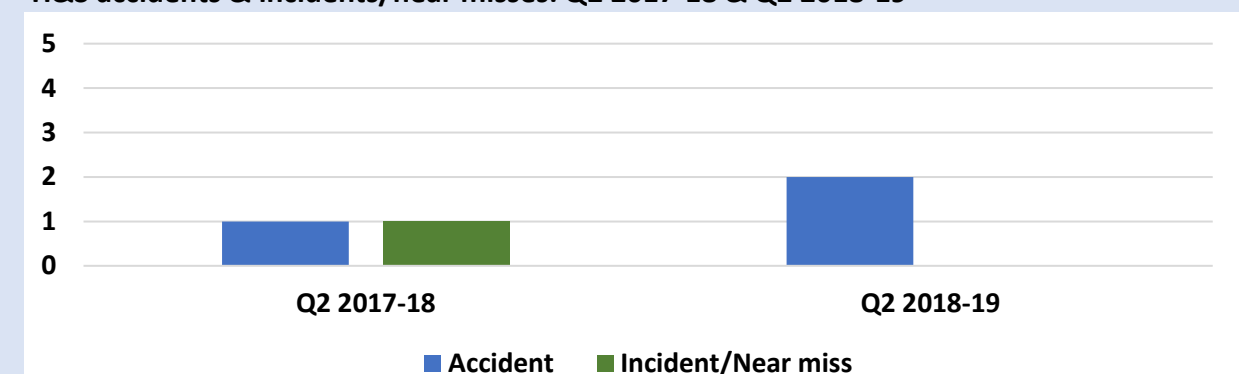
Knowledge management: Q2 2018-19



Media items & tone: Q2 2017-18 & Q2 2018-19



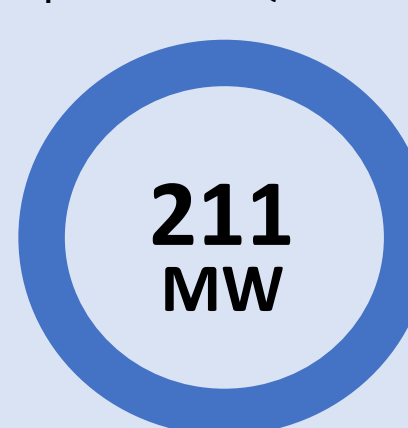
H&S accidents & incidents/near misses: Q2 2017-18 & Q2 2018-19



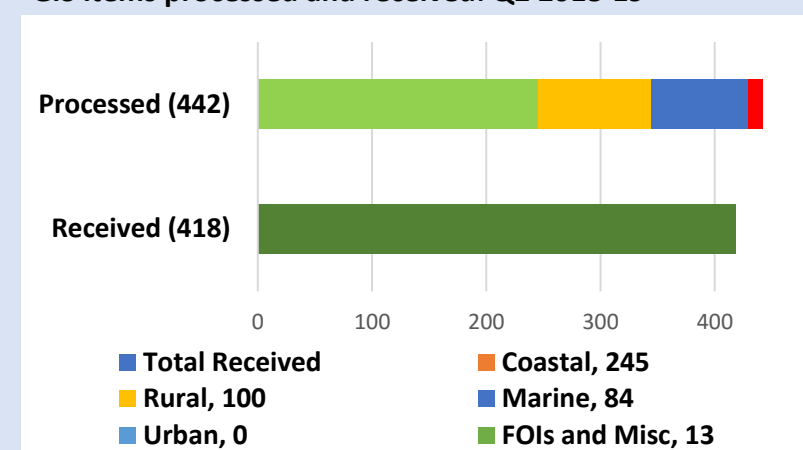
Asset management: Q2 2018-19

	RURAL	COASTAL	MARINE (E&I; Aqua)	URBAN
Sales (value)	£2,273,047	£6,100	£0	£0
Sales (no.)	8	2	N/A	0
No. of properties	862	N/A	N/A	1 (6 Units)
No. of properties vacant	44	N/A	N/A	2 Units
New contracts / leases (approx. revenue pa)	£75,440	£7,800	0	0
Contract / lease events	28	68	0	0
Aged debt	£262,134	£414,852	£1,187,982	£32,928

Operational MW Q2 2018-19



GIS items processed and received: Q2 2018-19



Procurement Activity: Q2 2018-19 Updates

	Awarded	Underway	Highlights
Q1 2018-19	2	7	<ul style="list-style-type: none"> Two Offshore Wind Leasing transactions Rural Portfolio Condition Survey & Pay and Reward Consultancy ITT's underway
Q2 2018-19	9	0	<ul style="list-style-type: none"> Significant transactions include Pay & Reward Consultancy, Rural Portfolio Condition Survey, Offshore Generation Energy Storage & Systems Feasibility Study and Clyde Shellfish Critical Mass Study No significant ITT's underway currently

Crown Estate Scotland Dashboard - explanatory notes

Q2 2018-19

Business plan - reporting by exception

The Dashboard shows key actions classed as red or amber. Additional ones – ones that Board members have already been informed of or are less significant – are in the Business Plan Action Tracker.

Financials

Net Profit	Figure reported showing net profit distributable to Scottish Government
Capital Expenditure	Figure reported including capital sales

Health & Safety

Accidents & Near miss	Data taken from Crown Estate Scotland Quarterly H&S Dashboard Accidents Q2 2018-9 include <ul style="list-style-type: none">- Dropped gate on foot above steel toe cap- Minor cut to arm - cause unknown
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Assets

Sales (value)	Figures reported showing consideration for properties that have been disposed only
New contracts / leases (approx. revenue pa)	Revenue from new leases in 'Marine' to be redacted before publication (due to E&I tenant data confidentiality)
Contract / lease events	E&I and Coastal includes rent reviews Rural & Urban figures include rent reviews, resumptions, assignments, renewals & expiries
Aged Debt	Total amount of unpaid invoices and unallocated credits/cash at Q1 close
No. of properties vacant	Rural & Urban figures include only truly vacant land which could be let vacant

- E&I highlight - The Zone Development Agreement with Seagreen included provisions whereby Crown Estate Scotland receive a capital payment (labelled "overage") if there is a change of ownership of the Zone Partner who is our ultimate counterparty. Seagreen used to be jointly owned by Fluor Ltd and SSE Ltd but Fluor has recently transferred its share to SSE, generating capital receipt for Crown Estate Scotland of £18,819,295.74.

Energy Generation

MW operating YTD	MW figure includes Offshore Wind only
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Knowledge management

FOISA & EIR	Includes Freedom of Information (Scotland) Act & Environmental Information Regulation requests
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DPA Requests	Includes Data Protection Act / Subject Access requests
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Media

Q2 2018-19	Key stories include Vattenfall's test & demo centre inauguration, the Bill and kelp campaign, and the change in ownership of Seagreen to 100% SSE.
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Annex B: 2018/19 business plan – Q2 progress tracker

Corporate

No	Action	Measure	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
1	Manage budget and implement investment strategy to raise capital for reinvestment; deliver revenue profit (paid to Scottish Government to benefit public finances), and capital growth	£3.3m net capital funds raised in 2018/19 £7.3m revenue profit achieved Scheduled revenue payments to Scottish Government made, portfolio valuation shows capital growth	50		Capital and revenue results for the first 6 months evidence strong progress towards our targets.	LH/SH
2	Develop a tool to better understand, measure and monitor our social, economic and environmental impacts & value to inform future planning and investment decisions. Share with SMEs and other bodies, to drive inclusive and sustainable economic benefit.	Methodology or methodologies established by September 2018 Metrics confirmed and first full year of measurement complete with results included in annual report (published summer 2019) Publish methodology or process on our website	20		This work has now been incorporated into the Value Project which will run for 2 years	AW
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	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	60		Managing agents review may be postponed to 2019/20 to take into account operational requirements	EB/AW

	in Scotland, due to conclude Spring 2018)					
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.	40		Engagement Charter in place Further embedding to be done at agents' session Q4	EB
5	Enable pilots of local asset management by implementing a robust and transparent process.	Criteria / guidance consulted on, finalised, published and proactively promoted Applications assessed according to timescales agreed following consultation.	60		Stage 1 completed. Working towards Stage 2 deadline.	AW
6	Transparent reporting in place with production of our first audited financial statements.	Annual report laid in Parliament	90		Annual report signed and sitting with sponsor unit awaiting laying in Parliament.	LH
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	20		Pilot areas testing completed. Refreshed project programme in place	MG
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.	60		Website, Twitter and e-newsletter targets met; research results due Jan 2018	EB
9	Further development of public portal (online asset map) plus additional published data providing	Scoping completed and delivery plan agreed covering: <ul style="list-style-type: none"> key asset data data standards 	65		Progress – Esri GIS Metadata; Scot Govt SSDI data standards UK Gemini; Ordnance Survey	HK/MG

	access to spatial and other data relating to asset agreements.	<ul style="list-style-type: none"> options for efficient analysis & delivery capitalise IXP functionality resource requirements (future budgets and operational plans consideration) Additional downloadable data e.g. aquaculture published			'Presumption to publish' and Open Govt Licencing (OGL); Operation Dashboard Tools/Outputs	
10	Creation of Open Data Publications plan	Scoping complete to inform subsequent delivery plan / implementation covering <ul style="list-style-type: none"> data inventory data management data quality data standards GDPR (General Data Protection Regulation) compliance Open Government Licence Publication of/ access to information 	30		Open Data workshop held; some IT development work may require external support.	MG/HH
11	Strengthen our culture and engage with employees to deliver our vision, goals and strategic objectives, and ensure our values underpin all that we do and how we do it.	Programme of activity delivered resulting in 70% good-strong levels of employee engagement including awareness of their role in delivering our strategic objectives and corporate plan (as shown in staff survey) 80% aware of key proposals in the Crown Estate Bill Max 10% unplanned turnover	50		Staff survey action plan being implemented; handbook being developed; people strategy developed with wider team; induction sessions on Bill; Q2 unplanned turnover YTD 12%	SH/EB/FH

12	Enhance staff expertise to meet evolving business needs, including development and roll-out of staff code & handbook of policies.	People Strategy in place CPD (continuing professional development) plans completed for all staff Staff code & handbook of policies in place and staff survey shows 80% good-strong level of understanding	40		As per no 11 above	FH
13	Compliance with new General Data Protection Regulations.	Policy and procedures in place Staff training delivered Staff survey shows majority of relevant staff have good-strong level of understanding	50		Initial training delivered, and e-learning tool procured and being rolled out to staff.	HH
14	Support 2018 Year of the Young Person.	Forestry training scheme/s delivered; volunteering opportunities for young people at Glenlivet Estate; opportunities for staff volunteering with young people and children	80		Internship in place Ongoing ranger volunteering Volunteering completed	AW/EB

Marine (Energy & Infrastructure; Aquaculture)

Energy & Infrastructure

No	Action	Measure	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
15	Investigate potential for leasing seabed for local energy systems project covering energy generation, storage and consumption (working with Scottish Enterprise, HIE (Highlands & Islands Enterprise) etc).	Clear, transparent and robust leasing process in place to ensure access to seabed.	60			SW
16	Support CCS ambitions in Scotland, in line with Scottish Government's Energy Strategy's 2050 Vision, by investigating potential value and / or benefits that the sector may deliver.	At least one study completed and launched.	90		Draft report received, communications plan in preparation.	TM

17	Support floating offshore wind through Study to evidence potential macro-economic benefits for UK; sharing of findings through workshops Co-ordinating a UK-wide Floating Wind Steering Group (Crown Estate Scotland, The Crown Estate, RenewableUK, Scottish Renewables) to build industry-wide approach	Floating Offshore Wind Energy Route Map developed setting out clear vision and helping to identify development opportunities and large-scale deployment New leasing (see no 19 below) New / emerging UK government policy takes account of floating wind opportunity in Scotland	60		Study to evidence potential macro-economic benefits for UK published Oct-18.	SW
18	Investigate the opportunity for further offshore wind leasing to enable new projects operating from mid-2020s, with associated job creation and carbon reductions. Work with Scottish Government as well as wider stakeholders including UK Government to ensure clarity and certainty on a UK-wide basis for overseas investors.	Leasing process launched, evidencing stakeholder input and support, with the process clearly aligned with Marine Scotland / Scottish Government planning and policy to help de-risk development and attract developer interest Developer applications submitted (or in advanced stage of preparation, depending on final leasing round timescales)	30		Final lease offering originally planned to be completed by December 2018, but now likely to be into 2019	JR
19	Manage our £10m investment in MeyGen	Contractual obligations delivered, project becomes fully operational, and capital return started.	60		Construction stage complete; operations commencing	SW
20	Refine approach to awarding rights for offshore energy and infrastructure projects to optimise	Implement measures identified during 2017-18 joint review with Offshore Renewables Programme	50		Approach agreed in principle with SH (10 Oct 2018). Detail on Additionality, Leverage	JR

	benefits for stakeholders & communities.	<p>Board. These are likely to include</p> <ul style="list-style-type: none"> • providing documentation and materials that help suppliers, developers and enterprise agencies to stay up-to-date with developments in supply chain • providing certainty and clarity regarding pipeline of projects • structuring agreements to allow time for supply chain development 			and Baseline Delivery still to be worked out	
21	Identify and scope at least one opportunity for collaborative cables feasibility study / project designed to unlock value from Crown Estate Scotland assets; seek funding	Work up at least one project concept (options include i) Regulatory aspects of telecoms cables cohabiting with regulated electricity cables ii) North Sea telecoms development opportunity iii) community-focussed telecoms cables study)	100			TM
22	Provide ad-hoc seabed rights to meet offshore CO2 storage, cables and pipelines sector requirements; negotiate and complete licensing /	Initiate update of standard terms for pipelines agreements, with stakeholder input, to	75		Update to standard terms initiated.	TM

	leasing for offshore infrastructure in response to individual project developments and sectoral feedback, drawing on specialist sector-specific external advice as appropriate.	achieve transparency and provide certainty (update completed 2019/20)				
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Aquaculture

