

Agenda

Thirteenth Meeting

Crown Estate Scotland (Interim Management) Board

27 March 2019
9.00am – 2.00pm

- 1. Standing Items**
 - 1.1 Welcome and Apologies (Richard Morris)
 - 1.2 Declarations of Interest
 - 1.3 Approval of Minutes of Meetings held 29 November 2018, 29 January 2019 and 26 February 2019 Attached
 - 1.4 Matters Arising and Action Trackers Attached
 - + 1.5 Stakeholder Meetings BD(2019)13.1
- 2. Health & Safety**
 - 2.1 Health & Safety Report BD(2019)13.2
- 3. Management Reports**
 - +* 3.1 Chief Executive's Report BD(2019)13.3
 - * 3.2 Finance Report BD(2019)13.4
 - +* 3.3 Business Performance Report BD(2019)13.5
- 4. Business Management**
 - * 4.1 Risk Policy and Register BD(2019)13.6
 - * 4.2 Pay & Conditions: Recommendations To follow
- 5. Strategy and Planning**
 - ** 5.1 HR Workstreams BD(2019)13.8
 - ** 5.2 People & Planet: Proposals BD(2019)13.9
 - ** 5.3 Towards an Investment Strategy BD(2019)13.10
 - 5.4 Bringing Best Value into Decision Making BD(2019)13.11
- 6. Committee Reports**
 - * 6.1 Audit & Risk Committee Minutes Attached
 - * 6.2 Investment Committee Minutes To follow
- 7. Any Other Business**
 - + 7.1 Decisions out of meeting BD(2019)13.12
- 8. Dates of Next Meetings**

28/29 May 2019 (Edinburgh)
23/24 July 2019 (Orkney)
25/26 September 2019 (Fochabers)
26 November 2019 (Edinburgh)

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

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

+ This item is for noting

Minutes for	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
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 Fort William on Wednesday, 27 March 2019		

Present:

Amanda Bryan	Chair
Dr Michael Foxley	
Andrew MacDonald	
Robert Mackenzie	
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 4.1 – 4.3)
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1. Standing Items

1.1 Welcome and Apologies

The Chair welcomed everyone to the meeting and thanked them for their attendance at the informative stakeholder engagement events held in Fort William the day before.

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

1.2 Declarations of Interest

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

1.3 Approval of Minutes of Meetings

The Minutes of the Meetings held on 29 November 2018, 29 January 2019 and 26 February 2019 were approved.

1.4 Matters Arising and Action Trackers

Noted that:

- (a) the Board forward plan had been amended and the proposed meeting with Highlands and Islands Enterprise and Scottish Enterprise was now intended to take place in September (Minutes of meeting 27 November 2018, minute item 1.4(d)).
- (b) it was understood that the Scottish Government and CoSLA had made substantial progress in agreeing a methodology for the distribution of net surplus revenues from 0 to 12nm which would be used on an interim basis. Crown Estate Scotland had continued to provide the necessary financial information requested (Minutes of meeting 27 November 2018, minute item 3.1(c)).
- (c) the Head of Marine had arranged a meeting for July with representatives of other agencies to create an overarching view of the blue economy, to identify the main players and the potential for Scotland. This work would all take time and the coastal plan would emerge separately from the work on mapping the opportunities from the blue economy (see action 11/2).
- (d) the discussions in relation to the MeyGen projects were continuing. An impairment review would be undertaken at the year end.

1.5 Stakeholder Meetings (paper BD(2019)13.1)

Noted that:

- (a) the meeting the Board had held at Victoria Quay in January attended by senior officials from across Scottish Government had been an invaluable opportunity to raise awareness of the new purpose and vision and emerging workstreams.

2. Health & Safety

2.1 Health & Safety Report (paper BD(2019)13.2)

Noted that:

- (a) the Health & Safety Framework document had been undergoing a review instigated by the Chief Executive. The review sought to ensure that H&S risk management was fully embedded throughout Crown Estate Scotland and that assurance can be provided to the Chief Executive that it is being properly managed.
- (b) H&S throughout Crown Estate Scotland continued to follow the Plan-Do-Check-Act approach. The staff intranet would be launched within the next few weeks and would provide a clear, single point of entry for staff to all H&S policies and procedures.

- (c) the Board were being asked to appoint one of their number to be the member to take a lead role on H&S matters, although responsibility would remain with the Board and with the Accountable Officer.

Agreed that:

- (a) the Chair should ask one of the new proposed Board members if they would be willing to assume the lead role in relation to H&S.

Action: AB (13/1)

- (b) the level of detail in the reporting to the Board was felt to be not at an appropriate level for Board oversight. The Board member who took on the lead role should be asked to work with the Head of Property and the H&S Consultant to agree the form of reporting, with detailed reports being submitted to the Audit & Risk Committee and summary reports being presented to the Board. It was agreed that H&S would form part of the quarterly performance reporting with an in-depth report annually.

Action: AB/AW (13/2)

3. Management Reports

3.1 Chief Executive's Report (paper BD(2019)13.3)

Noted that:

- (a) the increasingly proactive approach being taken by Crown Estate Scotland towards aquaculture had met with a positive response by officials in Marine Scotland. The team were ensuring that their approach was aligned to Scottish Government policy and taking care to manage perceptions about the organisation's role and to avoid being seen as having a regulatory function.
- (b) there were now five applications for local management pilot projects as Galson Estate Trust and Comhairle nan Eilean Siar had brought their applications together. The applications were being assessed and recommendations would be brought to the Board meeting in May.

Agreed that:

- (a) the Head of Corporate Operations and the Head of Marine would review sponsorship of events in the aquaculture sector.

Action: EB/CP (13/3)

3.2 Finance Report (paper BD(2019)13.4)

Noted that:

- (a) following the approval by the Board of the revenue budget for 2019/20, the sponsor team had indicated that there might potential for retention of additional revenue to fund specific projects.

- (b) it was anticipated that the Cabinet Secretary for Environment, Climate Change and Land Reform would write to the Chair articulating the basis for the retention of additional revenue and the additional services sought.
- (c) there were two additional key cost factors which had arisen and if the budget was being revised then these should also be incorporated. These were the revenue costs arising from the works identified following the completion of the condition survey of the rural estate and the announcement of an increase in employers' contributions to the Civil Service Pension Scheme.
- (d) a reforecast of the current financial year had been completed and showed a net surplus outturn of £10.1m against a budgeted £7.3m. The material variations in the uplift related to the earlier than anticipated receipt of income from the Beatrice Offshore Wind Farm; unbudgeted sales of timber (following felling of diseased trees); and crystallisation of underspends on direct and indirect expenditure.
- (e) it was recommended that an additional payment of net surplus be made to the Scottish Consolidated Fund before the end of the current financial year.
- (f) a draft treasury management policy has been prepared and will be implemented once final approval from Scottish Government has been received.

Agreed that:

- (a) the additional revenue retention being discussed with Scottish Government should be identified as a facility without an agreed budget at this stage and that further detail be added as suitable projects were identified and subjected to appropriate financial scrutiny.
- (b) the revised budget would be brought back to the Board for approval.
- (c) a further payment of net revenue surplus of £2.5m should be made to the Scottish Consolidated fund before the end of the current financial year.

Action: LH (13/4)

Action: LH (13/5)

3.3 Business Performance Report (BD(2019)13.5)

Noted that:

- (a) there was one business plan action from 2018/19 which would not be completed. This followed on from the Board decision that the acquisition of built property should not be pursued at this time.
- (b) the 44 vacant properties on the rural estate included cottages, unlet land (such as grazing lets) and salmon fishing leases. Given the nature and mix of properties vacant and the reporting period covered this number was not considered to be an issue.

Agreed that:

- (a) the performance dashboard should be reviewed to ensure clarity of interpretation by the Head of Corporate Operations who should also consider whether a comparison with the previous quarter should be included.

Action: EB (13/6)

- (b) the Board would welcome reporting on whether the key communication messages were reaching their target audience.

Action: EB (13/7)

- (c) the Head of Finance and Commercial should look at the way in which capital receipts were reported on the performance dashboard to separate out exceptional items.

Action: LH (13/8)

The HR Manager joined the meeting at this point.

4. Business Management

4.1 Risk Policy and Register (paper BD(2019)13.6)

Noted that:

- (a) the risk register and risk policy had been re-evaluated and amended to reflect the practical implementation of the risk appetite set by the Board and the active approach to risk management taken by the Audit & Risk Committee and the Executive Team.
- (b) the updated risk register and policy were agreed by the Audit & Risk Committee subject to some minor revisions which were subsequently approved by the Committee Chair.
- (c) as the investment strategy developed, there would be a need to continually assess project risk and the intention was to create a balance between individual project risk and the risk to the overall portfolio. A different range of risks would apply across projects.
- (d) the continuing uncertainty over the UK's future position in and relationship to the European Union was a risk across all sectors of Crown Estate Scotland's business, but in particular the agriculture and aquaculture sectors. The options to mitigate against those risks were limited. The overall impact on the agricultural estate might not be significant in the short term given the safeguarding of agricultural support for a transition period, although for it may be most significant for hill sheep enterprises. Aquaculture income was production based and some producers were making plans to delay harvest in response to any export disruption which could impact on Crown Estate Scotland's income.

Agreed that:

- (a) although the risk register was kept under monthly review by the Executive Team, they should specifically look again at the risk to Crown Estate Scotland from the cessation of the UK's membership of the European Union.

- (b) quarterly reports from this point around the risk register would form part of the quarterly performance management reporting to the Board. These reports would focus on material changes including new risks, those removed and changes in risk rating.

Action: SH (13/9)

The Governance Manager left the meeting at this point.

4.2 Pay & Conditions: Recommendations (paper BD(2019)13.7)

Noted that:

- (a) Board was invited to agree the proposed pay and conditions framework and provide an appropriate flexibility to allow conclusion of the process. Board were provided with detail of the emerging proposals for our future pay and grading structure and impact on staff which were subject to discussion and questions from Board members.

The Head of Corporate Operations, the Head of Finance & Commercial, the Head of Marine and the Head of Property left the meeting

Agreed that:

- (a) the organisation can move ahead to finalise proposals for formal negotiations with PCS on the basis of the proposals set out within the paper.

Action: SH (13/10)

The Head of Corporate Operations, the Head of Finance & Commercial, the Head of Marine, the Head of Property and the Governance Manager re-joined the meeting.

5. Strategy and Planning

5.1 HR Workstreams (paper BD(2019)13.8)

Noted that:

- (a) the paper addressed the Board's request for further information on the proposed format of the skills and capacity review and gave some detail on the anticipated financial impacts of the three major HR workstreams currently underway.
- (b) provision had been made in the 2019/20 budget for this work. Two posts are dependent on the funding for additional work packages through revenue retention.
- (b) Crown Estate Scotland's cost base is rising but is rising from an unsustainably low base and will grow as the organisation moves to permanent status. It was necessary to build business resilience and to build capacity to delivery the new purpose and vision.
- (c) salary "on costs" included substantial and increasing employer pension contributions associated with the PCSPS, as well as national insurance contributions.

- (d) the Executive Team had drawn together an approach for development of a competency framework which included on-going engagement with staff.

Agreed that:

- (a) members would give their views on what would be included in the review of external service providers to Dr Foxley before 12 April 2019. Dr Foxley would then support the Executive Team in finalising the Invitation to Tender for the procurement of an independent review of outsourced services.

Action: ALL (13/11)

The HR Manager was thanked for the work she had put into the Pay & Conditions review and for her attendance at the meeting before she left it.

5.2 People & Planet: Proposals (paper BD(2019)13.9)

Noted that:

- (a) the proposal was for the development and launch of a coastal-community regeneration programme based around Crown Estate Scotland managed assets. This was one of the work packages which the sponsor directorate had suggested and would be funded from the additional revenue sum which Scottish Government had suggested be retained.
- (c) the proposal supported the new corporate themes and would build on work already being undertaken by Crown Estate Scotland as well as moving the organisation into the new role of enabler.
- (d) there was a question about the staff cost to develop this work however the post holder would support wider policy work and the marine litter work package as well as this coastal community regeneration programme. This programme requires a significant resource for community engagement as part of the resource mix.

Agreed that:

- (a) the Board were supportive of the proposal but the messaging around it should be clear, including in relation to the previous coastal communities' fund and the distribution of coastal net revenue surplus to coastal local authorities. The Board also asked that consideration be given to the delivery model to maximise benefits to the organisation from being directly associated with this type of activity.
- (b) the Chair would raise the timing of distribution of funds to Local Authorities and the development of this area of work at her next meeting with the Director of Marine Scotland.

Action: AB (13/12)

5.3 Investment Strategy (paper BD(2019)13.10)

Noted that:

- (a) the Investment Committee had considered an earlier iteration of the proposed strategy, which would be incorporated into the next Corporate Plan. The focus of this strategy would be the organisation's role as "investor", principally in the build environment and blue economy.
- (b) the draft strategy sought to create a dynamic position, working in partnership with others, whilst ensuring that the legal requirement to enhance the value of the Crown Estate in Scotland is met.
- (c) the final strategy would have input from the current consultation on the rural estate. The focus for investment growth would be coastal and blue economy, but opportunities for investing in other property and rural assets would be actively considered.
- (d) the development of the investment criteria and the identification of good investment opportunities, those which would add value, is now required in preparation for the next corporate plan period. Exploratory talks are already underway with a range of potential partners.

Agreed that:

- (a) the draft was a step in the right direction and the drafting should continue as described although care should be taken to build a flexible prioritisation and financial framework to allow the organisation taking advantage of unexpected opportunities.

Action: SH (13/13)

- (b) a reforecast budget would be brought back to the Board.

Action: LH (13/14)

5.4 Bringing Best Value into Decision Making (paper BD(2019)13.11)

Noted that:

- (a) the paper set out the broad approach through the Value Project to organising the evidence used by Crown Estate Scotland during its decision-making processes to allow for a transparent demonstration of how decisions were reached. This included both strategic decision-making and organisational decisions making, which included improving the current approval and authorisation process.
- (b) this will be done in a way that will meet the requirements of the Scottish Crown Estate Act 2019 to consider specific aspects of sustainable development in all Crown Estate Scotland decision making.
- (c) key elements of this approach were to use evidence appropriately and to establish weightings to the different types of evidence, for example, the Board had already signalled that more weight should be given to socio-economic factors than to environmental factors.

- (d) it was anticipated that there would be a Board workshop in July to explore and calibrate the weightings between different elements of value.
- (e) it would be of assistance to the Value Project manager if a Board member could be available to work alongside her in relation to the development of the project. Mr Steele offered to provide that support.

6. Committee Reports

6.1 Audit & Risk Committee Minutes

Noted that:

- (a) the Committee had emphasised the importance of rigour during the budgeting process.
- (b) a report on preparation for the year end audit had been received from the external auditors.
- (c) the internal auditors had been given an opportunity to explain to the Committee how their service would be improved if their contract was to be extended. The Committee had not been persuaded and an Invitation to Tender for a new internal audit service would be published over the summer.
- (d) the Committee received an interim internal audit report on the managing agents and the final report would be presented to the meeting of the Committee on 30 April.
- (e) the Committee had considered the revised risk management policy and risk register before it was submitted to this Board meeting.
- (f) at its next meeting the Committee would receive a report on the IT review which was underway and would look at Health & Safety in detail.

6.2 Investment Committee Minutes

Noted that:

- (a) the Committee had provided guidance on the development of the draft investment strategy considered earlier in the Board meeting.
- (b) a verbal update had been given to the Committee on the asset valuation process and they would receive the final report at its next meeting.

7. Any other Business

7.1 Decisions out of meeting (paper BD(2019)13.12)

The Board **noted** the paper.

7.2 Records Management Plan

Noted that:

- (a)** the Keeper of the Records of Scotland had approved Crown Estate Scotland's Records Management Plan. Preparation of the Plan was a requirement of the Public Records (Scotland) Act 2011.

8. Dates of Next meetings

28/29 May 2019

23/24 July 2019

25/26 September 2019

26 November 2019

Amanda Bryan
Chair, Crown Estate Scotland (Interim Management)

Date

Crown Estate Scotland (Interim Management) Action Tracker – 2018

Updated as at 18 March 2019

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

No.	Action	Responsibility	Timescale	Status

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

No.	Action	Responsibility	Timescale	Status

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	LH		On-going Verbal update to November Board meeting – paper to follow (out of meeting)

	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			
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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 (May 2019)	Looking at utilising the two-comparator metrics used by most Scottish Government bodies: response rate and engagement score. Draft survey developed incorporating standard engagement questions based on information from Scottish Government. Launch expected May 2019. Action closed.

Actions from the Ninth Board meeting (3 October 2018) – all closed

No.	Action	Responsibility	Timescale	Status
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Actions from the Tenth Board Meeting (29 November 2019)

No.	Action	Responsibility	Timescale	Status
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Health & Safety Report				
10/2	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	AW/HH		<p>RAG status assigned to each action.</p> <p>Future reports will be considered by ARC – on ARC agenda from 30 April 2019.</p>
Business Performance Report				
10/5	Further information on the rejection of the bid for funding for BlueSeas project to be sought.	EB	Following meeting	<p>Update emailed to Board 4 December 2018.</p> <p>Action closed</p>
10/6	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.	EB	Following meeting	<p>Updated emailed to Board on 4 December 2018.</p> <p>Action closed</p>
10/7	Head of Corporate Operations to review the wording on the performance dashboard for business plan action 35 as mooring tenants not being surveyed this year	EB	Following meeting	<p>Done.</p> <p>Action closed</p>
Business Management – People Strategy				
10/11	HR Manager to liaise with Governance Manager to identify a suitable date to bring the People Strategy back to the Board for approval	FH/HH		<p>Further input from staff being sought, building on CREST session in February 2019.</p> <p>On-going</p>
Governance Review				
10/12	the Board should conduct a self-assessment of performance in May 2019 and consider the outcome along	AB/HH	May 2019	To be progressed.

	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			
10/13	Opportunities for wider stakeholder engagement to be developed around the Board meetings. Head of Corporate Operations to develop a programme of proactive stakeholder engagement and appropriate communication of that.	EB		<p>Board forward planner outlines stakeholder engagement with more detailed plans developed around each meeting in liaison with the Chair.</p> <p>Board members are also now being invited to take part in other events and engagement (outside Board meetings) as opportunities arise.</p> <p>Action closed</p>

Crown Estate Scotland (Interim Management) Board Action Tracker – 2019

Updated as at 18 March 2019

Actions from Eleventh Board Meeting held on 29 January 2019

No.	Action	Responsibility	Timescale	Status
Strategy and Planning – Aquaculture				
11/1	the draft plan for aquaculture would come to the Board for review in July and would contain a clear articulation of the organisation's vision for aquaculture, including how Crown Estate Scotland would engage with relevant stakeholders and identify the actions the organisation can take.	CP/AA	17 July 2019 (for July Board)	Being progressed
Strategy and Planning – Coastal Strategy				
11/2	in developing the plan, it was important to identify where Crown Estate Scotland could add value and to identify a range of activities of varying scales and with different collaborating partners. The plan should consider the benefits which Crown Estate Scotland could deliver for coastal and marine communities. It would be helpful to consider what other parties are doing relation to the blue economy and how we can work with them to build on that.	AW/CP (for 'blue economy')	17 July 2019 (for July Board)	Following recent engagement with SE and HIE, a workshop has been set up on 17 April to commence a collaborative approach to develop the approach to investigating and progressing Scotland's 'Blue Economy' opportunity. Along with CES, SE and HIE, SCDI will attend this initial workshop.
11/3	consideration should be given to the nature of consultation on the plan, identifying what information the	AW/EB	17 July 2019 (for July Board)	Further consideration of timescales of Corporate Plan development, as well as the risk of consultation fatigue, means consultation on coastal

	organisation already held through the tenant surveys and responses from stakeholders to other consultations. The Board recommended an approach akin to the approach to the rural strategy consultation.			sector plan may be best carried out as part of Corporate Plan consultation (12-week process, starting in August). Board will consider draft Corporate Plan in May.
11/4	Draft plan would be brought back to the Board in July for consideration	AW	17 July 2019 (for July Board)	On the Board forward plan for July 2019 meeting.
Strategy and Planning – Built Development – scoping				
11/5	the Board were supportive of the scoping of this activity being taken forward however they would like opportunities both on the current estate and new opportunities elsewhere to be considered where appropriate.	LH	17 July 2019 (for July Board)	
Strategy and Planning - Strategic Management Plan, Corporate Plan, Investment Strategy 2020-2023				
11/6	the proposals set out in the paper were approved by the Board. The Chair and Mr Steele would be available to the Head of Corporate Operations to review further iterations of the drafting in between meetings.	EB	December 2019	In progress
Chief Executive's Report				
11/7	the Head of Marine would continue to keep the Board updated on the progress of the [REDACTED] and would also confirm to the Board whether there was a bond in place to meet the costs of decommissioning the project site.	CP		Updates have been provided and the Board were asked to consider a proposal during their meeting on 26 February 2019. Action closed

Actions from the Twelfth Board Meeting on 26 February 2019

No.	Action	Responsibility	Timescale	Status
MeyGen Investment				
12/1	[REDACTED]	CP	Following meeting	[REDACTED] Action closed
Terrestrial Renewables				
12/2	the Board were supportive of the project subject to a review of the amount secured by the decommissioning bond, which was thought to be insufficient.	AW		In progress
Skills and Capacity Review				
12/3	the Board were supportive of general outline of the review, noting that further information about the second and third elements would be provided before being progressed.	SH		Incorporated into the paper on HR Workstreams being presented to the March Board. Action closed
12/4	the Board requested that a paper be brought to the May Board meeting	SH		On Agenda for March Board meeting.

	which would consider the financial implications of the Skills and Capacity review, Future Workplace requirements and the Pay and Reward work as all of these are likely to result in an increased cost base.			Action closed
Future Workplace Requirements				
12/5	the Board were supportive of the recommended approach and the proposed next steps as set out in the paper. As the approach developed, financial information should be included along with information on whether the use of part of the George Street property by the organisation was viable.	SH	17 July 2019 (for July Board)	

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Stakeholder Meetings BD(2019)13.1	
Security classification	Unclassified	
Presented by	Amanda Bryan/Simon Hodge	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note this paper.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair and the Chief Executive have held during the period from 30 November 2018 to 11 March 2019.

