

**FRAMEWORK DOCUMENT
CROWN ESTATE SCOTLAND**

FRAMEWORK DOCUMENT FOR CROWN ESTATE SCOTLAND– 1 April 2020

INTRODUCTION

This Framework Document has been drawn up by the Scottish Government's Marine Scotland Directorate (the Sponsor Team) in consultation with Crown Estate Scotland. Part One sets out the broad framework within which Crown Estate Scotland operates and Part Two sets out certain aspects of the financial framework in greater detail.

Crown Estate Scotland shall satisfy the conditions and requirements set out in the Framework Document, together with all relevant requirements in the Scottish Public Finance Manual (SPFM) and such other conditions as the Scottish Ministers/Sponsor Team may from time to time impose. Crown Estate Scotland is also subject to the requirements of the Freedom of Information (Scotland) Act 2002.

The Framework Document does not convey any legal powers or responsibilities but forms a key part of accountability and governance and should be reviewed and updated periodically by the Sponsor Team, normally at least every 2-3 years. Any proposals to amend the Framework Document either by the Scottish Government or Crown Estate Scotland will be taken forward in consultation and in the light of Scottish Government priorities and policy aims. Any question regarding the interpretation of the document shall be determined by the Scottish Government after consultation with Crown Estate Scotland. Legislative provisions shall take precedence over any part of the Framework Document.

Crown Estate Scotland must, so far as reasonably practicable, operate in a way which is transparent and accountable; and consistent with any other principle of good governance which appears to Crown Estate Scotland to constitute best practice. Its primary purpose, as agreed by Scottish Ministers, is to focus its activities on the achievement of the Scottish Government's purpose of creating a more successful country with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth. Ministers expect Crown Estate Scotland to do this by aligning its aims and objectives with the Scottish Government's published Programme for Government, Scotland's Economic Strategy and National Performance Framework.

Copies of the Framework Document have been placed in the Scottish Parliament Reference Centre and published on the Scottish Government and Crown Estate Scotland websites. Copies shall also be made available by Crown Estate Scotland on request.

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PART 1: MANAGEMENT STATEMENT FOR CROWN ESTATE SCOTLAND

1 FUNCTIONS, DUTIES AND POWERS

1.1 Founding Legislation; Status

- [The Scotland Act 2016](#) ('the 2016 Act') established a process for devolution of the management of The Crown Estate's assets in Scotland, and the revenue generated from these assets to the Scottish Parliament. As part of this process, the 2016 Act allowed for the Treasury to make a scheme transferring all the Scottish functions of the Crown Estate Commissioners to the Scottish Ministers or a body nominated by them via a statutory instrument.
- Crown Estate Scotland (Interim Management) , which was created via the [Crown Estate Scotland \(Interim Management\) Order 2017](#) (S.S.I. 2017/36) ('the 2017 Order'), was nominated by the Scottish Ministers to receive the transfer. The Scottish functions of the Crown Estate Commissioners were transferred to Crown Estate Scotland (Interim Management) via the [Crown Estate Transfer Scheme 2017](#) (S.S.I 2017/524).
- [The Scottish Crown Estate Act 2019](#) ("the 2019 Act") make provision to rename Crown Estate Scotland (Interim Management) as Crown Estate Scotland and makes provision about the management of the Scottish Crown Estate.

1.2 The Functions, Duties and Powers of Crown Estate Scotland

- As a manager of the Scottish Crown Estate, Crown Estate Scotland has a duty under the [2019 Act](#) to maintain and seek to enhance the value of the assets and the income arising from them. The manager must act in the way best calculated to further the achievement of sustainable development in Scotland and must seek to manage the assets in a way that is likely to contribute to the promotion or the improvement in Scotland of economic development, regeneration, social wellbeing and environmental wellbeing.
- In accordance with the [Civil List Act 1952](#), the payment of hereditary revenues from the Scottish crown assets are to be paid into the [Scottish Consolidated Fund](#).
- Crown Estate Scotland's strategic aims must be aligned to support the Scottish Government's purpose of creating a more successful country, with opportunities for all of Scotland to flourish through increased wellbeing, and sustainable and inclusive economic growth. Scottish Ministers expect Crown Estate Scotland to do this by aligning its aims and objectives with the Scottish Government's published [Programme for Government](#), [Economic Strategy](#) and [National Performance Framework](#).
- In fulfilling these functions Crown Estate Scotland will consult and work in partnership with the appropriate bodies, most notably with enterprise agencies, local authorities, community representatives and conservation groups. Crown Estate Scotland may agree Memoranda of Understanding with these and other organisations.

1.3 Classification

- For policy/administrative purposes Crown Estate Scotland is classified as a Public Corporation.

- For national accounts purposes Crown Estate Scotland is classified to the public corporations sector.
- References to Crown Estate Scotland include, where appropriate, all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document that follows the principles set out in this document and (where practicable) the procedures set out here noting the arrangements between it and Crown Estate Scotland.

2 AIM(S), OBJECTIVES AND PRIORITIES

2.1 Overall Aim of Crown Estate Scotland

Crown Estate Scotland's purpose is investing in property, natural resources and people to generate lasting value for Scotland. This includes maintaining and seeking to enhance income from, and the value of, the Scottish Crown Estate while supporting delivery of the Scottish Government's purpose.

2.2 Objectives and Priorities

The Sponsor Team determines Crown Estate Scotland's performance framework in the light of the Scottish Government's strategic objectives/priorities and core purpose of achieving sustainable economic growth. Crown Estate Scotland's objectives and key targets shall be agreed within Crown Estate Scotland's Corporate Plan (Section 4.1 below).

3 RESPONSIBILITIES AND ACCOUNTABILITY

3.1 Governance and Accountability

Crown Estate Scotland must, so far as reasonably practicable, operate in a way which –

- a) is transparent and accountable; and
- b) is consistent with any other principle of good governance which appears to it to constitute best practice.