No	Action	Measure	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
23	Follow up seaweed and finfish waste anaerobic digestion biogas trials to inform participation in proposed BlueSeas project.	Confirmation of BlueSeas project with finfish industry partner.	20		Work on hold as BlueSeas bid rejected by BBSRC. Consortium partners looking for alternative funding. If none available CES will pursue own project with some of the partners in 19/20	AA
24	Build on findings of shellfish critical mass investigation to increase active cultivation.	Develop at least one identified loch-based shellfish cultivation business plan.	40		Contract awarded and project underway	AA
25	Develop a community information pack for shellfish farming in collaboration with Association of Scottish Shellfish Growers.	Publish and promote information pack.	15		At scoping stage. Will take ASSG conference themes of ecosystem service delivery.	AA
26	Pursue further opportunities for aquaculture Special Purpose Vehicles (SPVs), with community	SPV lease agreements with community signatories in place, giving local interests a direct stake in leases and	40		Leasing principles in place. Awaiting finalisation of first agreement – SPV	AA

	bodies as a joint leaseholder with operators.	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.			documents with parties' lawyers	
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Rural

No	Action	Measure	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
27	Manage lease expiries across the rural estate, surrenders and restructures to deliver wider benefits including supporting new entrants into farming, developing business progression for existing tenants and releasing units for potential sale where appropriate.	Complete scheduled re-lettings; complete approx. 30 renewals for river salmon angling; facilitate at least one new entrant through a lease restructuring; facilitate surrenders as opportunities arise to release tenancies for restructuring / sale / tenant business progression.	70		Legal process ongoing for surrender of Upper Dalhousie farm tenancy. Dell -new entrant and Byres farm leases completed. New Farm -surrender of tenancy progressed to legal documentation & a new entrant letting opportunity identified. 20 renewals of river salmon lease completed.	AW/FS
28	Release capital through targeted sales of different types of rural assets Complete capital investment programme on agricultural & residential units to support	Release £8.7m in capital (as part of the £9.4m detailed in section 3) Completion of budgeted capital investment of £2.3m	50 30		Farm sale & 1 development land sale concluded April. Auchenthalrig Farm sale – legal process ongoing. 3 development sites marketed August. Corsua farm (sale to tenant) now in	AW/FS

	business development and diversification.				legals. 4 residential property sales completed. Bldg projects proceeding well - 3 large agric bldg. Glenlivet progressing. Spey Fishings sale delayed – may not complete in current year	
29	Facilitate business planning for agricultural tenants.	Programme of events / business planning activities delivered; strategic advice and guidance provided to tenants.	30		Working with SRUC Consulting regarding support for Integrated Land Management Plans (ILMP).	AW
30	Forestry restocking at Glenlivet (Cairn Muldonich) Investigate potential new planting site, including preliminary survey work to assess ground and species suitability; develop outline planting proposal	All works complete by May 2018 Site identified, site survey complete, planting proposal finalised	100 5		Complete Site identification ongoing	NP
31	Trial Natural Capital Protocol with tenants and partners at Glenlivet and Fochabers estates	Phase 1 of trial reviewed, results shared, Phase 2 under development with partners (SNH & SEPA), with funding secured for further work to address key recommendations from Phase 1.	75		Further trial on a dairy unit under development with SEPA. Working with SRUC re potential integration with the ILMP process as above	AW
32	Implement Biodiversity Action Plans for rural estates working with tenants, wildlife & recreation and community groups/agencies to promote enjoyment of and better understand the natural environment. Manage / monitor network of SSSIs and	A minimum of five new biodiversity management projects underway including action on invasive species, new woodland establishment and peatland restoration.	100		Nine new projects underway encompassing all planned action areas (invasive species, new woodland establishment and peatland restoration)	AW

	other designated biodiversity sites					
33	Implement Tomintoul and Glenlivet Landscape Partnership Project (delivery phase), working with Tomintoul & Glenlivet Development Trust.	Secure majority of £550,000 grant from HLF Invest £50,000 from Crown Estate Scotland Implementation kept on time and on budget Majority of work on Blairfindy Castle Project completed.	100		£480,000 grant agreement signed for the Blairfindy project. £280,000 grant agreement for Scalan Mills is signed.	AW

Coastal

No	Action	Measure	% Complete	Status (Dark green- complete; light green - on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
34	Build strategic partnership to deliver improvements to infrastructure at Rhu Marina	Establish funding partnerships with key stakeholders Progress funding applications as appropriate Deliver works as funds and other constraints allow	20		No financial support from Local Authority, funding now most likely to be from CES reserves 2019/20.	AW/PB
35	Implement any agreed changes to moorings management following 2017-18 fee review and survey of tenants	Plan (reflecting changes agreed in 2017-18 review) in place by June 2018 and implemented by March 2019.	90		Postponed to 2019/20.	AW/PB
36	Active engagement by agents to identify and pursue new initiatives with and for coastal communities.	Agent's engagement plan implemented with aim of maintaining high levels of coastal tenant satisfaction (6.9 on a 10-point scale in 2017-18); success	80		Continuous and ongoing	AW/PB

		measured in next coastal survey, due 2019-20 Maintain or increase numbers of moorings associations and individual licensed moorings.				
37	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.	90		Glendale Trust sale in legals. Tobermory application to SLF at Stage 2.	AW/PB

Urban

No	Action	Measure	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
38	Manage lease breaks and expiries at George St to reduce any void periods and maximise rental income.	Secure rental income of at least £300,000 per annum on office space.	40		Short extension of lease term & dilapidations agreement for 1st floor office completed. HoT agreed for new 5 year lease 1st floor. Installation of bike storage in garage instructed & progressing. In talks with 4th floor tenants to renew from April 19	FS/LH

39	Identify and complete suitable acquisition to grow urban portfolio, in line with draft investment strategy	Acquisition complete delivering revenue increase	-		Acquisition not proceeding. No plans for substitute at current time.	LH
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Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Revenue & Capital Budgets 2019/20 BD(2018)10.6	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Summary Revenue Budget 2019/20 (including 2018/19 and variances for comparison) Annex B: Indirect Expenditure Analysis Annex C: Summary Capital Budget 2019/20 Annex D: Combined Cashflow for 2019/20	
Recommendation	The Board is invited to consider the budgets for 2019/20 and, if acceptable, to approve them and for the resultant profit figure to be provided to Scottish Government.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

Crown Estate Scotland is required to provide a projected net profit contribution figure to Scottish Government (SG) for incorporation in its budget/spending review for 2019/20. This is to be submitted end of November in advance of SG's budget publication, likely to be mid-December.

With that in mind, and providing appropriate governance and financial management, a budgeting exercise has been undertaken across the business with regard to both revenue and capital requirements. These budgets are at a detailed level for 2019/20 and provided on an indicative basis for a further year for capital and a further two years for revenue. The budgets have been subject to a process of scrutiny and Executive Team review.

The resultant proposed budgets for 2019/20 are therefore presented to the Board for consideration.

Revenue budget

Key elements to note:-

- Turnover rises substantially with the advent of Beatrice wind farm rental income.
- Potential repair works at Rhu Marina have increased direct property costs.
- Costs are included for the first full year of the Value Project and for the implementation phase of the Pilot Projects.

- Management fees and some other business costs have stabilised following devolution - establishing 'business as usual'.
- A provision has been included for dilapidation costs at Bells Brae as lease term nears expiry.
- A provision for additional repairs required to rural properties (arising from the condition survey) has been included.
- Provision has been made for additional posts, taking into account the potential increase in coastal activities and acknowledging the need for additional support in some areas in the business.

Attached at Annex B is an analysis of indirect expenditure. This is constructed from individual submissions and has been subject to Executive Team review. In particular, Executive Team has considered the proposed use of consultants and provided a business overview on budgets for sponsorship, donations, events and conferences, etc.

Capital budget

The capital budget (Annex C) has been prepared in accordance with Board directions (for example, no further farm sales, unless previously approved) and informed by recent discussions regarding agreed and desirable activities (voluntary land registration, strategic land development, etc).

Key elements to note:-

- Net **investment** of approximately £4.8m (before statutory transfers of £1.5m which brings the net investment to £3.3m). There is potential for the sale of development land at Whitehill (circa £3.4m net capital receipts, not included in the budget currently) - this is being appraised as part of a review of the strategy for development land holdings as it may be preferable for CES to participate in site development rather than sell as is.
- Offshore wind income and expenditure arising from RISE (new offshore leasing round).
- The grant-funded stabilisation works at Blairfindy Castle and Scallan Seminary are incorporated.
- Forestry costs include identified fencing works, phased over two financial years.
- Meygen investment return is assumed to revert to expected levels once the defective turbines are re-installed and in production.
- An exercise is underway to appraise the capital strategy for the property at George Street which may involve substantial refurbishment works. This exercise is at an early stage. In the meantime, the costs of limited air-handling system and other required upgrading works are included. Should the larger scale works prove advisable these limited-scale works would not be carried out.
- A provision of approximately £825k is included for capital improvements, over and above the planned programme, for rural properties, pending the outcome of the condition survey.
- A provision of £250k is included for furthering development opportunities on the existing estate.

Board paper

Cashflow forecast

A Combined Cashflow is attached at Annex D showing the summary projected position for 2019/20 for both capital and revenue. It should be noted that the forecasting exercise is underway and will provide further detail to help inform the year end position for 2018/19 and therefore the opening position for 2019/20.

Recommendation

The Board is invited to consider the contents of the budgets for 2019/20 and, if acceptable, to approve them and for the resultant net profit figure to be provided to Scottish Government.



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Treasury Management BD(2018)10.7	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Audit & Risk Committee Paper (ARC(2018)6.3) Annex B: Combined Cashflow for 2019/20 Annex C: Deposit table for capital funds	
Recommendation	The Board is invited to note and comment.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. A paper was provided to Audit & Risk Committee (attached as Annex A for ease of reference) and to Investment Committee setting out treasury management options. It was agreed that, notwithstanding that the Investment Strategy was under review and therefore capital income and expenditure timing potentially subject to material change, a proposal be made to Board for funds management in the short term.

Proposal

2. It is necessary that revenue funds are maintained distinct from capital funds and, due to the nature and timing of the income and expenditure, differing proposals are made for each.

Revenue funds

3. Due to the fluidity of rental receipts and the requirement to make interim payments of net profit to Scottish Government it is proposed that funds be readily accessible, mostly held on the Business Reserve Account (which can be operated internally by transfers to and from the current account) or, if a reasonable sum is held and there is surety that it is not going to be required in the short term, it may be deposited on a 35 day notice account. These accounts will be with Crown Estate Scotland's current bankers, Royal Bank of Scotland.

Capital funds

4. Prevailing circumstances are that there are significant funds on account, having received £18m from a recent Marine transaction, and with a further £6.8m anticipated within weeks.
5. The forecast cashflow for the 2019/20 budget (at Annex B) and the cashflow reforecast for the remainder of this financial year see significant funds being held throughout these periods and it is therefore considered that sizeable tranches of funds may be put on longer-term deposits. In order to ensure a degree of flexibility - and a proportion of funds available should circumstances change - it is proposed that the tranches differ in size and term length, so that some deposits mature earlier. If not required for expenditure these can be rolled over into new term deposit arrangements.
6. The following term deposit structure is proposed:-
 - £25m for 18 months to June 2020
 - £2.5m for 12 months to December 2019
 - £2.5m for 6 months to June 2019
 - £2.5m for 3 months to March 2019
7. A table is attached at Annex C setting out how this may effect balances and indicative interest receivable. It should be noted that interest rates used are for illustrative purposes.
8. For the longer term deposits it is proposed that market rates from a range of financial institutions be appraised. Should it prove desirable to access rates, better than Royal Bank of Scotland can provide, (subject to reasonable administrative costs), approval will be sought from Scottish Government to progress alternative arrangements as this will not comply with Scottish Public Finance Manual requirements. Initial communication with the Scottish Government's banking team indicates that this will be welcomed if it is financially advantageous.
9. It is acknowledged that only financial institutions that provide acceptable covenant strength will be considered.

Accounting considerations

10. Interest receivable will be accounted for as revenue income, even if it arises on capital funds. This would be consistent with the treatment of rental arising on capital invested in a property.

