

**Agenda**  
**Twentieth Meeting**  
**Crown Estate Scotland (Interim Management) Board**  
**27 May 2020**  
**8.30am – 12.30pm**

- 1. Standing Items**
  - 1.1 Welcome and Declarations of Interest
  - 1.2 Approval of Minutes of Meetings held 25 March 2020 Attached
  - 1.3 Matters Arising and Action Trackers Attached
  - + 1.4 Papers considered out of meeting BD(2020)20.1
  - + 1.5 Stakeholder Meetings BD(2020)20.2
- 2. Investment and asset decisions**
  - 2.1 Bringing Value into Decision Making BD(2020)20.3
- 3. Board Committees**
  - \* 3.1 Audit & Risk Committee Minutes (28 April meeting) Attached
  - \* 3.2 Investment Committee Minutes (12 May meeting) Attached
- Break – for 30 minutes**
- 4. Business Management**
  - 4.1 Chief Executive's Report BD(2020)20.5
  - 4.2 Performance Management Dashboard (Q4 2019-20) BD(2020)20.6
  - \* 4.3 Assessing the Potential Impact of COVID-19 BD(2020)20.6
  - 4.4 New Office Project - update Verbal
  - 4.5 Risk Register BD(2020)20.7
- 5. Strategies and plans**
  - 5.1 Retendering Managing Agents Contracts BD(2020)20.8
- 6. Governance**
  - 6.1 Annual Report from Audit & Risk Committee BD(2020)20.9
  - 6.2 Annual Reports (FOISA, DP, Complaints) BD(2020)20.10
  - 6.3 Board Appraisals Verbal
- 7. Any Other Business**
  - 7.1 Authorised Signatories (late paper) BD(2020)20.11
- 8. Date of Next Meeting**  
28/29 July 2020

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

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

+ This item is for noting

<b>Minutes for</b>	<b>Twentieth Board Meeting</b>	<b>BD(2020)20</b>
<b>Meeting date</b>	<b>27 May 2020</b>	
<b>Security classification</b>	<b>Restricted</b>	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Minutes for the meeting of the Board of Crown Estate Scotland held by video conference call on Wednesday, 27 May 2020</b>		

## **Present:**

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

## **In attendance:**

Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Alastair Milloy	Director of Finance & Business Services
Colin Palmer	Director of Marine
Andrew Wells	Director of Property
Helen Howden	Governance Manager (minutes)

## **By invitation:**

Martha Walsh	Shadowing observer
Annie Breadon	Head of Policy (for Minute item 2.2)
Christopher Cassels	Senior Asset Manager (for Minute item 5.1)
Anna Morgan	Financial Controller (for Minute items 4.1 to 4.4)
Courtney Peyton	Value Project Manager (for Minute item 2.1)

## **1. Standing Items**

### **1.1 Welcome and Apologies**

The Chair welcomed everyone to the meeting, including the Head of Policy and the Value Project Manager, which was the first being held using Microsoft Teams. Members were thanked for having intimated questions and comments in advance of the meeting. Those presenting papers would try to cover those points. If there were any which had not been addressed, then members should contact the Chair and Governance Manager after the meeting, and they would arrange for responses to be sent. The Chair advised that she would ask members in turn for comments and that members could additionally use the “chat” or “raise hand” function in Teams to attract her attention.

## **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 held on 25 March 2020**

**Noted** that:

- (a) members had raised further comments on the drafting of minute items 5.2 Noted (h), 7.1 and 8.3 Noted (a) and (b) and that the minutes were not yet in final form.

**Agreed** that:

- (a) the wording which had been circulated by Liz Leonard by email on 27 May in respect of minute item 5.2 Noted (h) was agreed and would be incorporated into the minutes.
- (b) the record of the discussion at minute item 7.1 would remain as drafted.
- (c) the Governance Manager would review the wording of minute item 8.3 and provide an amended draft of the minutes to the Chair for final approval.

**Action: HH (20/1)**

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

**Noted** that:

- (a) following the departure of David Mallon as head of the Crown Estate Strategy Unit (CESU) there had been a reorganisation within the sponsor directorate, Marine Scotland, with CESU moved to the direct management of David Pratt. The relationship with CESU and the wider Marine Scotland team remained positive and continued to work well.
- (b) the position in relation to the transfer of funds to the Scottish Consolidated Fund remained as had been reported to the Board at the meeting on 25 March 2020. The position would be reviewed after the June quarter date at which point the organisation would have evidence of the impact of Covid-19 on the payment of rental from tenants.

**Agreed** that:

- (a) the Action Tracker should be actively used and that actions which required a future meeting of the Board or a Committee to consider an item should not be marked as closed until the Board or Committee had actually met and considered the item.

## **1.5 Papers considered out of meeting (paper (BD(2020)20.1)**

**Noted** that:

- (a) on paper, which related to a request for a decision to purchase a site in Montrose, had been considered out of meeting. Following the Board's agreement to move forward, approval to proceed with negotiations for the purchase had been received from Scottish Ministers. Due diligence had been carried out and the final reports being prepared by

Crown Estate Scotland's solicitors and land agents. No material issues had been identified which would impact the decision to proceed to purchase.

- (b) the Director of Property would consult with the Chair following the conclusion of the Board meeting to decide how to proceed with obtaining the final approval to conclude the purchase.

**Action: AW (20/2)**

## **1.6 Stakeholder Meetings (paper BD(2019)20.2)**

The Board **noted** the content of the paper.

## **2. Bringing Value into Decision Making (paper BD(2020)20.3)**

**Noted** that:

- (a) in later 2018, against a backdrop of change in the organisation, with the development of the Corporate Plan 2020-23 and the framing of The Scottish Crown Estate Act 2019, the Value Project was commenced to demonstrate Crown Estate Scotland's commitment to the management of the assets in a new way, one which enabled the delivery of wider value.
- (b) the Value Project has created a framework to allow wider value to be considered in the decision-making processes across the organisation in a way which is transparent and consistent.
- (c) during the Project there has been extensive consultation with internal and external stakeholders, including a series of five workshops held in late 2019. Each workshop focused on one broad category of asset and sought to identify the value added to assets by Crown Estate Scotland management and what further opportunities there might be for value to be delivered.
- (d) a set of asset profiles has been created identifying, at a particular point in time, the current value set against potential value; the value delivered by Crown Estate Scotland through its four roles – as asset manager, coordinator, enabler and investor; and the connections to other assets in the Estate.

The following points are noted from the questions asked by Board members and responses given by officers:

- (e) quantification of impact and comparison between asset type was still under consideration. The differences between asset classes and the scale of the assets under Crown Estate Scotland management made direct comparison difficult. It was acknowledged that the local and regional impact was a missing aspect of the Project and would continue to be worked on.
- (f) the presentation of financial information alongside wider value information was welcomed. The Board suggested that financial trend information as well as current position would be helpful. The Board also provided a range of feedback on the format

and data presented which the project team will have regard to as the asset profiles are developed.

- (g) a decision tool (which still requires a final name) would be used to generate information to inform the preparation of business cases and assist in decision making, although it would not make the decision. A library of information would provide input from a variety of different sources including a GiS application. This app would be for internal use and be subject to the same security as the rest of the Crown Estate Scotland IT system. The library would be updated formally on an annual basis, but users can add and update it at any time.
- (h) the next steps for the Project were to start to train staff in the use of the resource and to finalise the outputs. There was sufficient resource for these next steps as the Project Manager's contract did not end until September. Future arrangements to support the Project outputs was being identified. Methodical updating of the library would be needed to ensure that the underlying data supported the decision-making.
- (i) the intention is that the asset profiles will be publicly available on the Crown Estate Scotland website and information will be proactively distributed.
- (j) some members of staff were already using outputs and recent business cases had incorporated value perspectives. The Project Manager would welcome feedback from the Investment Committee over the coming months as the business cases and use of the tool developed. There were still some inconsistencies in the terminology being used in the asset profiles and in the business cases which required to be looked at.

**Agreed that:**

- (a) the work carried out to date represented a major step forward in helping the organisation to make decisions to deliver the strategic objectives of the Corporate Plan and the work was commended by members. It would be beneficial if the decision tool could also be used to assess performance, to evidence whether Crown Estate Scotland had achieved what it set out to achieve.
- (b) the Board would welcome a more in-depth session in due course, and this should be arranged for late autumn.

**Action: HH (20/3)**

*The Head of Policy and the Value Project Manager were thanked for their contribution and they left the meeting.*

### **3. Board Committees**

#### **3.1 Audit & Risk Committee Meeting – 28 April 2020**

**Noted that:**

- (a) the Committee had welcomed a paper setting out an initial assessment of the likely impact of Covid-19 on the organisation and had asked for some amendment to be made and for it to be submitted to the Board. The Committee had also asked the Board to

consider how often it wanted to receive information from the Chief Executive in relation to Covid-19.

- (b) in addition to the regular reporting on finance, the Committee had received an update on the preparation of the annual report and accounts from the Director of Corporate Operations and the Financial Controller. The draft report and unaudited accounts had now been circulated to the Board for comment by e-mail. It was anticipated that the final report and accounts would be laid in the Scottish Parliament in early autumn.
- (c) a report on the work being done as part of the enabler role with Marine Scotland, and which was a regular report to the Committee, had been reviewed. The funds available for this work were not all yet committed and could potentially be held back to assist with cashflow if required.
- (d) the new Procurement Manager had been introduced to the Committee and an interim procurement strategy had been approved.
- (e) the external auditors had indicated that they were anticipating being in a position to complete the audit within the timescales which had originally been planned for prior to the lockdown restrictions coming in to effect. The internal auditors had commenced a review of the managing agent audit conducted by the previous firm of internal auditors and were planning to commence the risk management audit and governance audit. They would work flexibly in response to the lockdown restrictions.
- (f) the Committee had reviewed an annual report on Health & Safety (H&S) and were pleased with the progress over the year. The annual H&S report had been submitted to the Board as part of the formal report from the Committee and would be considered later in the meeting.
- (g) the risk register was reviewed and approved during the meeting along with the risk management policy. These formed a separate paper which would be considered by the Board later in the meeting.
- (h) the Committee had received the assurance it had sought in relation to contract management and had asked management to review the arrangements for insurance, including any scope for self-insurance.

### **3.2 Investment Committee Meeting – 12 May 2020**

**Noted that:**

- (a) the Committee had received its regular report on capital income and expenditure and during the meeting had received an update on the development of a new report which would give management and the Committee a better overview of capital expenditure.
- (b) a paper on options for asset sales to support the creation of the £70m investment fund set out in the Corporate Plan was considered. The timing of any sales and investment would require careful monitoring and to be kept under review. The favoured option was to focus on low contributing built assets and any rural asset sales being responsive to

tenant proposals but focused on specific geographic areas. The next step was to prepare options appraisals for the assets identified.

- (c) any rural sales would require to be appropriately handled with appropriate stakeholder engagement and clear messaging on the reason for sales.
- (d) the Built Development Manager joined the meeting for the update report on built development which was well received by the Committee who thought the new format gave members a better overview of activity.
- (e) the Commercial Manager had presented a paper to the Committee in relation to the annual asset valuations. Whilst the value had increased in the year to 31 March 2020 there was a real risk that the value could drop over the current year due to the impact of Covid-19 and Brexit. The Chief Executive provided advice on the statutory implications should such a situation occur and agreed to feedback to the board when a response from the sponsor team is received.
- (f) the valuation of assets was used as one way to demonstrate that Crown Estate Scotland was meeting the statutory duty, but to gain a full understanding this needed to be adjusted with capital sales and capital investment within period. The holding of capital cash also needed to be considered to gain a full picture.
- (g) the Committee had been advised that the current contracts with the valuers were due to be retendered however consideration was being given as to whether, in the circumstances, this was advisable.
- (h) the Committee had reviewed its terms of reference and concluded that no changes were required to the remit but considered that an additional member would be beneficial as the work of the Committee increased. This had now been agreed with the Board Chair and Liz Leonard would be joining the Committee.

**Agreed that:**

- (a) the Chief Executive would inform the Board when a response was received from the sponsor directorate to the request for advice in relation to the statutory duty to maintain and seek to enhance the value of Scottish Crown Estate assets and the income arising from them.

**Action: SH (20/4)**

*The Board adjourned for a break for thirty minutes. The Financial Controller joined the meeting when it re-commenced.*

## **4. Business Management**

### **4.1 Chief Executive's Report (paper BD(2020)20.4)**

**Noted that:**

- (a) the Chief Executive expressed his pride in staff who had shown commitment to understanding the position that tenants and stakeholders were in as a result of Covid-19 and to ensuring that the organisation continued to operate and to develop.

- (b) there had been a modest reduction in capacity as a number of staff had caring and home-schooling responsibilities. Crown Estate Scotland had adopted a flexible approach to this, allowing work to be carried out in the evenings or at the weekend. Staff were recording hours worked to allow the impact on different teams to be assessed and not to seek to recover any deficit from individuals.
- (c) the Executive Team continued to review workload prioritisation on a weekly basis and were mapping out where the main pinch points for staff capacity during the implementation of the change programmes were likely to arise. The draft People Strategy 2020-23 and workforce planning would be considered by the People Committee on 1 July 2020.
- (d) in response to a Board member question, the Chief Executive suggested a blanket freeze on recruitment would restrict the ability to continue to deliver at pace. Workforce planning would be the mechanism to look at current capacity, to identify capacity gaps and how best to fill them, and to identify any opportunities to move resources from lower to higher priority areas. Workforce planning will be considered by the Board at their July 2020 meeting.
- (e) significant progress had been made in relation to the embedding of a new H&S culture in the organisation and that Crown Estate Scotland looked to champion H&S around the Estate in different ways, such as engagement with agricultural tenants at the tenant meetings or in the contracts with offshore wind developers.
- (f) in response to Covid-19 the timelines for the 'root and branch' review of aquaculture lease terms were being considered. The next report from the Chief Executive to the Board at its July meeting would have more detail on this.
- (g) final preparations for the launch of ScotWind were underway and the anticipated, but still confidential, launch date was 10 June 2020. The Chair had written to members of the Marine team to express the thanks of the Board for their work to date.
- (h) in response to a Board member question, an explanation was given for a significant refund for dredging associated with the new Aberdeen Nigg Bay harbour project. The refund was of advance payments made for dredging that has been postponed due to the Covid-19 situation.
- (i) in response to a question from a Board member, the Chief Executive confirmed that it was intended to enter into a formal partnership agreement with the recognised trade union, PCS.

#### **4.2 Performance Management Dashboard (paper BD(2020)20.5)**

The Board **noted** the content of the dashboard and that future reporting would take a different format in line with new Corporate Plan.



#### **4.3 Assessing the Potential Impact of Covid-19 on Crown Estate Scotland (paper BD(2020)20.6)**

**Noted that:**

- (a) the paper gave an overview of the potential business and financial impact of Covid-19 along with a two-part financial analysis and included the current guidance on responding to requests for rent freezes or reductions, which had been developed based on guidance from Scottish Government. The impacts of Covid-19 would go far and wide and were expected to have far-reaching consequences for society and commerce.

The following points are noted from the questions asked by Board members and responses given by officers:

- (b) Crown Estate Scotland has an important role to play in the green recovery sought by Scottish Government, including the move to net zero, in a way that is complementary to the efforts of other bodies. The organisation would respond to the current call for views by Scottish Government on how to support economic recovery.
- (c) it was forecast that revenue income would fall by around £2.5m in the current financial year, with the precise amount depending on when the lockdown restrictions were lifted. Revenue expenditure would not vary much from the budgeted position as most costs were fixed overheads. Debt and cashflow would continue to be actively monitored, including the timing on revenue surplus payments to the Scottish Consolidated Fund.
- (d) requests from tenants to defer or delay rental payments were being received and a consistent organisation-wide approach, following the internal guidance, was being maintained. Rent review notices for agricultural tenants which had been sent were being withdrawn and those which had not been issued were being deferred. The number of requests varied by asset type and the full impact on tenants will not become apparent until later in the year.
- (e) guidance received from Scottish Government was being followed as appropriate and the commitment to pursuing the Montrose purchase and to identify opportunities for investment elsewhere in Scotland are being presented as ways we can support economic recovery.
- (f) staff availability and capacity were being monitored on a weekly basis with line managers regularly checking in on colleagues. A number of social initiatives had been implemented and welfare support continued to be signposted. A staff working group had been established to look at how a return to the Bells Brae office might be managed in line with Scottish Government guidance and the Director of Property was making plans, including updated risk assessments, to allow outdoor working on the rural estates to re-start in early June.

**Agreed that:**

- (a) the Board would appreciate monthly update reporting from the Chief Executive on the potential and actual impacts of Covid-19, which should include information on staff capacity and availability.

**Action: SH (20/5)**

#### **4.4 New Office Project – verbal update**

**Noted** that:

- (a) the Director of Finance & Business Services had engaged with the sponsor team and Scottish Government's property division in relation to the preferred option for the new office and approval had now been given by Scottish Ministers to pursuing that option.
- (b) negotiations had continued with the landlord's agents and a reduction in rent, a service charge cap and an additional rent-free period had been secured. Planning was underway to create an office layout based on current Scottish Government guidance but would require consultation with PCS and staff and an assessment of the impact of Covid-19 on future working patterns.

The following points are noted from the questions asked by Board members and responses given by officers:

- (c) a planning application had been submitted to the City of Edinburgh Council for the redevelopment of Bells Brae to eleven residential properties. The property owner had confirmed the intention to proceed with the redevelopment without delay and that Crown Estate Scotland would still require to vacate the property by the end of 2020.
- (d) there were no specific plans at present to carry out any work to the George Street property as a fall-back in case negotiations for the preferred option fell through however it was on the strategic risk register as a further mitigation to the risk.
- (e) the next steps were to finalise heads of terms with the landlord of the preferred option and to make a formal offer. Once that was done then consultations with staff and the recognised trade union, PCS, would commence. It would be beneficial if the Board would delegate authority to one member to approve the final heads of terms.

**Agreed** that:

- (a) Robert Mackenzie had delegated authority on behalf of the Board to approve the final heads of terms for the lease of the preferred property for the relocation of the Edinburgh office.

*The Financial Controller was thanked for her contribution and she left the meeting at this point.*

#### **4.5 Risk Register (paper BD(2020)20.7)**

**Noted** that:

- (a) the risk register was reviewed on a monthly basis by the Executive Team and quarterly by the Audit & Risk Committee. An annual review of the risk management policy had been considered by the Committee and had been submitted to the Board for approval at today's meeting.
- (b) the paper set out how the risks, control strategy and mitigations set out in the risk register had changed over the past year and the Board were being asked to approve the risk register.

- (c) the Audit & Risk Committee had asked the Executive Team to review risk appetite, particularly in relation to investment, and to bring a report on that to the Committee's meeting on 23 June 2020.
- (d) one Board member enquired about risk 8 (loss of skills, expertise, morale results in loss of relevance and failure to deliver existing objectives and create new opportunities for future delivery), particularly on why the residual risk rating had not changed in response to mitigating actions.

**Agreed that:**

- (a) the People Committee should be asked to consider the position in relation to risk 8, to assess the controls and mitigation and then the risk rating, identifying any other actions which management might want to consider implementing.

**Action: EB (20/6)**

- (b) the Board approved the revised risk management policy and adopted the risk register.

*The Senior Asset Manager was welcomed to the meeting.*

## **5. Strategies and plans**

### **5.1 Retendering Managing Agent Contracts (paper BD(2020)20.8)**

**Noted that:**

- (a) the retendering of the contracts for the managing agents (the asset managers, not legal advisors) was one part of the outcome of the outsourced services review which had been presented to the Board in January. It sat alongside work to develop Crown Estate Scotland's internal engagement capacity, being taken forward as part of workforce planning. There would require to be clearly defined arrangements in relation to engagement between the in-house team and the managing agents.
- (b) the Board were being asked to comment on the framework for the retender process, including on the outcomes, and that the team would take the comments away and refine the detail of the retender and finalise the invitation to tender.

The following points are noted from the questions asked by Board members and responses given by officers:

- (c) in parallel with the retendering, work was underway to bring the data management of assets in-house.
- (d) the framework for the preparation of an invitation to tender (ITT) had been prepared with the intention of allowing flexibility to meet the future needs of the business. The inclusion of performance indicators was a key part of the framework as the organisation sought improved customer and stakeholder engagement, to evidence the delivery of value for money and deliver wider value from the management of the Scottish Crown Estate.

- (e) liabilities under TUPE were a key consideration and specialist legal advice was being obtained. In addition, detailed discussions with the three current managing agents would be undertaken to maximise learning from the current contract specifications.
- (f) although the Corporate Plan saw a shift in emphasis towards coastal assets and communities there was still considerable work to be undertaken on the rest of the Estate and managing agents would be required to service that activity. The use of lots reflected the shift in emphasis and sought to ensure flexibility in delivery of service.
- (g) the framework sought to construct a fee arrangement which would work for both parties and not discourage proper delivery of the contracted services. The Board indicated that innovation would be welcomed, particularly supporting the progressive nature of Crown Estate Scotland.
- (h) the Board noted that they would receive a paper from the Director of Property in due course setting out the transitional arrangements for new appointments.

**Action: AW (20/7)**

- (i) the Director of Property would welcome additional input from a Board member as the ITT was finalised.
- (i) the Board inquired as to whether it was likely that the Island authorities might bid under the ITT. It was thought that this was possible but unlikely given that they would soon have legal right under The Scottish Crown Estate Act 2019 to request delegation or transfer of management.