3.2 The Scottish Ministers

The Scottish Ministers are ultimately accountable to the Scottish Parliament for the activities and performance of Crown Estate Scotland. Their responsibilities include:

- approving Crown Estate Scotland's Corporate Plan including strategic objectives and key targets. This will include revenue targets, an investment strategy; and policy and performance framework within which Crown Estate Scotland will operate;
- keeping the Scottish Parliament informed about Crown Estate Scotland's performance;
- approving on an annual basis the arrangements of retention of revenue and transfer to capital;
- approving the budget for loans or grants to Crown Estate Scotland and securing the necessary Parliamentary approval; carrying out responsibilities specified in the 2017 Order or the [2019 Act](#) (once commenced) such as appointments to the

- Crown Estate Scotland's Board and laying of the annual report and accounts before the Scottish Parliament.
- approving Crown Estate Scotland's Chief Executive and staff pay remit with due regard to Scottish Government's Pay Policy.

3.3 The Accountable Officer

- The Principal Accountable Officer for the Scottish Administration designates the Chief Executive of Crown Estate Scotland as the Accountable Officer. Withdrawal of the Accountable Officer designation would also be a matter for the Principal Accountable Officer. The responsibilities of an Accountable Officer are set out in detail in the Memorandum to Accountable Officers in [SPFM](#). The Accountable Officer is supported in this role by Crown Estate Scotland's Audit and Risk Committee.
- In particular the Accountable Officer shall:
 - ensure the propriety and regularity of Crown Estate Scotland's finances and that there are sound and effective arrangements for internal control and risk management.
 - ensure that the resources of the public body are used economically, efficiently and effectively, and that arrangements are in place to secure [Best Value](#) for the organisation and to deliver Value for Money for the public sector as a whole.
 - ensure compliance with relevant guidance issued by the Scottish Ministers, in particular the [SPFM](#).
 - sign the [annual accounts and associated governance statements](#).
 - obtain written authority from the Chair/Board before taking any action which is considered inconsistent with the proper performance of the Accountable Officer functions. The Accountable Officer should also notify the Sponsor Team/relevant Portfolio Accountable Officer.

3.4 The Sponsor Team

- Effective strategic engagement between the Scottish Government and Crown Estate Scotland is essential in order that they work together as effectively as possible to maintain and improve public services and deliver improved outcomes. Both the Scottish Government and Crown Estate Scotland will take all necessary steps to ensure that their relationship is developed and supported in line with the jointly agreed principles set out in the statement on '[Strategic Engagement between the Scottish Government and Scotland's NDPBs](#)'.
- The Crown Estate Strategy Unit (CESU) is the Sponsor Team for Crown Estate Scotland. CESU, in consultation as necessary with the Principal Accountable Officer, is the primary source of advice to the Scottish Ministers on the discharge of Crown Estate Scotland's responsibilities and the primary point of contact for Crown Estate Scotland in dealing with the Scottish Ministers. The Sponsor Team shall carry out its duties under the Director and the Deputy Director for Marine Scotland who shall have primary responsibility for overseeing the activities of Crown Estate Scotland and ensuring effective relationship between the Scottish Government and Crown Estate Scotland.

The Sponsor Team shall advise and brief the Scottish Ministers on:

- Proposals that exceed delegated spending limits and/or which involve novel, contentious or repercussive proposals (see part 2, section 3.7 of this document); given that Ministers need to approve such decisions.
- an appropriate framework of objectives and targets for Crown Estate Scotland in the light of the Scottish Ministers' wider strategic aims;
- the Corporate and Business plans submitted by Crown Estate Scotland for approval by Scottish Ministers;
- appropriate budgets and/or financial targets to Crown Estate Scotland in the light of the Scottish Minister's overall public expenditure priorities;
- how well Crown Estate Scotland is achieving its strategic objectives and whether it is delivering value for money;
- the appropriateness of the scale of net revenues forecast by Crown Estate Scotland and the timing for their surrender to the [Scottish Consolidated Fund](#);
- the appropriate level of revenues to be retained by Crown Estate Scotland and transferred to the capital account for investment purposes;
- requests by Crown Estate Scotland to borrow from Scottish Ministers; and
- the appropriateness of applications by Crown Estate Scotland for external funding (not loans)

In support of the Principal Accountable Officer the Sponsor Team shall:

on performance and risk management -

- work closely with the Crown Estate Scotland Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with Crown Estate Scotland characterised by openness, trust, respect and mutual support;
- monitor Crown Estate Scotland's activities on a continuing basis through an adequate and timely flow of information from Crown Estate Scotland on performance, budgets, control and risk management, including sight of Crown Estate Scotland's [Governance Statement](#) which should be presented with the Annual Accounts.
- address in a timely manner any significant problems arising in Crown Estate Scotland; whether financial or otherwise, making such interventions in the affairs of Crown Estate Scotland as judged necessary;
- ensure the activities of Crown Estate Scotland and the risks associated with them are properly and appropriately considered in the Scottish Government's risk assessment and management systems;
- ensure that the performance of Crown Estate Scotland's Chair is assessed by Director/Deputy Director at least annually;
- ensure that appointments to the Board are made timeously and in accordance with the [2017 Order](#) and the [Code of Practice for Ministerial Appointments to Public Bodies in Scotland](#), as issued by the [Commissioner for Ethical Standards in Public Life in Scotland](#).

on communication with Crown Estate Scotland –

- inform Crown Estate Scotland of relevant Scottish Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to Crown Estate Scotland as necessary;
- bring concerns about the activities of Crown Estate Scotland to the attention of the Chief Executive and/or Chair;
- on a timely basis inform and advise Crown Estate Scotland on Board members' fees (and any increase to these), including implementation timescales

Sponsor Director and Deputy Director -

- the designated SG Director and Deputy Director have responsibility for overseeing and ensuring effective strategic relationships between the Scottish Government and Crown Estate Scotland which support alignment of Crown Estate Scotland with the [National Performance Framework](#).
- the Director and Deputy Director will work closely with the Chief Executive and be answerable to the Portfolio Accountable Officer for maintaining and developing positive relationships with Crown Estate Scotland that are characterised by openness, trust, respect and mutual support. They will be supported by the Sponsor Team in discharging these functions.