Meetings held

2. The Chair and Chief Executive jointly met with:
 - Alastair Carmichael, MP on 10 December 2018
 - Chief Operating Officer, The Crown Estate on 11 December 2018
 - Angus Brendan MacNeil, MP on 11 December 2018
 - Paul Wheelhouse MSP 16 January 2019
 - Meeting with Crown Estate Scotland Managing Agents 5 February 2019
3. The Chair attended or met with:
 - Scottish Green Energy Awards Dinner on 6 December 2018
 - Crown Estate Scotland stand at Scottish Parliament on 5 February 2019
 - Prof Lorne Crerar, HIE on 5 February 2019 (by telephone)
 - Ian Hepburn, North West Mull Community Woodland Company Limited (by telephone)
 - Interviews for new Crown Estate Scotland Board members on 19 and 20 February (with Mike Palmer and David Mallon)
 - Graham Black, Marine Scotland on 27 February
 - Rural Strategy Consultation events – Whitehill and Glenlivet on 27 February and 6 March 2019

- Convention of the Highlands & Islands, Orkney (also representing Forestry Commission Scotland) on 4 March 2019
4. The Chief Executive attended or met with:
- Directors and Harbourmaster, Shetland Islands Council on 3 December 2018
 - Lerwick Port Authority on 3 December 2018
 - Leader and Chief Executive Shetland Islands Council on 4 December 2018
 - Scottish Green Energy Awards Dinner on 6 December 2018
 - Managing Director of Scottish economic development, Scottish Enterprise on 10 January 2019
 - Deputy Director of Energy (Consumers & Low Carbon), Scottish Government on 10 January 2019
 - Chief Executive, SCDI on 16 January 2019
 - Chief Executive, Scottish Future's Trust on 17 January 2019
 - Chief Executive, Cairngorms National Park Authority on 21 January 2019
 - Meeting with North Ayrshire Council on 22 January 2019
 - Gillian Martin, MSP on 23 January 2019
 - Marie Gougeon, MSP on 31 January 2019
 - Environment & Economy Leaders Group Meeting on 6 February 2019
 - Meeting with Simon Hodgson, Forest Enterprise Scotland on 18 February 2019
 - Russel Griggs, South of Scotland Economic Partnership on 18 February 2019
 - Convention of the Highlands & Islands, Orkney on 4 March 2019
 - Director, Marine Scotland, Director of Business Infrastructure, Scottish Enterprise and representatives from HIE and Transport Scotland to discuss ports and harbours on 11 March
 - Participation in several meetings/teleconferences with Roseanna Cunningham and Paul Wheelhouse in relation to tidal energy.

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Health & Safety Report BD(2019)13.2	
Security classification	Unclassified	
Presented by	Andrew Wells	
Author	Andrew Wells	
Annexes	Annex A: Revised Health & Safety Framework Document Annex B: Health & Safety Performance Dashboard – October 2018 to March 2019 Annex C: Health & Safety 'Health Check' Report Annex D: Rural property compliance report	
Recommendation	The Board are invited to note and comment on the contents of this report and the draft revised Health & Safety Framework Document (Annex A) and to consider nomination of a Board member with responsibility for Health & Safety	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. In line with the reporting process agreed with the Board, this paper provides an update regarding the management of Health and Safety across Crown Estate Scotland since the previous report on 27 November 2018.
2. Since November, the Chief Executive Officer (CEO) has been undertaking a review of the Health & Safety Framework document for Crown Estate Scotland, working with the Head of Property, the H&S Consultant and the H&S Co-ordinator, to ensure the duties of the Accountable Officer and relevant management staff are adequately reflected in the document and all relevant management processes and systems are being appropriately considered and managed. This review has sought to ensure that a system of health and safety risk management is fully embedded in the organisation which can be signed off by the CEO as part of the Assurance Framework.

3. This revised Framework Document is included as an annex with this paper and the Board are invited to comment and approve the revised draft subject to any amendments.
4. The approach recommended by the Health and Safety Executive to follow the **PLAN, DO, CHECK, ACT** continues to be a key component of the revised H&S framework, which incorporates those elements agreed with the Board when the H&S Framework was first developed in 2017. This paper therefore continues to report against how those 4 points have been implemented since the previous report.
5. Andrew Green of Green's of Haddington Ltd continues to offer Health & Safety advice in support of management staff and managing agents. There are no changes proposed to this arrangement and it is anticipated this annual contract will be renewed in April 2019. Fees for this support have amounted to c. £6K (including disbursements) in the 2018/19 reporting year.
6. The H&S Consultant has met regularly with the Head of Property and with the H&S Coordinator. He attends the Glenlivet and Fochabers Estate on a quarterly basis, sits on the Health & Safety Committee, is available for consultation at any time and is involved in the review and update of the policies and procedures and production of all H&S manuals.

Discussion - PLAN

7. Risk Assessments for work activities/office management/fire risk/COSHH etc. undertaken by the Glenlivet and Fochabers staff are reviewed annually. The next review is due in April 2019. Following each review staff are requested to sign a record to acknowledge the revised assessments as part of the compliance system. Risk assessments for work activities in Bells Brae are similarly reviewed by the office manager. A similar system for staff sign-off has not yet been implemented but will form part of the next review. Staff changes will require this to be incorporated into management systems when the new office manager is appointed.
8. The Risk Assessor (RA) App being used by the Fochabers maintenance workforce continues to be a useful tool for preparing site specific risk assessments. The workforce also use a CDM app in conjunction with the RA app. This has removed the previous paper-based system and has further reinforced the H&S culture within the team by providing a more efficient and manageable process.
9. The revision of the H&S framework has identified the need to put in place more robust resumption and recording policies and processes across all H&S management systems. This is part of the evolution of management systems within HR, property and office management and following the development of new H&S policies and procedures now needs implementation. This will ensure sufficient evidence of compliance is recorded to demonstrate that action has been taken.
10. The revision has also highlighted the opportunity for a Board member to be formally nominated as having responsibility for H&S management. **The Board are requested to consider this and make recommendations accordingly.**
11. The revised policy for tree safety surveys is currently in the final stages of review and will be completed once clarification on the specification/scope for tree safety management (TSM)

plans had been agreed with managing agents – who have responsibility for the development of TSM Plans.

Discussion – DO

12. Health & Safety Committee continues to meet and discuss issues. Meetings have been held on 31 October 2018 and 11 February 2019. The meeting continues to focus on operational management according to a standing agenda. In future it is proposed to build the agenda around operational matters based on the HSE checklist (Appendix 1 of the revised H&S Framework) to ensure this further embeds compliance processes in operational management.
13. Health & Safety manuals that summarise the arrangements for managing health & safety have been produced for staff at Fochabers, Glenlivet and Bells Brae. These have been finalised and issued. A lunch and learn session is planned for all staff in April 2019 to raise awareness about the content of the manuals and to remind staff about key H&S risks.
14. All of the action points identified in the H&S 'health check' report have been actioned and either completed or are ongoing. The spreadsheet at Annex C shows progress with a RAG rating against the recommendations as requested by the Board at the November 2017 meeting.
15. E-Training is currently being introduced that will allow regular training of staff to be undertaken in subjects such as health & safety awareness, fire awareness, asbestos awareness, driving awareness.

Discussion – CHECK / REVIEW

16. The review to the H&S Framework Document undertaken by the CEO has made several changes to the original document approved by the Board in November 2017. The revised draft is included in Annex A. The principle changes relate to clarification of roles and responsibilities across the organisation, risk management processes, health and safety culture and how this relates to HR procedures, (staff training, induction and welfare), reporting and monitoring, and health and safety of members of the public, tenants, contractors and third parties.
The Board is requested to comment on the revised draft which when finalised will be published on the Crown Estate Scotland Website and the proposed new staff Intranet.
17. The H&S Performance dashboard (Annex B) summarises the accidents recorded in the whole year of the 2018/19 financial year. The records show a small increase in accidents since the previous reporting year. These relate primarily to reports of relatively minor cuts/lacerations but there is no apparent single reason for this and this may relate to improved reporting processes and staff awareness.
18. The Rural Property compliance report (Annex D) provided by Savills shows the current records of property inspections on the Rural estate. The compliance report is a taken at a moment in time and therefore needs to be interpreted with a degree of flexibility.
19. As part of Savills internal procedure, they require property managers to update the asbestos registers every 12 months to record any changes in the condition of asbestos on commercial property. In the majority of cases this records that asbestos containing material has in fact been removed and replaced with non-asbestos containing material - for example when replacing

farm roofs with new fibre cement material. On the Applegirth and Whitehill Estates this work is overdue (amber and red) largely because of the work associated with the condition survey. This will be updated over the course of the summer 2019. At Fochabers and Glenlivet the exercise is being redone from scratch, as it became clear that there were errors with the work undertaken by the original contractors. This is a legacy matter from The Crown Estate and new contractors are about to be appointed.

20. A number of the annual farm inspections are also overdue. This will be caught up as part of the inspection programme over the summer months. This doesn't mean that the farms have not been inspected.
21. It should be noted that the residential inspections are largely up to date.
22. The overdue carbon monoxide inspections relate to farmhouses which are currently exempt from the regulations. Works are underway to complete these under the general duty of care and in the main relate to completing work on the Glenlivet Estate
23. There has also been an increase in near miss reporting. This is assessed as being a result of the new near-miss reporting system and greater awareness amongst staff.

Discussion – ACT

24. A new staff Intranet is currently under development. This will significantly improve staff access to H&S documentation will allow for single point of entry to all minutes of H&S Central Committee meetings, policies, manuals, risk assessments, compliance forms, etc. The Intranet page will also include a list of membership of the central committee, contact details for Andrew Green, a list of first aiders in the office, information regarding use of office defibrillators, location of first aid kits, newsletters from Greens of Haddington, H&S advice/guidance for common hazards, information regarding reporting incidents, links to HSE guidance, and information regarding the duty of employers and employees.
25. As part of the development of a resumption system to ensure relevant revisions of policies and procedures are undertaken as specified and policies and procedures are being actioned/followed, a system of checking how work is undertaken and whether the systems employed by Crown Estate Scotland are being implemented on the ground as per these procedures will also require further development. These systems already exist for Property Management as included in the Rural Property Compliance report (Annex D) Particularly in relation to Glenlivet and Fochabers workforce who are undertaking the higher risk activities.
26. A Risk Register also being developed that will show how Crown Estate Scotland is managing the identified risks with hyperlinks to the relevant documentation.
27. All incidents and near-miss reports have been followed up with the H&S consultant / relevant managers and action taken where required to mitigate against similar incidents re-occurring. Staff have been kept informed of all incidents at staff meetings to raise awareness of hazards. All incidents have also been reviewed by the central H&S committee.

Sustainability

- 28.** Health and Safety management is a key material issue in relation to sustainability management within Crown Estate Scotland. The review of the H&S framework document is intended to further embed the H&S culture in the organisation, contributing to long term sustainability.

Legal implications

- 29.** The Health & Safety at Work etc Act 1974 places broad duties on employers to ensure, so far as reasonably practicable, the health, safety and welfare of its employees and the health and safety of people who are not employed but who are affected by its undertaking.
- 30.** Greens of Haddington continue to provide advice to Crown Estate Scotland regarding any legal/regulatory/HSE advice requirements and to monitor compliance with all relevant legislation.
- 31.** Further consideration is required regarding the potential for Crown Estate Scotland to benchmark compliance with relevant accreditation schemes through both internal and external audit processes. This is a matter that would benefit from further discussion by the Board and the Executive Team.
- 32.** There are currently no concerns that Crown Estate Scotland is in breach of any legal requirements and the processes and systems developed over the last two years have ensured H&S management is increasingly embedded in operational management practices. This work will be continued in the coming year.

Risk

- 33.** The ongoing review of / putting in place policies and procedures, the revised H&S framework, risk assessment etc. and the implementation of the Plan Do Check and Act approach all contribute to the management of risk. Further improvement of these systems as planned and reported above will further help to ensure the organisation reduces the risk of injury to staff and the safety of people affected by Crown Estate Scotland activities.

People considerations

- 34.** Development of the H&S culture across the organisation remains a priority. Staff acknowledgement and acceptance of policies and procedures is high.

Reputational / PR implications

- 35.** There have been no H&S incidents which have resulted in any cause for concern regarding Crown Estate Scotland's reputation since the last report.

Draft revision



HEALTH & SAFETY MANAGEMENT FRAMEWORK

Our health and safety policy commitment

Crown Estate Scotland (Interim Management) is a body corporate constituted by The Crown Estate Scotland (Interim Management) Order 2017 and having its principal place of business at 6 Bells Brae, Edinburgh, EH4 3BJ, acting in exercise of the powers conferred on it by the Scotland Act 1998 (as amended) and The Scottish Crown Estate Act 2019 on behalf of Her Majesty the Queen.

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

Through working with others, we aim to innovate with land and property to create prosperity for Scotland and its communities. All our revenue profit goes to Scottish Government. Our 2017-20 corporate plan and annual business plans detail our priorities and objectives, and our Framework Document sets out our functions, duties and powers.

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

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

Our Health and Safety Framework sets out how we will achieve this. We will review this policy and this framework annually to capture changes in legislation and new ideas from within our organisation and our supply chain. All employees are expected to understand and apply the requirements of this policy and Crown Estate Scotland will support and enable staff to embed a positive health and safety culture.

Signed:

Simon Hodge
Chief Executive
Dated: XX 2019

About our health and safety framework

This document outlines how Health and Safety issues are managed within Crown Estate Scotland (CES). The framework is based on the following essential principles:

- Strong and Active Leadership from senior management and the Board:
 - Visible, active commitment from the Board.
 - Effective communication to staff.
 - Integration of good health and safety management with business decisions.
- Workforce Involvement:
 - Engaging the workforce in the promotion and achievement of safe and healthy conditions.
 - Effective communication from and with staff.
 - Providing high quality training.
- Assessment & Review:
 - Identifying and managing risks.
 - Accessing competent advice.
 - Monitoring, reporting and reviewing performance.

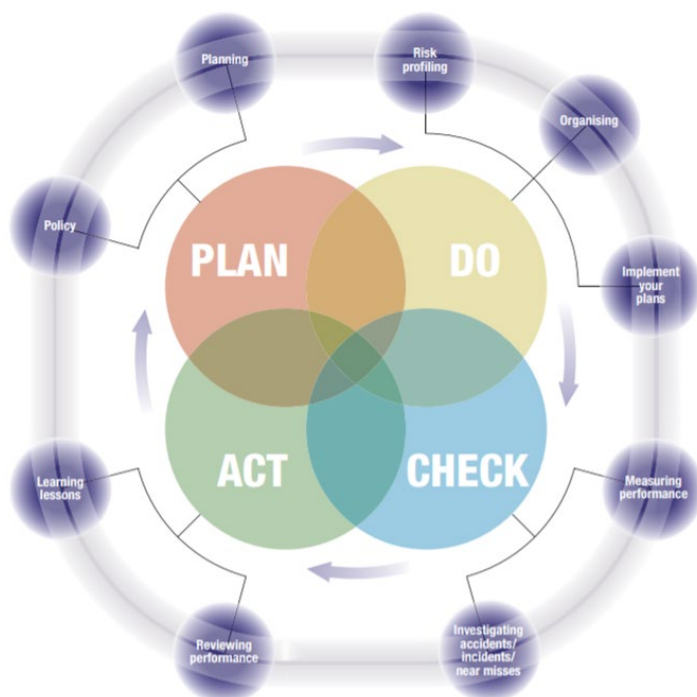
Crown Estate Scotland recognises the three main reasons why health and safety compliance is vital:

- Moral: There is no justifiable reason why the Health & Safety of CES employees or members of the public should be compromised as a result of the activities of CES. CES seeks to fully comply with the legislation and best practice.
- Legal: The Health & Safety at Work etc Act 1974 places broad duties on employers to ensure, so far as reasonably practicable, the health, safety and welfare of its employees and the health and safety of people who are not employed but who are affected by its undertaking. CES is aware that failure to comply with the Act and the regulations made under it could be subject to a criminal prosecution.
- Financial: The cost of failure to comply with Health & Safety regulations can be significant, in terms of staff impact lost output and potential fines. Complying with Health & Safety legislation is therefore good business and CES considers the price of compliance as an investment rather than a cost.

We will seek to comply with the Health and Safety at work Act etc., 1974 and all other relevant statutory provisions across all aspects of CES business. This involves:

- Developing arrangements to prevent, injury, ill-health and damage as a consequence of our undertakings.
- Providing a safe and healthy working environment.
- Providing and maintaining plant, machinery and systems of work that are safe and without risk to health.
- Ensuring assessments of risks to people are undertaken and control measures implemented to manage these risks.
- Providing information, instruction, training and supervision as is necessary to ensure the health and safety of our employees.
- Allocating sufficient resources to enable health and safety policies to be effectively implemented.
- Consulting and maintaining good relations with employees, trade union representatives, and relevant public agencies.
- Making the management of health and safety is an integral part of our daily activities and actions.

Our four-point approach to health and safety management is based on the Health & Safety Executive and Institute of Directors guidance 'Leading Health and Safety at Work – INDG417(rev1)',



We use the plan, do, check, act questions in the Health and Safety Executive leadership checklist¹ to evaluate our performance (Annex 1).

Responsibilities for health and safety

CES is defined as a Public Corporation, with oversight by a board of non-executives and a chairman appointed by Scottish Ministers.

The Crown Estate Scotland Board is expected to assure itself on the effectiveness of the internal control and health and safety risk management systems. The Board is supported in this role by Crown Estate Scotland Audit and Risk Committee, and a board member with a specific focus on health and safety management. To provide this assurance, the Crown Estate Scotland Board requires that the Accountable Officer ensure that a system of health and safety risk management is embedded in the organisation. This requirement is laid out in the organisation's Framework Document².

Commented [WA1]: To be confirmed as per paper

In accordance with the Scottish Public Finance Manual, Crown Estate Scotland will introduce an Assurance Framework³ to provide the basis for the annual Certificate of Assurance from the Accountable Officer. This assurance framework will incorporate risk management, including for health and safety management, requiring the Crown Estate Scotland Executive Team to provide evidenced assurance of appropriate risk management in each of the four functions in accordance with this risk management policy. The operation of the Assurance Framework will be tested by CES' internal and

¹ <http://www.hse.gov.uk/leadership/checklist.htm>

² <http://crownestatescotland.com/about-us/structure-governance>

³ <http://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts>

external auditors.

The Crown Estate Scotland Board reviews and approves risk management policy after seeking advice from the Audit and Risk Committee. The policy is formally reviewed and approved on at least an annual basis.