**Agreed that:**

- (a) the Board were supportive of the outcomes listed in the paper but the invitation to tender required to be more explicit about the ethos of Crown Estate Scotland and to emphasise transparency and accountability with the managing agents being held to the same standard as Crown Estate Scotland.
- (b) there were no additional core services to be included or excluded but the Executive Team should ensure the requirements for stakeholder engagement are defined and specified in accordance with the outcome of the Outsourced Services Review. To enable this, before the invitation to tender is finalised the Executive Team should reach a conclusion on what engagement activity was going to be undertaken in-house.
- (c) lotting in the invitation to tender should be framed on a combination basis but should allow for regional differences, with bidders showing how delivery will vary across Scotland.
- (d) the preference of some Board members was for fixed fees linked to a clear service level agreement while recognising that some elements may need a variable fee approach. As there were other members who noted pros and cons to this the Director of Property should consider this carefully and agree a final approach in consultation with Robert Mackenzie. Consideration should be given to the introduction of financial penalties / clawbacks for performance failures or non-delivery of agreed targets by the appointed agents.

**Action: AW(20/8)**

- (e) the proposed term of appointment was approved as was the procurement timetable.
- (f) Robert Mackenzie, who had extensive experience of ITTs, would provide the input sought by the Director of Property and had delegated authority on behalf of the Board to agree the final terms of the ITT and have ongoing involvement on behalf of the Board in the selection process. The Chair would liaise with the Director of Property over future steps in the process.
- (g) the Workforce Planning paper being submitted to the July Board meeting should include the Executive Team's thinking on the emerging regional engagement roles.

**Action: EB (20/9)**

*The Senior Asset Manager was thanked for his contribution and he left the meeting. Martha Walsh gave her apologies at this point and she also left the meeting.*

## **6. Governance**

### **6.1 Annual Report from Audit & Risk Committee (paper BD(2020)20.9)**

**Noted that:**

- (a) the report from the Audit & Risk Committee was more extensive than previous reporting, in part reflecting the absence of an internal audit function during 2019-20. The report set out for the Board the areas of activity which had been undertaken by the Committee, confirming regular scrutiny of financial matters; the risk management process; continued positive engagement with the external auditors; starting to work with the new internal auditors; and oversight of procurement. H&S had been added to the remit of the Committee and the report had the annual H&S report annexed to it.
- (b) the Committee had worked with the Chief Executive and other officers to secure assurance in relation to a specific contract management failure. The Committee, as had been reported to the Board earlier in the meeting, had received the assurance sought in relation to that specific contract but also in relation to the management of contracts throughout the organisation.
- (c) the Committee confirmed to the Board that it had discharged its remit during the year and had identified areas, such as the assurance framework, where further work would be looked at during the coming year.
- (d) the Board welcomed the inclusion of the H&S annual report which allowed the full Board to look at the work which had been carried out during the year in relation to H&S management, culture and training as well as to incidents on the Estate and affecting staff.
- (e) there had been a substantial increase in the reporting of near-misses over the year, particularly minor incidences. This was viewed by the Chief Executive and members of internal H&S committee as positive given work to develop an open health and safety culture where staff are encouraged to report all incidents as a preventative measure. All incidents are actively followed up.

**Agreed that:**

- (a) the Director of Property would further populate the annexes of the report with management response to accidents and incidents for recirculation to the Board.

**Action: AW(20/10)**

## **6.2 Annual Reports (FOISA, Data Protection and Complaints) (paper BD(2020)20.10)**

The Board **noted** the content of the Reports and requested some further information on the categories of complaints received.

*Secretary's note: of the complaints received during the year, two related to the installation of the barrier at Crovie Pier and two to delays in receipt of response from Crown Estate Scotland managing agents.*

## **6.3 Board Appraisals – verbal update**

**Noted that:**

- (a) the Chair had held discussions with all Board members as part of their annual appraisal and that she would be completing the paperwork for submission to the sponsor directorate in early June. The Chair's appraisal, which will be conducted by the Director of Marine Scotland, has been scheduled for 22 June 2020.

## **7. Any Other Business**

### **7.1 Authorised Signatories – late paper (BD(2020)20.11)**

**Noted that:**

- (a) a late paper had been circulated requesting that the Board explicitly authorise the signing of documents electronically.

**Agreed that:**

- (a) the Board resolved that, with effect from 27 May 2020, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised, including by secure electronic means, to sign for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with

the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Simon Hodge (Chief Executive)  
Esther Black (Director of Corporate Operations)  
Alastair Milloy (Director of Finance and Business Services)  
Colin Palmer (Director of Marine)  
Andrew Wells (Director of Property).

## **7.2 Memorandum of Understanding with North Ayrshire Council**

**Noted that:**

- (a) the Board had been asked, out of meeting (paper BD(2020)OOM5) to approve the signing of a Memorandum of Understanding with North Ayrshire Council. All but one member had responded confirming approval with some members making useful suggestions about the drafting.

**Agreed that:**

- (a) the Memorandum of Understanding was approved, and the Board looked forward to future developments in North Ayrshire.

## **7.3 Undeclared farm improvements amnesty**

**Noted that:**

- (a) the tenant amnesty for the notification of undeclared farm improvements had been extended for a further six months and would now end on 12 December 2020. Crown Estate Scotland has worked proactively with the tenant group in relation to the amnesty since it was launched in 2017, had written to all tenants sending the guidance published by the Tenant Farming Commissioner.
- (b) a paper on the impacts of the amnesty on Crown Estate Scotland would be prepared and submitted to the Investment Committee in the first half of 2021, with any significant financial or reputational impacts being reported to the Board.

**Action: AW(20/11)**

## **7.4 Additional Business**

**Noted that:**

- (a) members had been asked for comments on the draft Annual Report which had been circulated by email by the Financial Controller on 20 May 2020. Members were reminded that the deadline for comments was close of business on 27 May 2020.
- (b) the Governance Manager had updated the Board standing orders and these would be circulated for approval out of meeting.

- (c) the Board would also receive out of meeting a request for approval to proceed with the purchase of the site at Montrose once the Director of Property had received the final due diligence reports.

**8. Date of Next meeting**

28/29 July 2020

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

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**Date**



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

Updated as at 20 May 2020

Actions from Eleventh Board Meeting held on 29 January 2019 – all actions closed

No.	Action	Responsibility	Timescale	Status
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Actions from the Twelfth Board Meeting on 26 February 2019 – all actions closed

No.	Action	Responsibility	Timescale	Status
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Actions from Thirteenth Board Meeting on 27 March 2019 – all actions closed

No.	Action	Responsibility	Timescale	Status
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Actions from Fourteenth Board Meeting on 29 May 2019

No.	Action	Responsibility	Timescale	Status
<b>Local Management Pilots Stage 2</b>				
14/3	The three “interim preferred projects” would progress to “preferred project” status if the issues noted in the paper were satisfactorily addressed. Any material changes to the projects would be brought back to the Board for approval.	TM	Until conclusion of agreement with applicants.	March 2020 – update in CE Report (BD(2020)19.3)

Public Interest Reporting – Annual Reports				
14/15	Future reports to the Board on complaints handling should include information on complaints received by the managing agents.	HH	End May 2020	<p>In progress.</p> <p>A new model complaints procedure is being introduced. Compliance with it and reporting complaints will form part of the requirements for the managing agents in the retender of the contracts.</p>

Actions from the Fifteenth Board Meeting on 24 July 2019

No.	Action	Responsibility	Timescale	Status
<b>Draft E&amp;I Strategy</b>				
15/2	the Board gave the draft strategy broad support, identifying that it displayed realistic ambition and recognising that the detail of implementation of the key deliverables would follow as part of the corporate and business planning process. Additional activity in relation to supporting the development of local energy networks and to the wave & tidal sector should be considered in the strategy along with the role which Crown Estate Scotland would take.	CP	After finalisation of the Corporate Plan	Further actions to be considered following finalisation of the Corporate Plan
15/3	the strategy would benefit from summarising priorities, the relative scale of intended activity and the focus	CP	After finalisation of the Corporate Plan	Further drafting changes to be considered following finalisation of the Corporate Plan

	for each sector at the start of the document. The Board would find it helpful if a visual matrix of the strategy could be drawn up.			
<b>Draft Aquaculture Strategy</b>				
15/5	the strategy would benefit from starting with a summary of the key priorities and roles for each area.	CP	After finalisation of the Corporate Plan	Further drafting changes to be considered following finalisation of the Corporate Plan
15/6	the strategy would benefit from summarising priorities, the relative scale of intended activity and the focus for each sector at the start of the document. The Board would find it helpful if a visual matrix of the strategy could be drawn up.	CP	After finalisation of the Corporate Plan	Further drafting changes to be considered following finalisation of the Corporate Plan

Note – Sixteenth Board meeting on 26 September 2019 was a strategic meeting

Actions from Seventeenth Board meeting on 26 November 2019

No.	Action	Responsibility	Timescale	Status
17/2	the Director of Property had reported to the Audit & Risk Committee on the work being undertaken to address the safety of vacant and derelict buildings on the rural estate. A copy of the report from the managing agents would	AW	End December 2019	The Director of Property is engaging with Jean Lindsay in relation to the reports and the preparation of an executive summary by the managing agents.

	be provided to Jean Lindsay who had requested sight of it.			
<b>Business Plan 2020/21</b>				
17/7	the draft plan could say more on developing our people, including the implementation of the People Strategy.	EB	After Corporate Plan finalised	
17/8	the business plan might benefit from the inclusion of note on the delivery challenges facing the organisation, including the relocation of Bell's Brae, resourcing and capacity and the climate emergency.	EB	After Corporate Plan finalised	
17/9	the final draft of the business plan should be circulated to the Board electronically for final comment and the Chair would have delegated authority to approve the final version on behalf of the Board. The Director of Corporate Operations would provide the Board with a timeline for the approval process.	EB	After Corporate Plan finalised	
<b>Scoping discussion for January Board meeting</b>				
17/10	a briefing on the Proposed Remote Rural Communities (Scotland) Bill would be prepared and circulated to the Board.	EB		

## Crown Estate Scotland (Interim Management) Board Action Tracker – 2020

Updated as at 20 May 2020

Actions from Nineteenth Board Meeting held on 25 March 2020

No.	Action	Responsibility	Timescale	Status
<b>CE Report</b>				
19/1	members would appreciate an update on the next steps in relation to any Scottish Government review of the aquaculture consenting regime once those steps had received Ministerial approval.	CP		No further steps have been taken. Members will be advised in due course.
<b>Additional Wider Benefits Policy</b>				
19/2	the style of the draft policy should be looked at again to ensure that it was clearly a policy and that the procedural elements should be removed to a separate document. The drafting should seek to avoid setting up an expectation that this was the norm and that the obligation to achieve best value set out in the 2019 Act should not be circumvented.	SH/EB		The policy has been subject to further review, including input from the asset managers and legal advice had been obtained.  The policy was not yet ready for circulation to the Board.
19/3	the name of the policy was confusing and should be reviewed to see if a clearer name could be formulated.	SH/EB		

19/4	the drafting would be revised and send to Liz Leonard for review before being sent to stakeholders for comment. The final draft policy would be brought back to the Board (and could be looked at out of meeting if required).	SH/EB		
<b>COVID-19 – Internal organisational impact</b>				
19/5	the Board required assurance that there were contingency plans in place to ensure that staff would continue to be paid if the personnel who approved payroll fell ill or if the payroll provider collapsed.	AM		This has been confirmed by the HR Advisor and a secretary's note will be added to the Board minutes.  Action closed.
19/6	the Chief Executive and the emergency management team would consider whether the offices could be shut and would report back to the Board on their decision within an appropriate timescale.	SH	6 April 2020	The Chief Executive advised the Board that arrangements were being made to close the office and that all staff would work remotely.  Action closed.
<b>COVID-19 – external impacts – tenants and stakeholders</b>				
19/7	the Board would welcome an update report on the financial modelling based on the impact of the pandemic at the next Board meeting.	AM	27 May 2020	This is on the Agenda for the May meeting.  Action closed.
<b>New Office Project</b>				
19/8	a report on the position with staff contracts would be submitted to the next meeting of the People Committee.	EB	1 July 2020	This is on the Agenda for the July meeting of the People Committee.  Action closed.
<b>Delegated Authority</b>				
19/9	the Audit & Risk Committee should review the operation of the scheme of delegation in six months' time,	ARC (HH)	October 2020	This is on the Agenda for the October ARC meeting.  Action closed.

	specifically considering bad debt write-offs, impairment and claims waived or abandoned, and report to the Board.			

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<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Papers Considered Out of Meeting BD(2020)20.1	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	None	
<b>Recommendation</b>	The Board is invited to note the content of this paper	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. This paper, which is for noting, records a decision made by the Board out of meeting.

## Decisions

### 2. BD(2020)OOM4 – Montrose

A paper requesting approval for the purchase of land at Montrose, subject to full due diligence, was issued to the Board by email on 8 April 2020. In email discussion the following points were covered:

#### Impact of Covid-19 on land values

It was acknowledged that this is a risk and that it was likely there would be a short term decline in value as a result of the pandemic. However, this is balanced against the uplift in value that will result from full planning consents for the site (which is being positively viewed by Angus Council) and the provision of infrastructure that by all accounts has a strong possibility of being supported by grant aid (at limited cost to Crown Estate Scotland) and prospects of capital value uplift from market movements in the medium to longer term as the economy recovers. Land in this area which is strategically sited for offshore wind and port development is likely to recover more quickly than some other areas. Offshore Wind is a growing activity and will become a major part of this East coast economy and land is required to support it. Bidwells have recognised there is a risk on pricing and have looked to factor an element of this into the negotiated and discounted purchase price, from £4m to £3.7. We are in a period of exceptional uncertainty and there are no current comparable sales since the emergency situation emerged. This discount could be considered a modest reduction in the circumstances but with the significant scale of inward investment required over the next 3-10 years the purchase price



is likely to be one of the smaller aspects to be considered in the overall investment return. Tay Cities deal funding deliver is also a further very real risk but the valuation has been on the basis of no funding so if part or all of the funding is available it will help add value to the site. Crown Estate Scotland could see a number of its land assets impacted by reduced capital value as a result of COVID-19 – and within the whole portfolio this asset will add diversity and help ‘hedge’ against disproportionate impacts on other sectors. We currently hold a high proportion of agricultural and forestry land but have limited land suitable for industrial/commercial property – so adding this to the portfolio will provide a degree of diversity helping to protect us from market movements in specific sectors. Covid-19 is more likely to affect timescales rather than value when considered over the longer term.

### Clarification on the Land and Buildings Transaction Tax due

It was noted that there was an error in the paper and that the sum due was £210,500.

### Price

The opportunity for renegotiating the price following due diligence would be extremely difficult and unlikely to be accepted by the other side. The sellers have other prospective purchasers and having agreed the Heads of Terms the price is essentially fixed. Crown Estate Scotland could still pull out if due diligence suggests that there are unacceptable risks due to site contamination, issues with title, unacceptable planning conditions or other matters that raise significant concern for us – and we could – if these became apparent use these to renegotiate as they would potentially have an impact on value. If we were to try to renegotiate on price as a result of COVID-19 it is highly probable that the sellers would walk away and pursue other interested parties – or hold on to the site.

### On-going relationship with seller

There are no contractual arrangements in place or currently under discussion as part of the purchase, which provide for an ongoing relationship with Isla Developments. However, their involvement so far would provide advantages in terms of their knowledge of the opportunities, the relationships they have established and their vision and expertise. This will be explored further if the purchase is successful.

### Legal title in name of Douglas & Stewart

We have not fully investigated Douglas & Stewart’s legal ability to sell and if there are any impediments or other factors that might affect our ability to purchase from them - given the legal costs involved. This will be done as part of due diligence once Board and Ministerial approval has been given.

### Timescale for completion of due diligence

The date of 22 May was agreed for the transaction subject to all due diligence and approvals. Quite a bit of due diligence has been done already in order to prepare the full business case so we are confident that the remaining work can be done by that date. If it becomes apparent that this timetable will be difficult because of any particular issues that emerge and require more investigation (or is held up by the current Covid-19 lockdown) we would seek to renegotiate

this deadline. There will be costs to the next steps (such as seeking expert opinion on the site contamination reports) so we will need to start this work immediately we have approval.

Current value compared to last purchase price

The current value reflects the work which has gone into securing planning permission in principle/planning consent and market movements and is based on comparable land transactions for similar land in the region.

The Chair confirmed the Board's approval to proceed to purchase the land, subject to due diligence, in an email sent on 14 April 2020.

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Stakeholder Meetings BD(2020)20.2	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Amanda Bryan/Simon Hodge	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	None	
<b>Recommendation</b>	The Board is invited to note the content of this paper.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. This Paper is to ensure the Board is aware of the meetings with Crown Estate Scotland stakeholders which the Chair, the Chief Executive and members of the Executive Team have held during the period from 7 March 2020 to 15 May 2020. The country went into lockdown in response to the Covid-19 pandemic on 23 March 2020 and all meetings since that date have been held in a virtual environment.

## Meetings and Events attended

2. The Chair and Chief Executive jointly attended or met:
  - Pippa Milne, Chief Executive, Argyll and Bute Council on 13 May 2020.
3. The Chair attended or met:
  - Jacqueline McDonnell, Mallaig Harbour Authority (by exchange of email) to discuss the impact of COVID-19 on the Harbour Authority and other Trust ports.

The Chair has given input into the development of an updated Code of Conduct for Board Members by Scottish Government and has continued her engagement with Scottish Government's Board Chair Mentoring Scheme.

4. The Chief Executive attended or met with:
  - Judith Shaw, Scottish Government Property Division with Alastair Milloy on 11 March 2020.
  - Rebecca Carr, Forest & Land Scotland with Esther Black on 11 March 2020.

- Discussion with Highland & Island Enterprise (HIS), Scottish Enterprise (SE), Marine Scotland (MS) and Transport Scotland on Crown Estate Scotland's investment approach (also attended by Colin Palmer, Mark McKean, Colin Maciver and Paul Bancks) on 21 April 2020.
  - Environment and Economy Leaders Group (EELG) meeting on 30 April 2020.
  - David Pratt, Marine Scotland on 30 April 2020.
  - Ms Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform and Mr Wheelhouse, Minister for Energy, Connectivity and the Islands to discuss ScotWind (also attended by Colin Palmer and John Robertson).
  - Nick Halfhide, Interim Chief Executive, South of Scotland Enterprise on 6 May 2020.
  - Michael Russell, MSP, on 6 May 2020.
5. The Director of Corporate Operations attended or met with:
- Joy Dunn, PCS on 17 April 2020.
  - Frazer McNaughton, SNH on 8 March 2020.
6. The Director of Marine attended or met with:
- Mike Palmer and David Mallon, MS, regarding work packages on 10 March 2020.
  - Russell Stevenson (Industrial Director – Oil & Gas Technology Centre) regarding Smart Basin on 11 March 2020.
  - John Goodlad (Dumfries House Group) also attended by Simon Hodge regarding salmon on 11 March 2020.
  - MS Crown Estate Strategy Unit, MS Planning, Scottish Government Supply Chain, Scottish Government State Aid team representatives in relation to ScotWind supply chain development statement on 13 March 2020 also attended by John Robertson and Colin Maciver.
  - Mike Palmer (MS) in relation to ScotWind and aquaculture in light of Covid-19 on 24 and 25 March 2020.
  - HIE, SE and MS to discuss the blue economy (also attended by Colin Maciver) on 25 March 2020.
  - Mike Palmer (MS) and Alastair Mitchell (MS Aquaculture Unit) in relation to Covid-19 shellfish response 27 March 2020, also attended by Alex Adrian.
  - HIE, SE and Marine Scotland to discuss the blue economy (also attended by Colin Maciver) on 25 March 2020.
  - Mike Palmer (MS) regarding ScotWind 1 and 16 April.
  - MS call (including MS Director Graham Black and Simon Hodge) on ScotWind 7 April 2020 also attended by John Robertson.
  - Discussion with HIE, SE, MS and Transport Scotland on Crown Estate Scotland's investment approach (also attended by CES Chief Exec, Mark McKean, Colin Maciver and Paul Bancks) on 21 April 2020.
  - Mike Palmer and David Pratt (MS) regarding ScotWind 28<sup>th</sup> April also attended by John Robertson.
  - Mike Palmer (MS) and Jane Rougvie (MS Aquaculture Unit) quarterly aquaculture meeting 12 May 2020, also attended by Alex Adrian.
  - HIE and SE to discuss the blue economy (also attended by Colin Maciver) on 14 May 2020.

- Mark Jarvis from The Parable Trust (community development funders – W&T) on 14 May 2020
  - Mike Palmer, David Pratt (MS) and Tim McDonnell (Head of MS Science) to discuss enabling work packages on 15 May 2020 with Esther Black and Anna Morgan.
7. The Director of Property attended or met with:
- EELG Covid-19 Operational Delivery Liaison Group meeting on 6 April 2020.
  - Scottish Government conference call on Tourism Policy (Covid-19) on 9 April 2020.
  - Meeting with North Ayrshire Council (also attended by Tom Mallows) on 14 April 2020.
  - Introductory meeting - Crown Estate Scotland and HIE Moray property collaboration on 16 April 2020.
  - Cromarty Firth Port Authority, on 6 May 2020.
  - Wick Harbour, also attended by Tom Mallows, on 14 May 2020.