3.5 Crown Estate Scotland's Board and Responsibilities

Board Membership of Crown Estate Scotland consists of:

- a Member appointed by the Scottish Ministers to chair it (the 'Chair'), and
- up to 8 other Members appointed by the Scottish Ministers.

3.6 Crown Estate Scotland - The Chair

- The Chair is appointed by the Scottish Ministers in accordance with [the 2017 Order](#) and in line with the [Code of Practice for Ministerial Appointments to Public Bodies in Scotland](#) as issued by the Commissioner for Ethical Standards in Public Life in Scotland.
- The Chair is accountable to the Scottish Ministers. The Chair shall aim to ensure that Crown Estate Scotland's policies and actions support the [National Performance Framework](#); and that Crown Estate Scotland's affairs are conducted with probity. The Chair shares with other Board Members the corporate responsibilities set out in part 1, section 3.7 of this document, and in particular the Chair is responsible for ensuring that Crown Estate Scotland fulfils the aim and objectives set by the Scottish Ministers. The Chair shall:
 - develop and maintain good working relationships with other Members of Crown Estate Scotland to ensure the effective discharge of its functions establish and maintain an effective working relationship with the Chief Executive and other key staff, including the provision of constructive challenge, support and advice.
 - take the lead in establishing and maintaining positive links, relationships and partnerships as appropriate with other organisations and stakeholders
 - maintain an awareness of the political environment in which Crown Estate Scotland is operating.
 - analyse and constructively challenge proposals put to Crown Estate Scotland and monitor the delivery of those proposals as required
 - advise the Sponsor Team about the performance of other Members; make any recommendation for reappointment; and advise on any vacancies which arise. The Chair shall undertake appropriate succession planning;
 - ensure that Members of Crown Estate Scotland have an appropriate knowledge and understanding of their roles and responsibilities as a Member and ensure that the skills of each member are deployed effectively to allow for the effective exercise of their functions
- The Chair has a leadership responsibility on the following matters:

- formulating the Board's corporate strategy;
 - ensuring that the Board, in reaching decisions, takes proper account of guidance issued by the Scottish Ministers;
 - encouraging high standards of propriety and regularity;
 - representing the views of the Board to the general public;
 - ensuring that the Board has a balance of skills appropriate to directing Crown Estate Scotland's business in accordance with recognised good practice in corporate governance;
 - ensuring that the work of the Board is subject to regular self-assessment and that the Board is working effectively;
 - assessing the performance of individual Members on a continuous basis and undertaking a formal appraisal at least annually. The formal appraisal documents will be sent to Sponsor Team;
 - ensuring that there is a [code of conduct for Members](#) in place, approved by the Scottish Ministers;
 - in consultation with the Board as a whole, undertake an annual appraisal of the Chief Executive.
- Communications between the Board and the Scottish Ministers shall normally be through the Chair and Sponsor Team. The Chair shall ensure that other Members are kept informed of such communications.

3.7 Crown Estate Scotland - Role of the Board

- Members of Crown Estate Scotland are appointed by the Scottish Ministers in accordance with [the 2017 Order](#) and in line with the [Code of Practice for Ministerial Appointments to Public Bodies in Scotland](#), as issued by the [Commissioner for Ethical Standards in Public Life in Scotland](#). The Members constitute the Board of Crown Estate Scotland.
- The Board has corporate responsibility for ensuring that Crown Estate Scotland fulfils the aim and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources in accordance with the principles of [Best Value](#)- including, where appropriate, participation in [shared services](#) arrangements and ensuring that effective arrangements are in place so that Crown Estate Scotland acts in accordance with the [SPFM](#).

To this end, and in pursuit of its wider corporate responsibilities, the Board shall:

- establish the overall strategic direction of Crown Estate Scotland within the policy, planning and resources framework determined by the Scottish Ministers;
- agree the Annual Report and Corporate Plan, and approve the Business Plan;
- ensure that the Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of Crown Estate Scotland or on the attainability of its targets, and determine the steps needed to deal with such changes;
- ensure that any statutory or administrative requirements for the use of public funds (i.e. all funds falling within the stewardship of Crown Estate Scotland) are complied with;
- operate within the limits of its statutory authority and any delegated authority agreed with the Sponsor Team, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by the Scottish Ministers;

- ensure that the provisions of [the 2019 Act](#) are taken into account in reaching decisions in relation to the management of the Scottish Crown Estate assets;
- ensure that it receives and reviews regular financial and performance information concerning the management of Crown Estate Scotland; is informed in a timely manner about any concerns about the activities of Crown Estate Scotland; and ensure that appropriate action has been taken to address such concerns;
- demonstrate high standards of corporate governance at all times, including by using an audit committee - in accordance with the guidance on [Audit Committees in the SPFM](#) - to help the Board to address the key financial and other risks facing Crown Estate Scotland. The Board is expected to assure itself on the effectiveness of the internal control and [risk management](#) systems.
- provide commitment and leadership in the development and promotion of [Best Value](#) principles throughout the organisation;
- appoint a Chief Executive to Crown Estate Scotland in accordance with [the 2017 Order](#); in consultation with the Sponsor Team, set performance objectives to deliver Crown Estate Scotland's strategic aims and objectives; and in line with Scottish Government Pay Policy agree remuneration terms which give due weight to the proper management and use of public monies.

Further guidance on how the Board should discharge its duties will be provided in appointment letters and in [guidance for Board Members of public bodies](#). Individual Members shall comply at all times with [Crown Estate Scotland's Code of Conduct](#) and with the rules relating to the use of public funds and conflicts of interest.

3.8 Crown Estate Scotland Chief Executive

Crown Estate Scotland is to have, as a member of staff, a Chief Executive appointed in accordance with the 2017 Order.