Health and safety is considered at every board meeting. On a quarterly basis a specific health and safety report is provided to the Board with an analysis of accidents and incidents, and evidence in relation to learning, mitigation and development of health and safety culture and practice.

A specific member of staff is nominated to take a lead role for workplace health and safety and maintaining a health and safety manual at each location. These nominated staff are responsible for:

- Fire risk assessment, fire alarm checks and maintenance, designation of fire wardens, management of fire exits and fire extinguishers.
- First aid provisions.
- Water hygiene management (legionella).
- General safety of workspaces including avoidance of trip hazards.
- Signage, display of health and safety law poster and display of health and safety committee material.
- Local implementation of emergency procedures and identification of responsible persons.

CES has a Health and Safety Central Committee with representatives from all business areas (terms of reference are at Annex 2). It is a formal basis for workforce input into health and safety management and provides a forum for understanding how to strengthen health and safety culture and communications.

Risk management processes

CES maintains a Strategic Risk Register which identifies and records response to risks that are significant at an organisational level. The objective is to mitigate or terminate risks to achieve a residual risk rating in accordance with risk appetite. Risk 1 is that an accident on the Scottish Crown Estate leads to a fatality or serious injury. The following control strategy is summarised:

- health and safety expertise and capacity sourced.
- Risk management policies and risk assessment processes in place.
- Active programme of health and safety culture development, induction and training.
- health and safety integrated into governance, reporting and all meeting agendas.
- health and safety appropriately reflected in contract and tenancy arrangements.
- Implement member-of-the-public safety management for in-hand land, particularly where CES provides recreation facilities.
- Reporting, inspection and monitoring systems for directly managed facilities and by managing agents.

CES has prepared a series of Health and Safety Policy Guidance Notes as a key tool for risk management. The current suite is:

- HSP02 Management of Common Risks
- HSP03 Emergency and Incident Response
- HSP04 Environmental Management
- HSP05 Electrical Safety and Gas Safety
- HSP06 Asbestos Management
- HSP07 Managed Properties in the Rural Portfolio

- HSP08 Managed Properties in the Costal Portfolio
- HSP09 Plant Equipment and Heavy Operations
- HSP11 Occupational Health and Wellbeing
- HSP12 Working at Heights

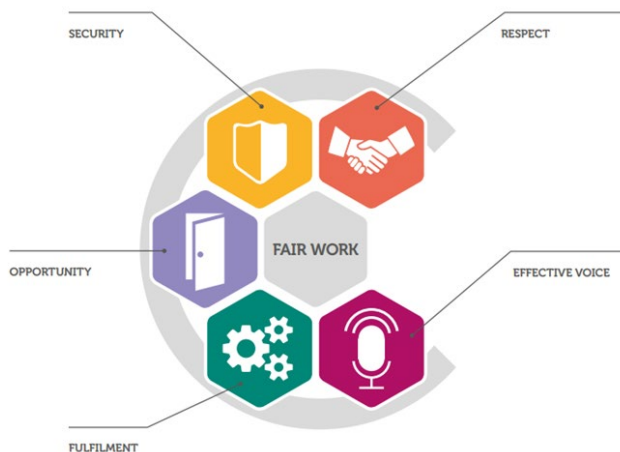
Work is underway to bring health and safety policies for forestry, tree safety management and recreation trail management into this series.

Health and Safety Guidance Notes will be reviewed annually, at which point a refreshed health and safety risk analysis will be undertaken to ensure health and safety guidance is provided for all appropriate activities.

CES maintains a Crisis Communications and Management Plan⁴, which lays out procedures for managing emergency situations, including a health and safety incident.

Health and safety culture

CES is in the process of finalising its People Strategy, which aims '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'. It uses the Fair Work Principles⁵: 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.



These principles embed health, safety and wellbeing throughout (Appendix 2).

Both the organisation's Chief Executive and Head of Property have completed The Institution of Occupational Safety and Health (IOSH) Health and Safety Leadership course and additional training is underway for the Glenlivet Business Assistant, who co-ordinates health and safety management.

CES utilises the services of the health and safety consultancy, Greens of Haddington Ltd, for expert advice, guidance on the development of health and safety policies, and ongoing monitoring of health and safety management. Greens of Haddington Ltd provide an alert service to ensure changes in legislation are communicated to relevant personnel and incorporated into policies and procedures.

⁴ [\[insert link here\]](#)

⁵ <http://www.fairworkconvention.scot/framework/FairWorkConventionFrameworkFull.pdf>

Health and safety training and induction

CES is currently strengthening health and safety induction procedures for new staff; it is intended to use an e-learning platform to include: responsibilities and legal requirements (who is responsible for what, individual employee's responsibilities, employer's responsibilities); hazards and risks (risk assessments, slips trips and falls, dealing with hazards, falls, safe working, musculoskeletal care, display screen equipment, hazardous substances, personal protection, fire safety at work); safety signs and notices; and workplace safety and procedures.

More specific training is provided to staff involved in specialist tasks. This principally relates to field staff based at Fochabers and Glenlivet.

Reporting and monitoring

A health and safety summary is provided to every board meeting and a more substantial quarterly report is considered by the Health and Safety Committee and put to the CES Board.

An accident book is maintained at each office / staff base. Reporting of dangerous occurrences/near misses is actively encouraged and shared learning from occurrences is facilitated. Completed forms are sent to Karen Greens of Haddington, the H&S Coordinator and the Head of property for compilation and for the H&S advisor to establish whether further investigation and or revision of existing working practices needs to be adopted.

Resumption and recording systems are well developed for CES field teams, and these systems will be extended across the organisation. This approach is based on an Excel spreadsheet for recording compliance evidence and feeding an Outlook resumption system. Our Cascade HR system will be used for individual training records as well as ill-health absence recording.

Directly managed activities

CES carries out a limited amount of direct land management activity on the Glenlivet and Fochabers estates involving a team of seven staff. The activities are:

- Forest management.
- Estate maintenance – particularly water supplies.
- Glenlivet estate visitor services.

Where required these activities are managed in accordance with relevant legislation.

Policies and procedures are in place to identify and manage the risk to staff for the activities they undertake. Supervisory responsibilities have recently been reviewed and a clearer and simplified line management arrangement put in place.

The managing agents, Savills, have a role in instructing some of the estate maintenance tasks undertaken by the maintenance team. Health and safety aspects of the job specification are managed through their contractor management system. Direct management of the team undertaking these tasks is provided by the Glenlivet Countryside Manager.

All commercial forest areas across the Crown Estate Scotland are managed in-hand by the CES Forester. Forest management activities including felling, ground preparation, planting and general maintenance are the responsibility of the Forest Manager. Woodland management is audited annually against the UK Woodland Assurance Standard which includes elements of forestry health and safety.

Health and safety of members of the public

Over much of the Scottish Crown Estate, tenants have primary responsibility for the health and safety of members of the public. CES holds primary land owner responsibility for member of the public health and safety in our directly managed forests and other in-hand land. At Glenlivet we invite members of the public onto a network of walking and cycling trails which are subject to active management and a regime of regular safety checks, with an emphasis on managing the interaction

between public access and forestry operations.

Health and safety of tenants, contractors and third parties

Most activity on the Scottish Crown Estate is undertaken by tenants and agreement holders. CES also uses contractors, agents and other service providers. These contractual arrangements can be characterised as follows:

- Direct procurement contracts. This includes a range of services, most significantly for land agency, legal advice, financial advice and HR services. CES also from time to time procures practical services in relation to building and estate management. Management of direct contracts involves implementation of appropriate on-site procedures as well as ensuring health and safety is properly covered in contract documentation. Where appropriate these arrangements are managed under the CDM regulations.
- Indirect procurement contracts. Agreement management for the rural and coastal portfolio is undertaken by managing agents. This can involve managing agents procuring and managing construction and building repair activities on the Scottish Crown Estate. In these cases managing agents use contract management systems that establish and meet the requirements of CDM regulations. Procedures are in place to monitor managing agent compliance through regular reporting, incident management procedures and property compliance, in accordance with the terms of managing agent appointments (Annex 4). Our current managing agents are:
 - Savills – management of rural and urban property apart from forestry and recreation facilities and CES workplaces.
 - Bidwells – management of coastal assets and agreements.
 - Wardell Armstrong – management of active and in-hand quarries and mineral works.
- Leases and licence agreements. CES has some 5000 leases and licence agreements ranging from fish farms and marine activities through farms, river fishing, mineral extraction to houses and business premises.
- ‘Standing sales’. Timber is sold by standing sale, whereby the buyer secures a temporary right of occupation to a felling site in order to harvest an agreed area of timber.
- Partnerships and SPVs. Occasionally CES might enter into a legal agreement with third parties in relation to an investment or project. Currently the only example is the MeyGen tidal energy project.

CES is currently reviewing historic approaches to health and safety provisions in this range of agreements and legal advice is being sought as a basis for moving to a consistent approach across the organisation.

Appendix 1: HSE health and safety checklist

Plan

- How do you demonstrate the board's commitment to health and safety? See [Writing a health and safety policy](#).

Do

- What have you done to ensure your organisation, at all levels including the board, receives competent health and safety advice? See [Deciding who will help you with your duties](#).
- How are you ensuring all staff – including the board – are sufficiently trained and competent in their health and safety responsibilities? See [Health and safety training: A brief guide](#).
- How confident are you that your workforce, particularly safety representatives, are consulted properly on health and safety matters, and that their concerns are reaching the appropriate level including, as necessary, the board? See [Consulting and involving your workers](#).
- What systems are in place to ensure your organisation's risks are assessed, and that sensible control measures are established and maintained? See [Controlling the risks](#).

Check

- How well do you know what is happening on the ground, and what audits or assessments are undertaken to inform you about what your organisation and contractors actually do?
- What information does the board receive regularly about health and safety, eg performance data and reports on injuries and work-related ill health? See [Auditing and reporting](#).
- Do you compare your performance with others in your sector or beyond?
- Where changes in working arrangements have significant implications for health and safety, how are these brought to the attention of the board?

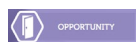
Act

- What do you do to ensure appropriate board-level review of health and safety? See [Successful health and safety management](#).

Annex 2: Crown Estate Scotland Health and Safety Central Committee terms of reference

[add in here]

Annex 3: 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 4: Schedule to Managing Agent's Contracts

Schedule Part 8 – Health & Safety

1.1 You are responsible for managing and making sure we meet, as property owners, our health and safety obligations. In particular, you must:

- (a) maintain all relevant records including statutory records;
- (b) fully co-operate with our **head of Health and Safety** or any health and safety adviser we instruct.
- (c) as soon as possible, tell us about any new health and safety law or other law which affects our health and safety obligations whether or not it may lead to a requirement to carry out work to any of our properties.
- (d) make sure that all contractors and suppliers you appoint to do work to our properties have the relevant skills, resources and have effective health, safety and environmental management systems. You must review these systems regularly, make sure that the contractors implement all necessary controls when carrying out work at any of our properties, and keep records of any such reviews for future inspection.
- (e) make sure that all assessments of risks created by any of our properties are carried out and formally reviewed at least once every 12 months, and make any necessary changes on-site within agreed timescales.
- (f) make sure that if there is an accident, incident or environmental incident, a suitable investigation is carried out and the findings are communicated to us as soon as possible. You must tell us straight away if there is a serious or major incident, including any enforcement action by a regulatory body.
- (g) inform us of any intended work to the property (including service-charge work) that is notifiable to the Health & Safety Executive under the Construction (Design and Management) Regulations 2015 ("CDM 2015"). Where you appoint contractors to carry out construction work as defined by CDM 2015 at our properties, you will take on the role of "Client" and fully discharge all duties of the 'client' as detailed in CDM 2015. You must identify and formally appoint competent duty holders including as necessary Principal Designers and Principal Contractors and provide assurance that those duty holders meet the standard outlined in CDM 2015. You must make sure we are fully aware of the extent of the proposed work and have sufficient understanding of the arrangements in place to control it, including a pre-start inspection of the site and documented confirmation that all "Client Duties" have been fully discharged.

1.2 Where you manage building projects, you must carry out initial checks before any construction work begins on non-notifiable projects including, as stated in Guidance L153:

- (a) checking that there is adequate protection for our workers or members of the public or both;
- (b) checking that the contractor has provided adequate welfare facilities;
- (c) checking that there is good co-operation and communication between designers and contractors;
- (d) getting confirmation from the contractor that the arrangements they agreed to make have been implemented.

1.3 Where you are responsible for the instruction/co-ordination/management of any directly employed Crown Estate personnel, you must ensure that:

- (a) they remain compliant with all internal safety, health and environmental requirements;
- (b) appropriate risk assessments and method statements are in place for the tasks instructed;
- (c) they are competent to carry out the assigned task;
- (d) there is safe access and safe equipment;
- (e) they are provided with information on the health and safety risks associated with the task;

Commented [WA2]: This wording is per the existing contracts and will be changed in the next review

(f) adequate supervision is in place;

(g) they comply (through regular inspections) with all health and safety controls (identified in risk assessments); and

(h) health and safety is regularly reviewed as part of day to day management.

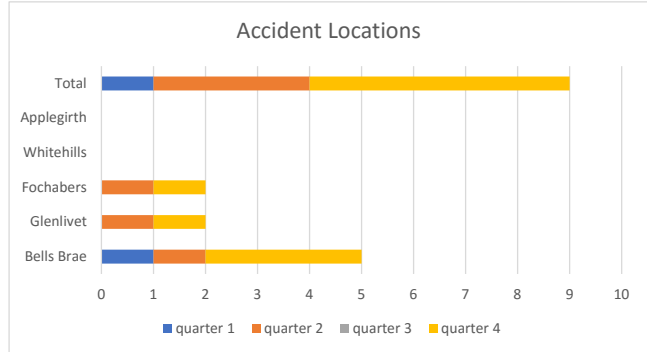
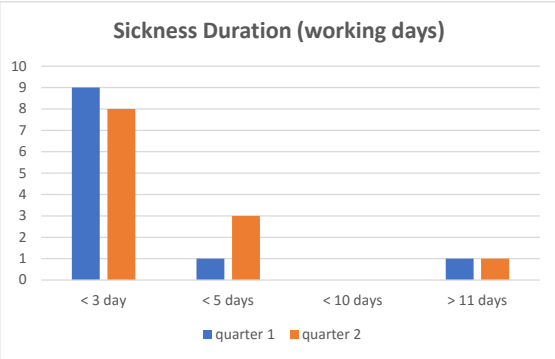
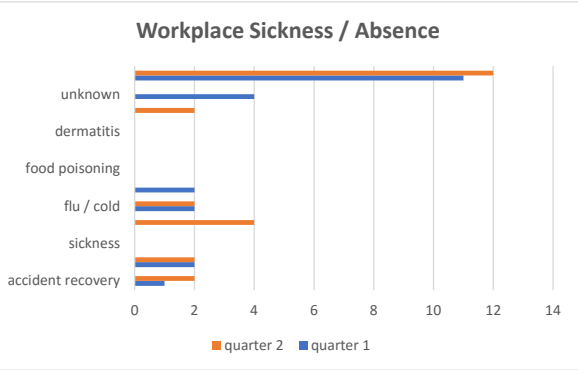
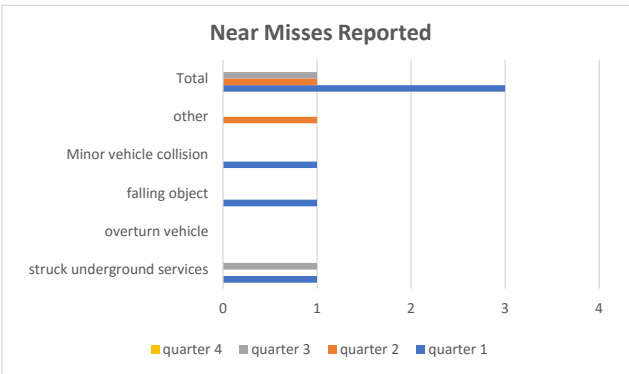
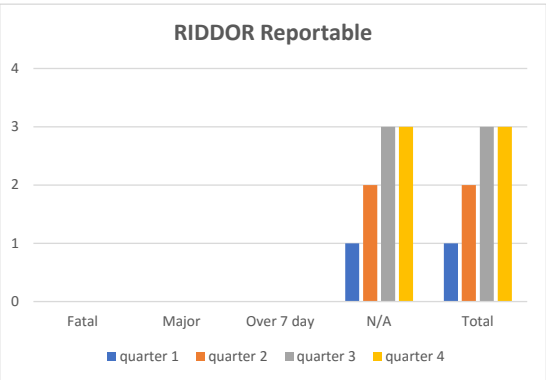
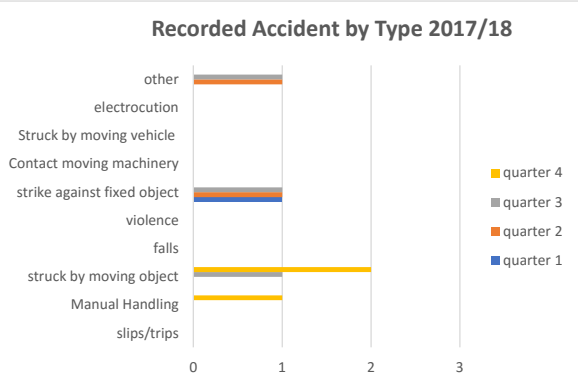
1.4 We aim to attain compliance and future accreditation to voluntary Health and Safety Standards. You must work closely with our Head of Health and Safety and all appointed specialist advisers, and agree to implement practices and controls to assist in this process.

1.5 Where we issue Crown Estate health and safety policies from time to time, you must comply with these.

1.6 We will agree health and safety performance targets with you each year as part of the business planning process.

1.7 You may be subject to a health and safety due diligence audit at least once every 12 months.

HEALTH & SAFETY PERFORMANCE 2017/18



Information relevant to the statistics could be put here including information about specific incidents / accidents - particularly the more serious ones.

This space could also report any progress relating to accident investigation or any dealing with the various enforcing authorities that may be involved

2017/18

Accidents to staff reported	quarter 1	quarter 2	quarter 3	quarter 4	total
slips/trips	0	0	0	0	0
Manual Handling	0	0	0	1	1
struck by moving object	0	0	1	2	3
falls	0	0	0	0	0
violence	0	0	0	0	0
strike against fixed object	1	1	1	0	3
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	1	0	2
Total	1	2	3	3	9

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	1	2	3	3	9
Total	1	2	3	3	9

Incidents / Close shaves	quarter 1	quarter 2	quarter 3	quarter 4	total
struck underground services	1	0	1	0	2
overturn vehicle	0	0	0	0	0
falling object	1	0	0	0	1
Minor vehicle collision	1	0	0	0	1
other	0	1	0	0	1
Total	3	1	1	0	5

Location of accidents	quarter 1	quarter 2	quarter 3	quarter 4	total
Bells Brae	1	1	0	3	5
Glenlivet	0	1	0	1	2
Fochabers	0	1	0	1	2
Whitehills	0	0	0	0	0
Applegirth	0	0	0	0	0
Total	1	3	0	5	9

Sickness / absence	quarter 1	quarter 2	quarter 3	quarter 4	total
accident recovery	1	2			3
stress	2	2			4
sickness	0	0			0
diarrhoea	0	4			4
flu / cold	2	2			4
parent / child / partner	2	0			2
food poisoning	0	0			0
occupational asthma	0	0			0
dermatitis	0	0			0
other	0	2			2
unknown	4	0			4
Total	11	12	0	0	23

Sickness duration (working days)	quarter 1	quarter 2	quarter 3	quarter 4	total
< 3 day	9	8			17
< 5 days	1	3			4
< 10 days	0	0			0
> 11 days	1	1			2
Total	11	12	0	0	23

Accidents	% of non-fatal injuries accounted for by accident kind within industry group
Slips/Trips	28
Manual Handling	22
struck by moving object	10
falls	8
violence	6
strike against fixed object	4
Contact moving machinery	4
Struck by moving vehicle	2

2018/19

Accidents to staff reported	quarter 1	quarter 2	quarter 3	quarter 4	total
slips/trips	1	0	0	2	3
Manual Handling	0	0	0	0	0
Laceration	0	0	4	0	4
struck by moving object	2	1	0	1	4
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	1	0	2
Total	4	2	5	3	14

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	5	3	14
Total	4	2	5	3	14

Incidents / Close shaves	quarter 1	quarter 2	quarter 3	quarter 4	total
struck underground services	0	0	0	0	0
Vehicle accident	0	0	2	0	2
falling object	0	0	0	0	0
other	0	0	4	3	7
Total	0	0	6	3	9

Total Accidents by Quarter	2017/18	2018/19
Q1	1	4
Q2	2	2
Q3	3	5
Q4	3	3
Total	9	14

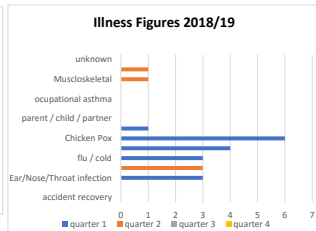
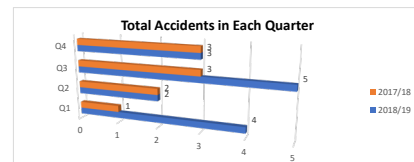
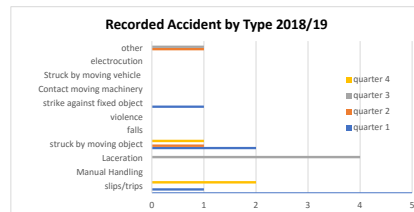
Location of accidents	quarter 1	quarter 2	quarter 3	quarter 4	total
Bells Brae	1	0	1	1	3
GeorgeStreet Office	0	0	0	0	0
Glenlivet	3	0	3	2	8
Fochabers	0	2	1	0	3
Whitehills	0	0	0	0	0
Applegirth	0	0	0	0	0
Total	4	2	5	3	14

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
occupational 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 absen	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



Summary to Date - 30 March 2019 (Q4)

4 minor cuts to hands in Q3. All unrelated to each other.
Rview of gloves took place, no changes required

No accidents in year required time of work

6 near misses reported n Q3 - result of new reporting procedures.