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Bringing Value into decision making BD(2020)20.3	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Annie Breaden	
<b>Author</b>	Annie Breaden and Courtney Peyton	
<b>Annexes</b>	Annex A – Asset Profiles Annex B – Value Indicators Annex C – Value Tool Output	
<b>Recommendation</b>	The Board is invited to note project progress and provide comment on the outputs.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. The Scottish Crown Estate Act 2019 and our 2020-23 Corporate Plan set out a strategic direction requiring that Crown Estate Scotland furthers sustainable development in Scotland.
2. To achieve this, social, economic, environmental, regeneration and climate change criteria need to be embedded in decision making alongside financial considerations so that decision making considers and enables the delivery of wider value. The Value Project provides a framework and a set of resources to ensure wider value is considered in decision making in a transparent, systematic and consistent way across the organisation.
3. In March 2019, paper BD (2019)13.11 updated Board on The Value Project progress to date and set out how The Value Project outputs would support decision-making.
4. In November 2019, the Project Board agreed that the final outputs would be a set of resources comprising asset profiles, a decision-making tool, and a library.
5. This paper describes the outputs and how these will support decision-making across Crown Estate Scotland, along with a sample of outputs to date in the form of asset profiles (Annex A).

### Discussion

#### Value Workshops

6. Five workshops were held in late 2019 to bring internal staff, managing agents and external experts together to examine and consider the value we are currently delivering and where there is potential to deliver increased value.
7. Each of our broad asset categories – built environment, aquaculture, energy and infrastructure, coastal, and rural land – was the focus of a workshop.
8. Positive feedback was received about the workshops. External participants were invited to challenge and bring different viewpoints and perspectives. The format worked very effectively with the workshops adding to the project's growing body of evidence and analysis relating to the different types of values generated by the assets.
9. Key learnings from the workshops were as follows:
  - Built environment – much of the existing value comes from the assets themselves and how they are managed, with some wider value delivered to the local economy and through our engagement with communities. A key opportunity for adding value in the future is development activity where we can decide how sites are developed and for what. Other future opportunities include a best practice development based on place and sustainability principles; going beyond regulatory requirements for energy efficiency; and repurposing farm buildings to provide local affordable housing.
  - Aquaculture – wider value currently delivered through leadership and other activities under our enabler role, and supporting research in the sector. Future opportunities include encouraging and enabling further R&D; supporting circular economy approaches; and addressing key challenges to the sector e.g. climate change and invasive species.
  - Energy and infrastructure – wider value currently delivered through leadership and other activities under our enabler role. Future opportunities include further enabling in terms of facilitating leasing processes; and supporting new renewable technologies through the provision of opportunities for testing and experimentation.
  - Coastal – wider value currently delivered through leadership, community engagement and leasing practices. Future opportunities include facilitating better use of derelict harbours; connecting tenants and potential users; and providing advice and capacity building support to community groups.
  - Rural land – wider value currently delivered through community engagement, leadership, our approach to leasing, our ability to take the long-term view, technical and business support, and knowledge sharing. A key area of future opportunity is working with our tenants to address the challenge of sustainability particularly for the farming sector, through supporting and enabling the development of best practice and innovation with natural resources.
10. The outputs from the workshops informed the final content and structure of the resources described below.

### Resources

11. The main outputs from the project will be a set of resources to inform decision making at strategic and operational levels. This will include providing data and information about the wider value that can be realised from our investment decisions. These resources form the project deliverables agreed by the project board (Crown Estate Scotland Chief Executive as SRO, Head of Policy, Value Project Manager, Director of Property, Marine Scotland Head of Crown Estate Strategy Unit (recently stepped down) and Scottish Government Deputy Director of Economic Strategy). The resources consistently use the same value categories (economic, social, environmental, regeneration and climate change) and the same 16 value indicators. The full list of indicators is provided in Annex B.
12. The resources are described in more detail below:
  - i. Asset Profiles
    - Asset profiles are being prepared for each of our 21 asset classifications. Four examples – offshore wind, forestry, farming and housing – are included in Annex A.
    - The asset profiles provide an assessment of the different types of value currently being generated. With annual updating, these will demonstrate if and how the different types of value that we generate across different types of asset are changing over time. These updates will potentially occur in Q4 of the financial year so that significant changes can be profiled in our annual report & accounts and used in associated publicity.
    - The radar diagrams on the asset profiles demonstrate the scale of potential to generate additional value. Considering this potential and our ability to deliver increased value can inform decision making in terms of the delivering the corporate plan – and in time, informing the next one – and priorities and approach to asset management.
    - The profiles reflect a qualitative assessment of the types of value being generated and do not seek to quantify this value in terms of the scale of the relevant assets under management by Crown Estate Scotland in a national context i.e. the scale of the organisation's contribution to offshore wind in Scotland is much more significant than the scale of the contribution to forestry. Further analysis is being undertaken to determine how this context can best be demonstrated on the asset profiles.
    - As well as supporting internal decision making, the profiles will be made available on our website.
  - ii. Decision Tool (final name to be confirmed)
    - The purpose of this tool is to enable a systematic and transparent approach across the organisation when determining the potential value that will be generated through, for example, leasing activities and investment decisions.
    - The tool provides a framework for the assessment of the 16 value indicators. An example based on Rhu Marina is provided in Annex C. Note that this example is not a real scenario; it is provided with this paper to demonstrate the format of the tool and assist with understanding the prompts, evidence and findings etc.
    - Prompts are provided to the user regarding the type of information that should be considered in terms of the value indicators. The prompts are tailored to the asset types



and, when relevant, the investment stage (e.g. feasibility, construction, operation life etc). The evidence boxes are filled in by the user, noting the relevant evidence that they have used during the process, providing traceability and transparency.

- A scoring scale for the tool is under development. This will provide the criteria to be used when determining a numerical score. A very low score will indicate that a decision will result in negative effects, with a high score indicating that the outcome will demonstrate best practice.
- The outputs from the tool (i.e. the information from the evidence boxes together with the numerical score) are then used according to the decision in hand. For investment decisions, for example, the outputs will form the Value section of the Business Case proformas. This will sit alongside information relating to other criteria (e.g. commercial, financial as per Table 10 of the 2020-23 Corporate Plan) helping provide a broad and holistic evidence base for decisions. Other uses are likely to include strategic leasing policies e.g. the policy that emerges from the root and branch review of aquaculture leasing and divestment decisions.
- A streamlined version of the tool is being developed in a similar but more limited format to support smaller investments (choice of appropriate tool is yet to be decided but is likely be aligned with delegated authority levels e.g. Investment Committee / Board decisions use the full version and Director / Executive Team decisions use the light one).
- A GIS App integrated into Crown Estate Scotland's CoreGIS tool is being developed to provide an easy and simple way to access relevant data that will feed straight into the decision tool. Key datasets from government bodies and agencies (e.g. the Scottish Index of Multiple Deprivation, UKCP Climate Projections, Dynamic Coasts, electricity and gas consumption data) have been identified and will support users to accurately and effectively complete many of the indicator queries across all 16 value indicators (e.g. local employment, health, skills, adaptation, etc.).
- The App will therefore simplify the process of accessing this data, allowing the user to simply ask for the value data associated with a particular asset and it being automatically generated without needing to submit a request to the GIS team.
- The GIS App is still under development and has yet to be presented to the Project Board.

iii. Value Library

- The Value Library currently contains around 140 electronic items covering Rural; Built Environment; Coastal; and Marine and then further categorised under Economic, Social, and Environmental headings.
- Entries are primarily documents but also include data, maps, extracts from website and images.
- The items have been produced by credible and authoritative organisations e.g. government, academics and NGOs.
- The current system simply gives the name of the document, source and date and includes a hyperlink to the PDF held on Wisdom (our electronic document management system).
- A synopsis of key resources (approx. five to ten from each of Rural, Built Environment, Coastal and Marine) and key words for the majority of the remaining resources will be prepared to ensure that the library is user friendly.

- Items in the library have supported the production of the asset profiles and will provide evidence to support the completion of the decision tool.

### Informing decision-making

13. The Value Project has informed the development of the Investment Strategy as set out in our 2020-23 Corporate Plan. The value criteria in the Investment Strategy – economic contribution; community/social wellbeing; regeneration; environmental sustainability; and climate change (adaptation and mitigation) – are the same as the categories used in the asset profiles and the decision tool.
14. Our business cases are based on the Treasury Green Book “5-case model”. One of the five cases is the economic case, reframed in our 2020-23 Corporate Plan as the value case. This will be based on the outputs from the decision tool. Indeed, the decision tool is already being used to inform the preparation of business cases.
15. Value information (relevant radar diagrams from the asset profiles and output from the tool) has recently been used to inform the Sales Option Analysis presented to Investment Committee.
16. Resources will shortly be fully rolled out and value sections will be added to the templates for Board, Committee and Executive Team papers as well as Decision Record Sheets. It will also feature in project management templates / tools that are being developed for Crown Estate Scotland use.
17. It is anticipated that, as well as informing the next corporate plan, value will also be highlighted in annual reports and accounts, providing robust case studies that illustrate how Crown Estate Scotland management of the assets is benefitting Scotland.

### **Financial**

18. The project is operating within the agreed budget.

### **Sustainability**

19. Delivering on sustainable development is a statutory requirement. Demonstrating our commitment to sustainability and how this is factored into decision making is central to the project.

### **Legal implications**

20. Embedding value considerations into our decision making will help us meet our statutory duties relating to revenue, Estate value, and sustainable development.

### **Risk**

21. A risk register has been maintained throughout the lifetime of the project. None of the risks identified have been escalated to the strategic risk register.

22. The project is the central component for the organisation to demonstrate how different types of value are considered in decision making and may be subject to scrutiny. Ensuring that the resources are appropriately used and documented in decision making will be essential so that we are able to report on how wider value has influenced our decision making.
23. A project review was conducted by an external PRINCE2 accredited practitioner in July 2019 to provide extra assurance on project management including risk, controls and planning. That practitioner has also provided a modest amount of ongoing support to help ensure rigour.

### **People considerations**

24. The project manager role is a fixed-term contract which ends in September 2020.
25. Over summer 2020, the resources will be finalised and feedback from the users will be used to update these as necessary to ensure they are user friendly and delivering the required information.
26. Asset profiles will require updating on an annual basis and this will be managed by the policy team.

### **Reputational / PR implications**

27. Engagement with external stakeholders to understand how other organisations are identifying and assessing the generation of different types of value has indicated that while this is an area of focus for many organisations, there are no fully developed approaches as yet.
28. It is therefore expected that there will be significant interest in the outputs from the project. Sharing our approach and learnings with other organisations is expected to have positive reputational impacts as it will demonstrate openness and transparency as well as leadership on the topic.
29. The language and terminology used in published outputs will be reviewed against findings from our recent research into the most effective words / phrases to use in Crown Estate Scotland communications.

# Farming asset profile

This asset profile demonstrates both value typically created by farming held by Crown Estate Scotland and the value generated through each of our four roles. The value categories (economic, social, environmental, regeneration and climate change) are underpinned by 16 indicators.

## Asset summary

We invest in farming businesses, working with our tenants to improve productivity while enhancing biodiversity. We support tenant farmers (with tenancies totalling approximately 30,000 hectares) to strengthen, grow and diversify their businesses and support and maintain various assets and infrastructure. Our success relies on partnership working and a strong landlord tenant relationship. It is through this partnership that we most effectively deliver value to the natural environment and to rural communities in Scotland.

## Opportunities

- Increased efficiency through greater participation in R&D
- Delivering more public goods
- Strengthening biodiversity
- Growing season lengthens
- Heightened demand for new, expanded produce from vegan/veg. market

## Threats

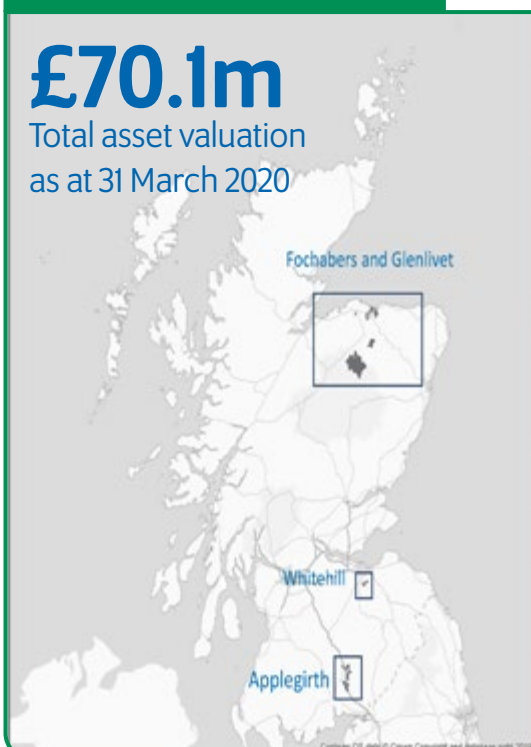
- Ruminant methane not lowered enough
- Vegan/veg diets rise; meat, dairy demand falls
- Dry summers > risk to crops
- Mild winters > insect population dangerous to crops
- Fewer young people want to work on the land



## Farming asset map

# £70.1m

Total asset valuation  
as at 31 March 2020



## Finance

### Valuation movement

	£m
Valuation Mar-17	73.2
Mar-18	71.9
Mar-19	70.7
Mar-20	70.1
Asset sales in period	5.6
Capital spend in period	(7.2)
Annual equivalent value growth from 2017 *	(2.2%)
* (including sales but reduced by capital spend)	

### Return on capital £m

	FY 19/20
Turnover	1.73
Direct expenses	(1.5)
<b>Gross contribution</b>	<b>0.25</b>
Return on capital before overheads	0.36%

Draft figures subject to further analysis and refinement

## Performance by Value Category

The Value Project has defined a set of indicators for each of the five Value Categories:

- Economic
- Social
- Environmental
- Climate change
- Regeneration

The indicators are relevant for all of our asset classifications (e.g forestry, agriculture etc) and also align with Scotland's National Performance Framework and the UN Sustainable Development Goals. Each category has three or four indicators.

Based on analysis a set of scores have identified the capacity these assets have in Scotland to realise their full value potential (rated between one and seven).

### Scoring key

1. **Damaging**
2. **Poor**
3. **Fair**
4. **Good**
5. **Very Good**
6. **Matching Best Practice**
7. **Setting New Best Practice**

This full value potential is indicated by the blue, outer line.

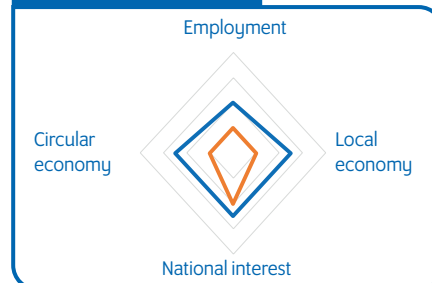
The actual performance of the assets as currently managed is shown by the orange line.

The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

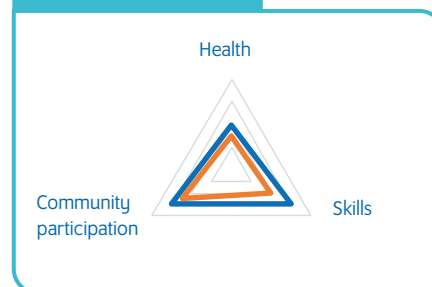
### Performance graphs

Key — Potential — Actuals

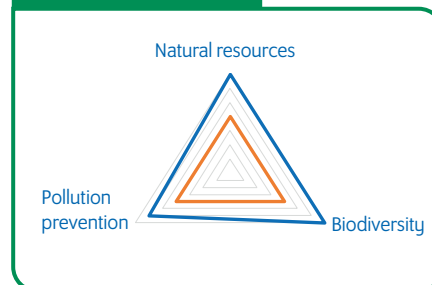
#### Economic



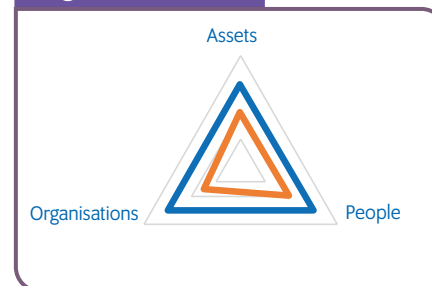
#### Social



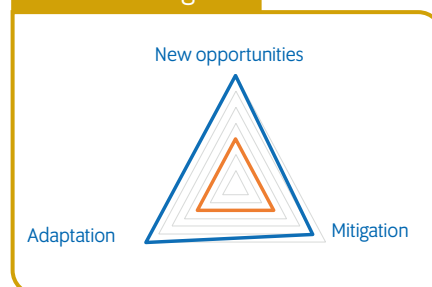
#### Environmental



#### Regeneration



#### Climate change



### Measures of success

**Employment:** Rural jobs are supported through farming activities

**Local economy:** Local businesses supply resources and services for farm operations

**National interests:** Farming activities support government food and drink targets as well as rural economy

**Circular economy:** Waste from farming activities is reduced / reused

**Health:** Physical and mental health and safety practices are well observed

**Skills:** Apprenticeships and outreach are supported

**Community participation:** Farms foster rural community relationships

**Natural resources:** Farming is following natural capital principles

**Biodiversity:** Farming supports and increases biodiversity and native species

**Pollution prevention:** On farm pollution / run-off is reduced / largely eliminated

**Assets:** Actions and activities impact positively on other co-located assets

**People:** Residents and community members gain benefits directly and indirectly

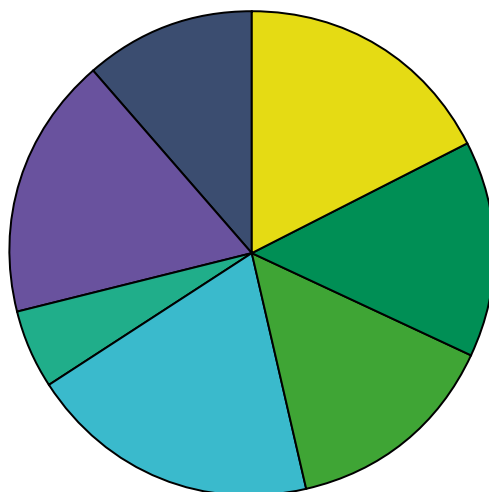
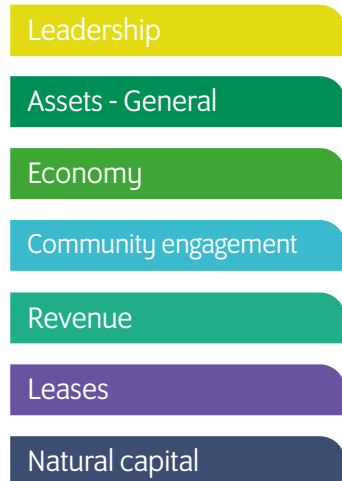
**Organisations:** Farm activities collaborate with other local interests / needs

**Mitigation:** Carbon being secured and absorbed by soil informs planting and operating

**Adaptation:** Securing topsoil, reducing run off and erosion, planting buffers in emphasised

**New opportunities:** Technologies to increase farm productivity / reduce inefficiency are adopted

## Crown Estate Scotland contributions by area



A Value Workshop in December 2019, attended by internal and external experts, considered the value which Crown Estate Scotland currently delivers to Scotland through our engagement with our rural land assets. The diagram above reflects these contributions proportional to their identification by attendees.

## Value delivered by farming via our four roles

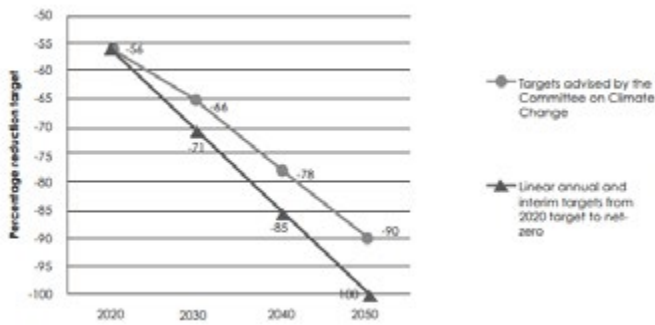
Key N/A Status quo Low Medium High

<b>FARMING</b>	Investor	Asset Manager	Enabler	Coordinator
<b>Economic</b>				
Employment	High	Low	Medium	N/A
Local economy	High	Low	Medium	Medium
National interests	Low	N/A	Medium	Low
Circular economy	N/A	N/A	Medium	Low
<b>Social</b>				
Health	Medium	Medium	N/A	Low
Skills	Status quo	Status quo	Medium	Medium
Community Participation	N/A	Medium	Low	Medium
<b>Environmental</b>				
Natural resources	Medium	N/A	Low	Medium
Biodiversity	Medium	Medium	Low	Medium
Pollution prevention/clean-up	High	N/A	N/A	Low
<b>Regeneration</b>				
Assets	High	Medium	Low	Low
People	High	Medium	Medium	Low
Organisations	High	N/A	Low	Low
<b>Climate Change</b>				
New opportunities	N/A	N/A	Low	Low
Mitigation	Low	Low	N/A	Low
Adaptation	Medium	N/A	Low	Low



## Relevant trends

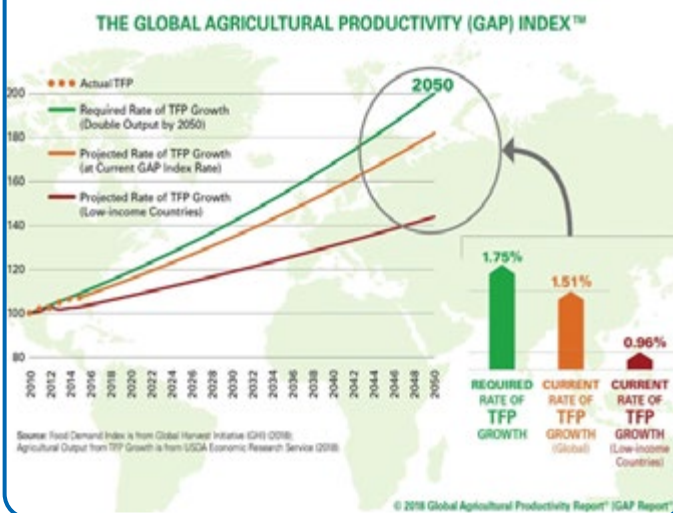
## Environmental



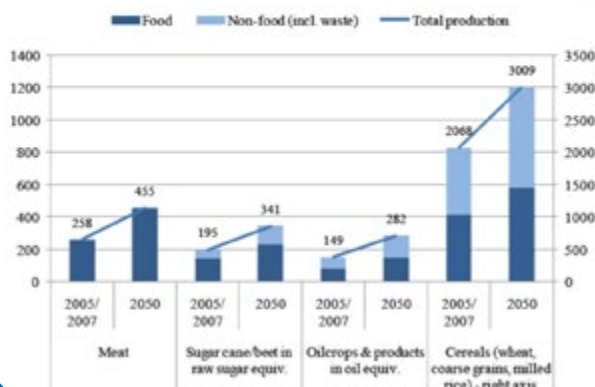
## Multiple impacts of global warming and climate disruption on agriculture



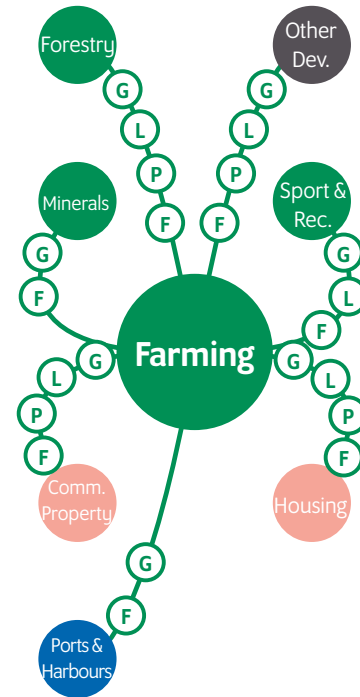
## Economic



## Food demand: Projections to 2050



## Connected assets



G Geographical L Logistical P Policy F Financial

## Library links

## Environmental

[Land Stewardship - a blueprint for government policy](#) SWT 2017

[Talking About Our Place](#) SNH 2012

## Social

[SG Guidance on Engaging Communities in Decisions Relating to Land](#)

[Understanding the social dimension of sustainability in agriculture](#)

## Economic

[A New Blueprint for Scotland's Rural Economy](#) 2018

[SG Rural Scotland Key Facts](#) 2018

# Forestry asset profile

This asset profile demonstrates both value typically created by forestry held by Crown Estate Scotland and the value generated through each of our four roles. The value categories (economic, social, environmental, regeneration and climate change) are underpinned by 16 indicators.