Recommendation

11. The Board is invited to note and comment on the report.

Committee paper

Committee	Audit & Risk Committee	ARC(2018)06
Meeting date	30 October 2018	
Paper title	Treasury Management ARC(2018)6.3	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Illustrative example of interest receivable	
Recommendation	The Committee is invited to comment on and discuss the contents of this report and to advise, as appropriate.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. On its establishment Crown Estate Scotland (Interim Management) was granted the ability/flexibility to invest sums in interest-bearing accounts. This was not something that had been possible under the Crown Estate Act 1961.
2. The ability to invest sums was considered advisable given the likelihood that significant funds would be generated and held, pending distribution or reinvestment.
3. There are now substantial funds under management and consideration requires to be given as to optimising benefits from treasury management.
4. Royal Bank of Scotland (**RBS**) was recently re-appointed as banker to Scottish Government (**SG**) for a 4-year term following a protracted tendering exercise. Crown Estate Scotland can access the Framework Agreement between RBS and SG by way of call-off. There may be a slight benefit to Crown Estate Scotland from improved transactional rates however, at the volumes concerned, there will be little evident change from existing costs and benefits.

Treasury management options

5. The options below are available via the business banking arrangements with Royal Bank of Scotland:-

Current accounts

Current accounts are maintained for both revenue and capital. These attract no interest receivable.

Business Reserve Accounts

These have already been established to manage capital and revenue funds. The accounts provide instant access to monies and can readily be operated via Bankline transfers, in and out. These accounts give interest at variable rates, presently 0.2% pa for balances up to £1m and 0.3% pa for balances above £1m.

Liquidity Manager Notice Accounts

Accounts are available providing variable interest rates— one requiring 35 days' notice of funds withdrawal (currently interest at 0.55% pa) and the other requiring 95 days' notice (currently interest at 0.65% pa). If these are to be used, new accounts would need to be set up for capital and revenue. Notice of withdrawals would be in writing or by telephone. Early withdrawals are not permitted.

Treasury Reserve

This facility can be utilised for creating term deposits, whereby individual sums may be 'locked away' at agreed interest rates and for set maturity dates. There are minimum sums required, depending on the time period (eg minimum £5m for 1 year to 5 year deposits). There could be multiple deposits, each for a specific period and interest return. Time periods may be in months or years – or in part-months or years. Recent deposit rates varied from 1 month at 0.3% pa to 12 months at 0.88% pa. It would be possible to operate a rolling programme of deposits, dependent on cash flow forecasts.

Other providers

6. It may be possible for Crown Estate Scotland to use other banking providers, as alternatives to Royal Bank of Scotland (this is being explored with Scottish Government). This may enable better interest rates to be accessed. For example, presently Clydesdale Bank has a 120 days' notice account that offers 1.1% pa interest. The ability to access improved rates should be weighed up against the administrative cost and resource of sourcing and implementation.
7. Attached at Annex A is an Illustrative example of the various rates applied to a deposit of £1m.

Risk

8. The Financial Service Compensation Scheme (FSCS) provides that £85,000 of funds (per UK-regulated financial institution) are protected in the event of a financial institution failing. Given the likely levels of deposits (£m's) held by Crown Estate Scotland this protection would cover only a small proportion of its funds. This risk exists on a daily basis and a key consideration is the covenant strength of the financial institution with which any funds are held. Per Crown Estate Scotland's Framework Document:-

CES(IM) will have the ability to invest surplus cash balances in financial savings products of investment grade, which are available in the UK and on terms which the CES(IM) Board of members consider to be compatible with the requirements of the Crown Estate 1961 Act. Modifications to the 1961 Act allow CES(IM) to invest funds in an interest-bearing account.

Taxation

9. Tax is not deducted at sourced from the interest. It is not considered that Crown Estate Scotland is liable to pay income tax on this or required to account to HMRC as it is taxed 100% at source by payment of its surplus revenue to government.

Recommendation

10. The Committee is invited to comment on and discuss the available options and to advise as appropriate.

Illustrative example of potential interest receivable

Treasury Management Option	Interest Rate	Term (months)	Deposit Amount	Interest Receivable	Deposit Amount	Interest Receivable	Deposit Amount	Interest Receivable
Current Account - RBS	0.00%	12	1,000,000	-	5,000,000	-	10,000,000	-
Business Reserve Account - RBS	0.30%	12	1,000,000	3,000	5,000,000	15,000	10,000,000	30,000
Liquidity Manager Notice Accounts 35 days' notice - RBS	0.55%	12	1,000,000	5,500	5,000,000	27,500	10,000,000	55,000
Liquidity Manager Notice Accounts 95 days' notice - RBS	0.65%	12	1,000,000	6,500	5,000,000	32,500	10,000,000	65,000
Treasury Reserve - RBS	0.88%	12	1,000,000	8,800	5,000,000	44,000	10,000,000	88,000
Term Deposit - Clydesdale Bank	1.10%	12	1,000,000	11,000	5,000,000	55,000	10,000,000	110,000



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Pay and Conditions Update BD(2018)10.8	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Fiona Haywood	
Annexes	Annex A: Pay and Conditions Project Update Annex B: Benchmarking Method Statement	
Recommendation	The Board is invited to consider the emerging proposals relating to our future pay and conditions framework.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The Pay and Reward paper presented to Board in October 2018 (BD(2018)9.2) provided Board with an update on activity relating around the ongoing pay and conditions review. The timeframe for the review is very tight with most effort currently deployed on establishing review procedures, preparing for job evaluation, setting up governance arrangements and engagement mechanisms.
2. This paper provides Board with provisional proposals relating to our future pay and conditions framework and an update on project delivery.
3. Key proposals relating to our high-level pay and conditions framework have been considered by Steering Group (the Executive Team) and provisional proposals are included. The overall future pay and conditions framework has been broken into four key strands which are:
 - Grading and Pay Structures
 - Pay Progression
 - Annual Pay Award
 - Additional elements of reward

Summary of provisional proposals

4. Whilst still provisional, we are building plans for a new pay and conditions structure around the following:

Grading and pay structures. A grading structure largely consistent with the public service norm, informed by objective job evaluation and comparison with other relevant organisations. Number and breadth of grade pay bands yet to be determined.

Pay progression. Progression up the spine points through a grade pay band based on competency/performance rather than automatic annual progression. Grade pay bands broad enough to give scope for merit progression, and with an 'advanced' pay band range available for key talent that merit/require additional reward/retention allowance. Steering group will consider the scope for this to replace our current bonus scheme.

Annual pay awards. A simple % uplift to pay scales for all staff in accordance with annual SG Pay Policy (although the pay pot may need to be used differentially during and in order to effect transition).

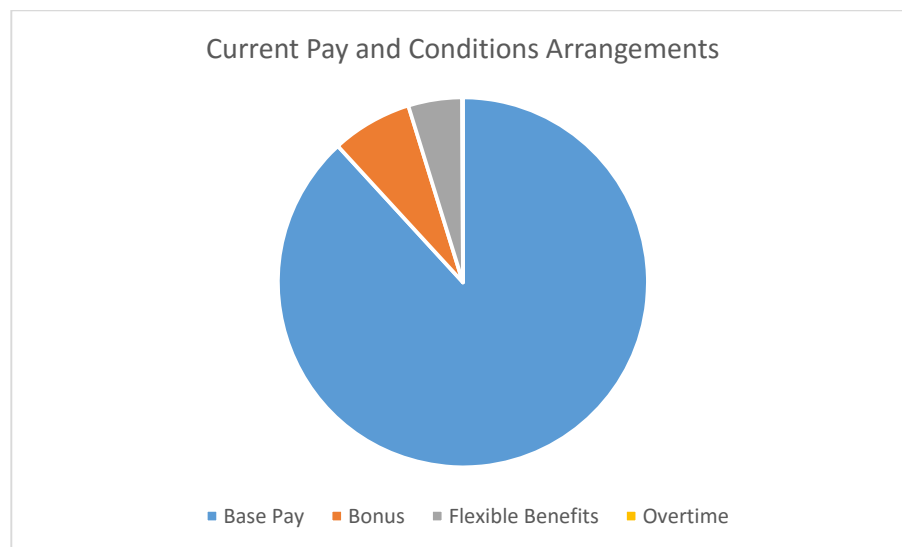
Additional elements of reward. To be determined. Elements raised by staff include flexitime, annual leave allowances, health-related benefits. We are also considering the best approach in relation to the current non-consolidated flexible benefit allowance.

Grading and Pay Structures

5. Our 2017/18 paybill, excluding employer NI and pension contributions, is comprised of:

- Base pay – approx. 88.19%
- Bonus – approx. 7.05% (for 2016-17 this was approx. 10.1%)
- Flexible Benefits package – approx. 4.71%
- Overtime – 0.06%

Image A Pay and Conditions Arrangements based on 2017/18



6. We will be devising a grading structure largely consistent with the public service norm, informed by objective job evaluation and comparison with other relevant organisations. The number and breadth of grade pay bands is yet to be determined.
7. Base pay will be determined by a Job Evaluation and Benchmarking exercise, Steering Group considered the suitability of either a bespoke grading structure or use of a proprietary Job Evaluation Scheme. The Consultants recommended 'JEGS' (the Job Evaluation & Grading

System developed for use in the Civil Service). **Annex A** and **B** provides additional information on the JEGS and Benchmarking processes which are now underway.

8. Our Independent Technical Consultant advises that introduction of grading and pay structures supported by a job evaluation based approach typically results in an increase in base pay of approximately 10% with commensurate consequences on pay linked provisions like flexible benefits and overtime. It is still too early to say what the situation will be for Crown Estate Scotland, both in relation to any emerging proposal, or indeed the final negotiated position.

Pay progression and performance related pay

9. Bonus scheme

Crown Estate Scotland has run a bonus scheme since its inception but has progressively and significantly altered it over the last two years both in terms of its structure and quantum. This has been guided and supported by legal advice.

The Board has been previously advised on the legal position in respect to the availability of a bonus scheme to those with reference in their contracts and transferring staff. This provision cannot be unilaterally removed from contracts, and hence this provision will remain until such times as there is agreement to introduce the new remunerations arrangements.

Provided we can reach agreement with the PCS, we are able to remove bonus arrangements from our pay and conditions framework when we implement the new pay structure. However, we need to be mindful of detriment to staff, particularly with respect to staff that transferred from The Crown Estate, and in relation to our wider role as a public-sector employer. The union will be unlikely to agree an outcome which places more than 10% of staff at detriment. The Steering Group has yet to consider mitigation options.

There is no prescribed route to move on from current bonus arrangements; it will be down to negotiating a new package that on balance, is acceptable to the Union and sufficiently mitigates the impact of removing bonus arrangements. As the Board is aware, there are layers of complexity surrounding this issue. First of all, the contractual provision does not technically require Crown Estate Scotland to actually operate a bonus scheme. Secondly, it does not specify the nature or quantum of any bonus scheme. Thirdly, any bonus received is conditional on performance. Whilst the 'custom and practice' argument can be made for entitlement, the bonus history of each individual member of staff will vary enormously over time and between individuals. Lastly, some would argue that historical bonus schemes have been unfair, and even discriminatory.

10. Performance related pay

PCS holds a strong policy position against individual performance related pay. Our sense is that this is not reflected across Crown Estate Scotland PCS members, and even less so amongst non-members. Whilst there is a concern about secrecy and potential unfairness in relation to bonus arrangements, there is a significant performance culture in the organisation, which provides an important motivation for delivery. Informal discussion with the PCS representative suggests there may be scope to negotiate around this, especially if staff express a strong preference for a performance-related element in pay.

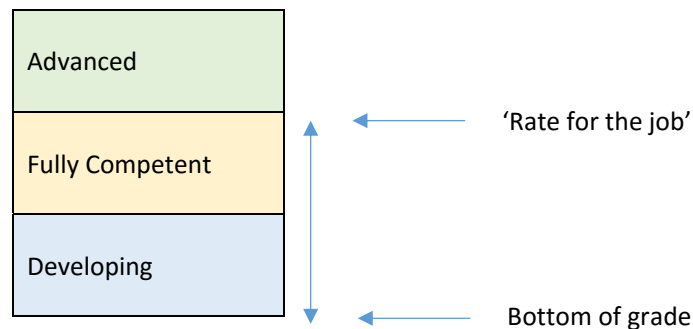
11. Progression

One of the key principles underpinning this review is that our future pay and conditions framework will provide progression within pay scales from the minimum to maximum salary

associated with the new grade of the job; and the maximum salary represents the evaluated rate of pay for the job as undertaken by a fully experience, competent and qualified individual. It is proposed that progression will not be automatic based on service but will be related to competency/performance. Criteria need to be established to govern progression.

The proposed approach would allow individuals to progress through pay bands at a rate based on individual performance against criteria reflecting the requirements of the job. Staff would usually join at the bottom of the pay grade, and progress through incremental points within 'zones' to the point where they are fully experienced, competent and qualified. Staff will only be eligible for progression if they are assessed as performing/developing in their role as expected.

Image B- Pay Progression Model



Use of zones within the pay band would allow the establishment of competency gateways which would set a ceiling on progression until the required competency criteria have been met.

The Developing zone would usually be for new recruits and those who are still developing within the role.

Fully competent would be for employees who are fully competent and can undertake the full remit of the role as required. The top of this zone would be defined as the 'rate for the job' and would be the normal grade pay band maximum.

The Advanced zone would apply to those who show exceptional competence, skills and value to the organisation. The inclusion of an Advanced zone will allow us to reward excellence in the organisation and retain individuals with a depth of experience which is vital to delivery of our corporate plan. It will allow us to compete with commercial sectors for key talent and also provides us with a performance motivator for individuals as we recognise that our current structure does not allow for rapid progression in roles. (In some pay structures, including The Crown Estate, this is dealt with through the mechanism of 'job families' but we have concluded that Crown Estate Scotland is too small an organisation to justify this complex approach).