Annex C

Health & Safety Report Actions

Red - at risk
Amber - started on target
Green - complete

Priority	Action	Area Of Business	Responsible Lead(s)	Target Completion Date	Date Completed	Comments	Evidence
High	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.	Glenlivet	Karen Smith & Ranger Team		21/01/2019	Training completed	Completed PDFs available on Wisdom
High	Identify suitable system for managing lone workers based in Bells Brae	Bells Brae	Lisa MacIsaac		31/03/2019		
High	Obtain EE sim cards for workforce in Glenlivet & Fochabers as new EE Masts on Glenlivet Estate get better coverage	Glenlivet & Fochabers	Lisa MacIsaac		15/02/2019		Sim card switched over 15/02/2019
High	Obtain copy of formal Fire Risk Assessment for Bells Brae from Landlord and establish whether fire alram system is monitored by a third party such as ADT	Bells Brae	Lisa MacIsaac		28/01/2019		Risk Assessment now with Andrew Green and copy saved in Wisdom
High	Require 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.	George Street - Bells Brae	Fiona Simpson		01/11/2018		Confirmed by Fiona Simpson
Medium	Finalise and roll out health & safety manuals to the staff at Glenlivet, Fochabers Workforce and Bells Brae staff.	All	Karen Smith, Lisa MacIsaac & Andrew Green		13/02/2019		Glenlivet & Fochabers manuals signed for by staff members, BB manual to be rolled out at staff meeting.
Medium	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.	Bells Brae	Andy Wells		07/01/2019		Included as part of office Manager role
Medium	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.	Bells Brae, Glenlivet & Fochabers	Karen Smith & Lisa MacIsaac		Ongoing	Work ongoing to ensure records are kept up to date	List saved to Wisdom
Medium	Ensure that HR undertake a systematic induction process for new starters with a few days of their entering the workplace.		HR Department & Relevant Managers				New Induction checklist drafted by Fiona Haywood
Medium	Obtain a copy of the noise assessment organised by Savills for the Fochabers workforce. Consider a new pew noise assessment which would include the kit at Glenlivet also.	Fochabers & Glenlivet	Savills			Tom Richmond sourcing original. New test to be arranged for both Fochabers & Glenlviet, dates tbc	
Medium	Finalise the Tree Survey specification and policy and hand to Savills to implement	Scotland wide	Nick Page & Andy Wells			Awaiting finalisation of tree safety management plan format with Savills	
Medium	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.	Bells Brae	Lisa MacIsaac		30/01/2019		CES Procurement policy
Medium	Savills to 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.	Fochabers, Glenlivet, Auchindoun, Applegirth & Whitehill	Foina Simpson / Savills			Savill are obtaining cost to receive the data from the utility companies. This is potentially a significant piece of work.	
Medium	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.	Rhu Marina	Paul Bancks / Bidwells			In process of appointing contractor to carry this out	
Medium	Bidwells to establish an asbestos management plan for the main building at Rhu Marina	Rhu Marina	Paul Bancks / Bidwells			Asbestos contractor appointed to carry out this work.	
Low	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.	Fochabers	Andrew Wells		07/01/2019		Simon Ovenden now Line Manager as of 04/01/2019
Low	Continue to monitor training needs across the organisation and organise as required.	Business Wide	Fiona Haywood & Karen Smith		Ongoing		Training matrix for Glenlviet & Fochabers kept up to date in conjunction with compliance planner and saved on Wisdom. Info also held on MyView
Low	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.	Business Wide	Lisa MacIsaac		Ongoing	Next L&L on H&S Manuals to be confirmed in Bells Brae. Online training sourced and to be rolled out across business	Lunch and Learns undertaken or programmed

Low	Savills to ensure that any immersion heaters in the residential properties it manages are fitted with the correct thermostat.	Scotland wide	Fiona Simpson			Thermostat situation will be checked at annual boiler servicing	
Low	Savills to ensure that there are no decommissioned back boilers still in place in the residential property portfolio.	Scotland wide	Fiona Simpson			Any back boiler still in situ in residential properties, but no longer part of heating system, should be drilled to ensure air can escape.	
Low	Bidwells to update the wording in their leases to explicitly ensure that health & safety responsibilities lie with the tenant.	Coastal	Paul Bancks / Bidwells			Discussions underway with Anderson Strathern	

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Chief Executive's Report BD(2019)13.3	
Security classification	Restricted (in part)	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Simon Hodge/Esther Black	
Annexes	n/a	
Recommendation	The Board is invited to note this Report	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

1. Health and Safety

A full Health & Safety Report (paper BD(2019)13.2) has been submitted to the Board.

2. Meetings/engagement

A full list of the engagement and meetings undertaken by the Chair and Chief Executive (paper BD(2019)13.1) has been submitted to the Board. Positive feedback has been received regarding Crown Estate Scotland's proactive approach to engagement and business activity more widely.

3. People

An update on Pay & Conditions and further detail on other HR projects is provided in separate papers (BD(2019)13.7 and BD(2019)13.8).

To ensure we are helping staff manage their health & well-being, sessions on mental health, resilience and managing change have taken place.

A meeting has been held with David Mitchell of Scottish Government's Property Division to progress the process for determining future work place options.

4. Scottish Crown Estate Act 2019

Implementation will take place in phases, and we are in touch with our sponsor team about what may come into force when.

5. Local Management Pilot Projects

Overview

- Since the last Board meeting we have had face to face meetings with Comhairle nan Eilean Siar (CnES), Galson Estate Trust and the Tay & Earn Trust.
- We hosted a workshop on the 14 February with CnES and Orkney Islands Council (OIC), supported by Marine Scotland, to explore the relationship between pilot projects and statutory marine planning, the duties of a future delegated 'manager' of the Scottish Crown Estate, as well as to work through how pilots and ScotWind offshore wind leasing may interact. The meeting was very well received by CnES and OIC and by Marine Scotland (Shetland Islands Council did not attend due to resource constraints).
- We have had extensive dialogue with the Forth District Salmon Fishery Board (Forth DSFB), including entering a data sharing agreement to allow sharing of tenant information within their application area in a manner that complies with data protection legislation.

Stage 2 applications

- Applications were received from all six organisations.
- Galson Estate Trust and CnES have lodged a 'joint' application having reached agreement to remove duplication or any perception of competition between the two proposals following ongoing discussions between the two organisations at our request.
- As a result, we have five applications to assess.
- We agreed that supplementary information will follow in March from Forth DSFB relating to stakeholder/existing tenant support in order to allow them to carry out engagement within reasonable timescales.
- The Board will be asked to consider recommendations to determine preferred projects in May.

6. Net revenue distribution to coastal local authorities

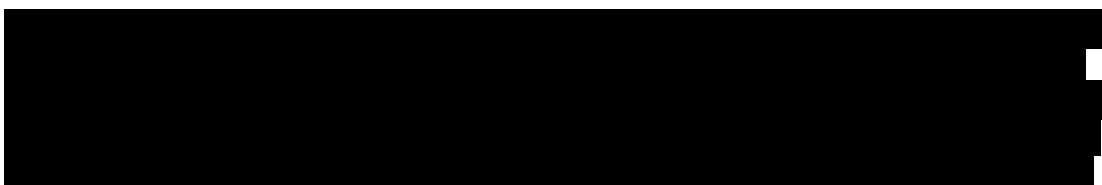
Scottish Government are expected to announce the actual 2017/18 distributions to the relevant local authorities shortly.

7. IT Review

This exercise has started and a number of discussions have taken place between the consultants, our outsourced IT providers, Consilium, and Crown Estate Scotland staff. At present anticipated timescale for delivery of the outputs is on schedule for end April.

8. Marine update

Closed business – commercially confidential



[REDACTED]

Following recent engagement with Scottish Enterprise and HIE, an initial workshop has been set up on 17 April to commence a collaborative approach to develop the approach to investigating and progressing Scotland's 'Blue Economy' opportunity. Along with Crown Estate Scotland, SE, HIE and SCDI will attend.

The January Scotwind update outlined that leasing would not be launched earlier than July 2019. Satisfactory progress in the development of the Sectoral Marine Plan (SMP) by Marine Scotland (MS) is required to launch. There are currently some questions regarding the timeline for SMP – we will continue to engage closely with MS on this.

In March we met with the senior personnel in MS responsible for aquaculture. We discussed Crown Estate Scotland taking a more proactive approach and commenced the discussion on areas where the greatest value could be added. This was consistent with the framework agreed at the January Crown Estate Scotland Board meeting. The meeting and intent from Crown Estate Scotland was welcomed by MS, with a number of follow up actions agreed.

9. Rural & Coastal update

Rural strategy consultation events provided an opportunity to discuss various matters with local estate stakeholders. Questions on the strategy itself were few from how it will affect / benefit the specific community in question. Publicity has included letters to MSPs, Parliamentary Committee Conveners, community councils and local authorities; newspapers advertisements; newspaper editorial coverage; rural newsletter (posted to all tenants); social media, and a one-to-one stakeholder meetings. A fifth event takes place in Edinburgh in early April.

Rural condition survey meeting held as next step towards producing an agreed works programme. Next step is planning for urgent and priority A works. Capital and revenue funds have been included in 2019-20 budget approved by Board in November 2018.

Crown Estate Scotland initiated a workshop of Scottish Government leads on ports and harbours, with Scottish Enterprise, HIE, Transport Scotland and Marine Scotland represented. Attendees agreed the benefits of a collaborative approach, the value of identifying a policy lead in Scottish Government, and the opportunity to profile ports & harbours in a future Programme of Government (alongside wider blue economy activity).

Rhu Marina - notice served by owners of adjoining land to vacate by the end of September. The loss of the boat storage area over the 2019/20 winter will put significant pressure on the operators and increases the requirement for critical marine infrastructure works. This will need to be considered as part of a wider, strategic appraisal of the holdings at Rhu.

Whitehill Estate - Upper Dalhousie on track for surrender payment to be made before end March.

Applegirth wind farm - heads of terms can now be agreed. Scoping report due to be submitted by developer for stakeholder consultation via Energy Consents Unit of Scottish Government.

Meeting with Scottish Power Renewables set for 10 April to discuss their interest in solar power at Fochabers Nether Dallachy airfield.

10. Urban update

JLL have been appointed as joint letting agent (to work with the existing agents, Cushman & Wakefield) for the George Street property. This appointment has been made to provide additional impetus to pursuing lettings of the vacant space but also to assist in defining and implementing a strategy for the property's asset management and value growth.

The resultant strategy is to align lettings and asset management to enable the whole property to be substantially refurbished/reconfigured at a future date – whether that is by Crown Estate Scotland or a successive owner/manager.

An extension to the lease of the fourth floor has been negotiated and agreed with the existing tenant – an additional four years with a mutual break after two years (to facilitate redevelopment if desired).

The vacant first floor has interest from two parties - both are being progressed.

The second floor remains vacant with no definitive occupational interest at present.

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Finance Report BD(2019)13.4	
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: Balance Sheet Annex D: Combined Cashflow Annex E: Transaction Tracker as at 12 February 2019 Annex F: Forecast Outturns	
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 9 months to 31 December 2018

Attached at Annex A is the summary revenue performance.

Headlines:-

- **Actual turnover was £13.5m against a target of £12.3m** – 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 £2.4m against a budget of £2.7m)** – 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 £2.2m, budgeted £2.9m** – Consultancy fees are underspent by £0.3m, 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 (£0.2m). Other areas of savings occur in business travel expenses and health & safety where budget provisions have not been fully utilised.

- **Net profit (before transfers to capital) of £7.8m against a budget of £5.5m.** It is considered that a proportion of the underspend is not permanent and likely to be utilised within the financial year.

Revenue Budget 2019/20

Subsequent to the approval of the 2019/20 budgets at the November meeting of the Board, at the instigation of Scottish Government, a number of additional work packages are being considered. The cost of implementing these is not included in the approved budgets and cashflows - revised budgets therefore will require to be prepared and considered by the Board. The Audit & Risk Committee's advice was sought in this regard – sufficient financial detail and business cases are to be prepared in order for the Committee to be able to give consideration to the incorporation of an additional £1m of expenditure. This information is also required to ensure that the additional sums can appropriately be accounted for as revenue expenditure (as opposed to capital).

Since the November Board meeting two other factors have arisen with key cost implications and it would be opportune to incorporate these in any budget revisions – these are (i) revenue costs arising from the condition survey (the budgets made provision for mostly capital costs however it is likely that the expenditure will be more repair (revenue) in nature than capital) and (ii) the announcement of the increase in employers' contributions to the Civil Service Pension Scheme (following the draft valuation of the scheme, an uplift of approx 6% on the relevant salaries - £140k additional cost for CES).

Capital Account to 31 December 2018

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

Headlines:-

- **Capital receipts for the period of £30.0m, budgeted at £4.1m** – the main contributor is the E&I division (at £25.6m) which saw the receipt of £6.0m lease premium on an offshore wind developer stepping through to lease and £18.8m overage crystallising on a change of ownership of an offshore agreement holder. Rural transactions contributed £4.4m - although the composition of transactions differs from budgeted disposals, sales were carefully managed to ensure capital cashflow, prior to the E&I receipts. Anticipated income in the E&I division from the [REDACTED] is £0.1m, against a budget of £0.6m. [REDACTED] S.
- **Capital expenditure of £1.9m, compared to £5.9m 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 Q3 of £0.3m. 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 progressing the voluntary land registration project have not yet been required (budget to Q3, £0.1m).

- In summary, the capital net position remains significantly ahead of budget - net capital **divestment** of £28.1m for 9 months to 31 December 2018, budgeted net **investment** (for the same period) of £1.8m.

Balance Sheet

The balance sheet as at 31 December is presented, along with the balance sheet at 30 September 2018 for comparative purposes (Annex C).

The balance sheet has had a significant uplift from transactions during the quarter, cash reserves boosted by £27m. The increase in capital and reserves from 31 March 2018 comprises the net gain/loss on sale of assets (net gain of £19.9m – includes £19.2m profits crystallised on overage events), net distributable profit retained (£5.0m) and the net movement between capital and revenue (£1.0m for capitalised salaries, mines moiety and the agreed 9% transfer).

Forecast Outturns

An exercise was carried out at the end of Q3 to forecast projected outturns for the year to 31 March 2019. Attached at Annex F are the summary outputs for forecast revenue and capital performance.

The revised net revenue profit outturn is £10.15m – the material variances in the uplift being the earlier than anticipated income from the Beatrice Offshore Wind Farm, the unbudgeted sale of timber (arising from the need to fell diseased trees) and crystallised underspends on direct and indirect expenditure.

Capital outturns significantly outstrip budget – this reflects the substantial windfall overage income and lease premium that have previously been reported to Board.

Cash and Cashflow

The balances on the Crown Estate Scotland bank accounts at 19 March 2019 were: -

- Revenue accounts - £5.2m
- Capital account - £39.3m
- Total £44.5m

Significant cash movements during Q3 (of the financial year 2018/19) were: -

- Crown Estate Scotland made scheduled profit distributions of £1.8m (second tranche of 2018/19) to the Scottish Government Consolidated Fund on 20 December. This brings the total paid to £7.3m this year (£4.5m for 2017/18 and £2.8m for 2018/19).

- Proceeds were received from the sales of 3 cottages and a farmhouse at Fochabers, the sale of Corsua Farm at Applegirth and one cottage at each of Glenlivet and Applegirth, totalling approx. £2.2m.
- £19.2m was received in respect of overage arising to Crown Estate Scotland from Energy sector transactions.
- £6m premium was received from an offshore wind developer stepping through from agreement for lease to lease.
- Payment to HMRC of £0.3m being Q2 2018/19 net VAT due.

Subsequent to the end of Q3 £0.4m was paid to HMRC (Q3 net VAT due), £2.0m sale proceeds were received from the sale of Auchenthalrig farm and a cottage at Applegirth and £0.2m was received from the sale of timber.

Two interest bearing reserve bank accounts are operated – one for capital and one for revenue. Interest accrues at 0.3% pa on balances over £1m and at 0.2% pa on balances of up to £1m.

A proposal for treasury management was approved by the Board at its November meeting. Scottish Government considered that, due to its nature, the proposal would require Ministerial consent. Following process, this has been given in principle – CES is liaising with its sponsor unit to satisfy any outstanding conditionality. In the interim expert advice has been sought and a draft Cash Management Policy drafted. This aims to set out delegation authorities, deposit risk, counterparty acceptable credit rating limits, etc. It is proposed that, once finalised, it is provided to the Royal Household.

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

The cashflow will require updating as a consequence of any changes to the revenue budgets for 2019/20 – in particular to take account of any approved work packages, the increase to employer pension contributions and the implementation of repairs and capital works coming out of the condition survey on the rural estate. These factors are not yet fully incorporated in the cashflow presented.

Return of net revenue to the Consolidated Fund

Following the payments to Scottish Government (noted above) the subsequent distribution for 2018/19 profit (£2.0m) was made earlier in March. Results and cashflow to date indicate that a further payment on account will be possible before 31 March 2019. This will be considered further as the year end nears and a recommendation brought to the March Board meeting.

Transaction Tracker

The Transaction Tracker, updated as at 12 February, is attached at Annex E for the Boards interest and information. The Tracker is used internally to identify and monitor transactions, mostly capital in nature, of over £100k.

Taxation Matters

The provision of additional information required by HMRC (in support of each 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 is as follows:

- 194 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 155 properties (of which 148 have been acknowledged by HMRC, responses are awaited on 7)
- 106 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.

Regular 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	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Business Performance Report BD(2019)13.5	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Esther Black	
Annexes	Annex A: Summary Dashboard Q3 2018/19 plus notes Annex B: Business Plan 2018/19 Q3 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		

Background

1. The Board is invited to note the Dashboard plus notes in Annex A summarising performance and activity during Q3 2018/19 and the content of Annex B which tracks performance against the Business Plan 2018/19.

BOARD DASHBOARD

Q3 2018-19



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

Business plan - reporting by exception: Q3 2018-19

NO	ACTION	MEASURE	RAG STATUS	NOTES
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.		Pilot areas testing completed. First registration completed. Project Plan calculates on time to deliver the target.
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.		Draft people strategy developed with wider team; staff handbook being developed; skills and capacity review; staff survey yet to be conducted.
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.		No financial support from Local Authority, funding now most likely to be from CES reserves 2019/20.

