

**ARGYLL AND BUTE COUNCIL OFFICER RESPONSE TO THE CROWN ESTATE
SCOTLAND: RURAL ASSETS STRATEGY CONSULTATION**

1.0 INTRODUCTION

- 1.1 The purpose of this report is to update members of the Environment, Development and Infrastructure (EDI) Committee with the officer response to the Crown Estate Scotland: Rural Assets Strategy Consultation.
- 1.2 Argyll and Bute Council's Strategic Management Team (SMT) delegated the requirement for a response to the Economic Growth section of the Economic Development and Strategic Transportation Service. SMT reviewed the response prior to the submission deadline of Friday, 26th April 2019

2.0 RECOMMENDATIONS

- 2.1 Members are asked to:
- Approve the response to this consultation, outlined in **Appendix A**, which was submitted as an officer response on 24th April 2019 (deadline 26th April 2019) subject to EDI Committee approval.

3.0 DETAIL

- 3.1 Crown Estate Scotland manages property and natural resources – seabed, coastline, rural estates and more – to deliver wider value. The assets (which collectively make up the Scottish Crown Estate) are dynamic – Crown Estate Scotland can invest in new assets, can engage in development, and can sell property to raise capital.
- 3.2 It was deemed important for Argyll and Bute Council officers to submit a response to ensure that going forward Crown Estate Scotland's rural assets are used and managed appropriately across Argyll and Bute to allow businesses and communities to thrive.
- 3.3 The outcome of this consultation will be the production of a Rural Assets Strategy, 2019-2023, aligned with wider Scottish Government policy and guidance. In particular, this strategy will assist with mainstreaming the rural economy and embedding it in the Scottish Government's National

Performance Framework, meeting a key recommendation from the National Council of Rural Advisers consultation exercise in 2018.

- 3.4 The consultation focused initially (questions 1 to 5) on the guiding principles and strategic considerations/priorities that need to be addressed in the Rural Assets Strategy. The feedback on the strategic priorities (plus the responses to the other consultation questions) will feed into Crown Estate Scotland's next Corporate Plan. The Corporate Plan is due to be in place next year and will be out for consultation later this year.
- 3.5 The other themes and issues responded to within this consultation were as follows:
- Agricultural assets, questions 6-9;
 - Community engagement and involvement, questions 10-11;
 - Other rural assets, including:
 - forestry, questions 12-14
 - residential property, questions 15-16
 - minerals, questions 17-18
 - wild salmon fishing, questions 19-22
 - built development / rural development, questions 23-25;
 - Countryside and environment, questions 26-29; and
 - Future asset purchases, question 30.
- 3.6 Although the deadline for this consultation has now passed, committee views will be sent by e-mail to the Head of Corporate Affairs and Policy, Crown Estate Scotland.
- 3.7 It should be noted that the strategy will be distinct from local authorities' local development plans that consider spatial, sector specific or regulatory compliance/planning consent issues, the focus is on how Crown Estate Scotland actively manages land and property on the Scottish Crown Estate to drive inclusive sustainable development.

4.0 CONCLUSION

- 4.1 Overall the main substance of the officer response is that through Crown Estate Scotland's rural assets (farms, forests, residential properties, mineral resources and other assets) a range of socio-economic, environmental and community benefits are generated and realised. This includes indirect economic impacts through the supply chain, as well as social impacts for communities, enabling local businesses to grow and thrive.

5.0 IMPLICATIONS

5.1	Policy	A Crown Estate Scotland Rural Assets Strategy with a focus on the management of land and property will provide a useful reference document for council members and officers. In particular, it is welcomed that this strategy will assist with mainstreaming the rural economy and embedding it in the Scottish Government's National Performance Framework, meeting a key recommendation from the National Council of Rural Advisers consultation exercise in 2018.
5.2	Financial	None.
5.3	Legal	All appropriate legal implications will be taken into consideration.
5.4	HR	None.
5.5	Equalities/Fairer Scotland Duty	All activities will comply with all Equal Opportunities policies and obligations.
5.6	Risk	To mitigate the risk of issues not being captured for the Argyll and Bute area through this consultation, Argyll and Bute Council officers submitted a response in the timescales given.
5.7	Customer Services	None.