- The Chief Executive is responsible for safeguarding the public funds (i.e. all funds falling within the stewardship of Crown Estate Scotland) for which the Chief Executive has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of Crown Estate Scotland. The Chief Executive should operate in a way which is in accordance with the terms of this Framework Document and within the terms of guidance in the [SPFM](#) and other instructions and guidance issued by the Scottish Ministers.
- The Chief Executive should maintain an awareness of the political environment in which Crown Estate Scotland is operating with a particular focus on ensuring any legislative changes which could impact upon Crown Estate Scotland are addressed, and provide input into legislative processes as required.
- The Chief Executive has a duty to secure [Best Value](#), which includes good corporate governance, performance management and continuous improvement. Guidance on what organisations should be able to demonstrate in fulfilment of these duties is included in the [Best Value](#) section of the SPFm.
- The Chief Executive shall exercise the following specific responsibilities:

on planning, performance management and monitoring –

- **Implement** Crown Estate Scotland's Corporate Plan and Business Plans taking due account of the Scottish Ministers' aims, objectives and plans;

- **Establish** a robust performance management framework which supports the achievement of Crown Estate Scotland's aims and objectives as set out in the Corporate Plan; and which enable full performance reporting to the Board, the Sponsor Team and the wider public;
- **Ensure** effective relationships with Scottish Government officials;
- **Inform** the Sponsor Team of Crown Estate Scotland's progress in helping to achieve the Scottish Ministers' policy objectives and in demonstrating how resources are being used to achieve those objectives;
- **Ensure** that timely forecasts and monitoring information on performance and finance are provided to the Sponsor Team; that the Sponsor Team is notified promptly if overspends / under spends are likely or if performance targets are at risk, along with detail of mitigating/corrective action taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the Sponsor Team in a timely fashion.

on advising the Board –

- advise the Board on the discharge of its responsibilities as set out in this document and in any other relevant instructions and guidance issued by the Scottish Ministers / Sponsor Team;
- advise the Board on Crown Estate Scotland's performance compared with its aims, objectives and priorities;
- ensure that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that [standard financial appraisal techniques](#) as set out in the SPFM are followed as far as this is appropriate and practical;
- take action and inform the Sponsor Team/Portfolio Accountable Officer immediately, if the Board, or the Chair, are contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;
- inform the Sponsor Team/Portfolio Accountable Officer immediately, if the Board, or the Chair, are contemplating taking an action which would not be in accordance with this Framework Document and/or within the limits of the duties under [the 2017 Order](#) or [the 2019 Act](#).

on managing risk and resources –

- ensure that a system of [risk management](#) is embedded in the organisation to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of [programme and project management](#) and contract management is maintained;
- ensure that the funds falling within the stewardship of Crown Estate Scotland are used for the purpose intended, and that such monies, together with Crown Estate Scotland's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by Crown Estate Scotland, including effective measures against [fraud and theft](#);
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective HR management policies are maintained, and that strategic HR planning is linked to Crown Estate Scotland's objectives (See part 1, section 6 of this document);

- ensure that the management of health and safety meets all regulatory and legislative requirements under the [Health & Safety at Work etc Act 1974](#) and other relevant legislation.

on accounting for Crown Estate Scotland's activities –

- sign a [Governance Statement](#) regarding Crown Estate Scotland's system of internal control, for inclusion in the annual report and accounts;
- ensure that an [effective complaints procedure](#) is in place and made widely known;
- give evidence when summoned before the Scottish Parliament on the use and stewardship of public funds by Crown Estate Scotland.

The Chief Executive may delegate the day-to-day administration of his/her responsibilities to other employees in Crown Estate Scotland. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in this Framework Document.

4 PLANS, BUDGETS AND CONTROL

4.1 The Corporate Plan

- Crown Estate Scotland shall agree with the Scottish Government the issues to be addressed in the Corporate Plan (normally cover a 3 year period) and the timetable for its preparation and review. The finalised plan shall reflect Crown Estate Scotland's strategic aims and objectives as agreed by the Scottish Ministers, indicative budgets and any priorities set by the Scottish Ministers. The Corporate Plan should include (in addition to those provisions listed in [the 2017 Order](#)):

 - the purpose and principal aims of Crown Estate Scotland;
 - an analysis of the environment in which Crown Estate Scotland operates;
 - key objectives and associated key performance targets for the period of the Corporate Plan, the strategy for achieving those objectives and how these will contribute toward the achievement of the Scottish Government's primary purpose, the [National Performance Framework](#), [National Marine Plan](#) and [Scotland's Economic Strategy](#);

- The Corporate Plan shall be submitted, no later than three months before the expiry of the existing plan via the Sponsor Team, for approval by Scottish Ministers.
- The Corporate Plan should inform the development of a separate business plan for each financial year.

4.2 Business Plan

- The Business Plan for each financial year should include specific activities and milestones, aligned with the objectives and key performance targets set out in the Corporate Plan. These should also be aligned to the National Performance Framework. A progress report against the activities, milestones and key performance targets should be submitted to the Sponsor Team in parallel with Crown Estate Scotland's Board.
- A copy of Crown Estate Scotland's Business Plan should be provided to the Sponsor Team prior to the start of the financial year.

4.3 Publication of Plans

The Corporate Plan and Business Plan shall be made available on Crown Estate Scotland's website.

4.4 Reporting Performance to the Sponsor Team

- Crown Estate Scotland shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its Corporate and Business Plans.
- Crown Estate Scotland shall inform the Sponsor Team of changes in external conditions which put the delivery of objectives at risk, or which may require a material change to the budget or objectives set out in the Corporate and Business Plans.
- Crown Estate Scotland Chief Executive shall periodically meet with the Sponsor Team to discuss progress against objectives.
- The Cabinet Secretary / Scottish Minister with portfolio responsibility for Crown Estate Scotland shall meet the Board formally each year to discuss Crown Estate Scotland's performance, its current and future activities and any policy developments relevant to those activities.
- Crown Estate Scotland's performance against key targets shall be reported in Crown Estate Scotland's annual report and accounts (see part 1, section 5.1 of this document). Other forms of reporting performance to the public should also be considered.
- Where monitoring of performance indicates that the budgeted level of net revenues will not be achieved, the Accountable Officer must report this to the Sponsor Team at the earliest opportunity.