H&S accidents & incidents/near misses: Q3 2017-18 & Q3 2018-19



Asset management: Q3 2018-19

	RURAL	COASTAL	MARINE (E&I; Aqua)	URBAN
Sales (value)	£3,752,347	£18,100	N/A	£0
Sales (no.)	11	3	N/A	0
No. of properties	844	N/A	N/A	1 (6 Units)
No. of properties vacant	44	N/A	N/A	2 Units
New contracts / leases (approx. revenue pa)	£181,214	£11,301	£5,000,000	£60,852
Contract / lease events	128	18	8	1
Aged debt	£544,622	£615,979	£497,266	£1,235

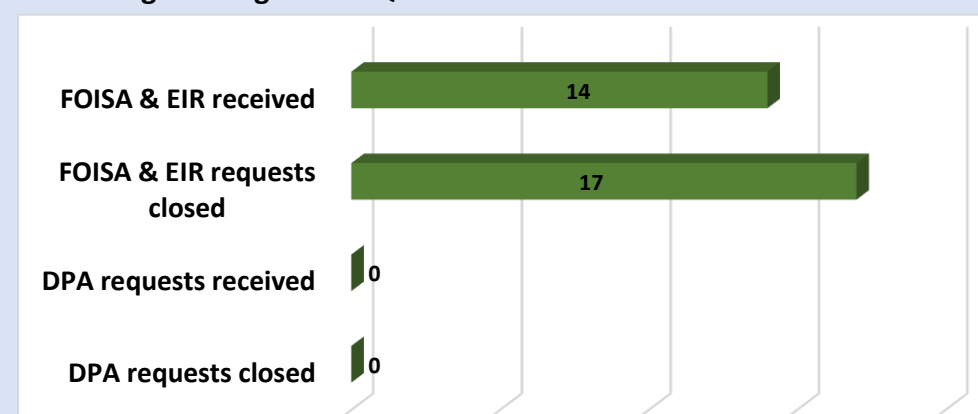
Financials: Q3 2018-19

	YTD ACTUAL (£m)	YTD BUDGET (£m)
Total turnover	13.5	12.3
Net profit	7.8	5.5
Capital receipts	30	4.1
Capital expenditure	1.9	5.9

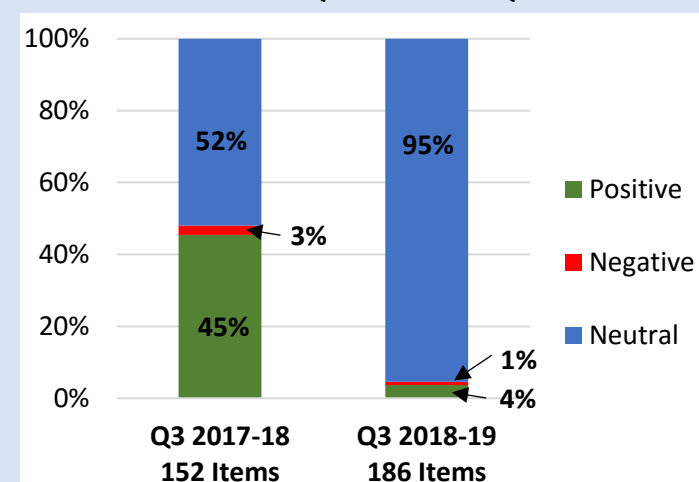
HR Stats: Q3 2017-18 & Q3 2018-19

	Q3 2017-18	Q3 2018-19
Unplanned turnover YTD	8%	12%
Sickness days YTD	140	106
Leavers (including planned leavers)	2	0
New starts	2	2

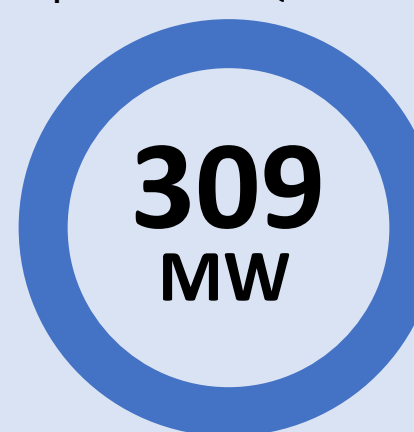
Knowledge management: Q3 2018-19



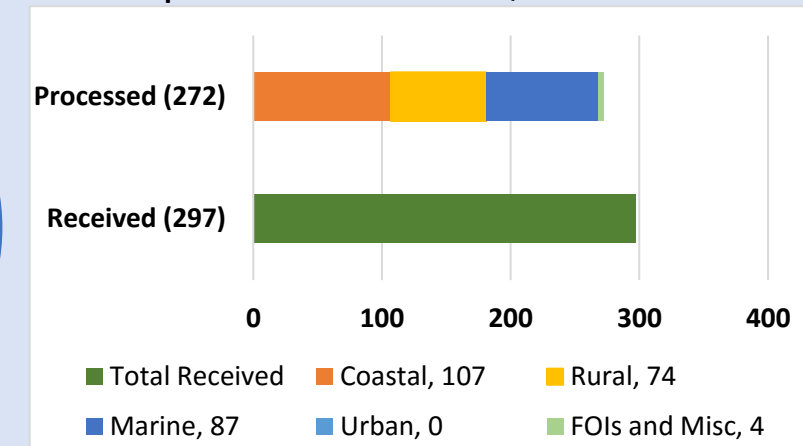
Media items & tone: Q3 2017-18 & Q3 2018-19



Operational MW Q3 2018-19



GIS items processed and received: Q3 2018-19



Procurement Activity: Q3 2018-19 Updates

	Awarded	Underway	Highlights
Q2 2018-19	9	0	• Significant projects include Pay & Reward Consultancy, Rural Portfolio Condition Survey, Offshore Generation Energy Storage & Systems Feasibility Study and Clyde Shellfish Critical Mass Study
Q3 2018-19	1	1	• Current procurement – Shellfish Ecosystem Services • Monitoring of Managing Agent procurement underway, quarterly analysis not yet available.

Crown Estate Scotland Dashboard - explanatory notes

Q3 2018-19

Financials

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

Health & Safety

Accidents & Near miss	There were 4 minor accidents and 4 near misses reported in Q3. There is a new near miss reporting system in place that appears to be working well.
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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.
No. of properties vacant	Rural & Urban figures include only truly vacant land which could be let

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
DPA Requests	Includes Data Protection Act / Subject Access requests

Media

Q3 2018-19	A big jump in volume from last quarter. Virtually all items neutral in tone. Majority of items were on the Bill and seaweed.
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Annex B: 2018-19 business plan – Q3 progress tracker

Corporate

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
1	Manage budget and implement investment strategy to raise capital for reinvestment; deliver revenue profit (paid to Scottish Government to benefit public finances), and capital growth	£3.3m net capital funds raised in 2018/19 £7.3m revenue profit achieved Scheduled revenue payments to Scottish Government made, portfolio valuation shows capital growth	31/03/19	100		Capital and revenue results for the first 6 months evidence strong progress towards our targets.	LH/SH
2	Develop a tool to better understand, measure and monitor our social, economic and environmental impacts & value to inform future planning and investment decisions. Share with SMEs and other bodies, to drive inclusive and sustainable economic benefit.	Methodology or methodologies established by September 2018 Metrics confirmed and first full year of measurement complete with results included in annual report (published summer 2019) Publish methodology or process on our website	18/12/19	25		This work has now been incorporated into the Value Project which will run for 2 years.	CH
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	31/03/19	80		Managing agents review postponed to 2019/20 to take into account operational requirements. 2018 research complete and	EB/AW

	in Scotland, due to conclude Spring 2018)					results shared with teams.	
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.	31/03/19	70		Engagement Charter (based on core values) developed and will be aligned with SLC guidance (published Jan 2019); further embedding of approach taking place through pilots scheme.	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.	31/03/19	70		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	31/03/19	100		First annual report & accounts published Dec 2019.	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	31/03/19	55		Pilot areas testing completed. First registration completed. Project Plan calculates on time to deliver the target.	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.	31/03/19	85		Website, Twitter and e-newsletter targets met; tenant research indicates 49% knowledgeable and 99% aware; 100% Committee and H&I MSPs familiar; further review of feedback and research in Q4 to establish if target met.	EB
9	Further development of public portal (online asset map) plus additional published data providing access to spatial and other data relating to asset agreements.	Scoping completed and delivery plan agreed covering: <ul style="list-style-type: none"> • key asset data • data standards • options for efficient analysis & delivery • capitalise IXP functionality • resource requirements (future budgets and operational plans consideration) Additional downloadable data e.g. aquaculture published	31/03/19	65		Progress – Esri GIS Metadata; Scot Govt SSDI data standards UK Gemini; Ordnance Survey 'Presumption to publish' and Open Govt Licencing (OGL); Operation Dashboard Tools/Outputs.	HK/MG
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 	31/03/19	50		Open Data workshop held; Open Data Publication Plan is in draft and	MG/HH

		<ul style="list-style-type: none"> • data quality • data standards • GDPR (General Data Protection Regulation) compliance • Open Government Licence • Publication of/ access to information 				will be submitted for approval at next Board; if approved on plan to be completed .	
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.	<p>Programme of activity delivered resulting in 70% good-strong levels of employee engagement including awareness of their role in delivering our strategic objectives and corporate plan (as shown in staff survey)</p> <p>80% aware of key proposals in the Crown Estate Bill</p> <p>Max 10% unplanned turnover</p>	31/03/19	70		<p>Staff survey action plan being implemented;</p> <p>staff input into new Vision & Purpose;</p> <p>handbook being developed;</p> <p>draft people strategy developed with wider team;</p> <p>sessions on Bill;</p> <p>all staff session on values Feb 2019; Q3 unplanned turnover YTD 12%</p>	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	31/03/19	60		As per no 11 above; skills and capacity review; staff survey yet to be conducted	FH
13	Compliance with new General Data Protection Regulations.	Policy and procedures in place. Staff training delivered. Staff survey to show majority of relevant staff have good-strong level of understanding.	31/03/19	50		Initial training delivered, and e-learning tool procured and ready to roll out to staff. Staff survey not yet conducted.	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	31/03/19	100		Internship in place. Ongoing ranger volunteering. Staff volunteering and fundraising completed (local high school careers session; children's charity fundraising; etc)	AW/EB

Marine (Energy & Infrastructure; Aquaculture)

Energy & Infrastructure

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
15	Investigate potential for leasing seabed for local energy systems project covering energy generation, storage and consumption (working with Scottish Enterprise, HIE (Highlands & Islands Enterprise) etc).	Clear, transparent and robust leasing process in place to ensure access to seabed.	31/03/19	100		Leasing process for marine energy in place which is satisfactory for local energy system use. To enable this to be utilised, an initial technical and commercial feasibility study has been completed.	SW
16	Support CCS ambitions in Scotland, in line with Scottish Government's Energy Strategy's 2050 Vision, by investigating potential value and / or benefits that the sector may deliver.	At least one study completed and launched.	31/03/19	95		Final draft version complete, awaiting internal comments and approval. Communications plan well progressed.	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	31/03/19	100		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)	31/03/19	40		Final lease offering originally planned to be completed by December 2018, but now likely to be into 2019 following revised Marine Scotland timelines for Sectoral Marine Plan launch.	JR
19	Manage our £10m investment in MeyGen	Contractual obligations delivered, project becomes fully operational, and capital return started.	31/03/19	95		Project operational, and capital return has started.	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	31/03/19	60		Detail on Additionality, Leverage and	JR

	benefits for stakeholders & communities.	<p>Renewables Programme 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 				Baseline Delivery being discussed with key stakeholders. Scope of work for external support for this work package created and contract expected to be in place Q4 2018-19. Definition outlined in Nov. Board Paper.	
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)	31/03/19	100			TM
22	Provide ad-hoc seabed rights to meet offshore CO2 storage, cables and pipelines sector	Initiate update of standard terms for pipelines agreements, with	31/03/19	80		Update to standard terms initiated.	SW

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

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
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.	31/03/19	20		Have confirmed in discussion with Mowi (formerly Marine Harvest) their desire to pursue a project of this nature. A project proposal for lab testing of the biomethane potential of co-digested ensiled fish mortalities and seaweed has just been received.	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.	31/03/19	80		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.	01/10/18	40		Invitation to tender currently on the PCS website, closing date 22 Feb.	AA
26	Pursue further opportunities for aquaculture Special Purpose Vehicles (SPVs), with community bodies as a joint leaseholder with operators.	SPV lease agreements with community signatories in place, giving local interests a direct stake in leases and a degree of control that ensures they cannot be passed to a different operator without their approval. This will signal a positive operator-community relationship.	31/03/19	90		First salmon farm application from a SPV (Scalpay Multitrophic Aquaculture Ltd) received last month.	AA

Rural

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
27	Manage lease expiries across the rural estate, surrenders and restructures to deliver wider benefits including supporting new entrants into farming, developing business	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	31/03/19	90		Legal process ongoing almost complete for surrender of Upper	AW/FS

	progression for existing tenants and releasing units for potential sale where appropriate.	to release tenancies for restructuring / sale / tenant business progression.				Dalhousie farm tenancy. Dell -new entrant and Byres farm, Lower Auchenreath leases completed. New Farm - surrender of tenancy concluded & preparations for the new entrant letting opportunity underway. 20 renewals of river salmon lease completed.	
28	Release capital through targeted sales of different types of rural assets Complete capital investment programme on agricultural & residential units to support business development and diversification.	Release £8.7m in capital (as part of the £9.4m detailed in section 3) Completion of budgeted capital investment of £2.3m	31/03/19	50 70		Income £6+m received to date. 2 Farm sale to tenants farm sale open market. 1 development land sale concluded April. 1 development site & 2 steading sites	AW/FS

						accepted offers legals progressing. 6 residential property sales completed. Bldg projects completed and others proceeding well - 3 large agric bldg. at Glenlivet. Spey Fishings sale delayed – will not complete in current year but progressing.	
29	Facilitate business planning for agricultural tenants.	Programme of events / business planning activities delivered; strategic advice and guidance provided to tenants.	31/03/19	50		Working with SRUC Consulting regarding support for Integrated Land Management Plans (ILMP). Meeting held to discuss this with tenant group and final timelines to be agreed.	AW

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.	01/05/18	100 15		Complete. Ongoing discussions with one of the tenant farmers at Glenlivet about a tree planting scheme delivered in conjunction with the Tomintoul and Glenlivet Landscape Partnership.	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.	31/03/19	75		Further trial on a dairy unit developed with SEPA and to commence Feb-19. 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	A minimum of five new biodiversity management projects underway including action on invasive species, new woodland	31/03/19	100		Nine new projects underway encompassing all planned	AW

	enjoyment of and better understand the natural environment. Manage / monitor network of SSSIs and other designated biodiversity sites	establishment and peatland restoration.				action areas (invasive species, new woodland establishment and peatland restoration)	
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.	31/03/19	100		Costs for project have increased by £177k, but these are covered by HLF contingency. CES are underwriting £50k of this sum. £280,000 grant agreement for Scalan Mills has been agreed and signed.	AW

Coastal

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green - on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner

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	31/03/19	40		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.	31/03/19	90		Postponed to financial year 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 measured in next coastal survey, due 2019-20 Maintain or increase numbers of moorings associations and individual licensed moorings.	31/03/19	90		Continuous and ongoing	AW/PB
37	Facilitate at least one asset sale or new lease opportunity to a community group, working with a wide range of organisations with an interest in the marine environment.	Sale / lease completed.	31/03/19	90		Glendale Trust sale in legals. Tobermory application to SLF at Stage 2.	AW/PB

Urban

No	Action	Measure	End Date	% Complete	Status (Dark green- complete; light green- on track; amber- at risk/delayed; red- target will not be reached)	Comment (if applicable)	Owner
38	Manage lease breaks and expiries at George St to reduce any void periods and maximise rental income.	Secure rental income of at least £300,000 per annum on office space.	31/03/19	40		Short extension of lease term & dilapidations agreement for 1st floor office completed. Proposed new 5 year lease 1st floor did not proceed. Installation of bike storage in garage progressing. Legal drafting advanced on agreed renewal of 4th floor lease for 2 years from April 19. Joint letting agents appointed. Review of strategy underway.	FS/LH
39	Identify and complete suitable acquisition to grow	Acquisition complete delivering revenue increase	31/03/19	-		Acquisition not proceeding.	LH

	urban portfolio, in line with draft investment strategy					No plans for substitute at current time.	
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Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Risk Policy and Risk Register BD(2019)13.6	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Simon Hodge	
Annexes	Annex A: Updated risk policy Annex B: Updated risk register	
Recommendation	The Board is invited to adopt the updated risk policy and risk register and to receive an update on current risks.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The attached annexes update the risk policy and register previously agreed in October 2018. The updates are the result of the active risk management approach taken by the Audit & Risk Committee and Executive Team. We have been re-evaluating our risk rating and responses and considering the practical implementation of risk appetite.
2. The updated risk policy (Annex A) and register (Annex B) were agreed by the Audit & Risk Committee on 26 February 2019. Grey shading in Annex B indicates the main additions/changes since last revision.

Current risks

3. This section provides an update on risks which are a particular focus or for which we have changed the residual risk rating.
4. Serious accident or fatality on the Scottish Crown Estate. We continue to strengthen Crown Estate Scotland's control strategy. A complete refresh of the Health and Safety Framework will be presented to Board and this is providing a new basis for reviewing our policy and procedures and further developing our health and safety culture. Significantly, we have changed reporting arrangements for the Fochabers team to remove managing agents from the chain of command to ensure a clear and unequivocal internal chain of command throughout the organisation.
5. Failure of financial management and accounting. For this risk we have increased the residual likelihood but reduced the residual impact reflecting our assessment of risk toward a more

likely but less critical occurrence. Filling of a new Financial Controller post is underway and will significantly mitigate this risk.

6. Poor transaction/investment decisions. We have concluded that under current arrangements the residual impact of this risk should be increased to major given the proposed increase in activity. However, the organisation is: working on an investment strategy to provide clear strategic direction for future investment; finalising an income transactions policy to regularise our approach to making lease agreements across the business; and initiating a competency framework with a focus on developing our commercial skill across the organisation. We therefore anticipate this residual risk reducing during 2019.
7. Brexit. Whilst we haven't changed the residual rating for this risk, we are monitoring impacts of Brexit uncertainty, particularly on the agriculture and fish farming sectors. Currently, no direct impacts have been detected, but a no deal could result in significant tariffs for meat exports and delays for export of fresh and live aquaculture produce.
8. Pest and disease outbreak. We have reduced the assessment of likelihood of significant impact on Crown Estate Scotland's finances but increased the assessment of impact should this happen. This better reflects the characteristic of such events. We are working closely with Marine Scotland and the sector to improve the biosecurity of finfish farming, which is assessed as currently the most significant source of risk.
9. Pollution or environmental degradation. Having reviewed our control strategy, we have reduced our assessment of residual impact from major to moderate, which equates to 'recoverable localised environmental damage'.
10. Loss of systems, information and business continuity. In the light of recent system disruption due to an outage we have temporarily increased the residual impact to extreme given the profound impact that a serious system failure would have across the business. Mitigation is underway. Uninterrupted Power Supply equipment has been installed. A review of IT systems has been commissioned and is underway. Once concluded, we will define a new post to manage systems and to develop them to meet our evolving business needs.
11. Failure to create new opportunities for future delivery. Given the current squeeze on capacity and limited time to prepare the new CES corporate plan we have temporarily increased the residual likelihood for this risk. Mitigations are underway, with strategic directions emerging though the corporate plan process. A key mitigation is the conclusion of the pay & conditions and skills & capacity reviews to provide greater staff certainty and ability to focus on delivery.
12. Reputation. We are positive about the building of trust and confidence amongst key stakeholders and increasingly recognise the importance of this. Hence, we have increased residual impact from minor to moderate, and will continue our investment in external relationship building amongst key partners and stakeholders.

Introduction

This document sets out Crown Estate Scotland's risk management policy and practice.

The Framework Document prepared by the Scottish Government sets the context for risk management in Crown Estate Scotland. The Crown Estate Scotland approach to risk management aligns with the Scottish Public Finance Manual¹. It takes a risk management approach that demonstrates clearly the key stages of the process in a way that:

- facilitates identification of risk priorities (in particular to identify the most significant risk issues with which senior management should concern themselves);
- captures the reasons for decisions made about what is and is not tolerable exposure;
- facilitates recording of the way in which it is decided to address risk;
- allows all those concerned with risk management to see the overall risk profile and how their areas of particular responsibility fit into it; and
- facilitates review and monitoring of risks.

Crown Estate Scotland's emerging purpose is "investing in property, natural resources and people to generate lasting value for Scotland". Within this context risk appetite is an important consideration, and risk includes missing opportunities to secure benefits.