Pippa Milne, Executive Director of Development and Infrastructure
Cllr Aileen Morton, Leader and Policy Lead for Economic Development
3rd May 2019

APPENDIX A: Argyll and Bute Officer Response

Crown Estate Scotland: Rural Asset Strategy Consultation (deadline, 26th April 2019)

Crown Estate Scotland needs to develop a strategy for the rural assets which reflects:

- the priorities and aspirations of rural communities;
- a wider cross-section of interests such as organisations working to enhance productivity of land and develop new ways to promote sustainable economic growth;
- Scottish Government policy; and
- wider economic trends.

The consultation will inform the rural assets strategy and feed into the 2020-23 Corporate Plan.

Argyll and Bute Officer Response (shown in bold font under each question)

Question 1: Do you think these principles are appropriate for the rural assets strategy? Please give reasons for your answer.

Argyll and Bute Council officers agree with the principles stated. Greater prominence of inclusive sustainable development and unlocking economic potential, over and above purely financial measures, is welcomed.

Guiding Principles

Below we propose principles to guide decision-making. These reflect our responsibilities under the Scottish Crown Estate Act 2019 (which is yet to be fully implemented) to enhance revenue and capital value while contributing to wider social, environmental and economic benefits.

1. We will make decisions based on the value (financial and non-financial) that we can add to assets and natural resources.
2. We will seek to ensure each type of asset we manage is financially sustainable and we act responsibly to ensure appropriate returns in line with the requirements of the Scottish Crown Estate Act.
3. Our decisions regarding our financial investments are driven by the contribution they make to inclusive sustainable development, helping to unlock economic potential, as well as the sustainability of Crown Estate Scotland as a business.
4. We will work with communities and stakeholders to increase empowerment and resilience.
5. The long-term environmental sustainability of the assets in our care is a priority, including the protection, enhancement and quality of natural capital.
6. We will manage, invest and divest so that the Scottish Crown Estate evolves in a way that increases its value to society.

Question 2: From the principles listed above, please choose the three you think are the highest priority and rank them 1 (very high priority) to 3 (lower priority).

1 (very high priority): 3

2 (medium priority): 4

3 (lower priority): 1

Question 3: Please identify any additional guiding principles you think Crown Estate Scotland should include in the rural strategy.

The principle of subsidiarity should be included, so that decisions are taken as close as possible to those affected by them and that one size should not fit all.

5.1 Strategic priorities and considerations -

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

- Market and non-market impacts including those associated with Brexit and fluctuating commodity markets.
- On the rural estates significant ongoing capital investment, particularly on farm buildings and residential properties is required, to meet our statutory obligations and to ensure we are a good landlord. The historic growth in land values are also levelling off and may decline in the future.
- Land values - if we have assets that are declining in value and / or require significant ongoing expenditure without a corresponding capital value increase, we must consider the impact this has on Crown Estate Scotland overall and whether it is right to retain these assets or to compensate for this by ensuring there is capital growth in other assets in our care.
- Divestment - as we cannot borrow, we need to use the capital generated from sales of rural assets for reinvestment both in the rural estate and elsewhere. Unlike other parts of the portfolio, the rural estates include property that can be sold (seabed and foreshore cannot normally be sold or is of limited value). The strategy will need to inform decisions about which rural assets we retain and which ones we sell to fund work that delivers wider benefits for Scotland.

Question 4: Above we outline some of what we consider to be strategic considerations. What do you think are the key external considerations that should be addressed by the rural assets strategy?

Key external strategic consideration are as follows:

- **to work with stakeholders to enable the leverage of funding;**
- **identify other stakeholders that might be able to manage assets more effectively; and**
- **review of the assets under current management as to whether they will provide the best returns.**

Question 5: What should the main objectives be for this strategy? In answering this, please consider, who should benefit from Crown Estate Scotland managing rural assets?

While there is no definitive position of what the main objectives of this strategy will be, Argyll and Bute Council officers concur that there are a range

of socio-economic, environmental and community public benefits that are generated from rural assets (farms, forests, residential properties, mineral resources and other assets). This includes indirect economic impacts through the supply chain as well as social impacts for communities through enabling local businesses to grow and thrive.

5.2 Agricultural Assets

Question 6: Should Crown Estate Scotland continue to be a significant provider of agricultural tenancies, whatever the cost, or should there be a rebalancing of the assets for financial sustainability?