4.5 Audit and Other Committees

- Crown Estate Scotland must establish an audit committee in accordance with the guidance on [Audit Committees](#) in the SPFM. Crown Estate Scotland may establish other committees and sub-committees. The membership of a committee or sub-committee may include (but may not consist entirely of) persons who are members of the staff of Crown Estate Scotland.
- Crown Estate Scotland must notify, as soon as practicable, any changes to its audit committee's terms of reference to the Sponsor Team.

5 EXTERNAL ACCOUNTABILITY

5.1 Annual Report and Accounts

Crown Estate Scotland financial and reporting year runs from 1 April until 31 March.

Crown Estate Scotland must have annual report and accounts prepared and submitted in draft to the Sponsor Team by 30 June each year.

- The annual report should cover the activities of any subsidiary or joint venture under the control of Crown Estate Scotland. The report must list any direction given to Crown Estate Scotland during that year, subject to the requirements of article 18 of [the 2017 Order \(as amended\)](#).
- The accounts will, so far as appropriate, comply with the SPF and with any Accounts Direction or other relevant direction issued by the Scottish Ministers.
- Crown Estate Scotland are also expected to provide a realistic estimate of expected outturn position and Provisional Outturn Statement to Sponsor Team who will submit these to the Scottish Parliament.
- the final version of the report and accounts shall be laid before the Scottish Parliament later that year by the Scottish Ministers in keeping with the timetable as advised by the Sponsor Team. The accounts must not be published before they have been laid.
- Crown Estate Scotland have responsibility for their proper presentation as described in the relevant Accounts Direction issued by Scottish Ministers. Crown Estate Scotland shall be responsible, once laid in Parliament, for the publication of the report and accounts.
- Crown Estate Scotland will ensure that a copy of the Annual Report and Accounts are delivered to the Sponsor Team and to Her Majesty.

5.2 External Audit

- Whilst the statutory date for laying and publishing accounts audited by the Auditor General Scotland (AGS) is by 31 December, following the close of the previous financial year, there is an expectation on part of the Scottish Ministers that accounts will be laid in Parliament, and published at the earliest possible date following the completion of the formal sign-off and approval process.
- Crown Estate Scotland's accounts will be audited by Audit Scotland or a firm of external auditors appointed by the AGS. The Sponsor Team shall submit the audited accounts to the Scottish Ministers, who shall lay them, together with the annual report, before the Parliament.
- Crown Estate Scotland shall include copies of all external audit management letters (and correspondence relating to those letters) and responses in the audit committee papers which are shared with the Sponsor Team in the normal course of business.

5.3 Value For Money / 3E Examinations

- The Auditor General for Scotland, under section 23 of the [Public Finance and Accountability \(Scotland\) Act 2000](#), may initiate examinations into the economy, efficiency and effectiveness (3E examinations) under which certain bodies have used their resources in discharging their functions. 3E examinations are also commonly referred to as "section 23 examinations / reports", "value for money examinations / reports" and "performance audits / reports".

- Crown Estate Scotland shall provide, in conditions to grants and contracts, for the AGS to exercise such access to documents held by grant recipients as may be required for these examinations; and shall use its best endeavours to secure access for the AGS to any other documents required by the AGS which are held by other bodies.

6 STAFF MANAGEMENT

Within the arrangements approved by the Scottish Ministers, Crown Estate Scotland shall have responsibility for the recruitment, retention and motivation of its staff. To this end Crown Estate Scotland shall ensure that:

- the recruitment of its staff is based on fair and open competition and equal opportunities;
- staff are to be appointed on such terms and conditions as Crown Estate Scotland determines;
- the level and structure of its staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of efficiency, effectiveness and economy;
- the performance of its staff at all levels is managed effectively and efficiently; they are satisfactorily appraised; and Crown Estate Scotland's performance appraisal and promotion systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve Crown Estate Scotland's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the [Public Interest Disclosure Act 1998](#) are in place;
- a Staff Code of Conduct is introduced to the organisation and reviewed annually.

7 RECORDS MANAGEMENT

Crown Estate Scotland must produce and publish a records management plan and keep the plan under review in line with [Public Records \(Scotland\) Act 2011](#). Crown Estate Scotland must also ensure that its public records are managed in accordance with its [Record Management Plan](#) as agreed with the Keeper.

8 HEALTH AND SAFETY

Crown Estate Scotland is responsible for ensuring compliance with the requirements of the [Health and Safety at Work etc Act 1974](#) and other statutory requirements and best practice, and will aim to achieve the highest standards of health and safety in its operations.

9 KEY LEGISLATION

Crown Estate Scotland's statutory functions are set out in:

- [The Scottish Crown Estate Act 2019](#)
- [The Crown Estate Scotland \(Interim Management\) Order 2017](#)
- [The Crown Estate Statutory Transfer Scheme 2017](#)
- [Scotland Act 2016](#)

PART 2: FINANCIAL MEMORANDUM FOR CROWN ESTATE SCOTLAND

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PART 2: FINANCIAL MEMORANDUM FOR CROWN ESTATE SCOTLAND

The guidance contained in the SPFM and any other relevant guidance issued by the Scottish Ministers (e.g. Scottish Government Public Sector Pay Policy/Finance Guidance Notes) should be regarded as "applicable guidance" unless the Scottish Ministers have agreed a derogation.

1 CROWN ESTATE SCOTLAND FUNDING

1.1 Income

Crown Estate Scotland obtains income from a number of sources including revenue from the seabed, urban assets, rural estates, mineral and fishing rights, and those stretches of the Scottish foreshore for which it is responsible. The management of the Scottish Crown Estate assets is either undertaken in-house or outsourced to managing agents.

Grants and Loans to Crown Estate Scotland:

- The Scottish Ministers may make [grants and loans](#) to Crown Estate Scotland.
- A grant or loan is subject to such conditions (including conditions as to repayment) as the Scottish Ministers may determine.
- The Scottish Ministers may, from time to time after the grant or loan is made, vary the conditions on which it was made.