The length of pay scales and size of incremental steps across the pay structure as a whole needs to be underpinned by clear principles. Scales providing more than 5 pay steps from the bottom to the top provide more scope for progression but need to be objectively justified to avoid potential age discrimination.

Annual pay awards

12. Pay structures in the public sector are typically build on a 'spinal column' of pay points; and these are used to shape the number and size of incremental steps in the pay scales for each grade. Application of the annual pay award is by increasing all of these spine point values by

the agreed amount. This is then applied to the salaries of all staff in post. The level of the annual pay award will be governed by Scottish Government Pay Policy, subject to some flexibility, as has been the case for the 2017/18 and 2018/19 Crown Estate Scotland annual pay awards.

Additional elements of reward

13. Our pay and conditions review is cognisant of wider staff feedback on the importance that elements aside from base pay also contribute to their overall reward package; and to their attitudes to performance related pay being based on organisational/team/individual performance. The Steering Group is considering how we can seek to recognise and encourage high performance and entrepreneurial activity within future pay structures.
14. Steering Group will therefore also consider the preferred approach with reference to areas such as:
 - Flexitime hours
 - Annual leave entitlements
 - Healthcare-related benefits
 - Potential additional reward elements which support staff engagement and retention
15. Steering Group will consider options around the current flexible benefits allowance. This is a contractual 6% (minus employer's NI) allowance which is paid to all staff on a monthly basis. There may be an argument to consolidate this into base pay, but on the other hand, retaining some non-consolidated element as a separate allowance may have a more sustained motivational effect and help us position ourselves as an employer of choice.
16. Overtime is currently available to staff in 3 roles in the Fochabers team to respond to emergency issues e.g. lack of water supply to tenants. This comprises a small proportion of overall pay bill. The Steering Group will consider the appropriateness of these arrangements and the wider treatment of travel time and additional working hours across the business.

Pay and Conditions Project Update

17. The key deliverables which have been achieved since the last update have been included below for awareness by Board. **Annex A** provides additional detail.
 - a. The governance structure for this project has been established and is now supporting the development of key areas of future pay and conditions.
 - b. Staff have been engaged through a range of activity across the business and regular project communication.
 - c. Agreement of a Job Evaluation based approach (to include additional criteria which accurately reflect the physical demands and working conditions of some roles) to underpin the development of the new Crown Estate Scotland grading structure.
 - d. Benchmarking is underway to provide insight into the alignment of any proposed new Crown Estate Scotland pay structure to the wider labour market to ensure that new Crown Estate Scotland pay rates will facilitate the recruitment, motivation and retention of the required calibre of staff. The benchmarking exercise will include data for a range of economic sectors and seeking data from targeted public and private sector employers to

ensure that the full range of Crown Estate Scotland roles and activities are reflected. UK Treasury and Scottish Government pay policy is that public sector employers should pay at the median of the market; based on benchmarking. However, our Independent Technical Consultant advises that Crown Estate Scotland might have to consider benchmarking towards the upper quartile of market data to avoid severe detriment or to consider specific market related supplement for a small number of roles to avoid recruitment and retention difficulties.

Negotiating position

18. The new pay and conditions package must be negotiated and agreed with the PCS. Without agreement we cannot alter staff terms and conditions. We will need to construct a negotiating strategy based on the package finally approved by the Board. This will require us to define an initial offer, along with other beneficial elements that might be brought in later in the negotiation if required. Renegotiation of pay and conditions tends to be inflationary and careful negotiation will be needed to achieve reasonable containment.
19. The initial offer will need to present a new pay and grading scheme, with the positioning of staff at pay spine points evidenced through the job evaluation process and comparator information. We will need to judge to what extent our initial offer should offer pay enhancements and protections. The package will need to offer a route for progression – we are proposing a link to competency/performance which may not be palatable to the PCS. We will seek an agreement to move away from an individual performance bonus scheme. We will need to propose transitional arrangements for any posts that grade out below current pay.
20. We will need to find opportunities to identify negotiating concessions for example in relation to the current flexible benefits allowance, as well as the other additional elements of reward touched on above. In addition, we know that PCS will want a move of effective date for pay rises from 1 July to 1 April, which would constitute a one-off benefit to staff.

Next Steps

18. The Steering Group will work within the project team to develop and assess a range of options for our proposed grading, pay and conditions framework.
19. Recommendations will be made to board in January 2019 in line with the Board forward planner and agreed project timeframes.

Annex A

Further detail relating to project deliverables which have been achieved is shown below.

Staff Engagement Activity

We have worked to keep staff updated and informed throughout the early stages of this review.

We have held a number of staff sessions to discuss their priorities and concerns in terms of pay and conditions. These meetings were facilitated by the consultants and took place in Glenlivet and Bells Brae. We have also offered 1-2-1 sessions with all people managers in the business and staff to allow them to discuss issues which they may not feel they can voice in a group setting.

This engagement process has informed our FAQ document and also the development of our proposed pay structure going forwards. Key themes and concerns are also fed back to the Steering Group for consideration.

An external mailbox has also been made available to staff to contact the consultants directly on a confidential basis. This has been used by a number of staff to ask specific queries.

Emerging themes

Emerging themes which have been captured by the Reference Group and wider staff discussions has highlighted the below themes for consideration by Steering Group.

- Greater transparency and understanding needed around current entitlements e.g. pay, holiday entitlements, parental leave, flexible benefits allowances.
- Feedback on protected healthcare benefits (BUPA) which has grown more expensive for staff who transferred with this benefit.
- Discussion on Bonus and potential future arrangements.
- The importance of accurately capturing and reflecting the unique nature of roles and skills within Crown Estate Scotland.

A second meeting of the Reference Group was scheduled for mid-November to consider Competency and Performance Criteria.

Project Governance

This project is governed by the below groups.

- Steering Group- Chaired by Chief Executive and comprising the Executive Team, HR and consultancy support.
- Reference Group- A group of staff volunteers from across the business who inform and shape the business proposals around pay and conditions.
- PCS- Formal meetings to develop our pay and conditions framework in line with our collective bargaining agreement.

These groups now have established Terms of Reference documents to govern their roles and remits in delivering this project.

Role Evaluation Framework

Steering Group considered the suitability of either a bespoke grading structure or use of a proprietary Job Evaluation Scheme. The Consultants recommended 'JEGS' (the Job Evaluation & Grading System developed for use in the Civil Service).

This was the preferred approach for the recognised Trades Union; and the Steering Group considered that alignment with an established JE framework would be the most appropriate approach for Crown Estate Scotland. Cabinet Office have stated that although Crown Estate Scotland employees are not Civil Servants they have no objection to the use of JEGS as the evaluation tool. JEGS is a tried and tested approach widely adopted by Non-Departmental Public Body employers in Scotland; and will also facilitate a read across to the Sponsor Directorate and Scottish Government Pay Policy as it comes with a recommended grading and pay structure.

JEGS assesses roles based on the criteria shown in Table D. Initial feedback from staff sessions, the consultants, PCS and the steering group noted that the criteria did not fully reflect the roles within Crown Estate Scotland. Discussions with Willis Towers Watson (who own the intellectual property rights for JEGS) established that there is an amended version of JEGS that will be fit for purpose in terms of the full range of demands of the Crown Estate Scotland job population.

As a result, the proposed Job Evaluation framework is a JEGS approach which has additional elements to reflect the aspects of Crown Estate Scotland work that are not typical of a Civil Service job population. This approach has already been adopted by several other bodies, including Forestry Commission, Historic Enterprise Scotland and the Ministry of Defence.

Table D- JEGS Framework

Standard JEGS elements	Amended JEGS elements
<ul style="list-style-type: none"> • Knowledge and Skills • Contacts and Communications • Problem Solving • Decision Making • Autonomy • Management of Resources • Impact 	<ul style="list-style-type: none"> • Knowledge and Skills • Contacts and Communications • Problem Solving • Decision Making • Autonomy • Management of Resources • Impact • Physical demands • Working environment

Job Evaluation Process

In order to evaluate roles against these criteria, the below process is now underway across the business.

1. All Role Profiles and Person Specifications are being reviewed by line managers and staff- this process has been supported by guidance from HR and our consultants, and we have offered facilitated meetings where necessary to gain agreement. The completion date for this part of the process is 30 November to ensure that staff have adequate time to review documentation and prepare for discussions with their line manager; and that managers have adequate time to complete their preparations, take part in discussions; and prepare revised documentation
2. The standard Job Evaluation Questionnaire has been amended to provide greater guidance for staff on its completion; and it will be completed by all staff. Briefings for staff on the JEGS factor framework were provided by the Consultants on 14 and 16 November; and staff were able also able to access support from HR and PCS for this part of the process. The completion date for JE Questionnaires is 7 December.

3. Job Evaluation Training has been arranged for four Crown Estate Scotland staff (including HR team and PCS representative) this team will undertake the evaluation work with mentoring and support from 2 experienced consultants. The training will take place on 28 and 29 November and will be delivered by Beamans (the only trainers approved by Cabinet Office for this purpose).
4. It is anticipated that the majority of the evaluation work will take place in the first few weeks of December, subject to the availability of staff. This will include assessments based on updated Job Profiles and completed Job Evaluation Questionnaires and also face to face interviews with a sample of 15 jobholders in order to test/develop the JEGS guidance for application to the Crown Estate Scotland job population.

We anticipate that initial evaluations will be complete by end of December in line with agreed project timescales; but given the delays in securing agreement from Cabinet Office and Willis Towers Watson and the limited availability of training support from Beamans we anticipate that further evaluation work will be required in January 2019 to complete consistency checking and finalise the Evaluated Rank Order of Jobs as the foundation for the development of the Crown Estate Scotland grading structure.

Grading options, including the use of the recommended JEGS grade boundaries, will be developed by the Consultants for discussion with Steering Group and PCS; grading and pay structure options will be assessed in terms of:

- Technical integrity
- Degree of fit with operational hierarchy
- Affordability
- Potential detriment

Benchmarking

We will use a standard approach – as set out in the Consultant's Method Statement - combining information from published sources (Annual Survey of Hours & Earnings and advertised posts) and targeted comparator organisations such as SNH, SEPA, Scottish Water, Forestry Commission, Cairngorms National Park etc. **Annex B** provides more information on the benchmarking methodology.

We will consider the results of benchmarking in developing our pay model.

Pay Modelling & Costing

A workshop was provided by the Consultant for the HR and Finance Teams on 7 November 2018 on modelling pay structures from grading structure options. A pay model will be built by the Finance Team with support from the Consultants to enable costing of the immediate impact of implementation of options under consideration; and future progression costs.

Annex B: Benchmarking Method Statement

Salary Benchmarking Method Statement from Rosie Docherty HR Consulting

The purpose of a salary comparison or salary 'benchmarking' exercise is to compare the rate of pay within a specific organisation against those paid in external organisations for the same job or jobs of similar content and responsibility:

- Firstly, in order to determine whether the organisation is paying the 'going rate'; and
- Secondly, to establish the position of the organisation relative to its competitors within a particular labour market.

Information drawn from a variety of sources enables a range of comparative salary data to be established for any individual post. Such data is unlikely to present a comprehensive picture for the organisation as a whole but it can help inform decisions regarding the relative position of the organisation's salary structure to that of the wider labour market to ensure that the organisation can recruit, motivate and retain the required calibre of staff. Market data can also be used in setting or adjusting salary levels for specific jobs in particular circumstances such as a skills shortage.

The accepted methodology is generally as follows:

- An agreed sample of key jobs is identified, referred to as benchmarks.
- Three or more points of comparison are then identified for each benchmark job to determine the most appropriate sources of comparative data for each.
- Job descriptions and/or role profiles, where available, may be used to establish job content as the basis for comparison with jobs of similar content in other organisations. This information is generally anonymised before it is shared with external organisations.
- Criteria for establishing appropriate salary comparators are identified, specifically:
 - **Size** – i.e. organisations with a similar number of employees or a similar turnover/budget
 - **Function** – i.e. organisations undertaking the same activity or based in the same economic sector – including organisations in other parts of the same industry
 - **Location** – i.e. other employers with whom the organisation is likely to have to compete for staff at local, Scottish, UK wide or international level.
- Published and readily available sources of salary data are examined, including:
 - **Incomes Data Services** – pay trends reports analysed by economic sector and occupation
 - **ASHE (Annual Survey of Hours & Earnings)** – the government compiled statistics analysed by industry, region and occupation
 - **Advertised Vacancies** – in the local, regional and national press and online including sector specific or specialist occupational recruitment websites
 - **Pay Surveys** – in particular those published by respected sector specific or relevant professional journals.
- Relevant comparator organisations can be identified for each of the benchmark jobs, in particular those most associated with the function of the organisation. Consultants can

approach these organisations on a client's behalf to broker an anonymous exchange of information.