Argyll and Bute Council officers do not necessarily agree with “whatever the cost”. If agriculture can still produce a steady positive income stream and will continue to do so combined with further diversification and other uses of the land, then it might be sensible to retain Crown Estate Scotland’s holding in these assets. However, if there are investment options and opportunities available, which will produce better returns from the capital held in the agriculture assets, this should be considered. We believe it is important that a diverse portfolio is held and assets complement the management classes the Crown Estate has held previously.

Question 7: Assuming Crown Estate Scotland continues to be a long-term manager of let agricultural land, what should be the priorities that a future strategy should address?

Crown Estate Scotland should address the potential changes in agricultural subsidy environment. Crown Estate Scotland should prepare a structured plan towards ensuring the estates further diversify their income streams, restructure tenancy agreements to ensure returns can be made for tenants, where the value of future land use is factored in and maximised. In addition, continued investment in research and diversification to ensure agricultural productivity gains should be addressed.

Question 8: How can Crown Estate Scotland best fund the extensive capital investment requirements on the agricultural estate without reducing public benefit investment in other sectors?

Crown Estate Scotland might look to divest other agricultural holdings to invest in the ones which offer the best commercial viability and diversification in the longer-term.

Question 9: How should a future strategy inform decisions regarding which assets might be sold and which should be retained in the longer-term?

Decisions on which assets might be sold should link back to the guiding principles and strategic priorities. The future strategy should be explicit in the considerations which need to be made in reviewing the assets. There needs to be some level of transparency (up to a point of commercial sensitivity) on how decisions have been made.

5.3 Community Engagement and Involvement

Question 10: What do you consider to be the key opportunities to involve local communities in the work of Crown Estate Scotland?

Key opportunities to involve local communities are as follows:

- **community bodies can access funding which public agencies are unable to do so;**
- **communities can help provide services which provide environmental and social benefits not just financial; and**
- **local people and communities are sometimes best placed to manage and advise at a very local level.**

Question 11: How can we remove barriers to communities being able to input into decision-making?

Consultation activity such as this allows input and feedback to be provided on the Crown Estate Scotland's activity which is positive. Local communities should be considered important stakeholders, involved and informed in decision making. The implementation of stakeholder groups could be of value at a local level. The improved use of digital communication for online engagement with stakeholders should be considered.

5.4 Other rural assets

5.4.1 Forestry

Question 12: Should Crown Estate Scotland seek to be a long-term investor / manager of new commercial forest areas or are other bodies (such as Forestry and Land Scotland) better placed to manage forests in the public interest?

If the skills and specialist management expertise for commercial forestry management already exist within Forestry and Land Scotland there could be the benefit of economies of scale. If Crown Estate Scotland does not have these skills and they already exist in other public agencies then it might be better to transfer ownership to realise efficiencies in management.

Question 13: What are the key factors / priorities that should be taken into account in the management of Scottish Crown Estate woodland and forest assets?

The transfer of ownership, or if more commercial returns can be realised through further changes in land usage in the estates to commercial forestry then these should be realised, but this should be reviewed as part of the overall commercial assessment of the estates.

Question 14: Should a different approach be taken to invest in new woodlands on the Estate to help integrate forestry into wider land use? E.g. through the sale of existing woodland to support investment in new planting elsewhere.

Possibly, no Argyll and Bute Council officer view on this.

5.4.2 Residential property

Question 15: What factors should be taken into account when we decide to retain, sell and / or buy residential property assets?

Factors to be considered are as follows:

- **whether investment in the property might gain a more significant rental value;**
- **if house prices within the locality of the property will rise over time;**
- **tenure balance of the local housing markets;**
- **housing demands and need analysis;**
- **local economic development plans;**
- **changes in landlord legislation might impact on how residential property assets are currently managed; and**
- **whether it might support other areas of the Crown Estate Scotland's work.**

Question 16: What are the key factors that should be taken into account in the strategy regarding the future residential portfolio?

Some assessment and analysis on what short and medium earnings will be. In addition consideration needs to be given to the coordination of the local housing market and coupled with the needs of the local economy.

5.4.3 Minerals

Question 17: Are there any specific issues relating to mineral workings on the Scottish Crown Estate that should be addressed in a future strategy?

Unknown.