## Asset summary

Crown Estate Scotland directly manages approximately 5,000 hectares (12,000 acres) of commercial plantation forestry over four rural estates, most in Glenlivet. With typical commercial plantings taking 40 to 70 years to mature, we take a long-term view and engage with various stakeholders and partners such as local communities, Cairngorms National Park Authority and Scottish Forestry to promote multi-purpose forest management. Our forestry delivers benefits to Scotland across the full range of values.

## Opportunities

- Acting as an expanded carbon sink
- Locking carbon into soil
- Increased employment through value chain
- Increased building with timber (glulam etc.)
- Supporting biodiversity
- Reducing run-off
- Recreation and wellbeing

## Threats

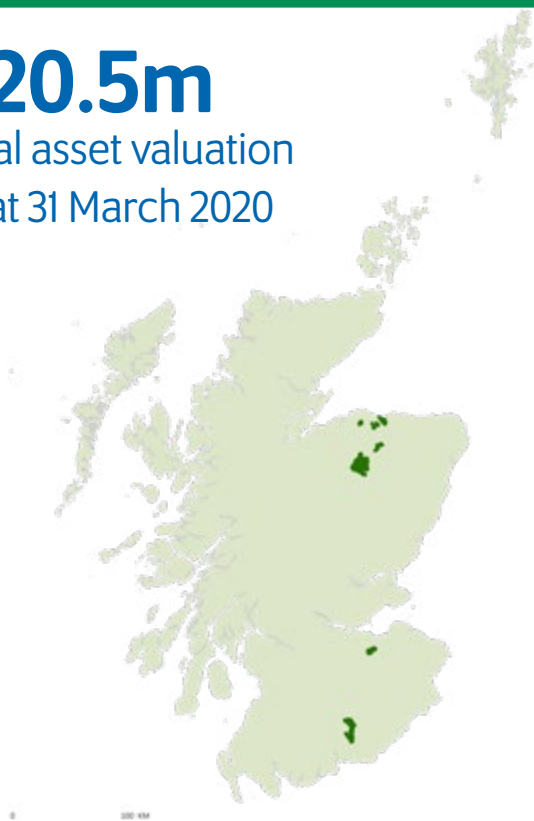
- Climate change and high winds
- Arboreal disease spread
- Competition with other land use (e.g. food, fuel)
- Poor planting regimes fails to mitigate anticipated carbon
- Restoration of vacant and derelict land



## Forestry asset map

# £20.5m

Total asset valuation  
as at 31 March 2020



## Finance

### Valuation movement

	£m
Valuation Mar-17	15.4
Mar-18	16.6
Mar-19	19.7
Mar-20	20.5
Asset sales in period	0.3
Capital spend in period	(0.7)
Annual equivalent value growth from 2017 *	9.1%
* (including sales but reduced by capital spend)	

### Return on capital

£m	FY 19/20
Turnover	0.66
Direct expenses	(0.2)
<b>Gross contribution</b>	<b>0.43</b>
Return on capital before overheads	2.1%

Draft figures subject to further analysis and refinement



## Performance by Value Category

The Value Project has defined a set of indicators for each of the five Value Categories:

- Economic
- Social
- Environmental
- Climate change
- Regeneration

The indicators are relevant for all of our asset classifications (e.g forestry, agriculture etc) and also align with Scotland's National Performance Framework and the UN Sustainable Development Goals. Each category has three or four indicators.

Based on analysis a set of scores have identified the capacity these assets have in Scotland to realise their full value potential (rated between one and seven).

### Scoring key

1. **Damaging**
2. **Poor**
3. **Fair**
4. **Good**
5. **Very Good**
6. **Matching Best Practice**
7. **Setting New Best Practice**

This full value potential is indicated by the blue, outer line.

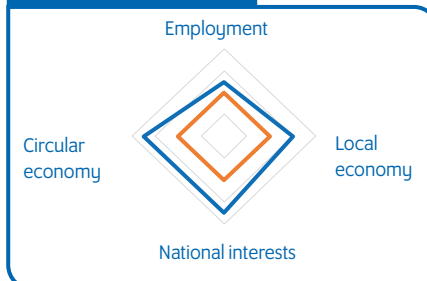
The actual performance of the assets as currently managed is shown by the orange line.

The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

### Performance graphs

Key — Potential — Actuals

#### Economic



### Measures of success

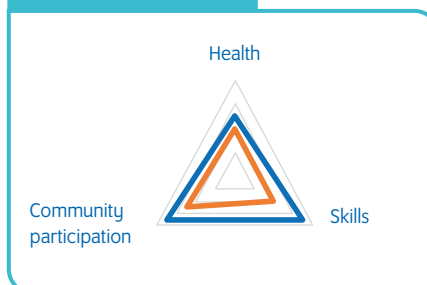
**Employment:** Rural jobs are supported through forestry activities

**Local economy:** Local businesses supply resources and services for forestry operations

**National interests:** Forestry activities support government timber targets as well as rural economy

**Circular economy:** Waste from forestry activities is reduced / reused

#### Social

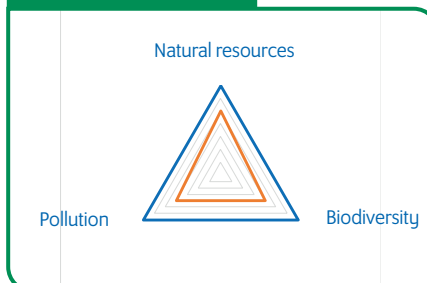


**Health:** Physical and mental health and safety practices are well observed

**Skills:** Apprenticeships and outreach are supported

**Community participation:** Forestry fosters rural community relationships

#### Environmental

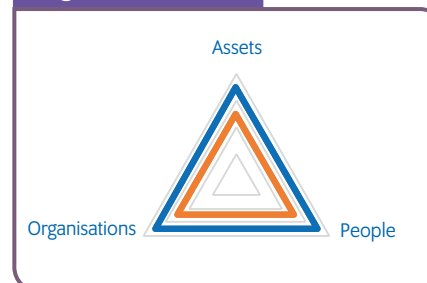


**Natural resources:** Building natural capital and providing ecosystem services

**Biodiversity:** Forestry supports and increases biodiversity and native species

**Pollution prevention:** Forestry absorbs pollutants and reduces impacts

#### Regeneration

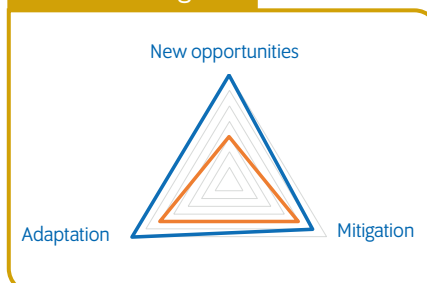


**Assets:** Actions and activities impact positively on other co-located assets

**People:** Community and wider gain from improvements made to forestry

**Organisation:** Forestry activities collaborate with other local interests/needs

#### Climate change



**Mitigation:** Carbon being secured and absorbed by soil informs planting and operating

**Adaptation:** Securing topsoil, reducing run off and erosion, planting shelterbelts in emphasised

**New opportunities:** Technologies to increase forestry productivity / reduce inefficiency are adopted

## Crown Estate Scotland contributions by area

Leadership

Assets - General

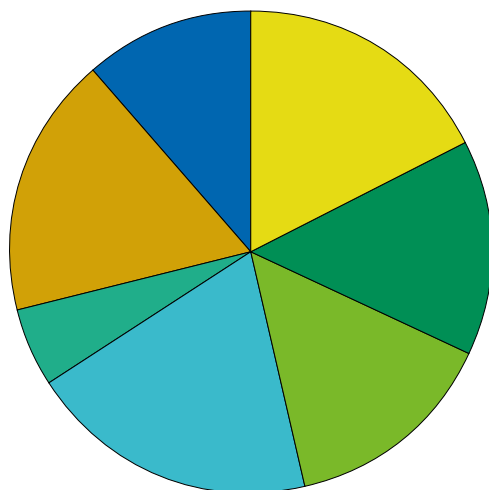
Economy

Community engagement

Revenue

Leases

Natural capital



A Value Workshop in December 2019, attended by internal and external experts, considered the value which Crown Estate Scotland currently delivers to Scotland through our engagement with our rural land assets. The diagram above reflects these contributions proportional to their identification by attendees.

## Value delivered by forestry via our four roles

Key

N/A

Status quo

Low

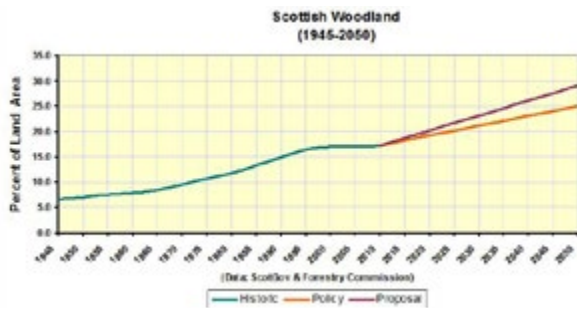
Medium

High

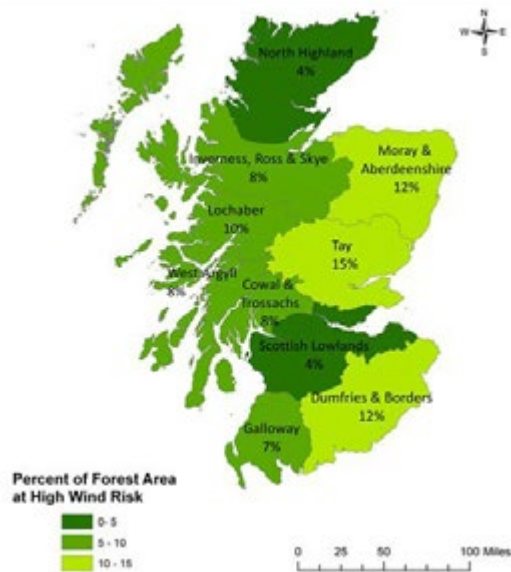
FORESTRY	Investor	Asset Manager	Enabler	Coordinator
Economic				
Employment	Medium	Medium	Medium	Low
Local economy	Medium	Medium	Low	Medium
National interests	Medium	Medium	Low	Medium
Circular economy	High	High	High	High
Social				
Health	Low	Low	Medium	Medium
Skills	Medium	Medium	Medium	Medium
Community Participation	High	High	High	High
Environmental				
Natural resources	High	High	High	High
Biodiversity	High	High	High	High
Pollution prevention/clean-up	High	High	High	High
Regeneration				
Assets	High	High	High	High
People	High	High	High	High
Organisation	High	High	High	High
Climate Change				
New opportunities	Low	Low	Low	Low
Mitigation	High	High	High	High
Adaptation	Medium	Medium	Medium	Medium

## Relevant trends

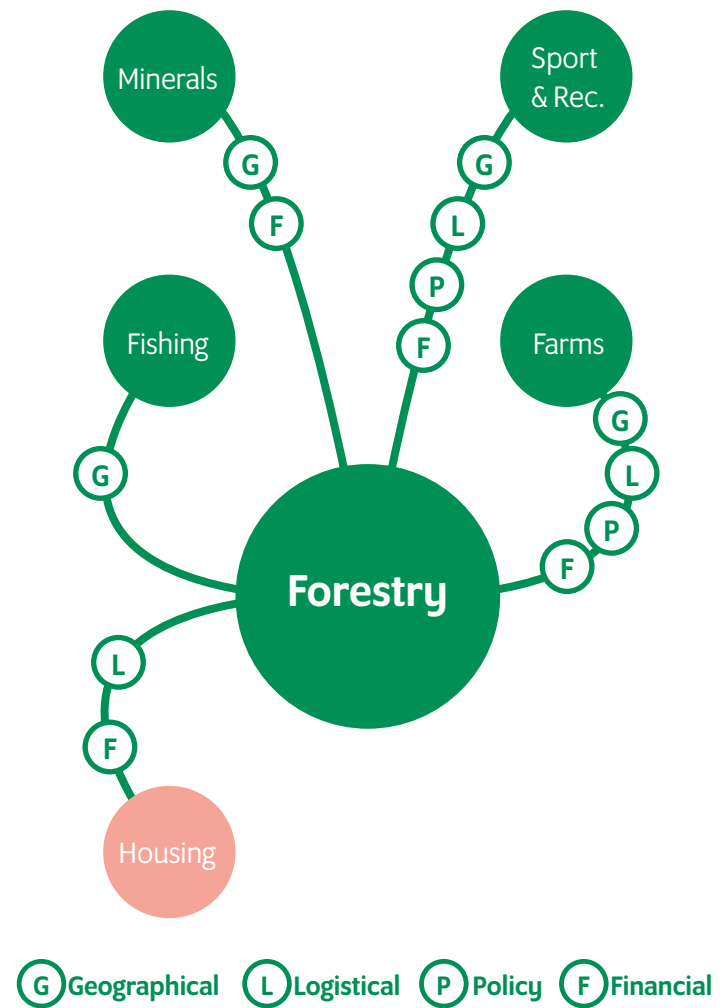
### Scottish Woodland



### Economics



## Connected assets



## Library links

### Environmental

[FC - Forestry and Carbon - a review of additionality](#)

[FC - Forestry and Carbon - valuation, discounting and risk management](#)

### Social

[FCS Social and Economic Value of Forestry to People of Scotland](#)

[FC - Stakeholder Perceptions of Short-rotation Forestry for Energy](#)

### Economic

[FCS Social and Economic Value of Forestry to People of Scotland](#)

[FC - Wild Harvest from Scottish Woodlands - social, cultural and economic value](#)

# Housing asset profile

This asset profile demonstrates both value typically created by housing held by Crown Estate Scotland and the value generated through each of our four roles. The value categories (economic, social, environmental, regeneration and climate change) are underpinned by 16 indicators.

## Asset summary

We invest in and maintain residential properties in rural and semi-rural settings. We support communities, providing tenancies in both small towns and on farmland.

### Opportunities

- Demonstrate energy efficiency leadership in hard to treat properties
- Foster sustainable, mixed tenancy communities
- Help rural communities remain vibrant, providing homes for local people
- Showcase traditional trades and local building skills
- Use local materials for new builds and repairs



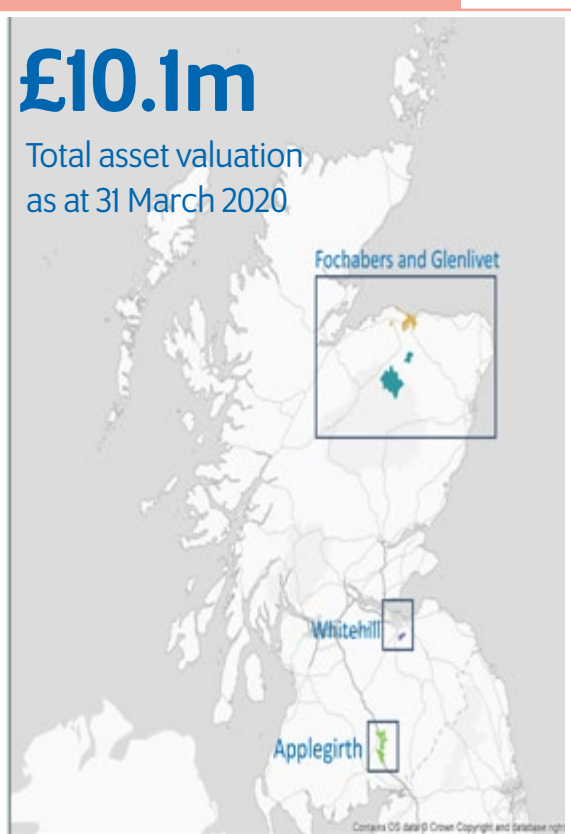
### Threats

- Climate change damages existing properties
- Increasing urbanisation reduces attraction of rural properties
- Hard to treat properties too costly to upgrade
- Rising costs outprice young families hindering communities

## Housing asset map

# £10.1m

Total asset valuation  
as at 31 March 2020



## Finance

### Valuation movement

	£m
Valuation Mar-17	10.4
Mar-18	10.5
Mar-19	10.3
Mar-20	10.1
Asset sales in period	1.4
Capital spend in period	(0.3)
Annual equivalent value growth from 2017 *	2.7%
* (including sales but reduced by capital spend)	

### Return on capital

£m	FY 19/20
Turnover	0.41
Direct expenses	(0.4)
<b>Gross contribution</b>	<b>0.01</b>
Return on capital before overheads	0.10%

Draft figures subject to further analysis and refinement

## Performance by Value Category

The Value Project has defined a set of indicators for each of the five Value Categories:

- Economic
- Social
- Environmental
- Climate change
- Regeneration

The indicators are relevant for all of our asset classifications (e.g forestry, agriculture etc) and also align with Scotland's National Performance Framework and the UN Sustainable Development Goals. Each category has three or four indicators.

Based on analysis a set of scores have identified the capacity these assets have in Scotland to realise their full value potential (rated between one and seven).

## Scoring key

1. Damaging
2. Poor
3. Fair
4. Good
5. Very Good
6. Matching Best Practice
7. Setting New Best Practice

This full value potential is indicated by the blue, outer line.

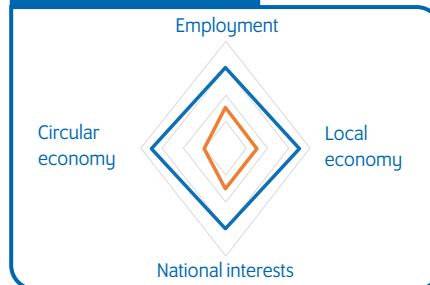
The actual performance of the assets as currently managed is shown by the orange line.