- A comparison of the salaries of each of the benchmark jobs with a range of salaries from relevant comparators can be made. A detailed analysis of comparisons will generally set out:
 - The methodology – indicating where relevant comparators were sought in respect of each benchmark job.
 - A summary of salary ranges from comparator sources for each job, the internal salary range, and an average salary and/or median based on those of comparators.
 - Comments on the use of comparator data for each job, in relation to the degree of fit or any weighting required, and initial recommendations based on the outcome of comparisons.
 - Supplementary information provided by organisations on an anonymous basis, detailing organisation purpose, post titles, position in organisation hierarchy, annual salary and/or salary ranges, number of employees, and benefits provided.



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	People Strategy 2018-23 BD(2018)10.9	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Fiona Haywood	
Author	Fiona Haywood	
Annexes	Annex A: Principles and key themes Annex B: Values: Individual and corporate commitments	
Recommendation	The Board is invited to comment on the paper, in particular the (i) proposed aim, (ii) use of Fair Work Principles and (iii) commitments which together will form the core of the strategy.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Attracting, retaining and developing our talent is vital to continued success of our business.
2. Our Corporate Plan 2017-2020 commits us to '*develop and deploy our people's expertise to deliver success*¹'. Our reputation as a trusted partner is based on the skills and knowledge of our people. Independent stakeholder research carried out in 2017 indicates that our staff are trusted and that their expertise is valued.
3. We have developed a proposed aim of our People Strategy, which sets out our commitment to maintain the high-performance of the organisation and our team by supporting and engaging our people. Board are invited to comment on the high-level proposals.

Progress to date

4. Our People Strategy has been developed to support long-term success, including delivery of our Corporate Plans, and incorporates key themes emerging from our Staff Survey and Pay and Conditions review to ensure a joined-up approach to people-related activity in the business.

¹ Corporate Plan, 2017-2020, Strategic Objective 5.

This has allowed us to identify cross-cutting themes which will be key areas of focus for the strategy.

5. These themes align with the Scottish Government's Fair Work Principles which were designed with the aim that by 2025 Scotland will have world-leading working life where fair work drives success, wellbeing and prosperity for individuals, organisations and business.
6. The strategy is underpinned by our organisational values. Delivery will strengthen and embed these values in our working culture and behaviours.
7. Staff have been engaged to ensure that the final strategy is meaningful to their roles. Staff feedback has been incorporated in Annexes A and B
8. Staff feedback on the development of the people strategy includes:
 - General support of the principle of the strategy and alignment to the Fair Work Principles.
 - A requirement to deepen understanding of our organisational values.
 - A reflection that the strategy feels aspirational and represents how we would like to act, and that it will take time to achieve this.
 - That staff would value the opportunity to input further into the development of this strategy in order to make sure it is meaningful.

People Strategy Aim

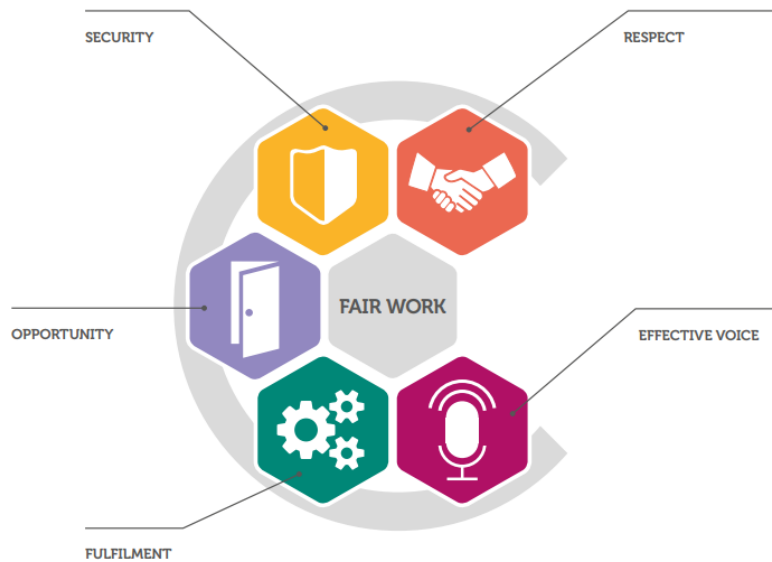
9. The proposed aim of the People Strategy is:

“To engage and develop individuals, motivating our high-performing team and organisation, and inspiring each other to keep Crown Estate Scotland a great place to work”.
10. The Strategy will run from 2018-2023 to align with our corporate planning cycle. It is led by the HR team, owned and supported by the Executive Team – and indeed the whole business – with commitments at an individual and corporate level.

Fair Work Principles

11. These principles are defined as work which offers **effective voice, opportunity, security, fulfilment** and **respect**. They balance the rights and responsibilities of employers and individuals to benefit individuals, organisations and society. Using these principles helps ensure Crown Estate Scotland aligns with Scottish Government policy, and they have the added benefit of being likely to stand the test of time.

Image A: Fair Work Principles ²



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12. Annex A provides details of the key activities and areas of focus which have been identified as priorities to 2023. These have been aligned with the Fair Work principles to provide clarity around future measurement and alignment with Scottish Government policy.

Our Values and Behaviours

13. Our Values are core to our brand and underpin all we do and how we do it. The Executive Team have identified behaviours that flow from the values and used these to form individual and organisation-wide commitments. Staff have commented on these proposed behaviours and the finalised version will be carried through to the refreshed performance management system that will be put in place following the Pay and Conditions review.
14. Annex B details these commitments which will drive ownership of the strategy across the whole business to ensure delivery.

Next Steps

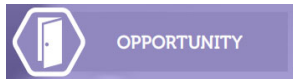
15. Following Board feedback, we will identify KPIs and then finalise the strategy through further consultation and socialisation with staff (comprising the aim, themes (under the Fair Work Principles) and the commitments). We will then assess current our performance against each of the areas. Targets will be set so we can measure progress.
16. The assessment, targets and staff survey feedback will inform annual draft People Plans to support delivery. These drafts will be subject to further staff input to help foster individual, team and business-wide support for delivery. Plans will also be informed by best practice and emerging trends relating to employment practice in the UK.

² <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>

Board paper

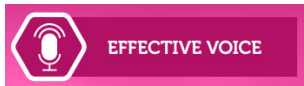


Annex A – Themes for Crown Estate Scotland People Strategy (based on Fair Work Principles)



OPPORTUNITY

- Development to equip staff for changes to working world and build workforce to deliver in the future.
- 'Knowledge Islands' / silos - building resilience



EFFECTIVE VOICE

- Recognising differences across the workforce – inclusivity
- Support channels for employee voice and decision-making



SECURITY

- Safe and healthy working environment
- Pay & conditions are fit for purpose
- Living Wage accreditation



FULFILMENT

- Development
- Job satisfaction
- Empowerment
- Realising potential
- Recognising and celebrate success and achievement.



RESPECT

- Line management
- H&S, well-being
- Age-inclusive workplace
- Fairness
- Valuing diversity

Annex B – Values – Individual and Corporate Commitments

Excellence		Collaboration	
Individually we will...	Crown Estate Scotland will...	Individually we will...	Crown Estate Scotland will...
<p>Take personal ownership and responsibility in delivering the best possible outcome</p> <p>Be committed to growing and realising our potential</p> <p>Embrace new opportunities and apply our agility and creativity to capitalise on them</p> <p>Be results-focussed</p>	<p>Support our talent to progress in their careers</p> <p>Recognise and celebrate success</p> <p>Promote an inclusive culture which has fair opportunity for all</p>	<p>Share ideas internally and externally</p> <p>Be committed to breaking down barriers to collaboration</p> <p>Be open to feedback and suggestions</p> <p>Work together to achieve joint outcomes</p> <p>Embrace new opportunities and use our agility and creativity to capitalise on them</p> <p>Value diversity including diverse perspectives</p>	<p>Foster a transparent and diverse culture</p> <p>Be open to working with others in partnership</p> <p>Be confident in our unique role and our contribution</p> <p>Expect leaders to model an open and inclusive approach which is receptive to challenge</p> <p>Work together towards our organisational vision</p>
Integrity		Commercialism	
Individually we will...	Crown Estate Scotland will...	Individually we will...	Crown Estate Scotland will...
<p>Be a 'trusted partner' internally and externally</p> <p>Be committed to supporting and looking after each other</p> <p>Be responsible and tenacious in carrying out our roles</p>	<p>Empower our people to make decisions which model integrity</p> <p>Support a culture which encourages challenge and feedback</p> <p>Expect our leaders to place integrity at the heart of what they do</p> <p>Recognise our responsibility for probity in managing public funds</p>	<p>Role model fairness and transparency in our commercial undertakings</p> <p>Identify and exploit new opportunities</p> <p>Balance the interests of our stakeholders</p> <p>Manage resources carefully and responsibly</p>	<p>Commit to retaining and developing our commercial and business acumen</p> <p>Use our acumen and expertise to create shared success for us, our tenant and our wider partners</p> <p>Support a sustainable business approach, managing resources carefully and responsibly, adhering to the principle of best value</p>

Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Governance Review BD(2018)10.10	
Security classification	Unclassified	
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	Annex A: Actions for 2018/19 arising from self-assessment review Annex B: Arrangements for Board meetings at other public bodies	
Recommendation	The Board is invited to comment on this paper, to (a) agree the timing of an externally facilitated effectiveness review and (b) discuss whether to hold some or all future Board meetings in public.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. Crown Estate Scotland has an obligation, so far as reasonably practicable, to operate in a way which is transparent and accountable, and which is consistent with any other principle of good governance which appears to the Board to constitute best practice (see s.4 of The Crown Estate Scotland (Interim Management) Order 2017).
2. As part of meeting this obligation the Board has authorised the publication of the agendas, papers and minutes of its meetings.
3. The Board has also conducted a self-assessed review of governance and effectiveness and has identified five actions to be taken over the course of 2018/19. These are noted at Annex A and will be reported on at the end of the current financial year.
4. The Audit & Risk Committee also carried out an assessment of its activity and identified additional activity which has been added to its forward plan.
5. Board members have requested the opportunity to discuss whether to hold future Board meetings in public.

Discussion

6. It is generally accepted that it is good practice for a Board to have an annual review of effectiveness and that externally facilitated reviews be conducted regularly. The Board are invited to consider the timing of when it should instruct an externally facilitated review in order that appropriate planning can be made for this.
7. The Board may wish to consider that a further self-assessment, which will be informed by the internal audit of governance arrangements to be conducted by Scott-Moncrieff, should be undertaken in May 2019 (the anniversary of the first review) and that plans be drawn up for an externally facilitated review to be carried out in May 2020. This would allow time for a suitable facilitator to be identified and the appropriate budgetary provisions made.
8. The Board has requested time to consider whether or not future meetings should be held in public. Included at Annex B is a list of some other public bodies and their arrangements for holding meetings in public where we have been able to either ascertain those from the internet or from discussion with the board secretary.
9. The Board is invited to consider whether it would like to open some or all of its meetings to the public and if so, how it would like those conducted, for example, would the public be observers only.
10. We are aware that at least one public body, Scottish Police Authority, broadcasts parts of its meetings on the internet as well as making the meetings open to the public to attend. If the Board would like to consider live broadcasting, we will investigate the resource requirements required to provide this.

Financial

11. The costs of an external facilitator will require to be identified and budgeted for.
12. If the Board concludes that in future meetings are to be held in public then there will potentially be a financial implication which will require to be quantified and included in the budget. Additional costs will include venue hire (the Bell's Brae office is not fully accessible) and obtaining public liability insurance if the venue does not have sufficient cover.

Sustainability

13. There are no sustainability issues to consider.

Legal implications

14. There are no legal implications to consider.

Risk

15. With any event attended by the public there is risk to be considered and a risk assessment of each venue would require to be undertaken and risks mitigated. It is not considered that this would be necessarily onerous.

Board paper



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People considerations

16. Additional capacity may be required to conduct a risk assessment for each venue used and to assist at meetings which are open to the public. This will require to be properly scoped.

Reputational / PR implications

17. There are potential positive outcomes of arranging public meetings (or broadcasting them live) provided appropriate arrangements are put in place for them. However, the Board is asked to note that during the last six meetings three-quarters of business on the agendas (excluding standing items) has been marked as being closed business.

Annex A**Actions for 2018/19**

	Action	Comments
1.	Chair to work with CE and Governance Manager to ensure Board Papers are pitched at the right level and appropriate to the business needs and the role of the Board. Seek to streamline Board Discussions where appropriate.	
2.	Board to work with CE and Exec. Comm. to develop improved collective working to a shared vision with clearer understanding of respective roles.	
3.	Board to engage with staff sessions as appropriate to improve staff understanding of new governance arrangements and organisational requirements.	
4.	Chair to seek to increase diversity of Board through new recruitment round – specific skill sets to be informed by Board skills analysis currently ongoing. Focus of 'gap-filling' to be on long term rather than short term business needs.	
5.	Once new legislation in place initiate work on new Corporate Plan and associated Investment Strategy to deliver new Crown Estate Scotland vision focusing on Ministerial Priorities.	

Board paper

Annex B: Scottish Public Bodies – arrangements for board meetings to be held in public.