Risk management roles and responsibilities

The Crown Estate Scotland Board is expected to assure itself on the effectiveness of the internal control and risk management systems. The Board is supported in this role by Crown Estate Scotland Audit and Risk Committee. To provide this assurance, the Crown Estate Scotland Board requires that the Accountable Officer ensure that a system of risk management is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets. This requirement is laid out in the organisation's Framework Document².

In accordance with the Scottish Public Finance Manual, Crown Estate Scotland will introduce an Assurance Framework³ to provide the basis for the annual Certificate of Assurance from the Accountable Officer. This assurance framework will incorporate risk management, requiring the Crown Estate Scotland Executive Team to provide evidenced assurance of appropriate risk management in each function in accordance with this risk management policy. The operation of the Assurance Framework will be tested by Crown Estate Scotland's internal and external auditors.

The Crown Estate Scotland Board will review and approve risk management policy after seeking advice from the Audit and Risk Committee. The policy will be formally reviewed and approved on at least an annual basis.

Risk management processes

Crown Estate Scotland maintains a Strategic Risk Register which identifies and records response to risks that are significant at an organisational level. The objective is to treat, transfer or terminate risks to achieve a residual risk toleration in accordance with risk appetite. The risk register format is at Annex 1.

¹ <http://www.gov.scot/Topics/Government/Finance/spfm/risk>

² <http://crownestatescotland.com/about-us/structure-governance>

³ <http://www.gov.scot/Topics/Government/Finance/spfm/assurancecerts>

Inherent and residual risk is rated in accordance with the risk heat-map process at Annex 2.

The risk register is reviewed at monthly Executive Team meetings. The risk register is revised on a 6-monthly cycle, although earlier revision will be undertaken if circumstances dictate. Revisions will be put to Audit and Risk Committee for formal adoption. Emerging risks (worries) are also raised and reviewed at each Executive Team meeting to ensure issues are captured and managed as reasonably practicable. Those emerging risks that are not rapidly resolved are added to the risk register at the next 6 monthly revision.

Risk appetite

Crown Estate Scotland's risk appetite is the level of risk that the Board is willing to take in order for the business to meet its strategic objectives. The risk appetite is informed by the governing principles and strategic objectives in our Corporate Plan.

Our risk model uses a four-category risk appetite classification:

- **Averse.** Avoidance of risk and uncertainty is a key organisational objective.
- **Cautious.** Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for achieving benefit delivery.
- **Open.** Willing to consider all options and choose the one that is most likely to result in success, while also providing an acceptable level of reward.
- **Hungry.** Eager to be innovative and to choose options offering potentially bigger rewards despite greater inherent risk.

For risk categories where our appetite is averse, mitigation is required to achieve a Manageable (green) residual risk rating. For risk categories where our appetite is cautious, open or hungry, toleration of Material (amber) residual risk rating may be appropriate. (See Annex 2 for explanation).

Our approach uses six categories into which our business risks fall: People; Society; Finance; Investment; Environment; and Reputation.

People: Our risk appetite is cautious. Our staff and co-workers are our most precious resource. We take a cautious approach to change and invest in staff development, equality, safety and wellbeing. We play our role in supporting agents, tenants and contractors as valued partners. We will develop an approach to staff reward and conditions appropriate to our public body status and our business activity.

Society: Our risk appetite is hungry. Delivering value to society is a key driver for the organisation. This involves the need to balance local and national value and impacts. It is also important that we retain a strong social licence to operate, particularly amongst the rural communities we serve. We are eager to be innovative and to choose options offering potentially bigger rewards. We recognise that economic activity may not always be welcome by all, and work collaboratively to maximise net benefits.

Finance: Our risk appetite is cautious. Crown Estate Scotland is a public body and works to apply exemplary standards of strategic and operational financial governance and management. We are closely scrutinised in relation to financial probity, financial sustainability and meeting our statutory financial obligations. Crown Estate Scotland has a statutory duty to maintain and enhance the capital value of the Crown Estate in Scotland on behalf of the Monarch. Net revenues from the

Crown Estate in Scotland are transferred to the Scottish Government. We take a careful approach ensuring probity, transparency and good financial management, ensuring we can give account for how we use money, achieve Best Value and meet our financial duties.

Investment: Our risk appetite is open. Crown Estate Scotland is mandated to increase the social value of the Crown Estate in Scotland. Our business mandate and capability provide unique opportunities to support emergent sectors such as marine renewables and participate in ventures with communities and other partners to secure social and financial value. We are open to investments that balance the financial returns with wider benefit delivery. We are open to novel approaches and taking some investment risk. We work with emerging sectors and local partners for long-term return and capital asset growth.

Environment: Our risk appetite is cautious. A goal of Crown Estate Scotland is to 'enhance and develop natural resources through sustainable investment and management'. We aim to contribute to environmental quality and sustainability through our direct activities, and to reflect these considerations in agreements with leaseholders. We undertake environmental assessment as a tool in decision-making and are cautious about environmental trade-offs in our decision making, whilst recognising that choices are sometimes required between environmental factors (such as renewable energy generation and local environmental impacts) and with other socioeconomic considerations.

Reputation: Our risk appetite is open. As a Scottish Public Body, our reputation affects our effectiveness, and impacts on government and Ministers. With careful handling and communications, we aim to build our reputation for our expertise and business focus, and for innovation and practical action. Crown Estate Scotland works to meet the high governance standards required of Scottish Public Bodies. We recognise that boldness and innovation to deliver value increases the requirement for careful management of communication and stakeholder engagement.

Annex 3 provides a practical expression of how these risk appetites will operate in practice.

Risk Management Policy

March 2019

Annex 1: Crown Estate Scotland risk register format

No	Category	Risk definition	Risk owner	Likelihood	Impact	Risk rating	Control strategy	Residual likelihood	Residual impact	Residual risk rating	Further mitigation (SMART) (terminate, treat, transfer, tolerate)	Change since last revision
												↑
												↓
												↔

Risk Management Policy

March 2019

Annex 2: Crown Estate Scotland risk rating

Likelihood: Five possible levels of risk likelihood are:

Score	Definition
5	Highly probable
4	Probable
3	Possible
2	Unlikely
1	Remote

Impact: the possible levels of impact are rated on a scale of 1-5 for each of six categories of impact:

- People
- Society
- Financial
- Investment
- Environment
- Reputation

Impact materiality is determined in relation to the scale and type of activity, and Crown Estate Scotland's risk appetite. The highest score given across the categories determines the overall impact score.

Score	Impact rating	People	Society	Finance	Investment	Environment	Reputation
5	Extreme	Fatal or life-altering injury – staff or directly resulting from management of the Estate.	Structural failure to meet organisational objectives to benefit Scotland's people, and/or permanent detriment to and alienation of significant interface communities.	>10% gross income (£1.5M).	>3% capital value (£10M).	Permanent environmental damage covering significant area.	Permanent reputational damage; government ministers criticised, and/or parliament involved.
4	Major	> 3 days work absence or RIDDOR reportable injury or occupational illness – staff or directly resulting from management of the Estate.	Failure to deliver significant social benefit commitments, and/or significant detriment to and alienation of significant interface communities.	5-10% gross income (£0.75 - 1.5M).	1.5-3% capital value (£5-10M).	Serious but recoverable environmental damage covering significant area.	Sustained criticism nationally, long-term damage to partnerships and stakeholder relations.
3	Moderate	1-3 days injury, RIDDOR reportable incident or significant near miss - staff or directly resulting from management of the Estate.	Failure to deliver locally important social benefit commitments, and/or recoverable detriment to and alienation of localised interface communities.	2-5% gross income (£0.3-0.75M).	0.5-1.5% capital value (£1.5-5M).	Recoverable localised environmental damage.	National or sectoral criticism, government ministers involved, significant effort needed to repair stakeholder relations.
2	Minor	No absence injury or near miss with lessons to be learned - staff or directly resulting from management of the Estate.	Locally important social benefit commitment under threat, and/or localised concern about potential detriment to interface communities.	1-2% gross income (£0.15-0.3M).	0.2 -0.5% capital value (£0.6 -1.5M).	Temporary localised environmental damage or significant near miss.	Local issues raised in media; partners and/or stakeholders raise concerns.
1	Low	Minor near misses and incidents.	Minor and localised concerns about detriment or benefit delivery, readily allayed through engagement.	<1% gross income (<£0.15M).	<0.2% capital value (<£0.6M).	Minor environmental impact recoverable through immediate response, or moderate near miss.	No significant impact on reputation or relationships.

Risk Management Policy

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Risk heat map

Impact						
Extreme	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Low	1	1	2	3	4	5
Likelihood		1	2	3	4	5
		Remote	Unlikely	Possible	Probable	Highly probable

Risk ranking

1-6	Manageable risks. Monitor. No further risk responses required.
7-14	Material risks. Need to be actively managed. Further response usually required to treat, transfer or terminate. Where risk appetite indicates, can tolerate, but keep under review.
15-25	Significant risks. Need to be mitigated - treat, transfer or terminate. Requires immediate and sustained focus. Tolerate is not an option.

Risk Management Policy

March 2019

Annex 3: Crown Estate Scotland risk appetite in practice

This document supports the Crown Estate Scotland Risk Management Policy and Risk Register.

Crown Estate Scotland organises risk management across five categories: People; Society; Finance; Investment; Environment; and Reputation. Risk appetite has been set by the Board against the following widely used scale:

- Averse. Avoidance of risk and uncertainty is a key organisational objective.
- Cautious. Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for achieving benefit delivery.
- Open. Willing to consider all options and choose the one that is most likely to result in success, while also providing an acceptable level of reward.
- Hungry. Eager to be innovative and to choose options offering potentially bigger rewards despite greater inherent risk.

Category	People	Society	Finance	Investment	Environment	Reputation
Appetite	Cautious	Hungry	Cautious	Open	Cautious	Open
What does it mean?	Our staff and co-workers are our most precious resource. We take a cautious approach to change and invest in staff development, equality, safety and wellbeing. We play our role in supporting agents, tenants and contractors as valued partners.	Delivering value to society is a key driver. We are eager to be innovative and to choose options offering potentially bigger rewards. We recognise that economic activity may not always be welcome by all, and work collaboratively to maximise net benefits.	A careful approach ensuring probity, transparency and good financial management. Ensuring we can give account for how we use money, achieve Best Value and meet our financial duties.	Open to investments that balance the financial returns with wider benefit delivery. Open to novel approaches and taking some investment risk. Working with emerging sectors and local partners for long-term return and capital asset growth.	Contributing to Scotland's environmental quality and sustainability. We undertake environmental assessment and are cautious about environmental trade-offs in our business decisions.	As a Scottish Public Body, our reputation affects our effectiveness, and impacts on government and Ministers. With careful handling and comms we aim to build our reputation for innovation and practical action.

Risk Management Policy

March 2019

Category	People	Society	Finance	Investment	Environment	Reputation
Appetite	Cautious	Hungry	Cautious	Open	Cautious	Open

Where will you see it? (as well as risk register, Framework Doc & Corp Plan)	<ul style="list-style-type: none"> Health & safety policies Internal comms Staff feedback People strategy & workforce plan Feedback from tenants and agents 	<ul style="list-style-type: none"> Investment Strategy Value Project Income agreements External comms People&planet funding* 	<ul style="list-style-type: none"> Annual accounts Finance policies and procedures Audit plan Assurance framework Scheme of delegation 	<ul style="list-style-type: none"> Investment Strategy Asset strategies Invest and divest business cases Engagement with business sectors 	<ul style="list-style-type: none"> Strategic Env Assessment (SEA) Value Project Standard contracts External comms People&planet funding* 	<ul style="list-style-type: none"> Internal & external comms Consultation on plans and strategies Tenant Service Charter People&planet funding* Stakeholder feedback
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What does it look like?	A capable, motivated team working together to deliver results.	Working in new partnerships with business and community organisations to deliver wider benefits.	Thorough and transparent annual accounts with good audit opinion.	A Corporate Plan that, after consultation, sets clear directions for future investment.	Using Environmental Assessment as a tool to test and manage our environmental impact.	Building trust by demonstrably listening and responding to stakeholders.
	Strong emphasis on health and wellbeing and a culture of continuous improvement, with workload balanced to capacity.	Encouraging tenants to engage with local communities.	Business policies and processes that are applied consistently and show good financial management.	Investment strategy and business cases with strong business analysis, identifying the best opportunities to use our capital to deliver financial and wider returns.	Being a national leader in natural capital management.	Respected for willingness to explore difficult choices through consultation.
	Positive feedback from staff, tenants, agents and contractors.	Value Project evidence to make good decisions for delivering social value.	Meeting stretch capital and revenue targets.	Value Project evidence of wider benefits built into investment decision process.	Being known for our contribution to environmental quality and sustainability.	Building expertise and experience around engagement and partnership working.

*Funding for community, stewardship and wider sector development projects

Annex B: Crown Estate Scotland Risk Register

	Category	Risk definition	Risk owner	Likelihood	Impact	Risk rating	Control strategy	Residual likelihood	Residual impact	Residual risk rating	Further mitigation in light of risk appetite (terminate, treat, transfer, tolerate)	Change since last revision
1	People	Accident on the Scottish Crown Estate leads to fatality or serious injury.	SH	3	5	15	<ul style="list-style-type: none"> H&S expertise and capacity sourced. Risk management policies and risk assessment processes in place. Active programme of H&S culture development, induction and training. H&S integrated into governance, reporting and all meeting agendas. H&S appropriately reflected in contract and tenancy arrangements. Implement MoP safety management for in-hand land, particularly where CES provides recreation facilities. Reporting, inspection and monitoring systems for directly managed facilities and by managing agents. Removed role of managing agents in managing Fochabers staff. Established policies in place, implemented and regularly reviewed/monitored dealing with all risk areas Health and Safety manuals in place for staff working at all operational bases. 	2	5	10	Treat <ul style="list-style-type: none"> Strengthen flow of compliance evidence and incident reporting from managing agents. Implement Oct 2018 H&S health check. Review CES Health and Safety Framework. 	↔
2	Finance	Poor financial planning leads to cash-flow crisis and failure as a going concern.	LH	2	5	10	<ul style="list-style-type: none"> Robust budgeting, forecasting and cashflow planning is in place. Transaction tracking is effective, accurate and timely. Regular financial reporting is in place with variances identified and investigated. Cross business communication to assist in early identification of financial challenges. 	1	5	5	Transfer <ul style="list-style-type: none"> Ability to manage timing of payments to SG and to borrow if required 	↔
3	Finance	Lack of skills and capacity leads to failure of financial management and accounting.	LH	4	5	20	<ul style="list-style-type: none"> Specification and recruitment of additional resource requirements Documentation of financial processes and systems Knowledge sharing to reduce exposure to information 'islands' 	3	3	9	Treat <ul style="list-style-type: none"> Increase capacity for financial management and reporting Ensure effective succession planning and implementation Ensure staff are motivated, valued, appropriately rewarded and have clear career development opportunities. Close working with internal and external audit providers. 	↓
4	Finance	Failure of asset management processes leads to poor decision-making and sub-optimal transactions / investments	AW- R&C CP- Marine	3	4	12	<ul style="list-style-type: none"> Regular monitoring of asset manager/managing agent/legal teams. Staff training and development., Effective team working practices Ensure adequate reporting mechanisms in place Appropriate audit processes. Robust implementation of governance processes for all decision-making 	2	4	8	Treat <ul style="list-style-type: none"> Formulate a commercial skills development package for all relevant staff. Secure clarity of strategic direction for investment through Board corporate planning process. 	↑

	Category	Risk definition	Risk owner	Likelihood	Impact	Risk rating	Control strategy	Residual likelihood	Residual impact	Residual risk rating	Further mitigation in light of risk appetite (terminate, treat, transfer, tolerate)	Change since last revision
5	Finance	Brexit results in lease defaults leading to loss of revenue, reduced capital valuation and increased liabilities.	AW – R&C CP- Marine	3	4	12	<ul style="list-style-type: none"> Monitor Brexit arrangements and sector indicators. Prepare cautious 2019/20 budget to accommodate payment deferrals and defaults. Avoid concluding major capital deals around Brexit date. Facilitate provision of support for farm business planning / development of integrated land management plans (ILMP's) by tenants. Close liaison/communication with agricultural tenant group to address emerging concerns Close monitoring of vulnerable farm tenant's businesses by managing agents to identify and provide appropriate support if required. 	3	3	9	Tolerate <ul style="list-style-type: none"> Maintain readiness to manage financial impacts Maintain readiness to work with tenants if markets collapse (farming likely to be most affected by trade barriers and tariffs, and aquaculture by export delays) 	↔
6	Finance	Pest or disease outbreak results in lease defaults leading to loss of revenue, reduced capital valuation and increased liabilities.	AW – R&C CP- Marine	2	5	10	<ul style="list-style-type: none"> Work with aquaculture sector on control strategies for pest and disease threats – currently especially sea lice. Encourage and facilitate high standards of biosecurity amongst farming tenants. Rapid response to tree disease threats in CES woodlands. Knowledge exchange events/information with relevant scientific research centres/ agencies Maintain Corporate membership of Moredun Research Institute for farm tenants 	2	4	8	Tolerate Track impact of environmental factors on wild river salmonid stocks.	↓
7	Environment	Failure to tackle pollution or environmental degradation results in significant long-term environmental damage.	AW- R&C CP- Marine	3	4	12	<ul style="list-style-type: none"> Lease terms identify responsibilities for environmental management. Managing agents actively monitor and manage compliance. Engagement with licencing authorities on efficacy of consenting regimes. Play an active role in management of marine litter. Actively manage ongoing investment programme in farm infrastructure/follow up condition survey, particularly regarding silage storage facilities and other pollution control infrastructure. Participate in /initiate / support ecosystem restoration initiatives and natural capital enhancement working in partnership with relevant tenants/agencies (e.g. peatland restoration, woodland establishment) Continue as a lead partner in the East Cairngorms Moorland Partnership and Glenlivet Landscape Partnership 	2	3	6	Treat <ul style="list-style-type: none"> Strengthen flow of compliance evidence and incident reporting from managing agents. Ensure establishment of appropriate environmental management systems for emerging sectors such as seaweed harvesting. Work with marine consenting authorities to evolve licencing regimes, including monitoring of operating requirements. Discuss concerns over Glenlivet upland habitats with CNP. 	↓
8	Finance/Reputation	Loss of systems, information and business continuity results in organisational failure.	LH	4	5	20	<ul style="list-style-type: none"> Independent IT systems and infrastructure review and audit to identify areas for attention/improvement. Implementation of recommendations from above. Detailed IT disaster recovery plan (IT DRP) in place to underpin business recovery planning. 	2	5	10	Treat <ul style="list-style-type: none"> Build capacity for IT management and development to increase resilience and meet future business needs. 	↑

	Category	Risk definition	Risk owner	Likelihood	Impact	Risk rating	Control strategy	Residual likelihood	Residual impact	Residual risk rating	Further mitigation in light of risk appetite (terminate, treat, transfer, tolerate)	Change since last revision
							<ul style="list-style-type: none"> Dry run of IT DRP. Contract management of IT providers. Documentation of inventory, processes and systems. Knowledge sharing to reduce exposure to information 'islands'. Implementation of Records Management Plan. Sufficient UPS capacity in place 					
9	Society	Loss of skills, expertise, morale results in loss of relevance and failure to create new opportunities for future delivery.	EB	4	4	16	<ul style="list-style-type: none"> Annual staff survey with resultant action plan implemented. Pay and conditions review to implement appropriate equality-proofed reward structure Staff handbook developed. Comprehensive induction process. Monitor FTAs and consider moving to permanent when appropriate. Skills & capacity planning including identifying business areas where delivery expertise is overly concentrated and succession planning. Proportionate processes in place to encourage innovation and exploit opportunities. Maximise opportunity for staff input into development of plans and strategies. Ensure individual staff development plans (part of scorecards) are devised, agreed and implemented 	3	3	9	Treat <ul style="list-style-type: none"> Conclude pay and conditions uncertainty as soon as possible. Invest in staff engagement during a time of uncertainty over pay and conditions. Communicate positive messages about CES post-bill role and value to government. Ensure a fit-for purpose staff performance appraisal system is in place Actions to foster staff morale and cohesion 	↑
10	Reputation	Failure to meet governance and regulatory requirements results in legal challenge or special measures.	EB	3	5	15	<ul style="list-style-type: none"> Regular and mandatory staff training on all relevant statutory and regulatory requirements. Regular review and updating of policies and procedures to reflect changes and ensure adoption of best practice. Take legal advice as appropriate. Central log of statutory reporting requirements (reviewed twice yearly) Robust monitoring of third-party contracts Effective internal audit. Robust assurance framework and internal controls process. Be proactive in approach to reporting and transparency. 	1	3	3	Tolerate	↔
11	Reputation	Condition/liability surveys expose an unaffordable scale of exposure to liabilities	AW- R&C CP- Marine	4	4	16	<ul style="list-style-type: none"> Undertake condition survey of rural estate properties. Identify potential liabilities and work with lease process to manage risk. Consider potential for liability creation when agreeing lease proposals. Maintain contingency resources to deal with liabilities. Completion of Rural strategy. Review of Coastal liabilities to better understand potential exposure. 	3	3	9	Treat/transfer/tolerate <ul style="list-style-type: none"> Undertake desk review of potential liabilities beyond the scope of current condition survey. Determine management strategy for significant potential liabilities. Prepare for likely requirements of the Scottish Crown Estate Act, including ensuring clarity on risk transfer in relation to other managers. 	↔