Any grant application shall provide the Sponsor Team with sufficient information to enable the satisfactory monitoring by the Sponsor Team of:

- Crown Estate Scotland cash management;
- actual and forecast outturn of expenditure of a grant;
- actual and forecast outturn of expenditure/consumption.

Any grant should not be paid out in advance of need.

1.2 Fees or Charges for Services

Fees or charges for services or goods supplied by Crown Estate Scotland, should be determined in accordance with the SPFM. In setting fees and charges Crown Estate Scotland shall:

- set fees in accordance with the [SPFM](#);
- have due regard to its duty as a public body and to the public purse, bearing in mind that those charges will have implications for other public sector expenditure;
- where required, in accordance with the Fees and Charges section of [SPFM](#) (Sponsored Bodies), seek the approval of the Scottish Ministers to proposed charges.

1.3 Authority to Spend

Crown Estate Scotland shall have authority to incur expenditure / consume resources in accordance with the Corporate Plan without further reference to the Sponsor Team, on the following conditions:

- Crown Estate Scotland shall establish and agree with the Sponsor Team a comprehensive system of internal delegated authorities which should be notified

- to all staff, together with a system for regularly reviewing compliance with these delegations.
- Crown Estate Scotland shall not, without prior approval of the Sponsor Team, enter into any undertaking to incur expenditure not previously approved in the Corporate Plan, which fall outside the specific delegations set out in Appendix A. These delegations shall not be altered without the prior agreement of the Sponsor Team;
 - Prior Scottish Government approval must always be obtained before incurring any class of expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications;
 - Crown Estate Scotland shall comply with the conditions set out in this Financial Memorandum regarding novel, contentious or repercussive proposals and with any relevant guidance in the SPF; Crown Estate Scotland shall provide the Sponsor Team with such information about its operations, performance, individual projects or other expenditure as the Sponsor Team may reasonably require.

1.4 Bad Debt and Impairments

Write-off of bad debt and impairments is subject to the delegated limit set out in Appendix A.

2 CROWN ESTATE SCOTLAND'S INCOME

2.1 Borrowing

All borrowing by Crown Estate Scotland - excluding agreed overdrafts - shall be from the Scottish Ministers in accordance with guidance in the [Borrowing, Lending & Investment](#) section of the SPF.

Loans from the Scottish Government advanced to the capital account shall be repaid from the capital account along with any interest payable. Loans advanced from the Scottish Government for operating purposes (to the "income account") shall be repaid from the income account along with any interest payable.

2.2 Maximising Income from Other Sources

Crown Estate Scotland shall seek to maximise commercial income provided that this is consistent with Crown Estate Scotland's main functions and its Corporate Plan. Proposals for new categories of income or material changes to existing categories of income must be cleared with the Sponsor Team.

2.3 EU Funding

Crown Estate Scotland may seek grant funding from the EU as it considers appropriate and shall ensure that the Sponsor Team is informed of any such grant funding in accordance with the guidance in the [EU Funding section](#) of the SPF.

2.4 Gifts, Bequests and Donations

Crown Estate Scotland is free to retain any gifts, bequests or similar donations. Before proceeding in this way Crown Estate Scotland must consider if there are any associated costs in doing so or any conflicts of interests arising. Crown Estate Scotland must keep a

written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

3 FINANCIAL ACTIVITIES: GENERAL PRINCIPLES

3.1 Delegated Authority

Crown Estate Scotland shall not, without prior approval of the Sponsor Team, enter into any undertaking to incur any expenditure not previously approved in the Corporate Plan and which falls outside the specific limits in Crown Estate Scotland's delegated authority as set out in Appendix A.

3.2 Appraisal and Evaluation

All expenditure proposals shall, so far as appropriate, be subject to the guidance in the [Appraisal and Evaluation](#) section of the SPFm.

3.3 Procurement

Crown Estate Scotland's procurement policies shall, so far as appropriate, reflect relevant policies and guidance in the [Procurement](#) section of the SPFm (taking account of any derogations which stems from Crown status) and it shall be decided, on a case by case basis, the applicability of procurement legislation to activities it undertakes, or funds other bodies to undertake, relating to the management of Scottish Crown Estate Assets. Procurement should be treated as a key component of achieving Crown Estate Scotland's objectives, as well as a means of finding the most cost-effective method for securing the quality of assets and/or services. Crown Estate Scotland shall also ensure that it complies with any relevant EU or other international procurement rules.

3.4 Competition

Contracts shall be placed on a competitive basis and tenders accepted from suppliers who provide [best value](#) for money overall. The Sponsor Team shall be apprised of any proposal to let single-tender or restricted contracts above the relevant delegated limit in Appendix A in advance of the contract award.

3.5 State Aid

State aid refers to the obligation arising from Article 107(1) of the Treaty on the Functioning of the European Union which prohibits certain forms of public assistance, given to undertakings on a selective basis, which has the potential to distort competition and affect trade between Member States of the European Union. SPFm guidance and state aid rules will be reflected in Crown Estate Scotland's activities.

3.6 Value For Money

Procurement by Crown Estate Scotland of works, equipment, goods and services shall be based on value for money, i.e. quality (in terms of fitness for purpose) and delivery against price. Where appropriate, a full option appraisal shall be carried out before procurement decisions are taken.

3.7 Timeliness In Paying Bills

Crown Estate Scotland shall pay all matured and properly authorised invoices in accordance with the guidance provided in the SPF M on [Expenditure and Payments](#) or within 10 days as provided for within the Payments section of the SPF M.

3.8 Novel, Contentious or Repercussive Proposals

Crown Estate Scotland shall obtain prior approval from the Sponsor Team before committing to proposals which are, or may be considered novel, contentious or repercussive.