The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

## Performance graphs

Key — Potential — Actuals

## Economic



## Measures of success

**Employment:** Jobs are supported through housing maintenance

**Local economy:** Local businesses supply materials/resources for maintenance

**National interests:** Housing supply delivers on national requirements of housing where needed

**Circular economy:** Designing waste out of construction, repair and introducing design for disassembly

## Social

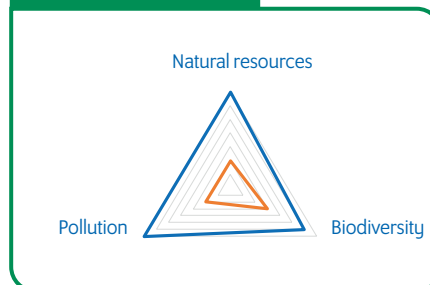


**Health:** Residents don't suffer from asthma and other airborne complaints

**Skills:** Stakeholders gaining useful, employable skills

**Community participation:** Housing layout fosters community relationships - local shared resources are part of development and these are maintained

## Environmental

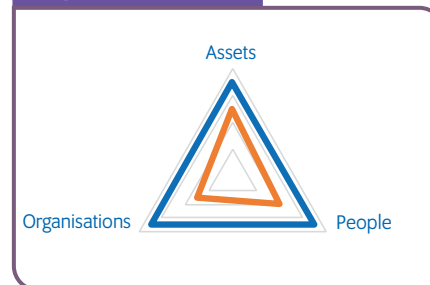


**Natural resources:** Materials for housing are sustainable / sustainably sourced

**Biodiversity:** Housing positioning supports green space, built materials are low toxic across supply chain

**Pollution prevention:** Materials for housing are low pollution in manufacture / operation / disposal

## Regeneration



**Assets:** Actions and activities impact positively on other co-located assets

**People:** Residents and community members gain benefits directly and indirectly

**Organisations:** Stakeholders have input into what is needed to make regeneration work

## Climate change



**Mitigation:** Properties have a good EPC rating and are low energy in practice

**Adaptation:** Property design is climate change-proof

**New opportunities:** Properties make use of emerging technologies and innovations that improve performance

## Crown Estate Scotland contributions by area

Leadership

Assets - General

Assets - fabric

Economy

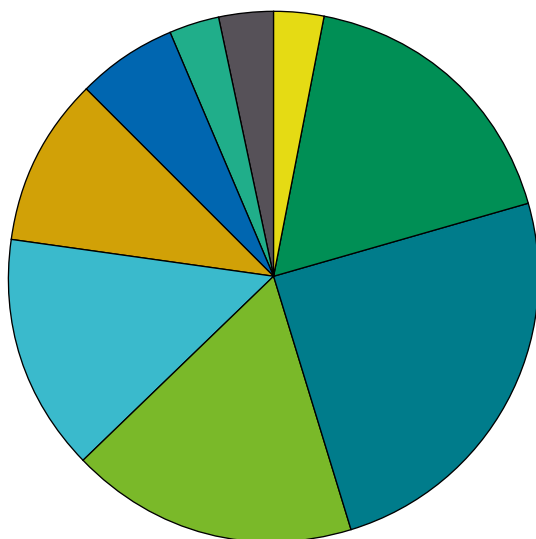
Community Engagement

Tenants

Partnership

Revenue

Information/Data



A Value Workshop in December 2019, attended by internal and external experts, considered the value which Crown Estate Scotland currently delivers to Scotland through our engagement with our built environment assets. The diagram above reflects these contributions proportional to their identification by attendees.

## Value delivered by housing via our four roles

Key

N/A

Status quo

Low

Medium

High

HOUSING	Investor	Asset Manager	Enabler	Coordinator
Economic				
Employment	Medium	Medium	Medium	
Local economy	Medium	Medium	Medium	
National interests	Medium	Low	Low	
Circular economy		Low	Low	
Social				
Health	Medium	Medium	Low	N/A
Skills	Medium	High	Medium	N/A
Community Participation	Medium	Medium	Medium	N/A
Environmental				
Natural resources	Medium	Low	Low	Low
Biodiversity	Low	Low	Low	Low
Pollution prevention/clean-up	High	High	Medium	Medium
Regeneration				
Assets	Medium	Medium	Medium	
People	Medium	Medium	Medium	
Organisations	N/A		N/A	N/A
Climate Change				
New opportunities				
Mitigation	Medium	Medium	Low	Low
Adaptation	Medium	Low	Low	Low



## A Traditional Material with a Modern Future 2015 - FS

# Offshore Wind asset profile

This asset profile demonstrates both value typically created by offshore wind held by Crown Estate Scotland and the value generated through each of our four roles. The value categories (economic, social, environmental, regeneration and climate change) are underpinned by 16 indicators.

## Asset summary

Crown Estate Scotland plays a critical role in the development of offshore wind, primarily by awarding and managing leases. We work with developers and other stakeholders to support the projects and the wider sector to progress and to build investor confidence.

As at May 2020:

- There are 17 offshore wind projects, six of which are fully operational with 159 turbines and total installed capacity of 898 MW
- The operating projects have annual energy production of around 3,000 GWh
- The three sites currently under construction will add a further 161 turbines with total installed capacity 1,446 MW
- The remaining eight sites may add several thousand MW and several hundred turbines

## Opportunities

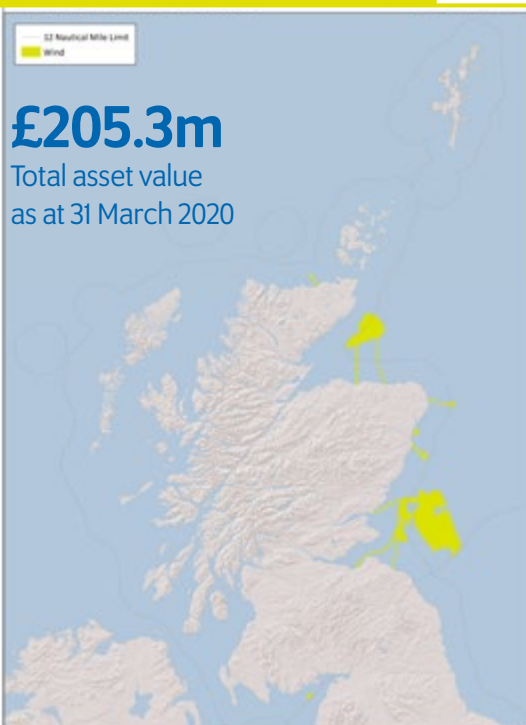
- Supports Scotland's transition to a net zero economy
- Contributes to Scotland's climate change targets
- Economic development in communities across Scotland and beyond
- Creates a competitive, commercially attractive offshore wind sector in Scotland which can deliver both domestically and in the global offshore wind market, with a focus on project development, deeper water capability and innovative technology solutions

## Threats

- Cost of energy transmission to points of consumption
- Lead-times of availability of energy transmission infrastructure
- Need to achieve cost reduction in technologies required to access Scottish resource



## Offshore wind asset map



## Finance

### Valuation movement

	£m
Valuation Mar-17	60.5
Mar-18	100.7
Mar-19	163.0
Mar-20	205.3
Asset sales in period	0.0
Capital spend in period	(0.6)
Annual equivalent value growth from 2017 *	50.1%
* (including sales but reduced by capital spend)	

### Return on capital

£m	FY19/20
Turnover	4.33
Direct expenses	(0.03)
<b>Gross contribution</b>	<b>4.30</b>
Return on capital before overheads	2.1%

Draft figures subject to further analysis and refinement



## Performance by Value Category

The Value Project has defined a set of indicators for each of the five Value Categories:

- Economic
- Social
- Environmental
- Climate change
- Regeneration

The indicators are relevant for all of our asset classifications (e.g forestry, agriculture etc) and also align with Scotland's National Performance Framework and the UN Sustainable Development Goals. Each category has three or four indicators.

Based on analysis a set of scores have identified the capacity these assets have in Scotland to realise their full value potential (rated between one and seven).

### Scoring key

1. **Damaging**
2. **Poor**
3. **Fair**
4. **Good**
5. **Very Good**
6. **Matching Best Practice**
7. **Setting New Best Practice**

This full value potential is indicated by the blue, outer line.

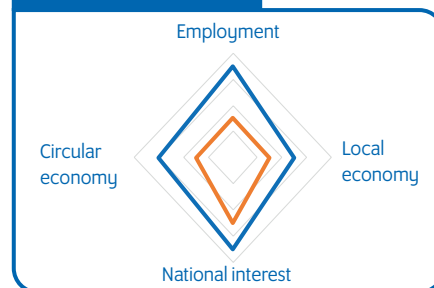
The actual performance of the assets as currently managed is shown by the orange line.

The opportunity for delivering enhanced value is the stretch between the orange line and the blue line.

### Performance graphs

Key — Potential — Actuals

#### Economic



### Measures of success

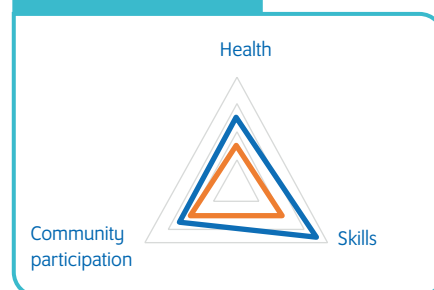
**Employment:** Jobs created or safeguarded

**Local economy:** Local businesses active participants / local people employed

**National interests:** Significantly benefiting Scotland's national economy / showing leadership

**Circular economy:** Participating in the circular economy

#### Social

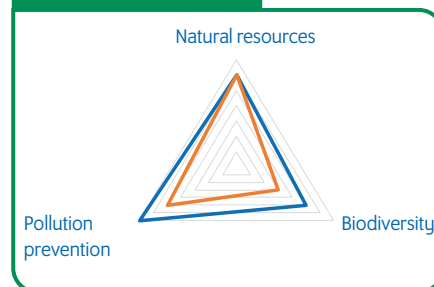


**Health:** Reflects / promotes good health in local population

**Skills:** Stakeholders gaining useful, employable skills

**Community participation:** Community is an active stakeholder

#### Environmental

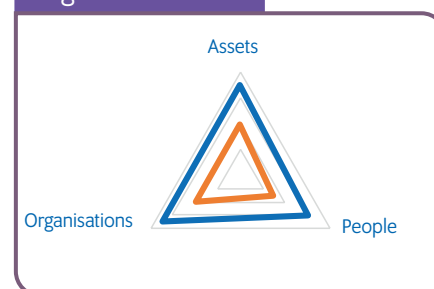


**Natural resources:** Resources used / maintained in a sustainable way

**Biodiversity:** Positive / improving biodiversity

**Pollution prevention:** Pollution has decreased / not increased

#### Regeneration



**Assets:** Actions and activities impact positively on other associated assets

**People:** Associated communities gain from wider benefits of offshore wind deployment and / or revenue

**Organisations:** Offshore developments can work with other industries (shellfish farms, etc.)

#### Climate change



**Mitigation:** A low GHG approach being delivered

**Adaptation:** Actions increased resilience / reduced risk

**New opportunities:** New, low GHG activity / businesses / products

## Crown Estate Scotland contributions by area

Leadership

Assets - General

Economy

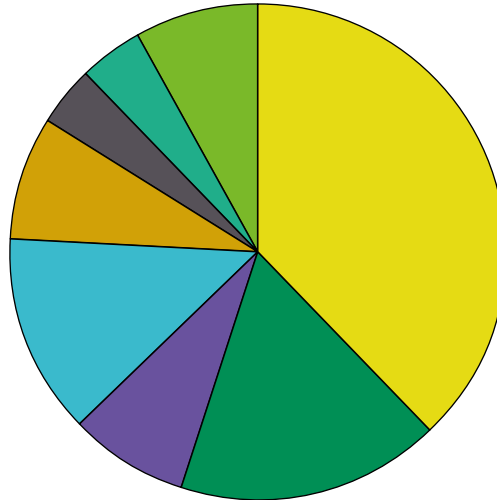
Community engagement

Tenants

Revenue

Information/Data

Leases



A Value Workshop in December 2019, attended by internal and external experts, considered the value which Crown Estate Scotland currently delivers to Scotland through our engagement with our Offshore Energy and Infrastructural assets. The diagram above reflects these contributions proportional to their identification by attendees.

## Value delivered by offshore wind via our four roles

Key

N/A

Status quo

Low

Medium

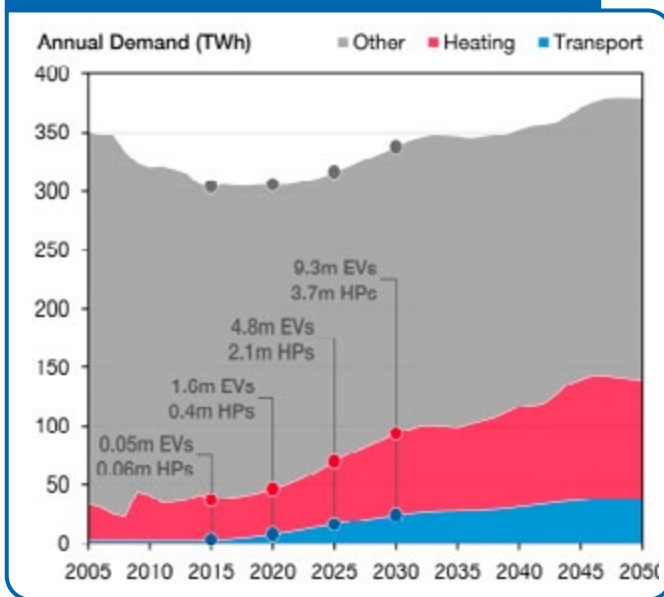
High

OFFSHORE WIND	Investor	Asset Manager	Enabler	Coordinator
Economic				
Employment	Low	High	Medium	N/A
Local economy	Low	Medium	Low	N/A
National interests	Low	High	High	N/A
Circular economy	Low	Status quo	Low	N/A
Social				
Health	Status quo	Status quo	Status quo	N/A
Skills	Medium	High	Medium	N/A
Community participation	Low	Low	Medium	N/A
Environmental				
Natural resources	Medium	High	High	N/A
Biodiversity	Low	Low	High	N/A
Pollution prevention/clean-up	Medium	Low	High	N/A
Regeneration				
Assets	Medium	High	Low	N/A
People	Medium	High	Medium	N/A
Organisations	Low	Low	Status quo	N/A
Climate Change				
New opportunities	High	High	High	N/A
Mitigation	High	High	High	N/A
Adaptation	Status quo	Status quo	Status quo	N/A

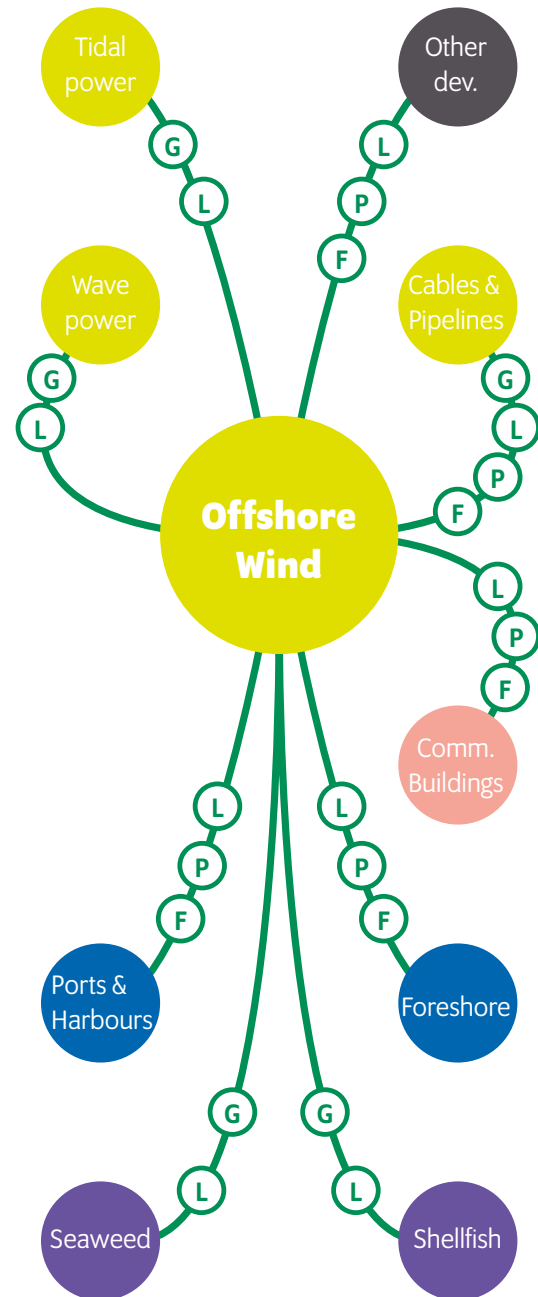
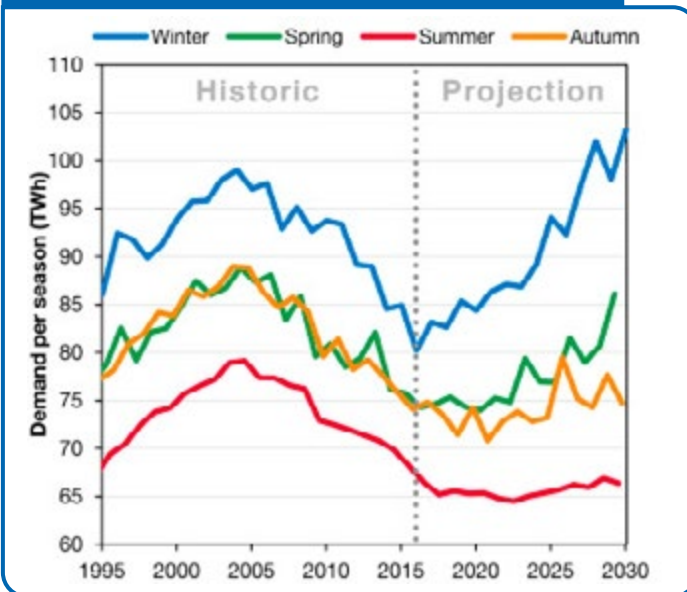
## Relevant trends

## Connected assets

## Annual demand



## Demand per season



(G) Geographical (L) Logistical (P) Policy (F) Financial

## Library links

## Environmental

[OW -Applying Systems Thinking to Analyze Wind Energy Sustainability\\_ Univ of Texas 2014](#)

[OW - Green Impact Report - Offshore wind - UK Green Investment Group 2018](#)

## Social

[OW - Sectoral Marine Plan for Offshore Wind Energy \(encompassing Deep Water Plan Options\) Social and Economic Impact Assessment](#)

[OW - Cooperative participatory evaluation of renewable techs on ecosystem services](#)

## Economic

[OW - OWIG- Scotland's offshore wind route map, developing scotlands offshore wind industry to 2020](#)

[OW - Sectoral Marine Plan for Offshore Marine Wind Energy SG 2018](#)

## Annex B – Value Indicators

<b>Economy</b>	
Employment	Are jobs being created or safeguarded?
Local economy	Is there a possibility that as a result of the activity, local businesses could join supply chain (direct/indirect contribution) or local employment will grow?
National interests	Is this project being conceived to significantly benefit Scotland's national economy/demonstrate business leadership?
Circular economy	Is this project being conceived to tangibly participate in the circular economy?
<b>Society</b>	
Health	Will the proposed asset/activity promote improved health locally/in Scotland?
Skills	Is the opportunity to build skilling into the project concept being actioned?
Community participation	Is the community participating in early stage planning of this activity/asset?
<b>Environment</b>	
Natural resources	Are resources used and maintained in a sustainable way?
Biodiversity	Is biodiversity enhancement a visible driver in project conception and being built into contracts?
Pollution	Is pollution minimisation core to the project concept and being built into contracts?
<b>Regeneration</b>	
Assets	Have regeneration activities extended to enabling other co-located or linked assets to enhance greater benefits?
People	Have regeneration activities extended to enabling people in the community and their needs and not just the fixed assets?
Organisations	Have regenerations activities extended to collaboration with the efforts of other organisations operating in the same area?
<b>Climate change</b>	
Mitigation	Will the asset/activity being proposed generate no/low GHG while replacing a high GHG activity/asset?
Adaptation	Will the asset/activity being proposed deliver significant adaptation gains?
New opportunities	Will the proposed asset/activity explore/support innovative low carbon outputs/processes?

Annex C

RHU MARINA - BUILT ENVIRONMENT- OPTION / PRE DEVELOPMENT							
	Indicator	Prompts	Evidence provided / references	Findings	Score	Subtotals	Total
			Documents, plans, designs, contracts, studies, data, etc.				
Economy							
Employment	Are jobs being created or safeguarded?	Understanding of local workforce capacity and needs	Business plan	Existing jobs secured, additional jobs both for site works and enhancement deliver new jobs	2		
	Is there a possibility that as a result of the activity, local businesses could join supply chain (direct/indirect contribution) or local employment will grow?	Understanding of local resources, early notice to suppliers of likely needs	Overview specification and plans	Local suppliers are being preferred and encouraged to co-locate on premises	3		
Local economy							
	Is this project being conceived to significantly benefit Scotland's national economy/demonstrate business leadership?	Conceived to be an exemplar, active research into relevant best practice	Business plan	Well used marina on West Coast but not likely to have national importance	2		
National interests							
	Is project being conceived to tangibly participate in the circular economy?	Materials and processes are being utilised that turn 'waste' by products/outputs into feedstock	Business plan	Materials for breaks will come from reused/recycled materials, timber all sustainably sourced, waste strategy for site development to be extended to site operation	2		
Circular economy						9	
Society							
Health							
	Will the proposed asset/activity promote improved health locally/in Scotland?	Site makes best use of microclimate and natural environment, local air quality examined	Business plan	Asset use encourages outdoor activity. Secure cycle store and lockups being added to site. Site eliminating chemicals as priority	2		
Skills	Is the opportunity to build skilling into the project concept being actioned?	Relationships/partnerships w FE/HE/Industry orgs	Business plan	Apprenticeships being established for refurb and rebuild	3		
Community participation	Is the community participating in early stage planning of this activity/asset?	Active engagement through events, knowledge sharing, dialogue	Early stakeholder engagement	Community is actively involved in regeneration and planning for site faciilites	2		
						7	
Environment							
Natural Resources							
	Resources used and maintained in a sustainable way	Seabed and foreshore maintained in good condition	Site investigation and business plan	Seabed and foreshore are maintained but not enhanced	3		
Biodiversity	Is biodiversity enhancement a visible driver in project conception and being built into contracts?	Early contact w relevant NGOs, site studies, investigation of local ecology	Early stakeholder engagement	Early days and little work has yet been done on this dimensions. Must action	3		
Pollution	Is pollution minimisation core to the project concept and being built into contracts?	Understanding of likely impacts and strategy to address proactively	Early site analysis	Pollution strategy for site a high priority but requires action for refurb and operation	4		
						10	
Regeneration							
Assets	Have regeneration activities extended to enabling other co-located or linked assets to enhance greater benefits?	Examination and collaboration relate to other fixed assets and their contributions	Business plan	Marina is linked to the success of other assets that are co-located	3		
People	Have regeneration activities extended to enabling people in the community and their needs and not just the fixed assets?	Regeneration considers the needs of the (local) people and not just the operations of the fixed asset	Early stakeholder engagement	Partnerships are actively being pursued with the community to bring local business to the site and to create linkages with neighbours	3		
Organisations	Have regenerations activities extended to collaboration with the efforts of other organisations operating in the same area?	Regeneration is linked to the activities and aspirations of others to serve a wider need than only the fixed asset	Early stakeholder engagement	Stakeholders outside local businesses and council have been approached in order to gain wider benefits	3		
						9	
Climate Change							
Mitigation							
	Will the asset/activity being proposed generate no/low GHG while replacing a high GHG activity/asset?	Zero/net zero carbon new build/adaptation/upgrade	Design parameters	Electric charging points on site, links to renewable energy on site a priority to feed points, all assets to be built and refurbished to be high energy efficiency standards	3		
Adaptation	Will the asset/activity being proposed deliver significant adaptation gains?	Increased resilience fabric and water goods, low energy/autonomous	Design parameters	Additional protections/defenses being built into asset for wave heights and wind	3		
New opportunities	Will the proposed asset/activity explore/support innovative low carbon outputs/processes?	New techs/materials/design approaches explored and favoured	Overview specification and plans	In touch with HE/FE for options to replace plastics on site. Still at early stage	4		
						10	
	TOTAL						45

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Chief Executive’s Report BD(2020)20.4	
<b>Security classification</b>	Unrestricted	
<b>Presented by</b>	Simon Hodge	
<b>Author</b>	Renée Lefrançois	
<b>Annexes</b>	n/a	
<b>Recommendation</b>	The Board is invited to note the content of this Report	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## 1. Overview

Crown Estate Scotland has been operating in lockdown since the last Chief Executive's report. The Covid-19 situation is impacting many aspects of our operation and function, and this is detailed in a separate paper. The whole Crown Estate Scotland team has shown huge commitment to maintaining business continuity and working with tenants and stakeholders to understand and manage the impacts. For many, their contribution has been alongside caring and schooling responsibilities and other lockdown challenges.