	Category	Risk definition	Risk owner	Likelihood	Impact	Risk rating	Control strategy	Residual likelihood	Residual impact	Residual risk rating	Further mitigation in light of risk appetite (terminate, treat, transfer, tolerate)	Change since last revision
12	Society	Risk aversion stifles business innovation and opportunities to contribute to the public good.	SH	4	3	12	<ul style="list-style-type: none"> Ensure risk appetite is actively considered and managed through governance processes. Work to ensure Framework Document reflects agreed risk appetite. Understand scope to innovate within current vires. Take an open stance with management pilot and other partners on the possibilities for adding value through greater CES involvement. 	3	3	9	Treat <ul style="list-style-type: none"> Develop next corporate plan to reflect a vision for proactive and innovative working to unlock value for Scotland, and to lay out areas of proposed activity. Establish clear business rules to manage accountability and risk, whilst allowing innovation and appropriate risk taking. Identify any specific requirements for legislative amendment to enable specific proposals as they emerge. 	↔
13	Reputation	Inappropriate culture or poor engagement results in lack of trust and confidence with sponsor and external stakeholders.	EB	3	4	12	<ul style="list-style-type: none"> Invest in effective interface and collaborative arrangements with sponsor team and wider SG. Awareness raising ref. Engagement Charter Stakeholder mapping exercise with asset teams feeding into engagement plan up to March 2020 Training for staff. Track stakeholder perceptions through ongoing independent research; adapt engagement accordingly to strengthen social license to operate. Consultation process for CES plans etc developed according to best practice; staff training. 	2	3	6	Treat <ul style="list-style-type: none"> Deepen relationships with LAs and community orgs. Build partnership working with enterprise orgs. Build trust and understanding about CES with MSPs and MPs 	↑

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	HR Workstreams BD(2019)13.8	
Security classification	Restricted	
This document contains commercially sensitive and confidential information and may relate to the formulation of policy.		
Presented by	Simon Hodge	
Author	Simon Hodge/Esther Black/Fiona Haywood	
Annexes	Annex A: Approach to forming a competency framework Annex B: Review of external service providers	
Recommendation	The Board is invited to consider the further information provided in this paper on existing HR Workstreams.	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. The Crown Estate Scotland Board have considered papers relating to three major HR workstreams: review of pay and conditions; review of skills and capacity; and future workplace requirements.
2. The Board requested that a paper be brought to the May Board meeting which would consider the financial implications of these workstreams.
3. The Board also sought further information about phases 2 and 3 of the skills and capacity review.
4. **Skills and capacity review Phases 2 and 3**

Paper BD(2019)12.2 proposed a three phase approach to the skills and capacity review:

Phase 1: The Executive Team has now identified the specific skills and capacity requirements that will be needed to take forward the emerging Crown Estate Scotland purpose and vision, both immediately and over the next two years. These proposals have been supported by the Board.

Phase 2: Internal analysis of our skills and competency requirements. This would involve staff in developing a framework for core, functional and leadership competencies for all staff in the organisation. Two areas for early focus would be commercial & legal and collaboration &

partnerships. The proposed approach to Phase 2 is laid out at Annex A. It is intended to provide the framework for Board in September. Engagement of Board members in the meantime would be welcome.

Phase 3: Analysis and review by external consultants of our use of external service providers. The work will gather evidence to enable an objective comparison of in-house and outsourced approaches to roles such as agreement management and stakeholder engagement. This element of the review will consider the rationale for the current use of outsourced services; value for money of these services and the appropriate balance of outsourced and in-house capacity for the future Crown Estate Scotland mission. Further details are at Annex B. The Board are invited to nominate a member to participate in the governance of this workstream. It is proposed to report to Board on this work in November.

5. Budgetary implications of HR workstreams

The table below provides an estimate of the additional cost implications associated with HR workstreams compared to the 2018/19 position.

	2019/20 cost over and above 2018/19 forecast position	Average annual cost thereafter
Pay & conditions	£85K	£160K
Skills & capacity Phase 1	£300K	£420K
Skills & capacity Phase 2 & 3	£50K	-
Workplace requirements	£100-150K	£100-150K
	£535-585K	£680-730K

The pay and conditions proposal has yet to be agreed with the PCS. In paper BD(2018)10.8 the Board was advised 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%. We have been working hard to contain costs. Assimilation into pay-bands will be the main cost, which we currently estimate at 6% of pay bill. Application of progression will be a cumulative cost over the first four years but will then normalise. This is offset by the proposed move away from bonus payments¹. Some consultant costs will be incurred in 2019/20 to finalise new pay and conditions policies and to review Crown Estate Scotland's performance management systems – these are shown over and above the net pay bill increase shown in paper BD(2019)13.7. These figures do not include cost of living increases, which would be part of business as usual.

The skills and capacity review proposals are in board paper BD(2019)12.2. Phase 1 involves recruitment of seven new posts, which will be filled progressively through 2019/20. Several of the posts will be funded through additional revenue retention for delivering new work packages. For phase 2 and 3 of the skills and capacity review, paper BD(2019)12.2 estimated a cost of £50K in 2019/20 to undertake the reviews. It is not yet known whether the review recommendations will have significant cost implications, although the intention is to look at the most efficient and effective way of working and hence cost control will be an important consideration.

¹ This does not include the cost of the bonus for year 2018/19.

Additional future workplace costs were estimated in board paper BD(2019)12.3 as £100-150K/yr from 2020. During 2019/20 there will be costs associated with the accommodation search and negotiation; costs associated with moving and costs associated with refurbishing. There will also be dilapidation costs on leaving the existing premises.

6. Budget provision

A 2019/20 budget was agreed by the Board in paper BD(2018)10.6. This incorporated provisions for HR workstreams. For staff costs, the 2019/20 budget incorporates an additional £400K compared to the 2018/19 budget (£700K compared to forecast) to cover all anticipated staff cost increases. This will also be used to fund the £140K additional pension contribution costs recently advised by Government. Separate provision has been made for payment of bonus relating to 2018/19.

For revenue expenditure, an additional £1.2M has been incorporated into the 2019/20 budget compared to the 2018/19 budget (£2.1M compared to forecast) to cover all revenue expenditure budget increases. This covers management fees and costs, repairs and maintenance, other direct expenditure and administrative expenses. We believe this is sufficient to accommodate anticipated expenditure on HR workstreams. These provisions include £550K specifically in relation to new posts, review costs and future workplace requirements, as well as broader provisions for pay award, impact of pay and conditions review and payment of bonus relating to 2018/19.

The Scottish Government has invited us to revise our budget to include an extra £1M of revenue expenditure for a number of work packages. An element of this resource will be allocated to additional staff and overhead costs.

7. Expenditure trends

The Crown Estate Scotland cost base is rising from an unsustainably low base as an interim body. This is mirrored by a growth in the team, strengthening of our business resilience, broadening of our remit and building of new delivery initiatives. The table below gives a comparison with expenditure elements published in Crown Estate Scotland's annual report (p.50 for staff costs and p.56 for revenue costs).

	2017/18 actual	2018/19 budget	2018/19 forecast	2019/20 budget	2019/20 against 2018/19 budget
Staff costs	£1.9M ²	£3.3M	£3.1M	£3.7M	+12%
Gross revenue costs	£5.8M	£7.5M	£6.6M	£8.7M	+18%

Because of upward revenue trends and careful cost control this increase in costs is being achieved without reduction in net profit provided to the Scottish Government (the retention of a further £1M to fund additional work packages will result in an net profit reduction agreed with Scottish Ministers).

² Excludes cost of bonuses which were funded by The Crown Estate

ANNEX A: APPROACH TO FORMING A COMPETENCY FRAMEWORK

The Skills and Capacity Review Paper (BD(2019)12.2) outlines the context for the Skills and Capacity review and how it may be constructed.

This Annex proposes how we progress with the second stage of the review which is the internal analysis of our skills and competency requirements and the development of competency frameworks across the business.

Introduction

The terms 'competency' and 'competencies' focus on the personal attributes or inputs of an individual. They can be defined as the behaviours (and technical attributes where appropriate) that individuals must have, acquire or develop to perform effectively at work. They do not relate to the specific objectives which an individual may be asked to reach within a performance year.

A 'competency framework' is a structure that sets out and defines each individual competency (such as problem-solving or people management). They provide the employee with an indication or map of the behaviours and actions that will be valued, recognised and, in some organisations, rewarded.

Competencies can therefore represent the language of performance management in an organisation. Employees will benefit from a well-defined set of behaviours which provide clarity around how they should do their job. They also ensure that appraisal and recruitment processes are more transparent and open.

Benefits of introducing competency frameworks

Our future performance review process will be designed to assess employees on both behaviours and their achievement of specific objectives.

An effective competency framework is an important tool for maintaining / achieving high performance (on an individual and organisational level) as it provides a focus for review of an individual's capability and potential. By helping structure professional development discussion, it will also help retain staff and underpin succession planning.

Frameworks will support the effective operation of the performance management process which in turn enhances productivity, employee engagement and informs targeted learning and development activity.

Competency Frameworks

In designing a competency framework, we will only include measurable components. It's important to restrict the number and complexity of competencies and arranging them into clusters to make the framework more accessible for users.

The framework will contain definitions and/or examples of each competency, particularly where it deals with different levels of performance for each of the expected behaviours. It should also outline the negative indicators for that competency – the behaviours deemed unacceptable.

A critical aspect of all frameworks is the degree of detail. If a framework is too broad, containing only general statements about individual competencies, it will fail to provide adequate guidance either for employees as to what is expected of them or to managers who have to assess their staff against these terms. If, on the other hand, it is too detailed, the entire process becomes excessively bureaucratic and time-consuming and may lose credibility.

Our competency framework could be comprised of different types of competencies:

Core Competencies: These are competencies which support us to embed and demonstrate our organisational values and will apply to all roles. There may be different levels of competency depending on the role. Examples include project management and giving and receiving feedback.

Functional Competencies: Technical competencies will apply to certain roles or a 'function' or 'group' within the organisation. These competencies outline any technical expertise required and assess the depth and breadth of that skill and knowledge. An example would be commercial acumen.

Leadership competencies: Skills and behaviours that contribute to leadership performance. By using a competency-based approach to leadership, organisations can better identify and develop their next generation of leaders. While some leadership competencies are essential to all, we should also define which leadership attributes are distinctive to our organisation. Leadership competencies may also be applicable within roles across the organisation, and will not be limited to executive roles, although a higher level of competence will be expected at this level.

A draft overall competency framework which could apply to our organisation can therefore be illustrated in Image A.

Image A: Draft Competency Framework Overview

Core Competencies	Excellence		Integrity		Commercialism		Collaboration	
+								
Functional Competencies	Digital	Finance	Business Awareness	Commercial and legal	Sector Specialists	Collaboration and Partnerships	Corporate and Governance	
+								
Leadership Competencies	Personal Qualities		Delivering the Business				Setting Direction	

Developing a competency framework

Crown Estate Scotland will develop a robust and effective competency framework by identifying and defining our Core, Functional and Leadership Competencies.

A collaborative approach to this exercise will assist buy-in from staff and that the framework designed will be relevant. Working groups across the organisation will support us to define the levels within each competency i.e. how would an individual demonstrate each of these.

We will be supported in this review by external HR consultants who can provide additional capacity and rigour. We will also include material from relevant professional bodies to supplement that rigour and ensure we are not 'reinventing the wheel'.

Our core competencies should be aligned to our organisational values and consistently applied to all roles. Work to date on defining these has already included:

- An Executive Team session on behaviours (what our values look like in practice) to draft the table below (an extract from our draft People Strategy).
- Team discussions to further refine this table.
- Team-based interactive exercises on our values and behaviours at a recent CREST session.

This will form the basis of further refinement with staff groups picking up on points raised during CREST shown in Image B.

Image B: Summary from CREST values workshop

Excellence		Collaboration	
Individually we ¹ will...	Crown Estate Scotland ² will...	Individually we will...	Crown Estate Scotland will...
Take personal ownership and responsibility in delivering the best possible outcome	Support our talent to progress in their careers	Share ideas internally and externally	Foster a transparent and diverse culture
Be committed to growing and realising our potential	Recognise and celebrate success	Be committed to breaking down barriers to collaboration	Be open to working with others in partnership
Embrace new opportunities and apply our agility and creativity to capitalise on them	Promote an inclusive culture which has fair opportunity for all	Be open to feedback and suggestions	Be confident in our unique role and our contribution
Be results-focussed		Work together to achieve joint outcomes	Expect leaders to model an open and inclusive approach which is receptive to challenge
		Embrace new opportunities and use our agility and creativity to capitalise on them	Work together towards our organisational vision
		Value diversity including diverse perspectives	
Integrity		Commercialism	
Individually we will...	Crown Estate Scotland will...	Individually we will...	Crown Estate Scotland will...
Be a 'trusted partner' internally and externally	Empower our people to make decisions which model integrity	Role model fairness and transparency in our commercial undertakings	Commit to retaining and developing our commercial and business acumen
Be committed to supporting and looking after each other	Support a culture which encourages challenge and feedback	Identify and exploit new opportunities	Use our acumen and expertise to create shared success for us, our tenant and our wider partners
Be responsible and tenacious in carrying out our roles	Expect our leaders to place integrity at the heart of what they do	Balance the interests of our stakeholders	Support a sustainable business approach, managing resources carefully and responsibly, adhering to the principle of best value
	Recognise our responsibility for probity in managing public funds	Manage resources carefully and responsibly	

¹ Could be ascribed to an individual contributor and manager.

² Could be ascribed to senior managers, Executive team members, Board members.

Applying a competency framework

A good example of a completed framework ready for application is [Glasgow City Council's](#).

Once the framework is developed, any Crown Estate Scotland role would have defined core competencies plus the critical competencies for the role. Each role will be measured against a mix of these competencies. An example is illustrated below for a post, in this case an IT manager position:

Image C: Illustrative example of competencies assigned to an individual role

IT Manager	Core Competencies	Excellence	Integrity	Commercialism	Collaboration
	Functional Competencies	Digital	Commercial and legal	Corporate and Governance	Business Awareness
	Leadership Competencies	Personal Qualities	Delivering the Business		

Each competency would be broken down to different levels which gives an illustration of what the competency might look like and what level the individual should be operating at. Individuals would be able to clearly see what behaviours are required of them in their role, and how to develop to reach the next level.

Individuals would be assessed on how they have demonstrated each of their competencies throughout the year through our appraisal process. This process would be linked to our progression model in our new Pay and Grading structure which proposes requiring a 'Good' rating to progress to the next pay point, and an 'Outstanding' rating to double progression to a further pay point. This would enable those making the greatest contribution to organisational success to progress more rapidly to the grade maximum. Integrating a competency framework into our performance management system will support us in fully embedding our competencies and values.

ANNEX B: REVIEW OF EXTERNAL SERVICE PROVIDERS

An Invitation to Tender (ITT) is being prepared for an independent review to consider the rationale for the current use of outsourced services; value for money of these services and the appropriate balance of outsourced and in-house capacity for the future CES mission.

Context

At the time of formation, establishment of CES in-house and outsourcing arrangements broadly mirrored the approach of the predecessor organisation, The Crown Estate. The last two years has seen significant changes in our operating environment, with perhaps the three most significant features being:

- The Scottish Crown Estate Bill has been passed by Parliament. This opens the next chapter in our future, lays out the Government's aspirations for the Scottish Crown Estate and defines new roles and duties likely to be led by CES as well as opportunities for local management of assets.
- The CES Board is shaping a proactive vision. This will involve actively developing the assets, bold approaches to evolving the Estate and innovative ways of investing to unlock value for Scotland.
- Partnership is becoming our main way of working. Positive and close relationships with communities, local stakeholders, local authorities, sector partners and other public bodies are key to our success.

For these reasons, we want to take stock of what skills and capacities we will need going forward, and what the future balance of in-house and outsourced capacity should be to ensure we have the skills and capacities for running the organisation efficiently and effectively, including for any new roles and activity sought the Scottish Government. This is likely to include continuing to strengthen our commercial capabilities as well as building our capacity for productive partnerships with communities, business and public-sector partners. The work defined in this Invitation to Tender forms one part of a wider review process.

Use of managing agents and service providers

Crown Estate Scotland makes substantial use of managing agents and other external service providers. The most substantial element is the £1.4M annual investment in managing agents. Savills are contracted to provide day-to-day management of the rural and urban portfolio, including several hundred farm tenancies, extensive river fishing rights and property on Edinburgh's George Street and a range of other rural properties and agreements – in all involving over 650 agreements. Savills is also active in identifying and advancing opportunities for built development in the rural portfolio.

Bidwells are contracted to manage Crown Estate Scotland's coastal assets. This involves some 1400 tenants with 2300 agreements associated with some 9000Km of foreshore. These range from a large number of small-scale agreements for moorings and outfalls, to substantial dealings with ports and harbours in relation to dredging and expansion projects. To assist with local engagement, Bidwells have three Marine Community Officers dedicated to Crown Estate Scotland activity.

Managing agents also specify and let contracts on behalf of CES. Some of them are substantial, for example in relation to capital building works. This needs to be fully understood in relation to accountability, liability and financial efficiency.

Crown Estate Scotland's marine portfolio is largely managed in-house. This involves some 550 aquaculture leases covering 870 sites. Finfish leases are predominantly with six large aquaculture companies. There is also a smaller number of agreements for offshore wind, marine energy and sub-sea infrastructure.

Crown Estate Scotland also draws on the services of external business service providers. Most substantially, we invest £0.5M annually procuring legal services, principally from Anderson Strathern and to a lesser extent from Brodies LLP. £0.1M per year of IT maintenance and support is provided by Consilium.

Requirements

The following specific requirements are proposed:

- Identify and characterise the distinct activities undertaken by service providers, including distinguishing as far as possible between agreement management activity and engagement with wider community and other stakeholders.
- Present an evidence base for the costs associated with outsourced services by activity, providing performance metrics and comparative data in relation to both in-house provision and wider sectoral benchmarks where possible.
- Make recommendations on opportunities to strengthen our approach and/or achieve better value, taking into account emerging organisational priorities.
- Provide a SMART transition plan for any proposed change, that identifies costs of change, meets contractual legal and employment requirements, and that enables sustained delivery of business priorities.

Outputs

The outputs would be:

- A report including analysis, presentation of evidence, recommendations and transition plan.
- Presentation of the draft report to the Crown Estate Scotland Executive Team.
- Presentation of final report to the Crown Estate Scotland Board.

We will be emphasising the need for careful handling and communication to sustain the confidence of personnel involved and to minimise impact on business activity. Crown Estate Scotland will produce a communication plan for the work.

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	People & Planet: community regeneration BD(2019)13.9	
Security classification	Unclassified	
Presented by	Esther Black	
Author	Esther Black	
Annexes	n/a	
Recommendation	The Board is invited to comment on the proposed approach	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

1. Introduction

This paper sets out a proposed approach for developing and launching a community-regeneration programme for 2019-20 in line with our new strategic framework and duties under the Scottish Crown Estate Act 2019.

This programme is an important step forward in developing a longer-term approach (under the theme of People & Planet) that may include capital investment (as well as revenue expenditure) in community-based/led partnership projects.