For the purposes of this document and in addition to the requirements of the SPF M novel, contentious and repercussive are defined as follows:

- Novel: Includes proposed expenditure or financial arrangements of a sort not previously undertaken or entered into by Crown Estate Scotland or that could not be considered, reasonably, to be the standard practice. In particular, novel proposals will involve a substantially new type of business form or arrangement unprecedented in Crown Estate Scotland and unusual in the Scottish public sector.
- Contentious: Involving a matter which is likely to generate nationally significant stakeholder reaction; or involving a matter likely to be of significance in relation to Scottish Government policy priorities; or involving a departure from Scottish Crown Estate plans and policies that have been communicated to Ministers; or departure from the Crown Estate Scotland risk appetite. This includes proposed expenditure or financial arrangements where there is doubt as to regularity (i.e. compliance with relevant legislation and guidance) or propriety (i.e. compliance with the standards expected of public bodies or officials).
- Repercussive: Committing to significant multi-annual expenditure or liability which annually exceeds Crown Estate Scotland's delegated authority limits; or committing to a change or practice which could reasonably be deemed to have a significant material impact on Crown Estate Scotland and/or other parts of the Scottish public sector.

3.9 Risk Management

- Crown Estate Scotland shall ensure that the risks which it faces are dealt with in an appropriate manner, in accordance with good corporate governance, and shall develop a risk management strategy, in accordance with the [Risk Management](#) section of the SPF M. Crown Estate Scotland shall take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract with or to award a grant to.
- Crown Estate Scotland to report any significant problems that may have wider implications
- Consideration should be given by the Accountable Officer on the maintenance of a minimum level of Capital funds for potential emergency expenditure and to ensure that Crown Estate Scotland's legal obligations can be met.

- The Scottish Government/Crown Estate Scotland [Memorandum Of Understanding](#) outlines how risks associated with decommissioning of Offshore Renewable Energy Installations under the [Energy Act 2004](#) should be managed.

3.10 Fraud/Theft

- Crown Estate Scotland should adopt and implement policies and practices to safeguard itself against fraud and theft, in accordance with the [Fraud section of the SPFM](#). Application of these processes must be monitored actively, supported by a fraud response plan and robust reporting arrangements.
- In addition, Crown Estate Scotland shall forward to the Sponsor Team by 30 April an annual report on fraud (including theft) suffered by Crown Estate Scotland and; notify any unusual or major incidents to the Sponsor Team as soon as possible and; notify any changes to its [Fraud Policy](#) and [Fraud Response Plan](#).

4 EXPENDITURE ON BOARD MEMBERS

Remuneration, allowances and expenses paid to Board Members must comply with specific guidance and determinations on such matters issued by the Scottish Ministers. Crown Estate Scotland shall coordinate with the Sponsor team to agree any changes to remuneration for the Chair and Board Members in line with annual Scottish Government Technical Guidance.

5 EXPENDITURE ON STAFF

5.1 Staff Costs

Crown Estate Scotland is responsible for determining the number of staff required and the most appropriate organisational structure to deliver its remit economically, efficiently and effectively within the resources available to it.

Any material changes in staff numbers or organisational structure must be notified in advance to the Sponsor Team.

5.2 Pay and Conditions Of Service

- Crown Estate Scotland shall submit to the Sponsor Team a pay remit covering the staff pay award for approval (normally annually unless a multi-year deal has been agreed). This should be as far as appropriate in line with the provisions and processes of the Scottish Government's Public Sector Pay Policy.
- The terms and conditions of service of the Chief Executive are subject to a separate approval process, the remuneration elements of which are subject to Scottish Government approval at the outset and annually in line with the Scottish Government's Public Sector Pay Policy.
- Proposals on non-salary rewards must comply with the guidance in the [Non-Salary Rewards](#) section of the SPFM. Crown Estate Scotland shall comply with the EU directive on contract workers, Fixed Term Employees Regulations (Prevention of Less Favourable Treatment).

5.3 Pensions, Redundancy / Compensation

- Superannuation arrangements for staff are subject to the approval of the Ministers. Crown Estate Scotland's staff shall normally be eligible for entry to Principal Civil Service Pension Scheme.
- Staff may opt out of the occupational pension scheme provided by Crown Estate Scotland. However, the employer's contribution to any personal pension arrangement, including stakeholder pension, shall normally be limited to the national insurance rebate level.
- Any proposal by Crown Estate Scotland to move from existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the approval of the Sponsor Team. Proposals on severance payments must comply with the guidance in the [Severance](#) section of the SPFm.

6 NON-STAFF EXPENDITURE

6.1 Capital Expenditure

- Subject to being above Crown Estate Scotland's capitalisation threshold as set out in their published accounts all expenditure on the acquisition, sales of assets, or creation of fixed assets shall be capitalised on an accruals basis. Expenditure to be capitalised shall include the
 - (a) acquisition and/or sales of assets, reclamation or laying out of land;
 - (b) acquisition, sales of assets, construction, preparation or replacement of buildings and other structures or their associated fixtures and fittings;
 - (c) acquisition and/or sale of assets, installation or replacement of movable or fixed plant, machinery, vehicles and vessels; and
 - (d) staff costs where it is appropriate for them to be capitalised.
- Proposals for large-scale individual capital projects, acquisitions and/or sales will normally be considered within Crown Estate Scotland's corporate planning process and within the context of its Investment Strategy. Any such project shall be subject to the guidance in the [Major Investment](#) section of the SPFm and, where appropriate, the [Construction Procurement Handbook](#) published by the Scottish Government's Construction Advice and Policy Division.

6.2 Lending, Guarantees, Indemnities, Contingent Liabilities, Letters of Comfort

Crown Estate Scotland shall not, without the Sponsor Team's prior consent lend money, charge any asset or security, give any guarantee - excluding a guarantee of a standard type given in the normal course of business - or indemnity or legally binding letter of comfort, or incur any other contingent liability (as defined in the [Contingent Liabilities](#) section of the SPFm or in International Financial Reporting Standards), whether or not in a legally binding form.

6.3 Gifts, Losses and Special Payments

Proposals for making gifts or other special payments (including write-offs) outside the delegated limits set out in [Appendix A](#) must have the prior approval of the Sponsor Team.