Question 18: Should Crown Estate Scotland actively seek mineral development opportunities (e.g. sand and gravel extraction) where these exist within the current portfolio and elsewhere, through the purchase of new sites?

There would need to be a clear business case for the purchase of new sites, compared with any accessible sites the Crown Estate is already responsible for. The long term impact on the local environment, local economy and local communities needs to be fully evaluated with respect to any developments being investigated. Strong values and decisions ensuring social and environmental responsibility (e.g. mineral extraction).

5.4.4 Wild Salmon Fishing

Question 19: Should Crown Estate Scotland be managing these rights in a different way? If so, please explain.

No. Crown Estate Scotland should continue to operate in a similar way. Questions might be raised on whether salmon fishing is sustainable across Scotland in its current form. Crown Estate Scotland should continue to liaise with other regulating authorities; contact with local clubs is the best way to engage at a local level.

Question 20: Should Crown Estate Scotland continue to provide support through financial rebates to local angling clubs and tenants of beats in category three conservation rivers to allow them to continue to manage the rights locally? If not, please suggest an alternative approach.

Yes, if it is deemed that the activities are conservation objectives. If interest in the fishing activity is suffering and conservation is prioritised to try and assist replenishing fish stocks it might be deemed that this method of management cannot continue.

The provision of Crown Estate Scotland rebates supports the local clubs to continue the functions they help serve, such as enforcement and management of permits.

Question 21: Should Crown Estate Scotland consider selling some salmon fishing rights to fund investment?

Yes. Subject to adhering to the principles and priorities already outlined in this Argyll and Bute Council officer response and listed in the consultation.

Question 22: Bearing in mind that in most cases Crown Estate Scotland do not own the river bank or river bed, do you believe they should be investing in their salmon fishing interests and if so in what way?

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

It would still seem sensible to allow for investment in salmon fishing rights, given that investments might allow for initiatives where Crown Estate Scotland is likely to receive a higher amount from the leases.

5.4.5 Built Development / Rural Development

Question 23: What should the priorities be for built development on the existing rural assets?

To continue to work with planning departments to recognise areas of need, opening up new sites and helping support rural local economies in a sustainable manner. It would be beneficial to consider housing development in support of economic development opportunities in rural areas.

Question 24: Should Crown Estate Scotland actively seek new built development opportunities through the purchase of new areas of land?

Yes. It might be beneficial to ensure all opportunities within existing land are scoped and exhausted before purchasing new land. The purchasing of new areas of land to support new developments could then be used to enhance or complement existing land already in Crown Estate Scotland's control.

Question 25: Should Crown Estate Scotland seek to promote/support the development of renewable energy schemes (wind, solar, hydro, biomass) on the rural assets in line with relevant strategic planning guidance/priorities and working with relevant stakeholders? If so, how high a priority should be given to renewable energy development in the future strategy?

Yes, Renewable energy development should be treated similar to other investments based on financial return and carbon impact.

5.5 Countryside and environment

Question 26: How should a rural strategy address the requirement to enhance and protect natural capital and promote more sustainable use of natural resources?

A rural strategy should ensure that Crown Estate Scotland is a responsible land manager and endeavours where possible to promote sustainable and environmental values.

Question 27: What should be the key priority for the strategy in relation to biodiversity and wildlife management?

That it follows closely best practice in land management and ensures that Crown Estate Scotland tenants similarly follow high standards in relation to biodiversity and wildlife management requirements and this is written into contractual agreements to adhere to high standards of management practices. This will support tenants to deliver high standards of biodiversity and wildlife management practices, as well as linking to international, national and local organisations dedicated to the conservation of habitats and species.

Question 28: Are there other strategic natural capital or environmental issues or opportunities that the strategy should address and if so what are these?

None identified at this time.

Question 29: How should the strategy prioritise investment in projects that enhance cultural and natural heritage infrastructure of most benefit to local communities and visitors to the Scottish Crown Estate?

Opportunities should be identified with local communities on any areas which enhance cultural and natural heritage.

5.6 Future asset purchases

Question 30: What should the priorities be for future acquisitions of property be and what benefits should Crown Estate Scotland focus on delivering in a future purchasing strategy?

Crown Estate Scotland should continue to be a commercial partner and look at areas for joint investment with other public agencies, private and third sector partners, as appropriate. Future investments which support economic development and growth of rural economies should be a priority.