This is evidenced through the significant agendas of the last Board meeting and the recent Audit & Risk Committee and Investment Committee meetings that have included a number of milestone decisions that are strong indicators of continued progress. The packs for these meetings contain a wealth of information that will be of interest to Board members.

Also of note during this period is the securing of Ministerial approvals for both the ScotWind leasing round and a significant acquisition at Montrose. Both are important examples of how Crown Estate Scotland is working closely with Scottish Government through the Covid-19 situation, and how we can play our part in Scotland's post-Covid-19 economic recovery.

## 2. Meetings/engagement

A separate list of the engagement and meetings has been submitted to the Board (BD(2020)20.2).

## 3. Health & Safety

- The 2019-20 Q4 dashboard cites incidents and near misses.
- The annual H&S report for 2019-20 was presented to the Audit & Risk Committee on 28 April and is provided to Board as an annex to the annual report from the Committee

(BD(2020)20.9). It lays out how much has been achieved in the last year in developing our health and safety policies, building a health and safety culture, and establishing effective health and safety processes across the whole organisation.

#### **4. Risk Management**

Changes to the strategic risk register presented to the recent Audit & Risk Committee include:

- Risk definition, control strategy and mitigations for the risk of loss of revenue, reduced capital valuation and increased liabilities have been amended to include the impacts of Covid-19.
- The control strategy for reputational risk of failing to meet governance and regulatory requirements has been amended to refer to the introduction of an assurance framework. The mitigation has been updated to include the actions which are being taken as a result of the review of contract management in the organisation.
- The control strategy and mitigation for reputation and financial risk relating to the office move has been updated to reflect the progress within the project.
- Removed the risk aversion stifling business innovation and opportunity scenario, as the Executive Team have considered this risk has decreased sufficiently to remove such a risk from the register.
- Addition of a new risk relating to the reduction of capacity due to the current pandemic impacting the delivery of business projects. The mitigation strategies are to treat this risk through a programme management approach, actively managing interdependencies with close monitoring and effective, clear communication.

The Board will be asked to review the risk register during the meeting on 27 May 2020.

#### **5. People**

- The draft People Strategy will be considered by the People Committee on 1 July and will thereafter come to the Board for discussion. A high level 90-day plan has been drawn up and capturing key elements to support the implementation of the People Strategy.
- Pay progression and the interim pay award are due to be implemented in the May payroll.
- A new performance management framework (including an online system) rolled out, based on staff surveys and feedback referencing the need for a new approach. We have presented it to team in terms of 'you said, we did' with year one as a pilot to identify opportunities for improvements.
- Feeding into other activity e.g. office move and Covid-19 work (especially well-being and potential changes to how staff work post-lockdown as we return to the 'new normal').
- Engagement with the new regional PCS officer has commenced with a view to strengthening the partnering relationship.
- New Senior HR Manager (maternity cover) is in post.

#### **6. IT Review**

The following core projects have been created and started as part of an IT Programme:

- Document and record storage
- IT Governance and security

- Property management system
- Server infrastructure

Following the Covid-19 lockdown, all staff are now successfully working from home. We are preparing for a partial reopening of the offices with some improvements to meeting technology.

### **7. Annual Report & Accounts**

- The team are in the final stages of preparing the draft Annual Report and Accounts with the annual valuation now in final form.
- Final audited Annual Report and Accounts are due to be signed in mid-August.
- The external audit is still to start on 3 June as planned. Work will be done remotely.
- The internal auditors have started their first work programme a follow up of the previous managing agents review.

### **8. New Office Accommodation**

The business case is currently being reviewed by the Scottish Government Property Division and Sponsor. Discussions on Heads of Term for the preferred option are ongoing.

### **9. Lower than market value guidance**

Following Board discussion at the March meeting, draft guidance was due to go on website for feedback, then finalised at the end of May. The need for a Covid-19 rent policy and the reduced availability of staff – together with further internal discussion – means that this timing has now changed. We aim to publish a draft and gather feedback over the summer. Further timings will be set taking into account Covid-19 impacts and how the guidance may interact with other work such as the Covid-19 rent policy and the root and branch aquaculture review.

### **10. Pilots and Partnerships**

#### Wider partnerships

- A draft Memorandum of Understanding has been finalised with North Ayrshire Council, see separate board paper BD(2020)OOM5. Investment opportunities are under active investigation in line with this draft Memorandum of Understanding and our wider strategic frameworks including the new Corporate Plan.
- Opportunities are also being actively explored with Orkney Islands Council and HIE in Orkney alongside wider aspects of the draft Islands Deal relating to Orkney, Shetland and the Western Isles.
- Relationships that will underpin the geographical approach to delivering our Corporate Plan presented to Board in January continue to be explored and developed.
- A proactive approach to liaison with HIE's Area Managers has been agreed with their strategic lead contact for Crown Estate Scotland.

#### Local Management Pilots

- Work continues to finalise implementation agreements, current status of each is summarised below. Covid-19 now appears to be having an impact on partner capacity, with



a notable impact on response times. We are following up to better understand resource constraints and determine appropriate response accordingly.

- A draft 'interim lessons learned' report is being prepared further to discussion with our sponsor team, this will be subject to internal feedback over coming months before finalising.

Current status:

- Comhairle nan Eilean Siar/ Galson Estate Trust (CnES/ GET) – final draft Heads of Terms (HoTs) issued Feb 2020, no response received from CnES, following up to determine any resource constraints and suitable response.
- Forth District Salmon Fisheries Board (Forth DSFB) – HoTs agreed Feb 2020, draft Implementation Agreement issued April 2020, no response received, following up to determine any resource constraints and suitable response.
- Orkney Islands Council (OIC) – final draft HoTs issued Jan 2020, response from OIC in April indicated their desire to redraft HoTs but no further response received since then. Following up to determine any resource constraints and suitable response.
- Shetland Islands Council (SIC) – draft HoTs issued October 2019, no comments on these received to date although holding responses have been provided indicating prioritisation of their Sullom Voe Masterplanning process, uncertain timing for next step but appears unlikely to progress until spring/ summer 2020. Communication with SIC responsible director has begun in order to fully understand their timescales.

## 11. Marine update

### Aquaculture

- Further to the interest Fergus Ewing MSP (Cabinet Secretary for Rural Economy and Connectivity) has expressed in Crown Estate Scotland being involved in helping streamline the aquaculture consenting regime, we are awaiting updates from Scottish Government officials on whether the next steps that had been discussed (to be initially led by Ministers) have been undertaken yet, noting that prioritisation of Covid-19 may have impacted this.
- In light of Covid-19 we have been working closely with Scottish Government to agree a co-ordinated response to the request for support from the shellfish industry. One strand of this is that Crown Estate Scotland has proposed a streamlined approach to temporarily increasing site capacity at no extra cost– the value and validity of this is currently being considered by Scottish Government and the Association of Scottish Shellfish Growers.
- Also in the context of Covid-19, the schedule for the 'root and branch review' of aquaculture lease terms is being considered, including whether it is appropriate that this is delayed.

### Energy & Infrastructure

- Following a positive call with Paul Wheelhouse MSP and Roseanna Cunningham MSP on 4 May we have now had confirmation of authorisation to launch ScotWind. The team are now finalising launch preparations and we are optimistic that ScotWind will launch formally by mid-June.
- The offshore wind ports & harbours study (undertaken by Arup) has now been completed, with further discussions undertaken with Scottish Government and agencies to share the findings. A version will be published on our website once complete. The study will help inform future enabling work to maximise the offshore wind opportunity in Scotland and potential investment considerations.

- The Energy Systems in Scotland landscaping study we commissioned has been completed. This also includes a value analysis of the 'Surf 'n Turf' project in Orkney that we will be publishing on our website in May. These studies will help shape any further work Crown Estate Scotland undertakes in relation to energy systems, be it as an asset manager, enabler, co-ordinator or investor.

### Blue Economy Strategy

- Following joint working between Scottish Enterprise, Highlands and Islands Enterprise and Crown Estate Scotland, a report has now been completed analysing Blue Economy Strategies developed by countries around the world, incorporating recommendations from these that could apply to Scotland if it develops a cross-sectoral Blue Economy Strategy. Following this we will engage with Scottish Government officials to gain senior level buy-in to, and leadership of the development of, a specific Blue Economy Strategy for Scotland.

## 12. Rural & Coastal Update

### Portgordon

Remaining actions related to the Marex safety report attended to including blocking vehicle access, installing additional lifebuoys and removing non regulation ladders and crab pots belonging to fishermen and attending to other trailing chains. Further investigation on ladder requirements. As at end March, Wallace Stone had undertaken an update inspection of harbour structure at low tide and their report awaited. Community engagement for progressing to a development trust continued with our assistance to the group members continuing including support for their application for funding to undertake feasibility work.

### Agricultural capital projects

A handful of large agricultural capital projects which were underway in Q4 2019-20 were not completed due to lockdown. They are being carried forward into 2020-21 and will recommence when possible.

### Aberdeen Harbour Board

We have provided a refund of £350k to Aberdeen Harbour Board for construction works of a new harbour at Nigg Bay. The refund was a credit against dredging that didn't take place in the latter half of 2019 and early 2020.

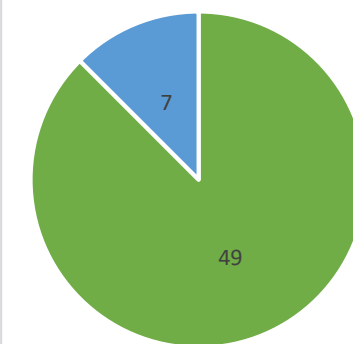
## 2019-20 Business Plan (36 Green out of 45 total) – significant ambers and reds detailed below

No	Action	Measure	RAG Status	Notes
34	Expand work and activity on marine litter	Further support for projects in place	Yellow	Developing pilot involving aquaculture industry – launch in Q1 2020/21 may now be delayed due to COVID-19
35	Assess long-term options for Rhu Marina	Critical marine infrastructure works underway or completed; onshore development options study and / or a master planning exercise completed	Red	Some work has been done on assessing options as part of the Savills Built Development review – These have not yet concluded and were not done before year end. The master planning exercise is still under consideration awaiting a decision on what long term option is favoured
40	Capital investment programme to develop a more sustainable forest structure	Complete five-year restocking programme at Glenlivet	Yellow	Campdalemore restocking works not completed. Delayed due to COVID-19 restrictions

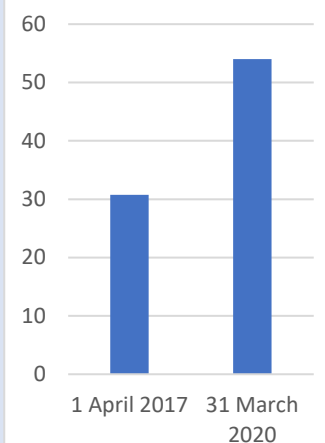
## Issues/New Activities:

- COVID-19 response covered in Board paper
- Other matters as covered in CEO report

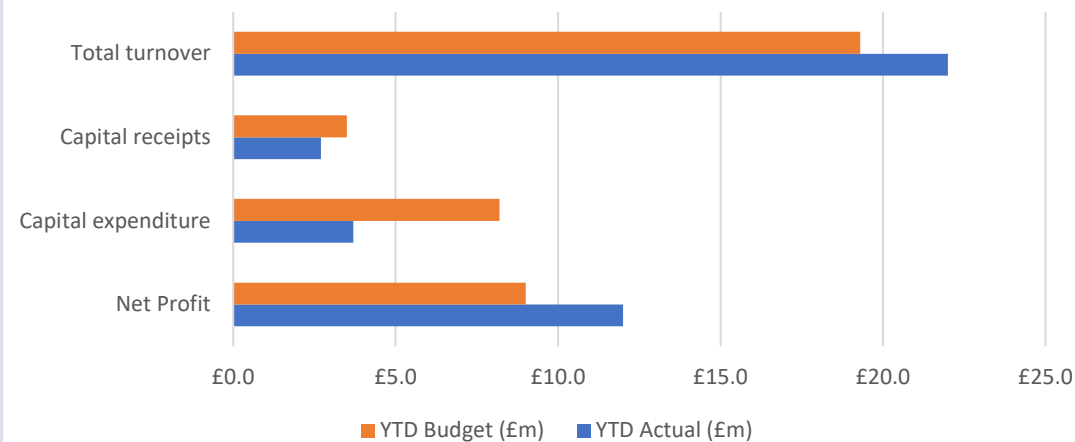
Staff contract type



FTE



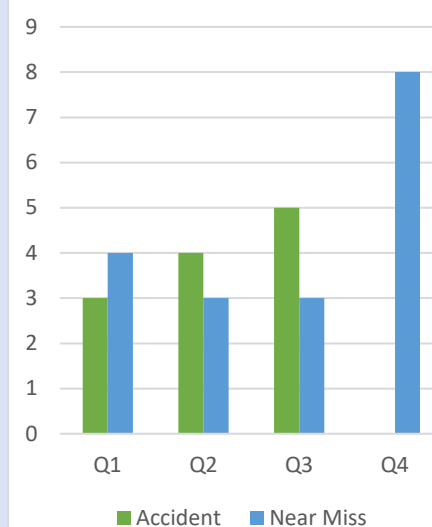
Q4 - Finance



## Top media stories by volume and reach

	Volume	Reach
Offshore Wind/ScotWind Leasing	70	203,334,575
Sponsorship (Clyde in the classroom project)	6	960,252
Net revenue to Local Authorities (Aberdeenshire)	23	703,619

Accidents and near misses



## FOI responses issued &amp; highlights:

- Total 14
- 6 requests with a general theme of Crown Estate Scotland's carbon emissions and waste.
- 1 review due to breach in response time. Initial request was treated as business as usual.

	Rural	Coastal	E&I	Aqua	Urban	Non-Rental
Aged debt >30 days	£193,000	£113,000	£42,000	£7,000	£35,000	£29,000

	Rural	Coastal	E&I	Aqua	Urban
No. of dealings/agreements	21	17	1	12	0
No. of properties vacant	61	N/A			2

## Procurement Activity

Awarded (YTD)	Highlights (Quarter)
9	<ul style="list-style-type: none"> <li>• Procurement Manager now in post and fully operational – initial focus on formal reporting requirements arising from Contracting Authority status;</li> <li>• Significant Contract Administration work undertaken, ensuring contract documentation is current and stored information is complete, PCS website information up to date (e.g. posting contract award notices);</li> <li>• Contract Register preparations well underway</li> </ul>

## Crown Estate Scotland Dashboard - explanatory notes

### Q4 2019-20

#### Business Plan – reporting by exception

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

#### Financials

<b>Total turnover</b>	Total revenue income  2019-2020 Q4 – Draft figures but don't envisage there being material changes
<b>Capital receipts</b>	Receipts into the capital account  2019-2020 Q4 – Draft figures but don't envisage there being material changes
<b>Capital expenditure</b>	Expenditure from the capital account including surrender payments  2019-2020 Q4 – Draft figures but don't envisage there being material changes
<b>Net Profit</b>	Net profit distributable to Scottish Government  2019-2020 Q4 – Draft figures but don't envisage there being material changes

#### HR Stats

<b>FTE</b>	Sum of Full Time Equivalent compared to when CES began
<b>Staff contracts</b>	Comparing number of staff with permanent contracts and number of staff on fixed-term

#### Assets

<b>Number of new dealings/agreements</b>	Rural figures include Rural Estates and Mines Royal & Minerals.
<b>No. of properties vacant</b>	Rural & Urban figures include only truly vacant land which could be let.  This is a combination of residential properties being refurbished for re-let or considered for sale; fishings which are not attracting interest, workshops, steadings and grazings that are currently vacant. This also

	includes 22 grazings which are about to be let for 2020. There are a total number of properties (different to agreements) of more than 800 across rural and urban so vacants represents only around 5%. They are slightly higher than normal on fishing vacancies, due to decline of Atlantic salmon and tenants not wishing to renew, and there are a few more vacant residential properties under consideration for sale or refurb
<b>Aged Debt</b>	Debtors overdue by >30 days
	Non-rental debtors debts overdue by >30 days

#### Stakeholder / reputation

<b>Issues/New Activity</b>	Summary of any emerging issues
<b>Top Media Stories</b>	By volume and reach – including the top 3 (ordered by reach)
<b>FOISA</b>	Highlights trends found in request for information, as responded to under the Freedom of Information (Scotland) Act 2002 and Environmental Information (Scotland) Regulation 2004

#### Procurement

<b>Total award</b>	Total contract award in the year to date
<b>Highlights</b>	Key activities for the reporting quarter.

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Risk Register - review BD(2020)20.7	
<b>Security classification</b>	Restricted	
<b>This document contains commercially sensitive and confidential information and may relate to the formulation of policy.</b>		
<b>Presented by</b>	Simon Hodge	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Risk Register Annex B: Risk Management Policy	
<b>Recommendation</b>	The Board is invited to (a) review the risk register at Annex A and to confirm that it is accurate and complete in relation to key corporate risks; and (b) approve the risk management policy at Annex B.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. The Audit & Risk Committee supports the Board in ensuring that there is an effective risk management system in place in Crown Estate Scotland. The Audit & Risk Committee receive a report on risk management from the Accountable Officer at its quarterly meetings and scrutinises the risk register before confirming adoption of the changes.
2. The Executive Team review the risk register on a monthly basis and discuss issues which may emerge as risk. At its meeting on 28 April 2020, the Audit & Risk Committee requested that future reports on risk management contain information on these emerging risks.
3. The risk register is attached as Annex A. Changes to the risk register since the Board last reviewed it in March 2019 are noted in this paper. The column on the register which records change since last revision is used to show quarterly changes to the Audit & Risk Committee and does not reflect changes in the period since the Board last reviewed the register.
4. Crown Estate Scotland's risk management policy provides that the Board will review and approve the policy on at least an annual basis. The Board last did so in March 2019. The Audit & Risk Committee reviewed the policy during its meeting on 28 April 2020 and agreed that the only changes which required to be made were to the titles of some of the Crown Estate Scotland officers. The updated policy is attached at Annex B.

5. The Audit & Risk Committee have asked the Executive Management Team to consider risk appetite and to report to the meeting of the Committee to be held on 23 June 2020.
6. The internal auditors are currently undertaking a review of risk management and a report will be presented to the meeting of the Audit & Risk Committee to be held on 23 June 2020.

### Current risk register and changes during the past year

7. Serious accident or fatality on the Scottish Crown Estate (Risk 1). There has been no change to the risk rating. Work continues to strengthen Crown Estate Scotland's control strategy, including a review of the Health & Safety Framework (HSP1) and all associated policies; the introduction of mandatory H&S e-learning modules for all staff; and the introduction of an audit schedule. Work to strengthen and evidence compliance will continue in 2020-21 and an audit of H&S management will be undertaken by the internal auditors.
8. Failure of financial management and accounting (Risk 2). There has been no change to the risk rating. Several of the control strategies for this risk have now been implemented, including the strengthening of resilience in the finance team and the recruitment of a Director of Finance & Business Services. Further mitigation will be undertaken through closer working with the external and internal auditors. We anticipate that the risk rating will reduce during 2020-21.
9. Poor transaction/investment decisions (Risk 3). The investment strategy now sits within the new Corporate Plan for 2020-23. Capacity building in asset management was a key control strategy during 2019-20 and has seen the recruitment of a Senior Asset Manager and a Built Development Manager. Work will continue to enhance the management of the performance of the managing agents, including through the retender process, and on building the business case templates and governance of the decision making processes.
10. Covid-19 and/or Brexit (Risk 4). The risk rating and residual risk rating for this risk has increased over the past year and Covid-19 has been introduced to the risk register. Close monitoring of budgets and the impacts of both Covid-19 and Brexit on tenants are the main control strategy.
11. Pest and disease outbreak (Risk 5). There has been no change to this risk, either in the ratings or the strategy over the past year.
12. Pollution or environmental degradation (Risk 6). There has been no change to the risk rating. The control strategy has developed, with more activity on the rural estate to provide improved pollution control infrastructure as a result of the condition survey.
13. Loss of systems, information and business continuity (Risk 7). The residual risk rating has increased over the past year as work has got underway to implement the output of the IT infrastructure review; to facilitate home-working as a result of the Covid-19 lockdown; and the requirement to ensure that the IT systems are sufficiently robust to allow the Edinburgh office relocation to proceed without business interruption. A Senior IT Manager is in now in post. The residual risk rating is expected to reduce over the coming year.
14. Failure to create new opportunities for future delivery (Risk 8). The residual likelihood for this risk was increased in 2018-19 and has remained at the increased level. Mitigating actions, including the recruitment of additional resource and the conclusion pay and grading review, have been taken however the Covid-19 lockdown and the on-going skills and capacity review mean that the residual likelihood remains high.