Any such proposals should address the considerations listed in the Losses and Special Payments section of the SPF. Gifts by management to staff are subject to the guidance in the [Non-Salary Rewards](#) section of the SPF.

6.4 Subsidiary Companies and Joint Ventures

Crown Estate Scotland shall secure approval from the Sponsor Team to establish subsidiary companies or joint ventures. In judging such proposals the Sponsor Team will have regard to the Scottish Ministers' wider strategic aims and objectives.

Before negotiating a joint venture or subsidiary company Crown Estate Scotland should ensure compliance with the [SPF](#) or seek a derogation from it.

6.5 Financial Investments

Crown Estate Scotland will have the ability to invest surplus cash balances in financial savings products of investment grade, which are available in the UK and on terms which the Accountable Officer considers to be compatible with the requirements of the [2019 Act](#).

6.6 Unconventional Financing

Crown Estate Scotland shall not enter into any unconventional financing arrangement, unless agreed with the Sponsor Team.

6.7 Commercial Insurance

Crown Estate Scotland must take out commercial insurance where there is a legal requirement to do so, and in accordance with the guidance in the [Insurance](#) section of the SPF. Crown Estate Scotland insures certain of the assets under its management or control on a commercial basis and may continue to do so. Any material change to the insurance effected by Crown Estate Scotland shall be notified in advance to the Sponsor Team and in line with the SPF.

7 MANAGEMENT AND DISPOSAL OF FIXED ASSETS

Accountable Officers have a duty to ensure that the assets for which they are responsible such as land, buildings or other property and IT equipment are properly and well managed. Robust systems should be put in place to ensure that the accuracy and integrity of information held on registers, databases and inventories is safeguarded and readily available for inspection.

7.1 Register of Assets

All assets (property, plant and equipment, and investment assets) are to be properly recorded and updated as necessary. Crown Estate Scotland shall review and share the Fixed Asset Register and Investment Valuation as at the year end with the Sponsorship Team on an annual basis by 30 June following the year end.

7.2 Disposal Of Assets

- Crown Estate Scotland shall maintain an accurate and up-to-date record of its current and non-current assets consistent with the [Property: Acquisition, Disposal and](#)

[Management section of the SPFM](#). Disposal of any assets should be in accordance with the [SPFM](#).

- The Scottish Government's Property Controls Team should be notified via the Sponsor Team of relevant proposed disposals of property held by Crown Estate Scotland for operational purposes (as opposed to those held for investment purposes) at the earliest opportunity and should then submit them for trawl at least 1 month prior to being advertised on the open market.
- Any proposal to acquire land, buildings or other rights in property, unless covered by a specific exemption, should comply with the SPFM, taking account of the statutory duties as regards management of the Crown Estate. Crown Estate Scotland is also subject to the [SG Asset Management Policy](#) and the Property Controls Team should be consulted as early as possible via the Sponsor Team when considering any transactions which are covered by this.
- Information concerning Crown Estate Scotland should be accurately recorded and updated as necessary on the Office of Government Commerce electronic Property Information Mapping System.

7.3 Investments

Crown Estate Scotland will undertake investment in line with its legislative duties.

7.4 Recovery of Grant-Financed Assets

Where Crown Estate Scotland has financed expenditure on capital assets by a third party, Crown Estate Scotland shall use its best endeavours to ensure that any such assets above an agreed value are not disposed of by the third party without Crown Estate Scotland's prior consent. Crown Estate Scotland shall therefore ensure that such conditions are sufficient to secure the repayment of its due share of the proceeds - or an appropriate proportion of them if the grant was for less than the whole cost of acquisition and/or sale or improvement.

Crown Estate Scotland shall also ensure that if the assets created by grants made by Crown Estate Scotland cease to be used by the recipient of the grant within **5 years from the date** of completion for the intended purpose an appropriate proportion of the value of the asset shall be repaid to Crown Estate Scotland.

8 BANKING

Crown Estate Scotland's Chief Executive is responsible for ensuring that Crown Estate Scotland's banking arrangements safeguard public funds and are carried out efficiently, economically and effectively.

9 MOVEMENT BETWEEN REVENUE AND CAPITAL

A transfer, or transfers, from revenue to capital is permitted each year, such transfer(s) being equal, in aggregate, to the sum calculated as 9% of the previous year's gross revenue. Any changes to vary 9% requires the approval of the Scottish Ministers. In addition, the gross annual income received, and the expenses incurred, from or in connection with mining leases or the working of mines or minerals shall be carried or charged as to one half to

capital account and one half to revenue account. Funds transfers are permitted between revenue (the income account) and capital to assist with the management of cash flow. In line with [the 2017 Order](#) (article 20 (2) (b)) and/or [the 2019 Act](#) once commenced, any such transfer must be repaid. Any proposal to delay repayment until after the financial year must be approved by the Sponsor Team.

Where appropriate staff (and related) costs are charged to, and recovered from, the capital account.

10 TAX

Non-standard tax management arrangements should always be regarded as novel and/or contentious and must therefore be approved in advance by the Scottish Government.

Relevant guidance is provided in the [Tax Planning and Tax Avoidance section of the SPFM](#). Crown Estate Scotland must comply with all relevant rules on taxation, including VAT. All individuals who would qualify as employees for tax purposes should be paid through the payroll system with tax deducted at source. It is the responsibility of Crown Estate Scotland to observe VAT legislation and recover input tax where it is entitled to do so. Crown Estate Scotland must also ensure that it accounts properly for any output tax on sales or disposals.

APPENDIX A

PART 2: FINANCIAL MEMORANDUM FOR CROWN ESTATE SCOTLAND - SPECIFIC LIMITS ON DELEGATED AUTHORITY

Category	Delegated Limit
Capital transactions	£3.5Million
Revenue Spend	£950,000
Single-tender contracts	£50,000
Claims waived or abandoned	£150,000
Write-off of bad debt and impairments	£150,000
Special payments	£2,000