2. Background and context

Historically, The Crown Estate's Marine Stewardship Fund supported relatively small-scale community projects such as pontoons, biodiversity education with schools, local tourism events and so on. Although we continue to support such projects on an ad hoc basis (with requests assessed against broad criteria), a formal fund has not operated within Crown Estate Scotland.

In parallel, the UK Government's Coastal Communities Fund, which supported large regeneration projects with annual rounds linked to The Crown Estate marine revenues, no longer operates in Scotland (see <https://www2.gov.scot/Topics/marine/seamanagement/CCF>).

Scottish Ministers have committed to distributing to coastal councils a share of total net revenue from marine assets out to 12nm in order to deliver benefits for coastal communities.

Feedback from coastal stakeholders suggests that, in addition to the revenue distributed to local authorities, they would welcome a support that helps communities to deliver sustainable development.

As we develop the 2020-23 Corporate Plan around four themes (blue economy; innovating with natural resources; People & Planet partnerships; and built environment), the organisation is exploring ways to enhance wider value, building our enabler role alongside asset manager, investor and coordinator roles

The emerging People & Planet theme recognises the need to continue to strengthen partnership working, and there is a specific opportunity relating to community-led regeneration, particularly in relation to coastal communities.

This would build on our other work such as the Local Pilots Management Scheme, the Crown Estate Scotland-funded [Better Conversations project](#), and the work of our Community Marine Officers.

3. Programme proposal

Objectives

There is an opportunity to design a new programme of support that:

- Demonstrates our commitment to delivering wider value, in line with the 2019 Act.
- Links with the broader public sector agenda related to blue economy, productivity of land / property and inclusive economic development that is regionally diverse.
- Empowers communities – in our role as enabler – and thereby strengthens our reputation, helping enable our future activity in rural land and built environment.
- Demonstrates our commitment to meaningful collaboration with communities, working with them and their representative bodies to shape and deliver the programme.
- Complements other activity within the emerging Crown Estate Scotland coastal sector plan.

The proposed primary objective is therefore to create and deliver an initial programme of support that enhances and strengthens community capacity to deliver regeneration or to address other local issues.

This objective will be finalised following Board and Scottish Government feedback and further engagement with relevant organisations.

A secondary objective is to pilot activity that feeds into and helps shape our longer-term approach to community partnerships and investments.

2019/20 activity

To start to build this programme, £250k revenue has been provisionally allocated in the revised 2019-20 budget.

The focus in this year will be working with organisations that specialise in community regeneration to develop and launch an initial programme that will then help inform our longer-term approach (the draft investment strategy for 2020-23 includes £3m for community investment).

It is envisaged that the programme may offer two types of support:

- Grant funding; and

- Specialist support for communities at an early stage of articulating their ambition / vision, developing plans, etc.

To date, we have engaged informally with DTAS (Development Trust Association Scotland), CLS (Community Land Scotland) and sought input from other community development specialists as well as Scottish Government officials.

The proposed approach for development and launch in 2019-20 is:

- **Q1: Further engagement and outreach with stakeholders (based on a stakeholder mapping exercise) to establish:**
 - What type of support is needed to complement (rather than supplement) existing provision? Early discussions with Scottish Government suggest that support for micro-businesses may be a useful area of focus.
 - What type of support would be appropriate given our statutory duties and purpose of creating lasting value?
 - How can we use our expertise to add value, and what type of partner/s might help us deliver, so we benefit from their expertise, reach and capacity?

This may include workshops with DTAS and CLS members (the former has indicated willingness to host a workshop and the latter's annual conference is in June 2019) as well as working with HIE, and other enterprise agencies.

We will also work with the Community Marine Officers who have a wealth of knowledge and valuable insight based on their close working with communities on the west coast.

- **Q2: Secure delivery partner/s**

Partners may be a combination of

- A specialist consultant able to carry out quite intensive work with communities who are in need of early stage support; and
- An organisation with a strong track record in community regeneration to help design and deliver a round of funding with the appropriate governance.

Typically, specification for delivering a fund such as this would cover further roundtables / engagement to finalise design; promotion; recruiting a panel; establishing fund governance; running the application process; panel assessment of applications; administering payments, and monitoring and evaluation.

Given HIE's remit and track record in this field, we may explore the potential of offering match-funding to organisations that they are already supporting.

- **Q3: Develop detailed programme plan with partner/s**

The plan will cover milestones, outputs and deliverables as well as risks (and mitigations) and governance.

- **Q4: Programme launch**

Launch (following awareness-raising throughout 2019-20) will be branded as part of the VisitScotland-led 2020 Year of Coasts and Waters.

4. Financial and people considerations

In-house capacity is required to establish this programme. A new Corporate Operations role has been scoped to cover this (plus additional activity related to developing and embedding processes relating to consultation, marine litter, partnership working etc).

The £250k revenue budget for 2019-20 will be allocated as follows.

	Cost
Full-time role	£70,000 inc. on cost
Fee for partner to develop and deliver fund ¹	£10,000 approx
Fund ²	£120,000
Specialist advice and support to select communities	£35,000
Publicity materials, events etc	£5,000
Contingency	£10,000
Total	£250,000

5. Risk and governance

Given the links with other activity across the business including blue economy and the coastal sector plan, oversight will be provided by Executive Team with a Senior Responsible Officer in place. Additional guidance and input from a Board member would be welcome.

Governance of the fund will be provided by an experienced grant-making body with relevant expertise and a solid track record. Contractual arrangements will cover management of funds, authorisations etc.

A risk register will be established and regularly reviewed.

¹ Fee will vary depending on volume of applications, complexity of administration and governance, and geographical scope.

² The fund would be transferred to the grant-making body during 2019-20 and held by them, ring-fenced, before being dispersed in 2020-21. [Esther – it would be good to discuss this option further to check it is deliverable]

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Bringing Best Value into decision-making: principles & initial adjustments BD(2019)13.11	
Security classification	Unclassified	
Presented by	Simon Hodge	
Author	Courtney Hyde Peyton	
Annexes	Annex A: Framing Documents	
Recommendation	The Board is invited to note progress to date, and comment and provide guidance on next steps (particularly sections 4-6).	
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 is developing a value-based, organisation-wide approach to decision-making that is designed to be robust, transparent and consistent with our statutory duties, purpose and core values.
2. This work is particularly timely given the need to meet the requirements in the Scottish Crown Estate Act 2019 ('the Act') and be able to demonstrate and report on how we are achieving that.

Discussion

3. Overview, legislative requirements and principles

Crown Estate Scotland decision-making needs to enable and support the delivery of wider value. The new strategic framework encompasses our statutory duties (including the Act), the purpose, vision, values and the 2020-23 Corporate Plan strategic objectives.

It is this framework that provides the overarching structure for the decision-making which aligns our principles, our actions and our outputs, and values our staff, stakeholders and the community.

In this context, decision-making is defined as both strategic and operational decisions that tangibly impact:

- how the Estate is managed
- the different types of value Crown Estate Scotland's management of the Estate generates
- our ability to deliver on our commitments as set out in our corporate plan.

Key documents set out the different types of social, economic, environmental and financial benefit or value that the organisation needs to deliver. Of particular relevance are:

Scottish Crown Estate Act 2019

The Act unambiguously sets out Crown Estate Scotland's duty to maintain, enhance and consider the value of assets in a way that furthers the achievement of sustainable development in Scotland.

The Act sets out the duty to maintain and seek to enhance capital value and income in a way that promotes:

- Sustainable development generally; and
- Economic development, regeneration, social wellbeing and environmental wellbeing specifically.

Best Value and SPFM (Scottish Public Finance Manual)

Best Value balances quality and cost considerations in 'improving the performance of public service organisations to have regard to economy, efficiency, effectiveness, equal opportunities requirements and to the achievement of sustainable development'.

As with the Act, the emphasis is on the customer and the quality of decisions, not just the financial bottom line. Best Value is clearly defined in the SPFM as a priority for public bodies in their financial decision-making. Scottish Government's Best Value guidance also highlights the requirement for public bodies to meet specific Climate Change Duties.

Climate Change (Scotland) Act (2009); Climate Change (Duties of Public Bodies: Reporting Requirement) (Scotland) Order 2015; Climate Change (Emissions Reduction Targets) 2018 Bill

The 2009 Act places a duty of reporting on climate change impacts by public bodies, further detailed in the 2015 Order. The 2009 Act requires a 42% reduction in emissions below 1990 levels by 2020 and an 80% reduction by 2050. The 2018 Bill is reviewing the 2050 target, which is widely expected to become at least 90% by 2050 and possibly a net-zero target. This legislation impacts on the entire Scottish Crown Estate.

Operational requirements and investments necessary to meet emission reduction targets will be stretching, extending from zero carbon buildings to dramatic changes in agricultural practices, forestry, land use and the blue economy. How Scottish Crown Estate assets are impacted by a changing climate and how Crown Estate Scotland intervenes in their management will inherently affect their absolute financial, economic, environmental and social value and their relative value against same in class assets in the market place and to society.

Crown Estate Scotland Corporate Priorities

While Crown Estate Scotland continues to deliver on the Corporate Plan (2017–2020), the organisation's purpose has recently been defined as 'Investing in property, natural resources and people to generate lasting value for Scotland'. The strategic objectives going forward (for 2020-23) will be to focus on the blue economy, built environment, enabling sustainable use of natural resources, supporting partners and other Estate managers, and deploying our people's expertise to deliver value and success.

These objectives are designed to ensure we are contributing to delivering on Scottish Government's National Performance Framework (NPF) which is mapped to the UN's Sustainable Development Goals.

Collective Principles

Collectively, the above establishes the requirement to consider social, environmental, economic and financial criteria throughout Crown Estate Scotland decision-making across its roles (enabler, investor, asset manager, coordinator). The key framing documents summarised above make clear that financial considerations should not always take primacy over social, economic and environmental value when these factors can be clearly articulated and assessed.

The Value Project has been designed to bring all these principles together to inform a framework for consistent decision-making across Crown Estate Scotland at strategic and operational levels. The work is linked to the National Performance Framework and takes direct account of how Scottish Government has recently begun forging links between the Sustainable Development Goals and its Best Value guidance to public bodies.

Current decision-making

The scope of Crown Estate Scotland decision-making fall broadly into the categories of:

- a. Corporate e.g. priorities, plans and policies
- b. Investment
- c. Acquisition & Disposal
- d. Leases
- e. Procurement
- f. Partnerships

Moving forward, these areas of decision-making will need to consistently and transparently recognise and react to the different types of value and requirements set out above. Existing risk management policies and processes, including recent work on risk appetite, will support these activities.

Embedding and assessing these new categories of value will require at least as pervasive an approach to decision-making as is currently taken for other impact assessments (e.g. Strategic Environmental Assessment, islands and equality impact assessments) by Crown Estate Scotland, as it will apply to both strategic and operational decisions.

4. Initial adjustments: Bringing value into strategic decisions

An understanding of types of value outlined in section three above - how they are quantified and weighed against each other - needs to be incorporated in all the strategic decisions Crown Estate Scotland makes and outputs delivered.

The challenge will be how to consistently and effectively marshal, present and utilise the evidence base to inform strategic decisions. This will require a clear set of goals, rules and a mechanism embracing an explicit and defensible understanding of what environmental, social and economic value look like given our roles as investor, enabler, asset manager and coordinator across a diverse property portfolio with 21 different sub-classes of assets. This remit is being advanced by the Value Project.

This evolution of the organisation requires a stepping back and viewing Crown Estate Scotland as an organisational system which has decision and control mechanisms through which change can deliver the greatest impacts. Using the application of problem solving through systems thinking¹, and how it can benefit the organisational learning of Crown Estate Scotland, is being explored by the Value Project in proactively addressing this time of changing processes and re-affirmation of our core values.

The Value Project outputs are forming in parallel with the development of the new Corporate Plan, which is framing value, as understood above, in its purpose and its language. As part of this integrated approach, The Value Project stakeholder communications will correspond with the public consultation on the Corporate Plan (which incorporates the Investment Strategy), demonstrating how The Value Project outputs will contribute to the delivery of the Corporate Plan. Similarly, the Income Transactions Policy has engaged with The Value Project thinking to identify how and where value can be integrated and what this will mean for outcomes.

5. Initial Adjustments: Bringing value into operational decisions

Operational decisions will need to adopt this same understanding and assessment of value in core functions, including

- Investment
- Acquisition & Disposal
- Leases
- Procurement

Existing proformas such as Board and Executive Team papers, Transaction Authorisation Certificates (legal signoffs), Decision Record Sheet (process signoffs) and Invitations to Tender (procurement) will be reviewed to fulfil the stated value requirements. It is likely that some new decision-making processes are needed.

Further review of decision-making in relation to investment is being carried out. Plans and strategies (e.g. 2020-23 Corporate Plan, People Strategy) are being designed to reflect the new strategic framework.

¹ <https://kmeducationhub.de/global-association-of-society-for-organizational-learning-sol-communities-gasc/>

For some activities relatable prototypes exist. Scottish Government is currently revising its Best Value guidance to take account of the SDGs and NPF. As this progresses interim templates, protocols and processes across organisational management and decision-making, developed by Audit Scotland to support all public bodies (<http://www.audit-scotland.gov.uk/our-work/best-value/best-value-toolkits>) may be adapted to be consistent with Crown Estate Scotland principles of value.

6. The Value Project Tool - A resource to inform strategic and operational decision-making

The passage of the Act requires the organisation to establish and demonstrate a new basis for decision-making in line with articulated social, economic, environmental and financial value above.

Crown Estate Scotland will now need to apply a mechanism that makes this process clear, consistent, defensible and transparent. This involves bringing forward evidence of value and finding a way of weighting organisational and Scottish Government priorities, while delivering reliable decision support.

The Value Project assessment outputs will explicitly support and elucidate this decision-making process. An outline of key characteristics includes:

- a. Who will it support? Crown Estate Scotland asset managers, Executive Team, Audit & Risk Committee, Investment Committee, Board.
- b. What will be its content? Indicators of economic, social, environmental and financial benefit assessed against Crown Estate Scotland activities and data to give a clear picture of the benefits of different assets, as well as value particularly brought to assets by Crown Estate Scotland management. The resource will provide clear information flows, feedback loops and the recognition of patterns and systems operating across the Scottish Crown Estate which may be reviewed and influenced in support of Crown Estate Scotland goals and values.
- c. What will be its functionality? A process and outputs which clearly demonstrate the relative strengths and weaknesses of all assets against four areas of value and how they relate to each other. In so doing, this resource will identify where trade-offs exist within and between areas of value.
- d. How might weighting be applied? The selection of indicators must give a representative view of the impacts of the assets. The relative importance of indicators, through carefully considered weighting, will enable priorities supported by the Board to be reflected in evaluations, while maintaining an honest representation of a world view of criteria as supported by the UN, the Sustainable Development Goals and the Scottish Government National Performance Framework. As such, it is recommended that the Board may want to consider how best to engage with this process of developing appropriate weightings.

- e. What will be its appearance? Outputs will provide both pure data and mapping/graphs/visuals to show proportionality of data, geographic locations where relevant and accumulation of impacts (by asset, by location, by type).
- f. What are the key challenges with the development of this resource? Not all data desired will be available or in the form we wish or with the frequency of update desired. There will be differing views on the selection of indicators and related weightings.
- g. How this resource will support Crown Estate Scotland? This resource will be a decision support tool, using evidence, weightings and judgment to enable robust, transparent and informed decision-making. It will provide a process and a mechanism to support decision making at both operational and strategic levels.

Financial

- 7. The Value Project is operating within budget.

Sustainability

- 8. Delivering on sustainable development is a statutory requirement.

Legal implications

- 9. The work and process outlined above will help us meet our statutory duties.

Risk

- 10. A risk register has been built and is maintained with particular focus on data quality, quantity, accuracy, user buy-in and ownership, timetable and deliverability.

People considerations

- 11. Revised decision-making processes will need to be embedded across the wider team and integrated into existing systems and responsibilities. A phased approach will be taken given the ongoing change within the business, with priority given to strategic decisions at Executive Team and Board level.

Reputational / PR implications

- 12. The reaction from all stakeholders engaged with thus far (Scottish Government, public sector agencies, NGOs, wider networks, etc) has been highly positive and a desire to participate has been strongly expressed.

ANNEX A – Framing Documentation for CES Value Project

The following are relevant extracts of documents referred to briefly in section 2 of the Board Paper, presented below in fuller detail:

Scottish Crown Estate Act 2019

In their duty to maintain and enhance value of assets, the manager must—

‘(a) act in the way best calculated to further the achievement of sustainable development in Scotland, and

(b) seek to manage the assets in a way that is likely to contribute to the promotion or the improvement in Scotland of—

(i) economic development,

(ii) regeneration,

(iii) social wellbeing,

(iv) environmental wellbeing.’

The sale of any asset for consideration of less than market value is acceptable if the manager is satisfied that the relevant transaction is likely to contribute to the promotion or the improvement in Scotland of sustainable development or any of the four attributes above as well as awareness of how the sale impacts on the whole of the SCE.

Best Value and SPFM

According to the Scottish Government.

Best Value balances quality and cost considerations in improving the performance of public service organisations. The duty of Best Value is to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost) and in doing so to have regard to economy, efficiency, effectiveness, equal opportunities requirements and to the achievement of sustainable development. Best Value places the emphasis on the customer, not just the bottom line.

As set out in SPFM and ‘Best Value in Public Services Guidance for Accountable Officers’, the duty of Best Value is:

To make arrangements to secure continuous improvement in performance whilst maintaining an appropriate balance between quality and cost; and in making those arrangements and securing that balance,

To have regard to economy, efficiency, effectiveness, the equal opportunities requirements, and to contribute to the achievement of sustainable development.

In implementing Best Value, responsible parties are further directed to their Public Bodies Climate Change Duties, under the Climate Change (Scotland) Act 2009.

Climate Change Act (2009) & Climate Change (Emissions Reduction Targets) 2018

The Climate Change Act impacts on CES to two parallel ways.

Owner and Manager of Assets:

The Act addresses the responsibility of those managing built and natural assets, land use, forestry, agriculture, moorland management, energy generation to dramatically reduce the negative value of their related GHG emissions, by 42% reduction from 1990 levels by 2020 and by 80% reduction by 2050. These targets are currently under review with the 2050 target widely expected to become a minimum of 90% and the path to achieving net-zero as soon thereafter as possible. This legislation impacts on every asset the CES manages. Operational requirements and investments necessary to meet these targets will be stretching, extending from zero carbon buildings to dramatic changes in agricultural practices.

Public Body reporting to Scottish Government:

The Act places a duty of reporting on impacts by public bodies (Chapter 4, sections 44-46) which must be met by CES. Guidance to public bodies on their climate change duties, as consistent with part 4 of the Act 2009 maps a 'step-by-step' approach to aid these bodies in embedding climate change requirements within their business strategies and operations.

Environmental Information (Scotland) Regulations 2004

Environmental Information (Scotland) Regulations 2004 imposes a general duty on Scottish public authorities to take reasonable steps to organise and keep up to date environmental information relevant to their functions with a view to its active and systematic dissemination to the public and shall make that information progressively available to the public by electronic means.

CES Goals and Values (as set out in the Corporate Plan)

CES Goals (2017–2020)

- Enhance and develop natural resources through sustainable investment and management
- Grow Scotland's low carbon economy through leadership and innovation
- Build social capital in communities through strong networks and partnerships

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

CES Strategic Objectives (2020-23)

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

CES Values –

Collaboration, Excellence, Integrity, Commercialism

Board	Thirteenth Board Meeting	BD(2019)13
Meeting date	27 March 2019	
Paper title	Decisions Out of Committee BD(2019)13.12	
Security classification	Unclassified	
Presented by	Helen Howden	
Author	Helen Howden	
Annexes	None	
Recommendation	The Board is invited to note the content of this paper	
The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest		

Background

1. This paper, which is for noting, records the decisions made by the Board by email.

Decisions

2. BD(2018)e1 – [REDACTED]

The Board (other than Mr Raven who had previously declared an interest in the matter) received a paper by email on 10 December 2018 requesting approval of a recommendation negotiation a sale option at the minimum price set out in the paper. The Board approved the proposal.

3. BD(2019)OOM1 – Accommodation Criteria

The Board received a paper by email on 1 February 2019 requesting agreement on criteria for future accommodation requirements for Crown Estate Scotland and to agree the proposed next steps. All Board members provided feedback but also requested that they have an opportunity to discuss this matter during a meeting. The Board discussed an updated paper during its meeting on 26 February 2019.