15. Reputation (Risk 9). Residual likelihood has increased from 1 to 3 during the past year. As Board are aware issues relating to the management of a specific contract were reported to the Audit & Risk Committee and to Board in February and March 2020. The control strategy has been revised as have the further mitigating actions with a view to providing the Board and Accountable Officer with an appropriate level of assurance. We are anticipating that the residual likelihood will reduce over the coming year as the new processes are demonstrably embedded in the organisation.
16. Unaffordable scale of exposure to liabilities (Risk 10). The risk rating was lowered from 16 to 12 during the year following receipt of the full condition survey report and the retention of funds to meet contingent liabilities.
17. Lack of trust and confidence externally (Risk 11). There has been not change to the risk rating over the past year. The control strategy has been updated to reflect the organisations move towards developing new ways of working in partnership with others and to developing more in-house engagement capacity.
18. Stakeholder expectations (Risk 12). This is a new risk added to the register in the past year and recognises the impact the enactment of the provisions of sections 7 and 11 of the Scottish Crown Estate Act 2019 on the functioning of the organisation. Work in relation to the control strategy and the mitigations for this risk continue.
19. ScotWind delayed due to external factors (Risk 13). As Board are aware there has been a delay to the launch of the ScotWind leasing round which is a risk both to the financial position of Crown Estate Scotland and to our reputation leading to this risk being added to the register early in 2020. Close engagement with all parties involved, including Scottish Ministers, is continuing while Ministerial approval to the launch is awaited.
20. No replacement for current office accommodation (Risk 14). This risk was added in early 2020 to recognise the risks related to the new office project. Board will receive an update on this during the meeting on 27 May 2020.
21. Project conflagration impacts business deliver (Risk 15). This risk has recently been added following discussion at Executive Team meetings about the number of change projects running at the same time in the organisation. These projects all have inter-dependencies so cannot be run consecutively. The addition of this entry was a recognition of the risks and to allow the control strategy and mitigations to be identified.

### Entries removed from the risk register

22. In the past year the Audit & Risk Committee have approved the removal of two risks from the register, one relating to poor financial planning leading to a risk of insolvency and the other relating to risk aversion stifling business innovation. The Committee were satisfied that appropriate financial planning procedures were in place and that the Board had agreed a risk appetite for business activities.



**Annex B**

**HEALTH & SAFETY**

**ANNUAL REPORT 2019/20**

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## INTRODUCTION

The protection of staff, tenants, contractors and the wider public is of paramount importance to the Crown Estate Scotland.

The benefits to the organisation apply at all levels including:

**Productivity** – Staff taking less time off work due to injury or ill health sustained at work.

**Cost Effectiveness** – The investment in good equipment that is well maintained, operated by properly trained and competent staff will deliver in reduced downtime, reduced repair bills and reduced liability.

**Reputation** – Crown Estate Scotland does not want to be known to be a hazardous place to work.

**Record** – Crown Estate Scotland wants to limit the risk (likelihood and consequence) of any action taken against it by the enforcing authorities.

This report looks to provide an overview of how Crown Estate Scotland is approaching the management of Health and Safety through the adherence to the relevant legislation and by proactively managing the hazards and risks that are on the ground.

The report includes accident statistics and an overview of the actions taken to date.

## CORONAVIRUS

The Coronavirus has placed additional challenges across the whole of the organisation. At the outset of the emergency Crown Estate Scotland invoked its emergency management procedures with the establishment of an Emergency Management Team in accordance with the organisation's Emergency Response and Business Continuity Plan. In order to protect staff from risk of infection, took the following steps :

- Move to home working for those that could within two days of Government advice, using video conferencing to allow teams to communicate and maintain a working profile. Further move to complete office closure once a remaining member of staff was provided with additional equipment for home working.
- Specific risk assessment and health and safety guidance (such as for display screen equipment) for those working at home and those who have to meet tenants and other individuals.
- Establishing an emergency-only basis for the workforce at Fochabers and Glenlivet to ensure that the critical and essential work continues to be done in a safe manner.
- Providing guidance to Managing Agents, tenants and contractors engaged in property repairs.

In addition, steps have been taken to safeguard the wellbeing of staff:

- Establishing flexible working arrangements and reduced hours arrangements for staff with caring responsibilities.
- Maintaining a high level of contact with staff who live alone to support them in isolation.
- Facilitating staff social activities via videoconferencing.
- Holding regular functional and all staff videoconferencing, including sharing about life in lockdown.
- Provision of additional equipment to improve homeworking conditions where appropriate.
- Provision of information about the Crown Estate Scotland Employee Assistance Programme.

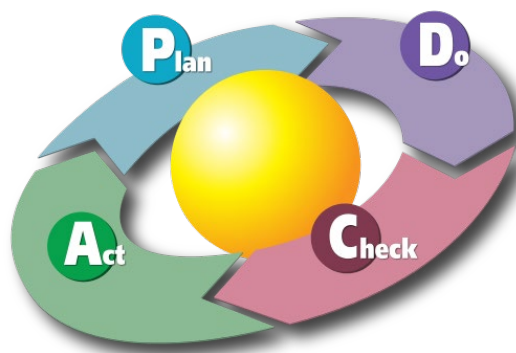
- Providing clear reassurance about job protection, pay and adjustment to performance targets in the light of Covid-19 impacts.

## OUR APPROACH TO HEALTH & SAFETY

In line with the reporting process agreed with the Board, this paper provides an update to the Audit & Risk Committee regarding the management of Health and Safety (H&S) across Crown Estate Scotland in the year to March 2020.

This paper reports on each of the components of Crown Estate Scotland's H&S Policy Framework – **PLAN, DO, CHECK, ACT** (PDCA).

This is a universally recognised approach to managing health & safety and one recommended by the HSE in their guidance “**HSG65 – Managing Health & Safety**”.



### PLAN

In the last year, work on the main H&S policies led by the small Health & Safety Leadership Group have reviewed and revised them. There are now 13 H&S policies (HSP) in place which each have a named owner who is responsible for maintaining them. They have all been signed off by the key members of the Leadership group, the H&S advisor and the owner.

The H&S Policy (HSP01) for the whole business has been reviewed as part of this process and this is included in Appendix 4.

Location specific H&S manuals have been revised and issued for staff at Bells Brae, Glenlivet and Fochabers. These provide key information from the policies for those members of staff who work predominantly out of these offices with hard copies carried in the works vehicles and workshops at Fochabers and Glenlivet.

A SharePoint file structure is being developed that will allow staff to access the HSP, checklists and other documentation from any location provided they have internet access.

The focus for the year ahead will be on further embedding these policies into operational activities helping develop H&S culture and ensure adherence to the policies.

### DO

#### H&S Committee

The H&S Committee met quarterly and continued to focus on operational management according to a standing agenda based on the HSE PDCA H&S checklist.

The action points identified in the H&S ‘health check’ report undertaken in 2017/18 have been completed as far as practicable. One action relating to the identification of all underground services at Glenlivet and Fochabers has been amended as data is not available from the utility companies. Risk assessments and work practices relating to excavation works have been reviewed as part of the review of policies and use of plant and equipment to ensure safe working practices are in place.

## **Health & Safety Policies**

These have been updated (see above) and have been placed on the Intranet for all staff to access. The H&S information on the Intranet has been significantly revised and redesigned creating a highly accessible and user-friendly portal for staff to access H&S information and to report incidents.

## **Risk Assessments**

Site specific risk assessment procedures are well established for the Glenlivet and Fochabers teams, including for in-hand land and building management activity. This is through the use of a mobile phone app that records the risk assessment to the Cloud and is available for instant access by anyone with the appropriate access.

Risk assessments are increasingly for office-based staff. For example, the display screen equipment training included a recorded risk assessment process.

## **Health & Safety Coordinators**

The Countryside Business Assistant and the Business Support Manager act as H&S coordinators at Glenlivet (including Fochabers) and Bells Brae respectively and have the following duties:

- Collection of accident & near miss reports
- Checks of the fire doors, fire alarm test, contents of first aid kits etc and record when it is done
- Organising training courses over and above the e-learning
- Arranging periodic inspection of plant & equipment.

## **Let Residential & Commercial Properties**

The Rural Asset Manager continues to work with the Managing Agents (Savills) in ensuring that all the H&S compliance issues are being managed properly. A monthly report is received from Savills which is monitored to ensure inspections are being undertaken as required and Crown Estate Scotland is compliant with all Landlord statutory requirements in relation to let property.

## **Redundant & Void Properties**

The Rural Asset Manager continues to work with Savills and has received copies of all risk assessments relating to void and redundant buildings and to ensure these are reviewed and updated as required and that control measures are in place.

Glenlivet has the largest number of void and redundant buildings (147) and all buildings have been recently inspected across all the rural estates and reports received from Savills.

The recent Condition Survey has also identified remedial works required to redundant buildings and work is ongoing to complete these works as part of that programme.

## **Portgordon Harbour**

Additional fencing at Portgordon has reduced the risk of someone attempting a similar jump that resulted in the incident last year. Large boulders have been put in place at Portgordon to prevent vehicular access to the harbour structure. Further steps including liaising with the Portgordon Harbour Facebook Group to warn users that the unauthorised ladders, lobster pots and other detritus will be removed. Shingle deposits from long-shore drift have been removed from the pier at Portgordon.

## CHECK

### Audit

Following production of the H&S Policies, an audit schedule has been developed and audits scheduled into the programme of the Crown Estate Scotland Internal Auditors.

The schedule was developed from looking through the H&S Policies and identifying those points where an action is identified as needing to take place. For example, in HSP09 (Plant, Equipment and Heavy Operations), it states that *"All lifting equipment and lifting is inspected by a competent person with all test recorded and records available for inspection"*. This is identified within the audit schedule and will be signed off when verified in the audit process.

A resumption policy has also been produced and will be included in the audit process. The policy is in the process of being finalised and builds on the existing policy that is in place for the management of H&S activities at Glenlivet and Fochabers.

### Emergency Exercise

In January 2020 we carried out a simulated emergency response exercise based on a child accessing scaffolding erected at Scalan Mill and suffering a fatal accident. A specialist agency were commissioned to run the exercise involving personnel at different locations. Their subsequent report provided some recommendations – mostly practical ones e.g. how to ensure we have appropriate meeting spaces for private calls – and have been worked into the current emergency response procedures.

### Accident Statistics

In the year 2019/20 there were 14 accidents that were recorded: 11 to staff, 1 to a contractor and 2 to members of the public (both of them occurred on the Mountain Bike Trail at Glenlivet and were a result of rider error). All the accidents were minor, not reportable under RIDDOR and none required any time off work. There was a reduction in total accidents from the previous year.

There were also 17 recorded nears misses, an increase from the previous year.

Further information including a copy of the H&S Dashboard and a summary of the accidents are in Appendices 1-3.

Quarterly accident statistics are passed to the Audit & Risk Committee for their information.

It is difficult to benchmark the health & safety performance of the Crown Estate Scotland with other organisations. This is due to a number of factors, including the scale of the business. With a relatively small workforce, a single accident can throw the figures out significantly. Other than The Crown Estate, there is not really a similar organisation to compare with.

### Absence Statistics

The following is a summary of the sickness absence for the last year.

Sick Absence	Q1	Q2	Q3	Q4
Absence days (Annual equivalent/FTE)	5.8	8.0	8.9	7.12

The majority of the absences appeared to be related to common colds. There was one person off work for a protracted period of time undergoing tests and treatment at a hospital for a condition that we understand was not work related.

There was one incident of someone who was off work for an extended period of time (59 days) for stress related reasons in Q2 and 4 incidents (which may or may not have been the same person(s)) in Q4 which resulted in 27.5 days lost.

### **Fire Risk Assessment**

Fire risk assessments were updated for the offices and any issues identified have been addressed.

### **ACT**

All incidents and near-miss reports have been followed up with the H&S Consultant and relevant managers and action taken where required to mitigate against similar incidents re-occurring. All incidents are reviewed by the H&S Committee. Learning from incidents has been included as part of staff meetings.

The Emergency Management exercises resulted in improvements to the Emergency Response policy and the development of an on-line reporting of major incidents process that leads any employee to contact the correct people and make the appropriate arrangements.

The new policies and procedures will be formally reviewed on or around the anniversary of their publication. Staff have been informed during training that whilst these are published, they are not set in stone and can be updated at any time if appropriate. The resumption system identifies the requirement for regular review of these policies.

### **TRAINING**

An e-learning provider has been identified and a series of mandatory training courses identified that every member of staff will have to complete.

The following training courses were attended in the year to March 2020

<b>E-LEARNING COURSES (Board Members included)</b>		<b>OTHER COURSES</b>
<b><u>H&amp;S Basics</u></b>		
Completed	56	First aid refresher for all Glenlivet & Fochabers and two first aiders based at Bells Brae. Additional first aiders based at Bells Brae trained.
In progress	3	Fire warden refresher course for relevant staff based at Bells Brae
Not started	3	IOSH managing safely for Carol Potter and Karen Smith
<b><u>Display Screen Equipment</u></b>		Chainsaw maintenance & crosscut
Completed	54	360° Excavator for Alastair Henderson
In progress	2	360° and 180° for Gregor Henderson
Not started	3	Trailer test for Alastair Henderson

In addition, two “Lunch & Learn” sessions were delivered by the H&S Consultant and the Senior Corporate Affairs Manager were delivered to all staff (including Fochabers and Glenlivet Staff via video link) on the HSPs and on the new Intranet.

Training was provided by Crown Estate Scotland’s solicitors to Board members on their H&S legal obligations.

## HEALTH & SAFETY ADVICE

Greens of Haddington Ltd continue to support Crown Estate Scotland as the H&S Consultant. They sit on the H&S Leadership Group, the H&S Committee and conduct regular visits to the workforce at Fochabers and Glenlivet.

In addition to the work on the new HSP's and the audit schedule, they looked into the accident and near misses that had been reported and with the H&S coordinators at Glenlivet and Bells Brae, reviewed any action that required to be taken.

They also provided ad-hoc advice and responded to any queries raised by any member of staff across the organisation.

## HEALTH & WELLBEING

Crown Estate Scotland is a member of the **Healthy Working Lives** initiative promoted by Public Health Scotland <https://www.healthyworkinglives.scot> which aims to support businesses in promoting health lives through their work. This initiative was being led by the Senior HR Manager.

Given staff resourcing and other priority issues associated with staff /HR management this work has not been developed as much as had been initially planned in 2019/20 and will be taken forward in the coming year.

## OBJECTIVES AND TARGETS FOR IMPROVEMENT

Health, and in particular mental health, is an area that the H&S Committee has identified as being a priority for the year 2020/21.

A reduction in recorded accidents will look to be achieved.

An example of where this could be achieved is through a review of the accident types. A significant number of accidents reported last year related to laceration or blister of the hand. A review of gloves took place and remains under constant review.

A further priority is to review the H&S provisions in various agreements and leases across Crown Estate Scotland to ensure those liabilities that are the responsibility of tenants are more clearly articulated in these agreements and that these are understood by tenants.

## SUMMARY

The review of the Health & Safety Policies including the main framework document was a major piece of work that will be tested in the coming year through a comprehensive audit

Coronavirus is a major disruptor to normal work and there is a risk that the number of accidents to staff, contractors and the public could rise as pressure is applied to complete the work schedule following this hiatus. This will have to be guarded against and perhaps a review of the work plan may have to take place.

This potential increased workload and the new practice of working from home may lead to time lost through stress. This too will have to be guarded against.



## APPENDICES

### Appendix 1: Summary of Near Misses that have occurred in 2019/20

All but 2 occurred at Bells Brae offices. The 2 vehicle accidents occurred at Glenlivet.

Incident Q1	Action Taken
Member of staff stood on swivel chair to change time on office clock	Director of Property raised at following staff meeting
Messy cables of vacuum cleaner causing potential tripping hazard	Issue taken up with cleaners
Small vegetable knife in dishwasher cutlery basket with blade up	Check on notice in kitchen advising sharp knives to be laid horizontally

Incident Q2	Action Taken
Messy Cables of vacuum cleaner causing potential tripping hazard	Issue taken up for second time with cleaners
2 junior members of staff stopped from attempting to move heavy cabinet	Staff reminded that such work will be done by contractors using the appropriate equipment
Near miss in vehicle when tractor & loader pulled out	

Incident Q3	Action Taken
Waste bin too full, lid fell off and nearly	Consider emptying the bin during the working day if it becomes too full. This would avoid people taking the lid off to dispose of rubbish
Nosing of stair fell off causing person to nearly fall	Notice put up and landlord informed
Delivery driver walked into glass door on way out of office	Consider affixing stickers on glass door to identify it better

Incident Q4	Action Taken
Irate visitors got into reception without appointment	Try and identify at front door over intercom
Cover of light fitting fell onto desk that was unoccupied at the time	Checks of all other similar lights carried out to ensure they are safe
Vehicle slid on ice, no injuries or damage	
Work completed on Blairfindy Castle. Crown Estate Scotland project manager not informed of this, public had access before full risk assessment could be done. No injuries or reported issues	Investigation completed. Email not sent to the appropriate person. That person had been on long term sick throughout the project and had been removed from circulation list.
Concerned that Quinquennial survey by Savills of Drumin Castle had not been carried out	Investigation completed. It does not appear that Agents had been formally appointed
Nearly tripped after getting a foot caught in strap of own handbag at her desk	Handbag strap now tucked in
Nearly struck someone when opened door onto her as she approached	
Irate visitor got into reception without appointment	Reiterated to staff to screen at intercom. Letter sent to individual asking them to desist

## Appendix 2: Summary of Accidents that have occurred in 2019/20

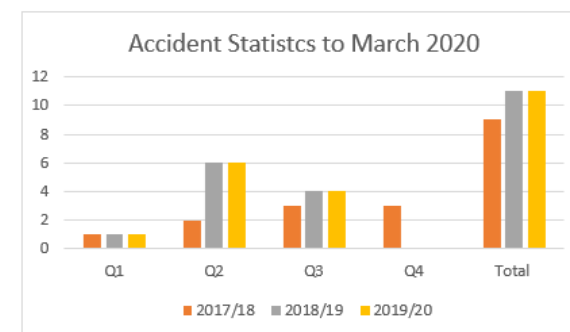
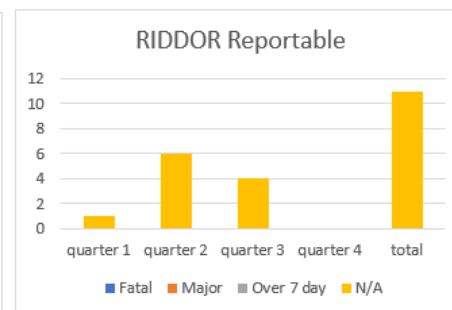
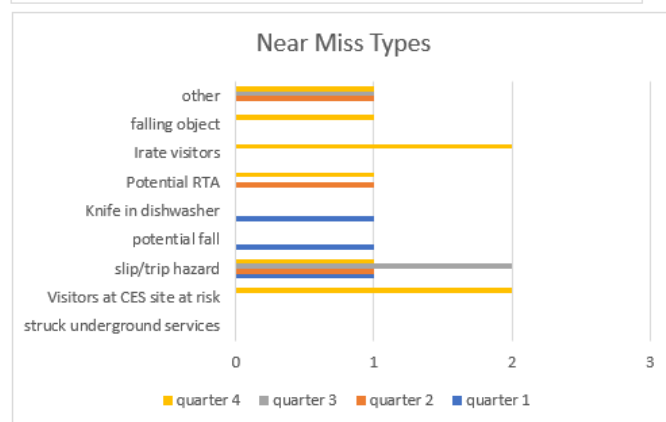
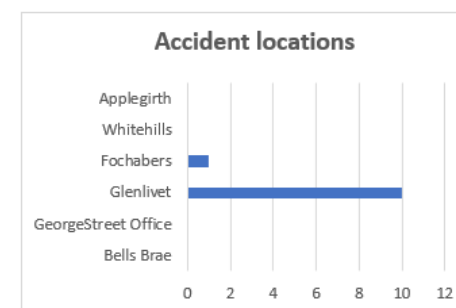
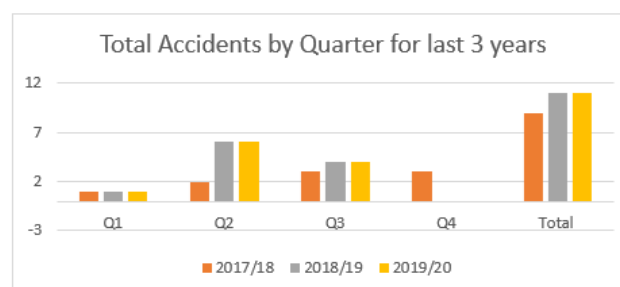
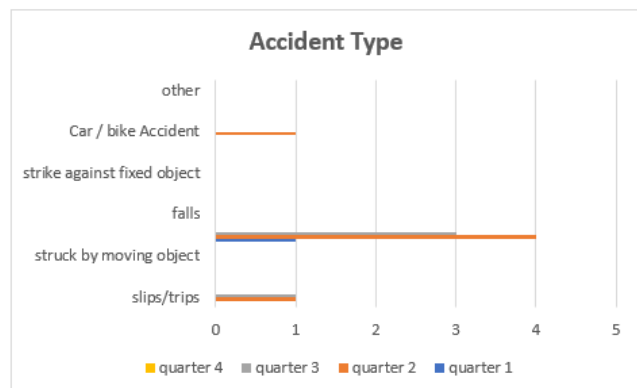
Accident Q1	To Whom	Location	Action Taken
Bike accident on MTB Trail	Public	Glenlivet	
Window cleaner struck sculpture	Contractor	Bells Brae	Sculpture moved
Volunteer cut Finger on saw – gloves worn at the time	Volunteer	Glenlivet	