Executive Non-Departmental Public Bodies			
Body	Public Meetings?	Location varies?	Notes
Audit Scotland	Yes (except for private business items)	No	No requirement to register in advance but asked to. Public attend as observers only.
Cairngorms National Park Authority	Yes		We have arranged to speak to the secretary to the Authority.
Care Inspectorate	Yes (except for private items)	No	<p>Notices are posted on their website and at their HQ building. Location of meetings does not vary. In past three years no one has attended. Standing Orders – no participation, no questions, no media (no photos or recordings).</p> <p>Meetings used to move around to allow public to attend but no one attended. Find more value in holding a variety of different ways of engagement with stakeholders.</p>
Crofting Commission	Yes (but public excluded from strategy meetings)	Yes (one outwith Inverness each year)	
Highlands and Islands Enterprise	No		Board meetings are not held in public however the agency holds regular stakeholder events.
Loch Lomond and The Trossachs National Park Authority	Up to three a year	Yes	Have published a FAQs for public observers. There is no public participation in the meeting and no recording of proceedings. Items may be taken in private.
Scottish Enterprise	No		

Board paper

Scottish Natural Heritage	Yes		SNH board meetings are open to the public to attend as observers. Written representations may be made bringing to the attention of Board members additional information on agenda items.
Public Corporations			
Scottish Canals	No	Yes	Meetings are not held in public. Find more value in having programme of stakeholder engagement meetings which are publicised on their website.
Scottish Water	No		Standing Orders provide for Annual Consultative Meeting (after publication of annual report and accounts). Standing Orders also require that arrangements are put in place to allow members of the public to question the Chair and Chief Executive at appropriate intervals throughout the year and put in place arrangements to enable deputations of individuals to be received by Scottish Water.
Health Bodies			
NHS Fife	Yes	Yes, throughout Fife	Meetings have set agendas. Chair may invite public to contribute comment. This position is the same for a number of other Health Bodies.
Other significant national bodies			
Scottish Ambulance Service	Yes (except for closed items)	Yes – Edinburgh/Glasgow	Members of the public can attend as observers.
Scottish Fire and Rescue Service	Yes (except for confidential items)	Yes	Members of the public can attend as observers.
Scottish Police Authority	Yes (except for private items)	Yes	Registration in advance. Meetings are livestreamed on dedicated Livestream channel

26 November 2019 (Edinburgh)



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

***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



Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Rural Assets Strategy – Consultation BD(2018)10.11	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Andrew Wells	
Author	Andrew Wells	
Annexes	Annex A: Rural Assets Strategy - Draft Consultation Document	
Recommendation	The Board is invited to (a) comment on the framework and the draft consultation document with a specific focus on the questions asked and the context in which these are set; and (b) comment on whether the draft document deals appropriately with the key priority issues and the strategic priorities on which feedback from stakeholders is sought.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

- Following discussions at previous Investment Committee meetings and the discussion at the Board meeting in August it has been agreed that a full public consultation on the key elements and issues that need to be addressed by a strategy for the Rural portfolio will be undertaken over the winter of 2018/19.
- The Board identified five key priority issues to address as part of the consultation these being:

Top 5 Issues

Category	Issue
Socio-economic	Who benefits? E.g. individual tenants, local communities, Scotland.
Financial	Capital subsidisation requirements (to or from rural portfolio)
Operational	Criteria for classification of those assets that contribute to a greater or lesser extent to Crown Estate Scotland objectives.
Market	Impacts of Brexit
Environmental	Protecting and enhancing natural capital and wildlife management

3. It was agreed that this feedback would be used to shape development of a draft rural assets consultation document on a future strategy, for public consultation, which would be put to the November Board meeting.
4. The Board recognised that further public benefit analysis work will be required to better evaluate the contributions of the rural estates and inform future directions. It was nonetheless agreed that this iteration of a strategy be based on current understanding, with the next iteration in around three years-time being informed by the fundamental evaluation work.
5. The Board also agreed the importance of understanding the business characteristics of each rural asset type, as well as how these combined in each of the four rural estates. Any implicit cross-subsidisation will need to be clearly explored with the aim that each asset type is tested on its own contribution to financial and public benefit objectives.
6. A draft framework for the consultation document was considered at the Investment Committee on 6 November 2018. This framework was supported subject to certain comments and has been used to prepare the draft consultation document which is the subject of this paper.
7. It is recognised that additional refinements will be required to finalise the current draft, particularly regarding the precise wording of questions to ensure they elicit relevant and appropriate responses that can usefully inform the future rural strategy and to ensure the document sits comfortably within our wider Corporate positioning.
8. The Board is invited to comment on the framework and the draft consultation document with a specific focus on the questions asked and the context in which these are set. The Board is also invited to comment on whether the draft document deals appropriately with the key priority issues and the strategic priorities on which feedback from stakeholders is sought.
9. Following receipt of feedback from the Board, the Executive Team will undertake further refinement and testing to include comments raised, before finalising the document prior to the Christmas break.

Framework

10. The draft consultation document includes the following sections that were discussed and supported at the recent Investment Committee. Some have been re-named/reordered in order to aid stakeholder understanding and help respondents navigate the document easily and ensure respondents can focus on the areas of most interest/relevance to them.
11. The framework has been developed to ensure that the key issues identified by the Board are brought out in the consultation questions rather than being consulted on directly. It also seeks to explain some of the rationale behind asset management decision-making and seeks input from stakeholders regarding what needs to be considered in relation to specific asset classes and the principles that underlie our decisions.



a. Framework – Background, Introduction and Context

Foreword (by CEO or Chair) – setting the scene for the consultation, links with the vision of government and local communities in relation to land use.

Introduction and Context – alignment of National Performance Framework / other relevant policy/ Agricultural Champions report etc, what the consultation covers, how to respond, consultation events

About the Rural Assets – description of the Rural portfolio. It is proposed that additional summary information about each estate is made available on the website.

How we manage – explanation of our role as landlord and asset manager and the parameters in which we work. Explanation of how we treat and manage capital and revenue and our role in meeting the provisions of our statutory functions; explanation of the tools we have at our disposal to influence and deliver our vision / a rural strategy including buying and selling, managing agreements, leasing and letting property, investing our assets (in a variety of different ways), decisions around who we let to, restructuring agreements and leases, placemaking and active asset management.

b. Consultation – issues and strategic priorities

Opening – setting out the key elements of the Corporate Plan and where the Rural properties fit within this and the questions this raises for the business as a whole.

Guiding Principles for a future rural strategy – The key principles that should be applied to decision-making resulting from the strategy framed around financial, socio-economic and environmental considerations. These will be set out as guiding principles which cascade from / flow from the parameters those set out in the Crown Estate Bill/Act – to help inform how a future strategy should interpret these in the context of the Rural portfolio.

Questions to be asked about the appropriateness of these principles and any addition elements that should be included.

c. Key considerations and objectives

This section provides a focus on questions framed around the issues of why should Crown Estate Scotland should hold a rural portfolio, the financial sustainability of the portfolio, capital subsidisation requirements and what are the benefits this brings to Scotland. Specific asset classes are dealt with in turn to enable those stakeholders with a specific interest to comment on what they feel should be included in a future rural strategy.

The sections then are

- Agricultural Estate
- Forestry
- Residential Property
- Minerals
- Wild Salmon Fishing

- Built Development Land / Rural Development
- Countryside and Environment / Natural Resource Management

Questions are asked about the priorities and specific issues associated with each asset type to help inform how these are built into and considered in the future strategy.

d. Future asset purchases

This section seeks views on where potential priorities for future purchase of assets should lie to help deliver wider benefits to Scotland.

It is intended that the consultation questions will be framed around the broad rationale used to inform current decision-making and to test this rationale stimulating stakeholder feedback that can be used to inform the future strategy.

12. Comments raised at the Investment Committee included:

- Clearly communicating the context to the consultation was important. The introduction would be framed to make it clear that this was not a land use strategy.
- The consultation was wide ranging and the questions open, which was not necessarily the norm in public consultations, although not unheard of. It was felt that by asking open questions and addressing the responses in the preparation of the strategy there would be more acceptance of the strategy once formed.
- The consultation was opening a debate on areas which would be perceived as sensitive and emotive however it was important to start those conversations and state that the Scottish Crown Estate was evolving.
- The consultation will set out some key principles for determining future directions, for example, that there was a need for the farmed estate to be financially sustainable, with consultees being asked for ideas on how this should be achieved.
- Workshops and events would be held to support the consultation and consideration was being given to making supporting information available on the corporate website. Capacity to deliver the consultation had been considered. Discussions were underway with an external consultant who knew the organisation well to provide support to the Corporate Operations team.
- Briefings for key stakeholders in advance of the launch of the consultation will be important. The purpose of the consultation had already been communicated to the farm tenants' working group and other key agricultural stakeholders would be engaged in advance of the launch.
- The differences between the four estates should be factored in to the evolution of the strategy, notwithstanding that the farm tenants' working group wanted a parity of treatment across the estate.
- We should ensure the consultation document is not too long or it will become an intimidating document. It was felt that brevity is an important consideration.
- The consultation should ask for comments on all and everything in the consultation paper to ensure that consultees feel the process is genuine and is not selecting responses to a narrow set of issues or key points.

13. The draft consultation document has been built around the above framework, taking into consideration the points raised at the Investment Committee within a slightly revised framework.
14. The Board is specifically asked to comment on the following:
- **Is the framework adopted coherent and sufficiently comprehensive to generate responses to the key issues and strategic priorities that will inform a future strategy? If not what else should be included?**
 - **Is the context set out in the draft Consultation Document appropriate?**
 - **Are the principles that have been set out appropriate and should any additional principles be considered?**
 - **Are the questions sufficiently open and appropriately worded?**
 - **Are there any other considerations that need incorporated into the Consultation document?**

Timetable

15. Following the Board discussion, the Consultation Document will be finalised and it is proposed that it is piloted with one or two trusted stakeholders (yet to be decided) for feedback prior to any subsequent refinements. The current timetable for the consultation is as follows:
- Finalising Consultation document: November / December 2018
 - Launch: Week commencing 14 January 2019
 - Consultation period (to involve public meetings) 14 January to Friday 8 March (8 weeks)
 - Review of responses and preparation of report: 8 March – 15 March 2019
 - Board Paper: 27 March 2019 – report and summary of feedback. Implications for Rural Strategy
 - April / May 2019 – Preparation of draft strategy

Financial

16. The direct cost of running the consultation is anticipated to be minimal and is related to the production of printed documents and undertaking consultation meetings. It is expected this will be in the order of c.£5,000 including some consultancy fees.
17. Use of Citizen Space, the Scottish Government online consultation platform, is helping to keep costs down.

Legal implications

18. There are no legal implications associated with the undertaking of this public consultation.

Risk

19. There is a risk that the consultation generates a high degree of expectation around the delivery of the future strategy and that Crown Estate Scotland is either unable or chooses not to incorporate stakeholder views that are inappropriate or irrelevant in the future strategy. This will be mitigated by the choice and careful wording of questions and in setting the relevant

context for the questions. There will also be a requirement to provide feedback and communication about specific responses as part of the follow up to the consultation.

People considerations

- 20.** The consultation is being supported by the Corporate Affairs team drawing on specialist consultancy input as required for the public meetings and the analysis of responses.

Reputational / PR implications

- 21.** It is anticipated that the consultation has the potential to be positive in reputational terms by further developing understanding regarding the role of Crown Estate Scotland and the value it brings to Scotland. It is also hoped the consultation will facilitate wider engagement and support for the work we do.

Rural Assets Strategy Consultation (draft)

(Note: yellow highlights denote where links will be added or further text is to be added)

A Scotland where we fully recognise, understand and value the importance of our land resources, and where our plans and decisions about land use will deliver improved and enduring benefits, enhancing the wellbeing of our nation
(Scottish Government, Land Use Strategy 2016-21)

1. Foreword (CE or Chair)

Scotland's land is one of our most valuable assets, vital to our national prosperity and to our wellbeing as individuals and communities. In an inclusive and progressive Scotland, it is only right that everyone benefits from it. (Roseanna Cunningham MSP, Cabinet Secretary for Environment, Climate Change and Land Reform, Scottish Land Rights and Responsibilities Statement).

In Scotland, our connection to the sea and the land runs deep. We are, largely, a rural nation. How Scotland manages rural assets – and how we use and care for all land and natural resources more generally – is fundamental to our way of life, our economy and our culture.

Crown Estate Scotland manages land and property – seabed, coastline, rural estates and more – to deliver wider value. We help families, businesses and communities to live, work and thrive on the assets. The assets are dynamic – we can invest in new assets, we can engage in development, and we can sell coastal and rural property to raise capital.

It is critical therefore that the strategy for the rural assets truly reflects these priorities and aspirations as well as a wider cross-section of interests such as organisations working to enhance productivity of land and develop new ways to promote sustainable economic growth.

The themes of ensuring land is productive, and benefits everyone, are embedded in both the Scottish Land Rights and Responsibilities Statement and the Land Use Strategy, aligning neatly with our vision at Crown Estate Scotland of innovating with land and property to create prosperity for communities and Scotland as a whole. Key to that is collaboration, working with others to create shared success.

Productivity, delivering benefits for all and partnership working will therefore be central to the rural assets strategy that this consultation will inform.

The strategy will also consider changes in the agricultural sector, in wider commodities markets, in government policy, and in our collective understanding about how best to make land-use decisions.

These issues and the broader socio-economic environment create a complex backdrop, one which is continually evolving.

We therefore want to hear your views on the Scottish Crown Estate rural assets. Do they represent good value in benefit delivery? How can they deliver better value? What are the rural development priorities that we should be investing in on the current estates or elsewhere?

Please take this opportunity to tell us what you think.

SIGN OFF

Rural Assets Strategy Consultation (draft)

2. Introduction and policy context

Welcome to this consultation on the future of the rural assets that make up part of the Scottish Crown Estate. Currently those most of those assets are spread across four estates, with some such as river fishing rights across Scotland.

In this document we put forward a number of propositions and proposals related to the overall objectives of managing the rural assets, long-term financial sustainability and principles for decision-making.

By seeking your insights and feedback on these, we can form the basis for a strategy for 2018 to 2023. It will then be reflected in our new corporate plan, which will run April 2020 to March 2023 and other relevant strategies and plans relating to management of the Scottish Crown Estate.

Key policy considerations

The rural assets strategy will align with wider Scottish Government policy and guidance.

Across all Crown Estate Scotland, our activity contributes to delivery of the Scottish public sector's overall purpose of enhancing well-being and increasing sustainable and inclusive economic growth.

Diversity of ownership and tenure, communities being able to use land and property, best practice management – responsible stewardship to unlock environmental, social and economic value – transparency, and collaboration: these Scottish Land Rights and Responsibilities Statement principles will also be reflected in the strategy, as will Scotland's Land Use Strategy 2016-2021

We also note the [recent recommendations](#) from the National Council of Rural Advisers regarding the need to mainstream the rural economy and embed it in Scottish Government's National Performance Framework. We therefore hope that this consultation generates responses from a broad range of stakeholders, reflecting the reach and importance of the issues at related to rural Scotland's future.

Please note that the strategy will be distinct from local authorities' local development plans. This is not a spatial or sector specific exercise, it does not relate directly to regulatory compliance and / or planning consents, which are not within our remit.

This is an exploration of how we actively manage land and property to best deliver wider value to the benefit all.

How to respond

The consultation period runs from **XXX to XXX**. If you need more time to respond, please let us know.

Responses should be submitted through Citizen Space **XXXXX**

We will publish a summary of all responses (unattributed) on our website and, possibly at a later date, an explanation of how we have responded to that feedback in our final plan.

Programme of events

As part of this consultation, we will be holding events on each of the four rural estates, and one we will also ensure there are further opportunities for stakeholders to discuss the consultation with our team face-to-face.

Rural Assets Strategy Consultation (draft)

Please register your interest in the estate events by emailing: rural@crownestatescotland.com The events will be on a first come first served basis.

Clarifications and explanations given by Crown Estate Scotland at these meetings will be summarised and published for the benefit of those unable to attend.

3. About the Scottish Crown Estate rural assets

Crown Estate Scotland is a Public Corporation. We manage and innovate with land and property – seabed, coastline, rural estates and more – to deliver wider value.

Collectively, the assets are referred to as the Scottish Crown Estate. A map of them can be found [here](#).

We help families, businesses & communities to live, work and thrive on the assets and return all revenue profit to Scottish Government to benefit the public purse.

Our role is evolving with new legislation – [the Scottish Crown Estate Bill](#) – recently approved by the Scottish Parliament. This paves the way for a long-term approach to managing the assets in a way that deliver economic, social, environmental and financial value for Scotland.

In anticipation of this, we recently launched [The Value Project](#) to develop a framework for identifying and measuring the different types of value – economic, social, environmental and financial – that the Scottish Crown Estate delivers. The resultant tool will support our decision-making by enabling us to assess the impact of different management activities and approaches.

The rural assets include 37,000 hectares (around 91,000 acres) of land in rural Scotland. The vast majority is let for a variety of uses including farming, residential, commercial, sporting and mineral operations. This includes the Glenlivet and Fochabers Estates in Moray, the Applegirth Estate in Dumfries & Galloway and the Whitehill Estate in Midlothian.

Forestry assets on these estates are managed directly by us rather than being let. We also manage river fishings and the rights to naturally-occurring gold and silver across Scotland.

We lease land and property to encourage a range of uses, helping to create a secure economic future for the communities we work with. This includes investing in public access and educational work to attract visitors as well as conservation projects to increase biodiversity.

Crown Estate Scotland works closely with tenants, local authorities and other partners seeking to

- Promote prosperity and economic opportunities
- Support local tourism and recreation
- Provide good quality homes in rural areas
- Engage with, and support sustainability of, local communities
- Enhance and improve the natural environment
- Care for some of Scotland's important wildlife and geological sites
- Manage the land well and for the long term

4. How we manage the assets

Crown Estate Scotland works in partnership with tenants, agencies, communities and stakeholders to create wider value.

Rural Assets Strategy Consultation (draft)

Under legislation, we are required to distinguish capital (the financial value tied up in the land and property we manage and proceeds from sales and other transactions) and revenue (the rents and income from tenants).

Capital is used to sell, buy and re-invest in assets to achieve capital growth, generate revenue and create social, economic, environmental value.

Crown Estate Scotland is self-funding and receives no funding from government: indeed, our net profits are given to the Scottish Government. We cannot borrow money from banks or trade. The organisation is dependent on permitting people to use Scottish Crown Estate assets to generate funds.

Our management 'tools'

Given these restrictions, we can use the following 'tools' to manage the land and property in our care.

1. Selling land and property to raise capital funds for reinvestment, either in new property or in making existing assets more productive. This needs to happen if we are to secure ongoing revenue profit for the public purse.
2. Managing our existing agreements to ensure we meet our obligations as landlord and supporting tenants to facilitate, enable and support their business activities, delivering economic benefits to rural communities.
3. Deciding how and to whom we lease vacant property - for what type of activity, for how long and under what terms - to promote sustainable development.
4. Investing in buildings/built development/planning (zoning of suitable land for residential and commercial development), infrastructure, business premises, environmental works, diversified business enterprises using land or property under management to support tenants' businesses and help other stakeholders
5. Restructuring tenancies and driving performance through negotiating changes to leases, facilitating lease surrenders, negotiating rent reviews and lease assignments.
6. Placemaking through investment in infrastructure / natural capital and cultural heritage assets under our management.
7. Working with a wide range of stakeholders to identify new opportunities to develop the assets, master-planning for integrated asset management and demonstrating new and innovative forms of land management.

Our rural assets strategy therefore needs to outline how we will use our expertise and manage our assets to

- Grow financial and wider value
- Support business growth and development
- Create opportunities for others to use assets for business or other benefit
- Support beneficial land-use change
- Promote socio-economic and community benefits
- Deliver environmental benefits
- Provide opportunities for existing and new tenancy or licencing agreements.

Rural Assets Strategy Consultation (draft)

5. Issues and strategic priorities to be addressed in a future rural strategy

We have identified the guiding principles and key strategic issues and priorities that we feel need to be addressed in our future rural strategy and we are seeking your views on these and any other issues or priorities that should be included. These are set out below and we welcome your comments to the questions raised.

The resulting strategy will reflect the strategic objectives in our current Corporate Plan, which are

LIST HERE

Importantly, it will also feed into our next Corporate Plan, covering Crown Estate Scotland's priorities and objectives for 2020 to 2023.

Guiding Principles

Below we set out proposed principles that could be applied to decision-making. These reflect our responsibilities under the Scottish Crown Estate Bill (approved by Scottish Parliament on 21 November 2018 and currently awaiting Royal Assent) to enhance revenue and capital value while contributing to wider social, environmental and economic benefits.

1. We will make decisions based on the value (both financial and non-financial) we can add to assets and natural resources.
2. We will seek to ensure each type of asset we manage is financially sustainable and we act prudently to ensure we generate appropriate returns in-line with the requirements of the Scottish Crown Estate Act. .
3. Our decisions regarding our financial investments are driven by the contribution they make to our business priorities and Scotland's prosperity, helping to unlock economic potential.
4. We will work with local communities and stakeholders to increase community empowerment and resilience.
5. The long-term environmental sustainability of the assets in our care is a priority, including the protection, enhancement and quality of natural capital and the contribution this makes to Scotland's low carbon economy.
6. We will manage, invest and divest to change the Scottish Crown Estate and increase its value to society.

Question: Do you think these principles are appropriate for the rural assets strategy? If not, why not?

Question: From the principles listed above, please choose the three you think are the highest priority and rank them 1 (very high priority) to 3 (lower priority).

Question: Please identify any additional guiding principles you think Crown Estate Scotland should include in the rural strategy.

5.1 Key considerations and objectives

We have a responsibility to ensure the rural assets create financial value and wider public benefits. Some of the key factors that we must consider include:

- Market and non-market impacts including those associated with Brexit and fluctuating commodity markets.

Rural Assets Strategy Consultation (draft)

- Land values – if we have assets that are declining in value and / or require significant ongoing expenditure without a corresponding capital value increase, we must consider the impact this has on Crown estate Scotland overall and whether it is right to retain these assets or to compensate for this by ensuring there is capital growth in other assets in our care.
- As we cannot borrow, we need to use the capital generated from sales of rural assets for reinvestment both in the rural estate and elsewhere e.g. in work that helps grow the offshore renewables industry. Unlike other parts of the portfolio, the rural estates include property that can be sold (seabed and foreshore cannot normally be sold or is of limited value). The strategy will need to inform decisions about which rural assets we retain and which ones we sell to fund work that delivers wider benefits for Scotland.
- The rural properties require significant ongoing capital investment to meet our statutory obligations and to ensure we are a good landlord. The historic growth in land values are also levelling off and may decline in the future.

Question: Above we outline some of what we consider to be key considerations. What do you think are the key external considerations that will require to be addressed by the rural strategy?

Question: What should the main objectives be for this strategy? In answering this, please consider, who should benefit from Crown Estate Scotland managing rural assets?

Our rural assets strategy will need to provide a framework and structure for investment decisions and decisions regarding the letting, sale and purchase of land including farms, forests, residential properties, mineral resources and other assets which comprise the Rural portfolio.

We are interested in understanding what stakeholders consider should be the priorities for these different assets. The following section explains some of the considerations that need to be accounted for in the strategy and seeks your views on these.

5.2 Agricultural Assets

Crown Estate Scotland is a significant provider of agricultural tenancies with around 200 tenanted farms / agricultural leases.

The agricultural assets we manage require considerable capital investment – £2-3m annually – in agricultural buildings, roads and bridges, tenancy restructures, farmhouses, water supplies and other infrastructure. Our current [£4.5m investment programme](#) covers a range of works in 2017-18 and 2018-19. Some works are being carried out to replace farm buildings and other infrastructure to meet our obligations as a landlord or for health and safety purpose. Others are designed to help our tenants grow and diversify their businesses.

In financial terms the farms we lease do not generate healthy revenue profits¹ and agricultural property actually costs more than it makes. Capital spend on farm infrastructure does not generally result in any additional financial return from rent. However, in non-financial terms there are a wide range of socio-economic, environmental and community public benefits that are generated from the rural estates. We want to establish the right balance between these objectives.

To raise funds for this ongoing year-on-year expenditure, in the context of our requirement to keep capital separate from revenue, we must either use capital generated from other parts of the Scottish Crown Estate (foreshore and seabed) or sell rural assets (e.g. residential properties, development

¹ Yield is modest compared to other types of assets c.1.5-2% overall

Rural Assets Strategy Consultation (draft)

land, forest areas, farms). By spending money in a way that does not result in increased revenue, we limit the opportunities to spend on other assets / activities that may generate more revenue for the public purse and other wider public benefits for the people of Scotland.

Question: Should Crown Estate Scotland continue to be a significant provider of agricultural tenancies, whatever the cost, or should there be a rebalancing of the assets to enable capital to be reinvested elsewhere to generate wider benefits for Scotland?

Question: How should a future strategy inform decisions regarding which farms might be sold and which should be retained in the longer-term?

Question: How can Crown Estate Scotland best fund the extensive capital investment requirements on the agricultural estate? Should this money be raised from the sale of other rural assets (including farms) or by using capital raised elsewhere in the business (which might divert investment in other projects and activities which generate greater value for Scotland as a whole)?

Question: Assuming Crown Estate Scotland continues to be a long-term manager of let agricultural land, what should be the priorities that a future management strategy should address?

5.3 Other rural assets

The rural assets are diverse, and the strategy needs to consider and cover them all. As well as agricultural land, we manage commercial forestry, fishings, minerals, residential property, and development land (identified for residential, commercial or industrial development). We also invest in tourism, recreation, visitor infrastructure and environmental works to contribute to the long-term sustainable development of the estates. Much of this investment does not directly generate any increase in revenue.

This diversity makes the business stronger, and more able to deliver wider benefits. It means Crown Estate Scotland's income stream is more resilient and helps us to balance risk across the business.

However, to enhance revenue and capital and to build our capacity to deliver more for Scotland, we continually have to make decisions about what assets we keep, which assets we invest in, which assets we re-let and which ones we sell.

5.3.1 Forestry

Our commercial forestry assets currently extend to c.5000 ha distributed across the four rural estates. 3500 ha of this total is at Glenlivet. The forests are currently managed in line with the UK Forest Standard and their management is certified as compliant with the UK Woodland Assurance Scheme (UKWAS). All the woodlands are managed according to long-term forest plans which are regularly reviewed.

The forest assets are mostly well integrated in the landscape of the estates and provide a range of public benefits including recreational opportunities for mountain biking, walking and other outdoor pursuits. They also have important landscape and amenity benefits and are of value for the benefits provided for shelter for neighbouring farms and the local employment in forest harvesting and management. Revenue for timber sales varies annually depending on a range of factors and there are ongoing investment requirements in new planting and restocking following felling operations.