Accident Q2	To Whom	Location	Action Taken
Small cut to finger when removing old fence	Staff	Glenlivet	
Blister developed on hand using post driver – gloves worn	Staff	Glenlivet	
Tripped over uneven ground on estate	Staff	Glenlivet	
Cut hand on barbed wire fence – gloves worn	Volunteer	Glenlivet	
Staff member fell off bike on bike trails. Minor injuries, PPE worn	Staff	Glenlivet	
Scratched arm on undergrowth when working in short sleeves on hot day	Staff	Glenlivet	

Accident Q3	To Whom	Location	Action Taken
Tripped over litter in tenant's farmyard	Staff	Fochabers	
Bike accident on MTB Trail	Public	Glenlivet	
Blister developed in hand when raking ground – gloves worn	Staff		Glove type looked at. To be reviewed again if pattern persists
Small cut on hand when fencing	Staff	Glenlivet	
Caught hand on wheel arch of Landrover, small cut to left hand finger	Staff	Glenlivet	

Accident Q4	To Whom	Location	Action Taken

## Appendix 3: Dashboard of Accidents & Near Misses



### Incidents

11 Accidents involving staff in the past 12 months. This is the same number as previous year.

All accidents were minor, non where reportable and non required time off work. Most accidents occurred on the Glenlivet Estate

The biggest type of injury were cuts or blisters to the hand. A review of glove types was had, this will be looked at again if the trend continues

In relation to near misses, no pattern discerned. There were 2 separate incidents where a member of the public got upset and irate at the Bells Brae reception desk and the staff there felt uncomfortable. The use of the intercom was discussed. When the office moves, security will be considered

Whilst the majority of accidents were at Glenlivet, the majority of Near Misses reported were at Bells Brae

**Plan:** All HSPs policies reviewed and "live" in February 2020. H&S Manuals for each location reviewed and in place. Lunchtime training sessions undertaken to introduce the new policies

**Do:** Site specific risk assessments using mobile app now established across workforce at Glenlivet and Fochabers. Managing Agents carrying out regular inspections on all void or redundant assets (including Portgordon) on a frequency determined by Risk Assessment.

H&S consultant responding to issues raised by various managers

**Check:** Audit schedule of HSPs established and will be rolled out in year 2020/21

**Act:** All accidents and near miss reports followed up and actions taken as required

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Annual Report to Board and Accountable Officer BD(2020)20.9	
<b>Security classification</b>	Unrestricted	
<b>Presented by</b>	Robert Mackenzie, Chair of Audit & Risk Committee	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Draft Annual Report to Board and Accountable Officer from Audit & Risk Committee	
<b>Recommendation</b>	The Board is invited to note on the Annual Report at Annex A.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. The terms of reference for the Audit & Risk Committee specify that it is to provide an annual report to the Board and Accountable Officer summarising conclusions from the work it has done during the year. The Report is attached at Annex A and includes the organisation's annual report on Health & Safety.

## **Annex A**

### **AUDIT & RISK COMMITTEE ANNUAL REPORT 2019-20**

#### **Introduction**

This Report which is sent from Audit & Risk Committee to the Board and to the Accountable Officer, ahead of his signing the corporate governance statement and annual accounts, gives information on some of the discussions which have taken place in the Committee's meetings held during the financial year 2019-20. These include those related to discharging its essential functions in ensuring the integrity of Crown Estate Scotland's financial reporting; in reviewing the effectiveness of the organisation's assurance framework, internal controls and risk management; and in having oversight of the management of health & safety risks within the organisation.

The minutes of the Committee meetings are sent to the Board and the Chair of the Committee verbally updates the Board on the work of the Committee during Board meetings. The agenda and papers for the Committee meetings are available to all Board members in the Board portal.

#### **Committee Membership**

As required by the terms of reference, the Committee has three members appointed by the Board – Robert Mackenzie (Chair), Jean Lindsay and Richard Morris.

Membership of the Committee changed in May 2019 as a result of the appointment of two new Board members. Andrew Macdonald stepped down from the Committee and Jean Lindsay was appointed to replace him.

#### **Meetings**

The Committee held four meetings during the year, on 30 April 2019, 25 June 2019, 29 October 2019 and on 20 February 2020.

The Committee held a private session (without officers present) with the external auditors before the meeting on 29 October 2019.

The timing of the meetings was set to try to align with the key financial reporting points for the organisation, such as the submission date of the Annual Report and Accounts to the sponsor team in Scottish Government, however this has not been entirely satisfactory. The deadline for submission of the Annual Reports and Accounts has now been changed by law<sup>1</sup> and they require to be with the sponsor team by 30 June in each financial year. A review of the meeting schedule has been undertaken by the Governance Manager, Financial Controller and Finance Manager and, with the approval of the Committee Chair it has been agreed that an additional meeting will be held early in 2021 to allow the timings of the meetings to align better with the key reporting points.

Regular attendees at the Audit & Risk Committee meetings include the Chief Executive, the Director of Finance & Business Services, the Financial Controller, and representatives of the internal and

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<sup>1</sup> The Scottish Crown Estate Act 2019, s.26

external auditors. Other attendees, who attend at the invitation of the Committee, include the Director of Corporate Operations, the Director of Marine, the Director of Property and the Commercial Manager (who leads on procurement matters). Further detail on attendees is given at Annex A to this Report. The Governance Manager acts as secretary to the Committee.

### Terms of Reference

The terms of reference for the Committee require to be reviewed annually. The Committee reviewed them on 30 April 2019 and the Board approved the revised terms of reference at its meeting on 29 May 2019. The terms of reference were expanded to give the Committee explicit oversight of Health & Safety and this is a standing item on the Committee's agenda.

### Key Areas of Focus for the Committee

There is a programme of core business for the Committee which has been kept under review by the Governance Manager and is circulated annually to the Committee. This identifies areas of focus for the Committee however other activity is guided by internal audit. The Committee also responds to requests from the Board to have specific oversight of new business and in 2019-20 the Committee were asked to receive reports on the expenditure related to the performance of the enabler role (previously referred to as "work packages").

### Risk Management

The Committee advises the Board on strategic processes for the management of risk and the setting of risk appetite. During this year the Committee has reviewed the strategic risk register and approved the recommendations from the Executive Team to make changes to the register. As the organisation has matured, making progress towards working under the new legislative framework provided for in The Scottish Crown Estate Act 2019 and resilience has been built in the finance team, it has been possible to remove some risks from the strategic register.

An internal audit will be conducted of risk management arrangements during the first quarter of 2020-21.

### Finance

The Committee received regular financial reports from the Director of Finance & Business Services<sup>2</sup>. Due to issues with capacity in the finance team the draft budgets for 2020-21 were not available for review during the meeting cycle and were reviewed and approved by the Board in February 2020.

During the year concern continued to be expressed by the Committee about delays in expenditure on the rural estate and about the level of accuracy in some the financial forecasting from the managing agents. The Director of Property and the finance team continued to work with the managing agents to improve the budgeting process. A Senior Asset Manager was recruited in March 2020 and will have responsibility for the active management of the performance of the managing agents. The retendering of the contracts for the appointment of managing agents will also afford an opportunity to make improvements.

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<sup>2</sup> This post was previously titled Head of Finance & Commercial

The Committee have been advised that the Chief Executive, the Director of Finance & Business Services and the Financial Controller have commenced work to review the budget process, including the timetable, and that there will be two reforecasts carried out in each financial year. This will improve reporting and accuracy.

### **Annual Report and Accounts**

The Committee reviewed the annual accounts for 2018-19 on behalf of the Board and considered the external auditor's Report. Where appropriate, the Committee challenged the officers and the external auditors on the content of the accounts.

### **External Audit**

The external auditors for Crown Estate Scotland are appointed by the Auditor General. She has appointed Grant Thornton UK LLP as the external auditor for Crown Estate Scotland for the four-year period from 2017-18 to 2020-21.

The external auditors issued an unqualified audit opinion for the financial year ended 31 March 2019. Two actions points were identified by the auditors (capacity in the finance team and timely publication of Board papers), both of which have been addressed.

Following completion of the audit, the auditors met with the finance team to identify any lessons which could be learned from the 2018-19 audit process and to start planning early for the 2019-20 audit.

The Committee received and reviewed a report on the external audit plan for the 2019-20 audit from the external auditors, Grant Thornton, at its meeting on 20 February 2020. The external audit advised the Committee that work on the interim audit had been completed at that point and there were no questions arising from that.

The report received by the Committee identified the significant audit risks as being management override of controls; risk of fraud in revenue recognition; and the valuation of investment property. A specialist valuer will be engaged to conduct the audit of the valuation of investment property.

The responsibilities of the external auditors extend beyond the audit of financial statements and for 2019-20 will include financial sustainability, financial management, governance and transparency and value for money.

The Committee considered the audit scope and materiality threshold, which has been raised from the previous year. As Crown Estate Scotland will be adopting a new procurement strategy and appointing its first Procurement Manager in spring 2020, the Committee asked the external auditor to consider waiting until 2020-21 to include procurement in its wider audit scope.

### **Internal Audit**

As previously advised to the Board, the decision was taken in February 2019 not to renew the appointment of Scott-Moncrieff as internal auditor. The contract was re-tendered, via Public Contracts Scotland, in late 2019 and the organisation appointed RSM Risk Assurance Services LLP ("RSM") as internal auditor for a period of three years with effect from 1 February 2020.

During the period of their appointment Scott-Moncrieff delivered one audit report on the Managing Agents to the Committee and they issued an audit assurance letter to support the



Work, led by the Chief Executive with support from the Governance Manager, commenced during the year on developing a robust assurance framework for the organisation. The framework is based on the relevant provisions in the Scottish Public Finance Manual and will require each Director to provide evidenced assurance to the Chief Executive that appropriate management is in place in their business areas. The operation of the framework will be developed further during 2020-21 with support from RSM.

RSM met with the Chief Executive, the Chair of the Committee and members of the Executive Team in advance of attending the Committee meeting on 20 February 2020. A draft internal audit plan has been prepared and discussed with management and with the Committee. The draft audit plan includes Health & Safety policy implementation, governance, the retender of the managing agents contracts, risk management, financial systems, an IT health check and a follow-up of the audit of Managing Agents carried out by the previous auditor.

The Committee have agreed to Crown Estate Scotland participating in a Governance Framework promoted by the internal auditors which will look at and assess key governance processes over a three-year period.

The Committee received the internal audit plan at its meeting on 28 April 2020 along with an internal audit progress report in relation to the Managing Agents review carried out by the previous internal auditors.

Audit fees: for the period 1 February 2020 to March 2021 - £18,900 exclusive of VAT

### **Procurement**

The Crown Estate Scotland Board approved an approach to procurement and a procurement strategy in November 2017. Since then the Committee has received update reports on procurement activity from the Commercial Manager as a standing item during its meetings.

During the year the organisation determined that, as a consequence of certain provisions of The Scottish Crown Estate Act 2019 being brought into force on 1 April 2020, it could no longer reasonably hold the position that it was not a "contracting authority" for the purposes of procurement legislation. A Procurement Manager was appointed in April 2020 and will lead on the development of a new procurement strategy for the organisation. Procurement will continue to be a standing item for consideration by the Committee during 2020-21.

### **Health & Safety (H&S) Management**

The Committee approved a form of dashboard reporting on H&S management and approved a revised H&S Policy Framework. The Committee has received regular reports from the Executive Team on H&S management based on the Plan, Do, Check, Act model and received an annual report on H&S at the Committee meeting on 28 April 2020. The annual report on H&S is attached as Annex B to this report.

### **Other Committee Activities**

The Committee received annual reports on fraud and security; complaints handling; requests made under the Freedom of Information (Scotland) Act 2002 and under data protection legislation.



In February 2020, the Committee received a report on an attempted fraud made on the organisation. The Committee noted that a fraud response plan had been developed to this attempt and that documented changes in procedures had been made and mandatory training for staff introduced.

Also in February 2020, the Committee received a report that the organisation had identified an issue with contract management which included a significant overspend in relation to a contract and that payments had continued to be made against that contract even after it had expired. The Committee considered the responses which the Executive Team had made to this and requested that a report be brought back to them to give further assurance that all had been done to fully understand why and how this situation had arisen.

### **Self-Assessment**

The Committee agreed that it would like to introduce a form of 360 degree review as part of its annual self-assessment process during 2019/20. This has not yet been incorporated. The review of 2019/20 will be based on the checklist which forms part of the Scottish Government's Audit and Assurance Handbook and on a questionnaire developed from a self-assessment questionnaire used by the new internal auditors.

### **Conclusion**

The Committee is satisfied that it has discharged its remit during the year and that progress has been made in establishing an assurance framework which appropriately reflects and supports the activity of the organisation and will continue to do so during the next Corporate Plan period. The appointment of an internal auditor will support the development of the assurance framework and will start to provide evidence that the organisation has the appropriate internal controls, governance and risk management in place to deliver its objectives.

April 2020

**Annex A**

**Members:**

Robert Mackenzie (Chair)  
Jean Lindsay (from May 2019)  
Andrew Macdonald (to May 2019)  
Richard Morris

**Other Attendees:**

Lynne Higgins, Head of Finance & Commercial (to end November 2019)  
Simon Hodge, Chief Executive  
Helen Howden, Governance Manager (Minutes)

Joanne Brown, Grant Thornton (all meetings)  
David Eardley, Scott-Moncrieff (30 April & 25 June 2019)  
Mairi Macmillan, Scott-Moncrieff (30 April 2019)  
Andrew O'Donnell, Scott-Moncrieff (25 June 2019)  
Sue Brook, RSM Risk Assurance Services LLP (20 February 2020)  
Asam Hussain, RSM Risk Assurance Services LLP (20 February 2020)  
Marc Mazzucco, RSM Risk Assurance Services LLP (20 February 2020)

**By Invitation:**

Esther Black, Director of Corporate Operations (20 February 2020)  
Anna Morgan, Financial Controller (29 October 2019 & 20 February 2020)  
Colin Palmer, Director of Marine (25 June & 29 October 2019)  
Andy Riley, Commercial Manager (30 April 2019, 25 June 2019 & 20 February 2020)  
Martha Walsh, Board shadowing observer (20 February 2020)  
Andrew Wells, Director of Property (29 October 2019)

**Meetings held:**

30 April 2019  
25 June 2019  
29 October 2019  
20 February 2020

<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Annual Reports on requests under FOISA and DP legislation and Complaints BD(2020)20.10	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>	Annex A: Requests under FOISA and DP Legislation 2019-20 Annex B: Complaints Handling Procedure 2019-20	
<b>Recommendation</b>	The Board is invited to note the Reports at Annexes A and B	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

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

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

The Report at Annex A is an annual report information requests received by the organisation in the period 1 April 2019 to 31 March 2020.

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

## Recommendation

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

**Annex A****Public Interest Reporting - Annual Report 2019-20****Background**

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

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

**Report**

This report covers the period from 1 April 2019 to 31 March 2020 and summaries the requests for information received under FOISA and EIRs during this period.

**Statistical Summary****FOISA and EIRs**

	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Requests for information received	35	48	41
Requests for information responded to	35	44	41
Percentage of requests responded to within 20 working days	97%	92%	98%
Average response time (working days)	9	7.97	13.8
Number of reviews carried out	2	2	1
Number of cases appealed to the Scottish Information Commissioner	1	0	0*
Decisions issued by the Scottish Information Commissioner	1	0	0*

\* Information subject to change given statutory limits for reviews and appeals are ongoing into Financial Year 2020-21. Figures as of 31 March 2020.

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

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

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

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

Our publication scheme is regularly updated and is available through the Crown Estate Scotland website. We also publish details of information requests received and our responses on the website.

There has been one late response (compared to four in 2018-19). Under review we found that the request was treated as business as usual and the response was not submitted within the statutory timeframe of 20 working days. We will continue to promote awareness through training to both staff and managing agents to try and minimise late responses (see section “Training” below).

### **Type of Information Requested**

Requests received included those seeking information on:

- land ownership, including foreshore and fishing rights;
- aquaculture leases and rentals;
- suppliers;
- non-salary rewards;
- anti-social behaviour policies for our tenants; and
- leases, including several relating to Hunterston.

A fifth of the requests received were from one source, continuing a pattern established in the previous years.

### **Appeals**

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

We received one such request for review in the period covered by this report. The review, which arose because the requester had not timeously received a response to an information request which was being treated as business as usual, was upheld and the information requested was made available.

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

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

We have not received notification of appeals having been made to the Scottish Information Commissioner during the period of this report.

**Requests under Data Protection legislation**

During the period 1 April 2019 – 31 March 2020, we received no requests from parties wishing to exercise any of their rights under data protection legislation.

**Training**

Training on freedom of information and on data protection is given as part of the induction process for new employees. Refresher training on freedom of information is scheduled for all employees and will be broadened to all managing agents. Training on data protection has been delivered to staff via an online training course and a face-to-face training session.

**April 2020**

## **Complaints Handling Procedure Annual Report 2019-20**

### **Background**

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

### **Recording and Reporting**

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

### **Complaints**

4. In the period of this report nine complaints were recorded. With one exception all were responded to within the time limits set out in our complaints handling procedure. One complaint received in March 2020 is still being investigated but due to issues arising from the pandemic the response has not been issued within the timescale set out in the in CHP. When we became aware that there would be a delay we contacted the complainant to advise that there would be a delay but that a response would be issued when the information required to respond became available.
5. The complaints received have related to the installation of a barrier on Crovie Pier; the non-award of a contract following competitive tendering; the management of the Glenlivet Estate; the failure of a water supply to a residential building (not within Crown ownership); delays in responses from managing agents; and a failure to provide access to land.
6. Five complaints were dealt with as stage 1 complaints (frontline), with four requiring to be dealt with as stage 2 (investigation) complaints due either to the complexity of the complaint or the requirement to secure third-party input.
7. Complainants are advised of their right to request an independent review of the outcome of their complaint. Only one complainant has indicated that they remain dissatisfied with the outcome and they have until 15 July 2020 to raise this with the SPSO.

8. On 31 January 2020, the SPSO published a revised model complaints handling procedure for The Scottish Government, Scottish Parliament and Associated Public Authorities in Scotland with the requirement that it be adopted by 31 March 2021. Crown Estate Scotland will adopt the new procedure in advance of 31 March 2021. We are retendering our contracts for managing agents and as part of that will require that our complaints procedure is followed. We will require that information is passed timeously to us to allow performance indicators to be recorded and appropriate action taken by us, if required.

### **Training**

9. Training on the CHP is given as part of the induction process. Training will be delivered to all staff and the managing agents at the point of adoption of the new procedure.

**April 2020**



<b>Board</b>	Twentieth Board Meeting	<b>BD(2020)20</b>
<b>Meeting date</b>	27 May 2020	
<b>Paper title</b>	Appointment of Authorised Signatory BD(2020)20.11	
<b>Security classification</b>	Unclassified	
<b>Presented by</b>	Helen Howden	
<b>Author</b>	Helen Howden	
<b>Annexes</b>		
<b>Recommendation</b>	The Board is invited to pass the resolution set out in the paper.	
<b>The board secretary or chair should be advised if the contents of this paper give rise to any conflict of interest</b>		

## Background

1. At its meeting on 25 March 2020 the Board passed a resolution authorising the Executive Team members to sign documents on behalf of Crown Estate Scotland. This authorisation, although it does not explicitly say so, includes by virtue of the provisions of the Requirements of Writing (Scotland) Act 1995 (as amended), the ability to sign electronically.
2. We are seeking a further resolution of the Board to explicitly refer to electronic signatures and to provide that they are used in a secure manner.

## Discussion

3. The Board is invited to resolve as follows:

THAT, with effect from 27 May 2020, for the purposes of paragraph 5(2) of Schedule 2 to the Requirements of Writing (Scotland) Act 1995 (as amended), and for all other relevant purposes, any one of the following individuals, and in the case of any document which requires to be signed in the presence of a witness, any one of the following individuals in the presence of a witness who attests his/her signature, be and is hereby authorised to sign, including by secure electronic means, for and on behalf of Crown Estate Scotland all documents, deeds, certificates or notices in connection with the running of the business of Crown Estate Scotland in accordance with the scheme of internal delegated authorities.

Name	Title
Simon Hodge	Chief Executive
Esther Black	Director of Corporate Operations
Alastair Milloy	Director of Finance and Business Services
Colin Palmer	Director of Marine
Andrew Wells	Director of Property