As the land outside existing forest areas is held under agricultural leases, in order to undertake new woodland planting, Crown Estate Scotland must either purchase land for planting or negotiate with

Rural Assets Strategy Consultation (draft)

tenants to release land or undertake planting themselves. There have been a number of new planting schemes undertaken across the four estates in recent years all of which have been achieved by using land made available following tenancy restructures or negotiated tenant-led schemes, rather than purchase of land for planting.

Question: Should Crown Estate Scotland seek to be a long-term investor / manager of commercial forest areas or are other bodies (such as Forest and Land Scotland) better placed to manage forests in the public interest?

Question: What are the key factors / priorities that should be taken into account in the management of Scottish Crown Estate woodlands and forests?

Question: How can Crown Estate Scotland best help support the woodland planting targets set by the Scottish Government?

Question: Should a different approach be taken to invest in new woodlands to help integrate forestry into wider land use? E.g. through the sale of existing woodland to support investment in new planting elsewhere.

5.3.2 Residential Property

Across all four of the rural estates we manage a portfolio of residential property, separate from the agricultural estate.

These houses provide homes for a wide range of people and are mostly let at market rates. New regulations regarding energy efficiency and housing standards have increased requirements for landlords to upgrade and improve residential properties and Crown Estate Scotland has an ongoing programme of investment to improve these properties.

When tenants voluntarily terminate leases, we have to decide either to sell the property to raise capital for reinvestment elsewhere or to re-let the property, depending on its condition, the rental value, relevant local social factors and any capital investment required.

We may also seek to purchase or develop residential property for letting, either on an existing estate or elsewhere, where this aligns with our broader investment programme.

Question: What factors should be taken into account when we decide to retain, sell and / or buy residential property assets?

Question: What are the key factors that should be taken into account in the strategy regarding the future residential portfolio?

5.3.3 Minerals

We grant leases to commercial mineral operators to exploit minerals found on our four rural estates (operators must obtain planning approval for their activity). We aim to balance generating an income from these assets with making sure they are managed responsibly.

In addition, we manage the rights to naturally occurring gold and silver (known as Mines Royal) across most of Scotland. In a few specific areas these rights have been granted away. We encourage proposals for commercial exploration and development, providing they meet statutory requirements and high environmental standards.

Rural Assets Strategy Consultation (draft)

Responsible commercial applicants can secure a lease option which can be exercised if a viable deposit of gold or silver is found and planning permission is obtained to mine it. This option gives the exploration company reassurance that mining the deposit can proceed if all the other legal, environmental and financial criteria are met.

We seek opportunities to identify and develop renewable energy or other development schemes or on exhausted or restored mineral workings and we work with tenants managing land on potential expansion of existing and prospective mineral sites to ensure master planning of areas for long term sustainable revenue generation according to best practice management standards.

Question: Are there any specific issues relating to mineral workings on the Scottish Crown Estate that should be addressed in a future strategy?

Question: Should Crown Estate Scotland actively seek mineral development opportunities (e.g sand and gravel extraction) where these exist within the current portfolio and elsewhere, through the purchase of new sites?

5.3.4 Wild Salmon Fishing

The rights to fish for salmon and fish of the salmon kind are part of ancient rights held by The Crown in Scotland. In many areas these rights have been subsequently granted away over the centuries. Those that remain are managed by Crown Estate Scotland. A map showing the remaining coastal netting stations in the East of Scotland is found [here](#), and those remaining in the West of Scotland [here](#).

Salmon fishing rights in Scotland are not always bound to the land where the fishings are located. Title can be held separately. So even where the shore or riverbank is privately owned, the salmon and sea trout fishing rights may lie with the Crown and be managed by us. We manage around 140 river salmon fishing tenancies, on around 60 rivers across Scotland, including the Allan Water, the River Leader, the Findhorn, the Stinchar, the Clyde, the Almond and the Forth.

The majority, by length of fishing, are let to angling clubs, providing access to reasonably priced salmon fishing rights for local communities. As part of our management we work in partnership to improve fisheries and promote responsible management of fishing. This also involves supporting local conservation policies and best practice through lease arrangements and limiting the number of rods.

We do not let or operate coastal netting rights (our predecessor The Crown Estate stopped doing so in the early 1990s) which supports the Scottish Government conservation aims of wild fishery reform to reduce exploitation of vulnerable stocks in Scottish domestic water.

Question: Are these fishing rights best managed by Crown Estate Scotland or should they be managed in a different way? If the latter, please state how you feel this can be improved.

Question: Please comment on any other considerations that should be included in a future strategy relating to salmon fishing interests.

5.3.5 Built Development Land / Rural Development

To help meet local built development needs Crown Estate Scotland actively pursues opportunities to make land on our rural estates available for built development including employment land and residential housing.

Rural Assets Strategy Consultation (draft)

We do this by working with local authorities to input into the Local Development Planning (LDP) process to deliver planning opportunities across the portfolio, particularly in respect of the Whitehill estate.

We are continually reviewing existing development opportunities to promote small sites for development according to market demand. This work is done where appropriate in partnership with local communities and generally involves negotiation with existing farm tenants to release land around settlements for development.

Since the establishment of Crown Estate Scotland, we have sold several sites to developers that have previously been subject to planning approval to raise capital for investment in other parts of the portfolio. How we approach development land opportunities in the future, either on existing estates or through purchase of land will be an important element of the rural assets strategy.

Question: What should the priorities be for built development on the existing rural assets?

Question: Should Crown Estate Scotland actively seek new built development opportunities through the purchase of new areas of land?

5.4 Countryside and Environment

Natural Resource Management

As a land-based business with a large number of tenants deriving their livelihood from the management and use of rural natural resources such as soil, minerals, water and biodiversity, Crown Estate Scotland's long-term future and that of our tenants' businesses depend on the sustainable use of these resources.

Land management activities have both positive and negative impacts on this natural capital.

The four rural estates include a wide diversity of different land use types, habitats and natural resources, as well as some of Scotland's important protected and scenic areas such as the 25,000 ha Glenlivet Estate in the Cairngorms National Park.

Crown Estate Scotland works actively with tenant groups, public agencies, communities and other stakeholders to promote and support best practice in land management as well as investing in environmental enhancement, habitat management biodiversity. We also invest significant resources in the development and management of recreation and tourism facilities and services across the estates, particularly at Glenlivet.

Acting primarily as asset managers, we do not directly manage land use activities (other than forestry) and have limited influence on day-to-day decisions. However, we can influence impacts on natural capital through our selection of tenants, facilitating knowledge exchange, working in partnership with agencies and stakeholders, making investments in resource management initiatives, supporting research and pilot projects and responding to issues that may arise if lease terms are not being followed.

We also engage and collaborate proactively with local community groups, development trusts and other partners regarding destination management and marketing to promote tourism and local economic development. This also involves the development of new recreational facilities and cultural and natural heritage projects which support sustainable rural and community development.

Rural Assets Strategy Consultation (draft)

Question: How should a rural strategy address the requirement to enhance and protect natural capital and promote more sustainable use of natural resources?

Question: What should be the key priority for the strategy in relation to biodiversity and wildlife management?

Question: Are there other strategic natural capital or environmental issues or opportunities that the strategy should address and if so what are these?

Question: How should the strategy prioritise investment in projects that enhance cultural and natural heritage infrastructure of most benefit to local communities and visitors to the Scottish Crown Estates?

5.5 Future asset purchases

In order to deliver the future rural strategy, it might be appropriate for Crown Estate Scotland to acquire new rural assets or developments not currently part of the Scottish Crown Estate, but which could be a focus for future investment. This could involve purchase of development land sites, farms, forests, land for planting, residential property or other sites which can be managed to generate revenue for government and to deliver wider benefits for Scotland.

Question : What should the priorities be for future acquisitions of property be and what benefits should Crown Estate Scotland focus on delivering in a future purchasing strategy?

Further comments:

If you have any further comments or points that you think should be taken into account in the development of a rural assets strategy please state these below:

Rural Assets Strategy Consultation (draft)

Annex 1: About Crown Estate Scotland

Crown Estate Scotland is a public corporation. We are tasked with managing assets that stretch the length and breadth of Scotland, including agricultural and forestry land, most of the seabed, just under half of the foreshore and some commercial property. A map can be found [here](#).

We manage and innovate with land and property – seabed, coastline, rural estates and more – to deliver wider value. We help families, businesses & communities to live, work and thrive on the assets.

We are a net contributing body. All our revenue profit goes to Scottish Government for public spending. For 2017-18, this was £XXm. Our 2017-20 corporate plan and 2018-19 business plan details our priorities and objectives, and our Framework Document sets out our functions, duties and powers.

Our strategic objectives, which align closely with the Scottish Government's economic strategy and National Performance Framework, are to:

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

Graphic – vision, goals, values

Planning for the long-term

The Scottish Crown Estate Bill was passed by the Scottish Parliament in November 2018, and Royal Assent is anticipated to be secured in early 2019. The key measures in this Bill include:

- Introducing the ability for other bodies to take on management of Scottish Crown Estate land and property through measures known as delegations and transfers. In practice, this means that other managers may take on responsibilities that currently sit with Crown Estate Scotland.
- Introduces the requirement for Scottish Ministers to develop, or ask Crown Estate Scotland to develop, a national management plan for all Scottish Crown Estate assets
- ADD
- ADD
- Removing 'Interim Management' from Crown Estate Scotland's full name, giving it permanent status and giving tenants and staff further certainty and clarity

With the Bill having completed the parliamentary process, we are now developing our approach to different parts of the assets that we manage, including the rural estates.

Board	Tenth Board Meeting	BD(2018)10
Meeting date	27 November 2018	
Paper title	Financial Forecast BD(2018)10.13	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Lynne Higgins	
Author	Lynne Higgins	
Annexes	Annex A: Summary Revenue Q2 Forecast Annex B: Capital Forecast	
Recommendation	The Board is invited to note and comment.	
The Governance Manager or Chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

An exercise was undertaken in November to forecast outturns for revenue and capital for 2018/19.

Revenue Account

Attached at Annex A is the Summary Revenue Q2 Forecast, by division, along with schedules for the original budget and the resultant variance from budget (each analysed similarly).

The summary shows that the net profit after transfers to capital is forecast at £9.0m, this compares to £7.3m originally budgeted for the financial year 2018/19, an improvement of £1.7m.

Explanations for material variances are: -

- Turnover is forecast to increase by £1.2m – £0.6m from Energy (including £0.5m additional rental due to the early commissioning of the Beatrice windfarm), £0.2m from Cables & Pipelines (rent review uplifts), £0.1m from Coastal (a number of small rental uplifts), £0.4m from Rural (unanticipated income from diseased tree felling and increased royalties from minerals).
- Direct costs are on target – analysis shows that this comprises an underspend on management, professional & legal fees and discretionary spend (totalling £0.2m) offset by additional expenditure on rural fencing and repairs.
- Direct staff costs are considered to be underspent by £0.2m – arising from delays in recruiting posts and reduced salary capitalisation.

- **Indirect cost underspend forecast at £0.6m** – comprises £0.1m payroll underspend (deferral/delay in recruitment), release of £0.2m provision for irrecoverable VAT (not now considered will be required), £0.2m consultancy fees (deferred into 19/20 as appropriate or no longer required), reduction in Rural overhead costs of £0.1m (primarily £50k release of overprovision for Health & Safety costs).
- **Increase in transfers from revenue to capital of £0.3m** – due to higher net revenue from minerals and higher turnover (thus transfer sum calculation) than anticipated in the prior year.

It should be noted that the finfish production information, that initiates the rental charging in arrears for Aquaculture for 2018, will not be available until late January/early February and therefore forecast Aquaculture rental has been estimated by the Aquaculture Operations Manager. This is a significant component of the forecast outturn for turnover.

Capital Account

The receipt of approximately £25m (circa £19m from overage transactions – already received – and £6m from a potential tenant stepping-through to lease) has dramatically changed the face of the capital account. Other items that materially contribute to the forecast outturn, and vary from original budgeted figures (investment strategy), are: -

- the delay in the stabilisation works at Blairfindy Castle – approximately £500k less in expenditure, and therefore less grant income;
- Board's decision not to pursue an urban acquisition or further farm sales;
- deferral of approximately £600k in rental income from MeyGen as a result of the damaged turbines that required to be removed and remedied;
- sale of Spey fishing rights not proceeding as planned;
- lower dredging income from Aberdeen Harbour project than anticipated;
- Rhu Marina breakwater and capital works not being undertaken;
- underspend in project costs and legal fees in Energy & Infrastructure

The resultant capital forecast indicates a net disinvestment (before transfers from revenue account) of £28.3m compared to a budget of £1.8m

It is proposed that a further forecasting (of both revenue and capital outturns) be carried out post Q3.

Accounting considerations

International Financial Reporting Standard 15 (IFRS15) – Revenue Recognition is applicable for Crown Estate Scotland with effect from this financial year. It is not considered that it will materially affect the forecast outturn however where contracts delay/fall over the year end (e.g., timber felling, capital transaction completions) it may impact and this will be carefully considered as the year end approaches.

Recommendation

The Board is invited to note and comment on the forecasts.